

**THE TSX VENTURE EXCHANGE INC. NOR ANY SECURITIES REGULATORY AUTHORITY HAS IN ANY WAY PASSED UPON THE MERITS OF THE QUALIFYING TRANSACTION DESCRIBED IN THIS FILING STATEMENT.**

## **BAYVIEW PUBLIC VENTURES INC.**

### **FILING STATEMENT**

**DATED September 8, 2008**

**CONCERNING THE QUALIFYING TRANSACTION INVOLVING THE ACQUISITION OF ALL THE ISSUED AND OUTSTANDING SHARES IN THE CAPITAL OF CATCH THE WIND, INC. ("CTW") BY BAYVIEW PUBLIC VENTURES INC. (THE "CORPORATION").**

**ALL INFORMATION CONTAINED IN THIS FILING STATEMENT WITH RESPECT TO THE CORPORATION WAS SUPPLIED BY THE CORPORATION AND ALL INFORMATION CONTAINED IN THIS FILING STATEMENT WITH RESPECT TO CTW WAS SUPPLIED BY CTW.**

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EXHIBIT "B" - FINANCIAL STATEMENTS OF CATCH THE WIND, INC.

EXHIBIT "C" - PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER

## FORWARD LOOKING STATEMENTS

This Filing Statement contains forward-looking statements concerning the future results, future performance, intentions, objectives, plans and expectations of the Corporation, CTW and the Resulting Issuer. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking statements include known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, CTW or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: (a) the intention to complete the Qualifying Transaction; (b) the description of the Resulting Issuer that assumes completion of the Qualifying Transaction; and (c) the intention to grow the business and operations of the Corporation, CTW and the Resulting Issuer. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Filing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain necessary financing; satisfy conditions under the Agreement; satisfy the requirements of the Exchange with respect to the Qualifying Transaction; the economy generally; customer interest in the services and products of CTW and the Resulting Issuer; competition; and anticipated and unanticipated costs. Forward-looking statements are not guarantees of future performance. These forward-looking statements should not be relied upon as representing the views of the Corporation or CTW as of any date subsequent to the date of this Filing Statement. Although the Corporation and CTW have each attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation, CTW or the Resulting Issuer. Additional factors are noted under the heading "Part III: Information Concerning the Resulting Issuer – Risk Factors".

The forward-looking statements contained in this Filing Statement are expressly qualified in their entirety by this cautionary statement and by the risk factors described in this Filing Statement under the heading "Part III – Information Concerning the Resulting Issuer – Risk Factors." The forward-looking statements included in this Filing Statement are made as of the date of this Filing Statement and neither CTW nor the Corporation undertakes any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise.

## **MARKET AND INDUSTRY DATA**

The market and industry data contained in this Filing Statement is based upon information from independent industry and other publications and CTW's management's knowledge of, and experience in, the industry in which CTW operates. None of the sources of market and industry data have provided any form of consultation, advice or counsel regarding any aspect of, or are in any way whatsoever associated with, the Qualifying Transaction. Market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. None of the Corporation, CTW or the Agent have independently verified any of the data from third party sources referred to in this Filing Statement or ascertained the underlying assumptions relied upon by such sources.

## A. GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Filing Statement including the Summary hereof. Terms and abbreviations used in the financial statements of the Corporation and in the appendices to this Filing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. All dollar amounts herein are in Canadian dollars, unless otherwise stated.

"**1934 Act**" means the *United States Securities Exchange Act of 1934*, as amended;

"**Affiliate**" means a company that is affiliated with another company as described below:

A company is an "Affiliate" of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

A company is "controlled" by a person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person, and
- (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company.

A person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that person, or
- (b) an Affiliate of that person or an Affiliate of any company controlled by that person;

"**Agency Agreement**" means the agency agreement between the Agents, CTW and the Corporation dated July 30, 2008;

"**Agents**" means, collectively, the Lead Agent and the IPO Agent;

"**Agents Options**" means the options to purchase CTW Shares granted by CTW to the Agents pursuant to the Agency Agreement, entitling the Agents to collectively purchase that number of CTW Shares as is equal to 10% of the total number of Subscription Receipts sold in the Private Placement;

"**Agreement**" means the acquisition agreement dated September 3, 2008 among the Corporation, CTW and Bayview SubCo, including the merger agreement to be executed by such parties, pursuant to which the Corporation will acquire all of the CTW Shares through a three cornered merger;



"**Amalco**" means Catch the Wind, Inc., being the company continuing following the merger of CTW and Bayview SubCo, which will be a wholly-owned subsidiary of the Resulting Issuer following completion of the Qualifying Transaction;

"**Amalco Shares**" means the common shares of Amalco;

"**Amalgamation**" means the merger of CTW and Bayview SubCo to be completed pursuant to the Virginia Stock Corporation Act and the terms and conditions of the Agreement, pursuant to which: (a) all of the security holders of CTW will become security holders of the Resulting Issuer; and (b) Amalco will become a wholly-owned subsidiary of the Resulting Issuer;

"**Amended and Restated Stock Option Plan**" means the amended and restated stock option plan of the Resulting Issuer to be adopted in connection with the completion of the Qualifying Transaction;

"**Associate**" when used to indicate a relationship with a person, means:

- (c) an Issuer of which the person beneficially owns or controls, directly or indirectly, voting securities entitling the person to more than 10 percent of the voting rights attached to all outstanding voting securities of the Issuer;
- (d) any partner of the person;
- (e) any trust or estate in which the person has a substantial beneficial interest or in respect of which the person serves as trustee or in a similar capacity; and
- (f) in the case of a person who is an individual
  - (i) that person's spouse or child, or
  - (ii) any relative of that person or of his spouse who has the same residence as that person; but
- (g) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

"**Available Funds**" means the funds that are expected to be available to the Resulting Issuer on completion of the Qualifying Transaction, as set out in "Part III - Information Concerning the Resulting Issuer - Available Funds and Principal Purposes";

"**AWEA**" means the American Wind Energy Association;

"**Bayview Meeting**" means the special meeting of Shareholders to be held on September 5, 2008;

"**Bayview SubCo**" means Bayview Public Ventures Amalco Inc., a wholly-owned subsidiary of the Corporation;

"**Bayview SubCo Shares**" means the common shares in the capital of Bayview SubCo;

"**Board of Directors**" means the board of directors of the Corporation or the Resulting Issuer, as the context so requires;

"**Business Day**" means any day other than a Sunday, Saturday or a day on which banking institutions in either Toronto, Ontario or Manassas, Virginia are authorized or obligated by law to close;

"**CEO**" means Chief Executive Officer;

"**CFO**" means Chief Financial Officer;

"**CICA**" means the Canadian Institute of Chartered Accountants;

"**Closing**" means the closing of the acquisition by the Corporation of all of the issued and outstanding CTW Shares pursuant to the provisions of the Agreement and the issuance of the Final Exchange Bulletin by the Exchange;

"**Closing Date**" means the date on which the Closing occurs, which is scheduled to be September 15, 2008, or such earlier or later date as the parties may agree;

"**Common Shares**" means the common shares in the capital of the Corporation prior to giving effect to the Delaware Domestication and the Qualifying Transaction;

"**Consolidation**" means the consolidation of the Common Shares, and all outstanding options and warrants to purchase Common Shares, on the basis of one post-Consolidation Common Share for every 4.99 Common Shares, or options or warrants to purchase Common Shares, issued and outstanding immediately before the Consolidation, to occur immediately prior to the completion of the Amalgamation, Delaware Domestication and the Qualifying Transaction;

"**Control Person**" means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an Issuer so as to affect materially the control of that Issuer, or that holds more than 20% of the outstanding voting securities of an Issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Issuer;

"**Corporation**" or "**Bayview**" means Bayview Public Ventures Inc., a corporation incorporated under the OBCA;

"**CPC**" mean a corporation:

- (h) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and

- (i) in regard to which the completion of the Qualifying Transaction has not yet occurred;

"**CPC Escrow Shares**" means the Escrow Shares (as the same exist following completion of the Consolidation and Delaware Domestication) held in escrow pursuant to Section 1.1 of Exchange Policy 2.4 (Capital Pool Companies);

"**CPC Policy**" means *Exchange Policy 2.4 Capital Pool Companies of the TSX Venture Exchange Corporate Finance Manual*;

"**CTW**" means Catch the Wind, Inc., a corporation incorporated pursuant to the laws of the Commonwealth of Virginia;

"**CTW Shareholders**" means the holders of all of the issued and outstanding shares of common stock of CTW as at the moment immediately prior to the completion of the Qualifying Transaction (but not including holders of Subscription Receipts under the Private Placement), being Philip L. Rogers, Alisa Kramer Rogers, Elizabeth Anne Dakin, Daniel Rogers and Jonathan Rogers;

"**CTW Shares**" means the shares of common stock of CTW, including shares issuable upon the deemed exercise of the Subscription Receipts pursuant to the Private Placement;

"**CWEA**" means the Canadian Wind Energy Association;

"**Delaware Domestication**" means the continuance of the Corporation from the Province of Ontario and the domestication of the Corporation into the State of Delaware;

"**DGCL**" means the Delaware General Corporation Law, including the regulations promulgated thereunder, as amended;

"**Escrow Agreement**" means the escrow agreement dated January 30, 2007 among the Corporation, the Escrow Trustee and certain Shareholders of the Corporation relating to the escrow of the CPC Escrow Shares;

"**Escrow Shares**" means the 3,050,000 Common Shares currently held in escrow under the terms of the Escrow Agreement pursuant to the policies of the Exchange;

"**Escrow Trustee**" means Equity Transfer & Trust Company;

"**EWEA**" means the European Wind Energy Association;

"**Exchange**" means the TSX Venture Exchange Inc.;

"**Filing Statement**" means this Filing Statement dated September 8, 2008, together with all exhibits attached hereto and including the summary hereof;

"**Final Exchange Bulletin**" means the Exchange bulletin issued following Closing and the submission of all required documentation that evidences final Exchange acceptance of the

Qualifying Transaction;

"**GAAP**" means the current accounting principles recommended by CICA in the CICA Handbook at the relevant time, or in the event that the matter is not covered in the CICA Handbook, principles having general acceptance among accounting professionals in Canada at the particular time, in each case applied on a consistent basis;

"**Initial Public Offering**" means the initial public offering of Common Shares by the Corporation that closed on March 29, 2007 pursuant to the final prospectus dated March 13, 2007;

"**Insider**" as used in relation to an Issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of a company that is an Insider or subsidiary of the Issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities;

"**IPO Agent**" means Canaccord Capital Corporation;

"**Issuer**" means a company and its subsidiaries which have any of its securities listed for trading on the Exchange and, as the context requires, any applicant company seeking a listing of its securities on the Exchange;

"**kW**" means kilowatt, a unit of electrical power equal to 1,000 watts;

"**kWh**" means kilowatt hour;

"**Lead Agent**" means Research Capital Corporation, the lead agent for the Private Placement;

"**License Agreement**" means the license agreement dated September 3, 2008 by and between Optical Air and CTW;

"**Lockhead Martin**" means the Lockheed Martin Corporation;

"**Member**" has the meaning in Exchange Rule A 1.00;

"**Nameplate Capacity**" means the maximum rated output of a turbine generator. By way of example, a 1500 kW nameplate capacity wind turbine will produce 1500 kW of power when operating at its stated output;

"**New Common Shares**" means the common shares in the capital of the Corporation after giving effect to the Delaware Domestication and the Qualifying Transaction;

**"Non-Arm's Length Parties"** means: (a) in relation to a company: (i) a promoter, officer, director, other insider or Control Person of that company and any Associates or Affiliates of any such persons; or (ii) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same promoter, officer, director, insider or Control Person as the company; and (b) in relation to an individual, any Associate of the individual or any company of which the individual is a promoter, officer, director, insider or Control Person;

**"Non Arm's Length Parties to the Qualifying Transaction"** means the Vendor(s) (as defined in the CPC Policy), any Target Company(ies) (as defined in the CPC Policy) and includes, in relation to Significant Assets or Target Company(ies), the Non Arms' Length Parties of the Vendor(s), the Non Arm's Length Parties of any Target Company(ies) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties;

**"OBCA"** means the *Business Corporations Act* (Ontario), including the regulations promulgated thereunder, as amended;

**"Optical Air"** means Optical Air Data Systems, LLC;

**"person"** or **"persons"** includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity;

**"Principal"** has the meaning ascribed thereto in Section 1.2 of Exchange Policy 1.1 (Interpretation);

**"Private Placement"** means the brokered, best-efforts private placement of Subscription Receipts to be completed by CTW prior to and in contemplation of the completion of the Qualifying Transaction for aggregate gross proceeds of \$15,000,700;

**"Private Placement Price"** means \$1.30, the price at which each Subscription Receipt will be sold under the Private Placement;

**"QT Escrow Agreement"** means TSX Venture Exchange Form 5D - Value Escrow Agreement, pursuant to which all of the New Common Shares to be issued by the Corporation to the CTW Shareholders as consideration for all of the issued and outstanding CTW Shares held by them in connection with the Qualifying Transaction, together with 154,000 New Common Shares issued to certain Insiders of the Resulting Issuer in connection with the exchange of Subscription Receipts pursuant to the Private Placement, will be deposited and held by the Escrow Trustee as Value Escrow Shares pursuant to the policies of the Exchange;

**"Qualifying Transaction"** means the purchase of all of the issued and outstanding CTW Shares by the Corporation pursuant to the terms of the Agreement, as more particularly described in this Filing Statement;

**"Regulation S"** means Regulation S under the Securities Act;

**"Resale Restrictions"** has the meaning ascribed thereto in Section 1.2 of Exchange Policy 1.1 (Interpretation);

**"Resulting Issuer"** means the Corporation as it will exist upon completion of the Delaware Domestication and the Qualifying Transaction;

**"Resulting Issuer Agents Options"** means the options of the Resulting Issuer for which the Agents Options will be exchanged on the completion of the Amalgamation and which will then be exercisable for New Common Shares at a price equal to the Private Placement Price for a period of 24 months following the completion of the Qualifying Transaction;

**"Resulting Issuer Incentive Options"** means the options to be granted by the Resulting Issuer to certain directors, officers, employees and consultants of the Resulting Issuer and its Affiliates under the Amended and Restated Stock Option Plan;

**"Resulting Issuer Options"** means the Resulting Issuer Incentive Options and the Resulting Issuer Agents Options;

**"Rockwell Collins"** means Rockwell Collins, Inc.;

**"Rockwell Collins License Agreement"** means the license agreement dated December 19, 2006 between Optical Air and Rockwell Collins;

**"SEC"** means the U.S. Securities and Exchange Commission

**"Securities Act"** means the *United States Securities Act of 1933*, as amended;

**"Securities Laws"** has the meaning ascribed thereto in Section 1.2 of Exchange Policy 1.1 (Interpretation);

**"Services Agreement"** means the services agreement dated September 3, 2008 between Optical Air and CTW;

**"Shareholder"** means a holder of Common Shares of the Corporation prior to completion of the Delaware Domestication and the Qualifying Transaction;

**"Significant Assets"** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by a CPC, together with any other concurrent transactions, would result in the CPC meeting the minimum listing requirements of the Exchange;

**"Sublease"** means the sublease agreement dated September 1, 2008 between CTW and Optical Air;

**"Subscription Receipt Agreement"** means the subscription receipt agreement by and between the Lead Agent, CTW and the Escrow Trustee dated July 30, 2008, which governs the creation, issuance and exchange of the Subscription Receipts;

**"Subscription Receipts"** means the subscription receipts of CTW issued to subscribers under the Private Placement, with each subscription receipt entitling the holder thereof to receive, for no additional consideration, one common share of CTW;

"U.S." means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"U.S. Persons" means a person that is a resident of the U.S.;

"Value Escrow Shares" means New Common Shares to be held in escrow pursuant to Section 4 of Exchange Policy 5.4 (Escrow, Vendor Consideration and Resale Restrictions) and, for a Tier 2 Issuer, released in accordance with the following timeline:

Release Dates	Percentage of Total Escrowed Securities to be Released
On the date Issuer's securities are listed on the Exchange (the listing date)	1/10 of the escrow securities
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	All remaining escrow securities

"Vindicator System" means the laser-based light detection and ranging wind sensor system developed by Optical Air for the measurement of three dimensional wind speed and direction, the technology for which has been licensed to CTW pursuant to the terms of the License Agreement;

"WEICAN" means the Wind Energy Institute of Canada; and

"WWEA" means the World Wind Energy Association.

## **B. SUMMARY OF FILING STATEMENT**

THE FOLLOWING IS A SUMMARY OF INFORMATION RELATING TO THE CORPORATION, CTW AND THE QUALIFYING TRANSACTION AND SHOULD BE READ TOGETHER WITH THE MORE DETAILED INFORMATION AND FINANCIAL DATA AND STATEMENTS CONTAINED ELSEWHERE IN THIS FILING STATEMENT.

Reference is made to the Glossary of Terms for the definitions of certain abbreviations and terms used in this Filing Statement and in this summary.

### **The Qualifying Transaction and Related Transactions**

The Corporation is a capital pool company pursuant to the policies of the Exchange and to date has not carried on any operations. The principal business of the Corporation has been to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance for filing by the Exchange.

Under the Agreement, the Corporation has agreed to acquire all of the CTW Shares. CTW is a private company incorporated pursuant to the laws of the Commonwealth of Virginia. The principal business of CTW is the manufacture, production and sale of the Vindicator System.

Pursuant to the Agreement, the Corporation will satisfy the transaction price for the CTW Shares by issuing an aggregate of 36,539,000 New Common Shares to the holders of CTW Shares at a deemed price, on a post-Consolidation basis of, \$1.30 per share. In addition, contemporaneously with and subject to the completion of the Qualifying Transaction, and subject to Exchange approval, the Corporation will issue 76,923 New Common Shares to the IPO Agent in connection with services provided by the IPO Agent relating to the sourcing of the Qualifying Transaction at a deemed price, on a post-Consolidation basis, of \$1.30 per share.

The Corporation entered into the Agreement with CTW, pursuant to which CTW has agreed to merge with Bayview SubCo to continue as Amalco, and whereby the Corporation will acquire all of the outstanding shares of CTW in exchange for New Common Shares on a post-Consolidation basis of one CTW Share for each New Common Share, some of which will be subject to escrow restrictions pursuant to the policies of the Exchange.

Prior to the completion of the Qualifying Transaction, and subject to Exchange approval:

- (a) CTW will complete the Private Placement to raise gross proceeds of \$15,000,700. The Agents will act as the agents for the Private Placement. The Agents will receive a fee consisting of (i) cash equal to 7% of the gross proceeds raised under the Private Placement (50% of which was paid to the Agents on the closing date of the Private Placement, subject to the condition that such amount shall be forthwith paid by the Agents to the holders of Subscription Receipts on a pro-rata basis if the Qualifying Transaction is not completed on or before September 15, 2008); and (ii) Agents Options to purchase that number of common shares of CTW as is equal to 10% of the total number of Subscription Receipts sold under the Private Placement, exercisable at a price of \$1.30 per share at any time before



5:00 p.m. (Toronto time) on the date which is 24 months following completion of the Qualifying Transaction; and

- (b) The Corporation proposes to: (i) complete the Consolidation of 4.99 Common Shares into 1 Common Share; and (ii) complete the Delaware Domestication by continuing the Corporation from the Province of Ontario to the State of Delaware. See "Part II - Information Concerning the Qualifying Transaction and CTW".

Subsequent to the completion of the Qualifying Transaction and subject to Exchange Approval, the Resulting Issuer will grant options to purchase 1,650,000 New Common Shares to certain directors, officers, employees and consultants of the Resulting Issuer and its Affiliates. The Resulting Issuer Incentive Options will have an exercise price of \$1.30 per share and term of five years from the date of the grant.

Pursuant to the Agreement, the following shall occur at the effective time of the Amalgamation:

- (a) Bayview SubCo and CTW will merge and CTW shall continue as the surviving company under the Virginia Stock Corporation Act;
- (b) Each one (1) CTW Share issued and outstanding immediately prior to the Amalgamation becoming effective will be cancelled and the holders thereof will receive one (1) fully paid and non-assessable New Common Share for each CTW Share such that an aggregate of 36,539,000 New Common Shares will be issued to the existing CTW Shareholders;
- (c) Each one (1) Bayview SubCo Share issued and outstanding immediately prior to the Amalgamation becoming effective will be exchanged for one (1) Amalco Share;
- (d) Each Agents Option outstanding immediately prior to the Amalgamation becoming effective will be exchanged for a Resulting Issuer Agents Option and the Agents Options will be cancelled; and
- (e) Amalco will be a wholly-owned subsidiary of the Resulting Issuer.

In connection with the Delaware Domestication, the Corporation will change its corporate name to "Catch the Wind Ltd.". Following completion of the Qualifying Transaction, CTW will be a wholly-owned subsidiary of the Resulting Issuer and the Resulting Issuer will carry on CTW's business under CTW's management.

The completion of the Qualifying Transaction contemplated by the Agreement is subject to the satisfaction of certain conditions, including obtaining all necessary regulatory approvals, including the approval of the Exchange to the completion of the Qualifying Transaction and the listing of the New Common Shares to be issued pursuant to the Amalgamation, and other conditions under the Agreement that are typical for a three-cornered merger transaction. The approval of the Exchange shall be subject to, among other things, the Exchange being satisfied that after the completion of the Qualifying Transaction the Corporation will satisfy the Exchange's minimum listing requirements for a Tier 2 Technology Issuer as prescribed by

Policy 2.1 of the Exchange. The purchase is an arm's length Qualifying Transaction. See "Part II - Information Concerning the Qualifying Transaction and CTW".

At the Bayview Meeting, Shareholders will be asked to approve the following corporate matters in connection with the completion of the Qualifying Transaction: (a) a special resolution authorizing the Consolidation; (b) a special resolution authorizing the Delaware Domestication; (c) a special resolution authorizing the change of the name of the Corporation; and (d) a resolution approving and adopting the Amended and Restated Stock Option Plan.

### **Interests of Insiders**

Except as disclosed in this Filing Statement, no Insider, promoter or Control Person of the Corporation, and no Associate or Affiliate of the same, has any interest in the Qualifying Transaction other than that which arises from the holding of Common Shares or Subscription Receipts.

### **Available Funds**

Management of the Corporation anticipates, as indicated on the Pro Forma Balance Sheet attached hereto as Exhibit "C" and based on *pro forma* consolidated working capital of the Corporation and CTW as at June 30, 2008, that the Resulting Issuer will have available to it, after completion of the Private Placement and the Qualifying Transaction and paying transactional expenses, approximately \$14,131,206 in available funds. The principal purposes of these funds will be to fund the expenses, working capital and capital expenditure needs of the Resulting Issuer for the twelve to fifteen month period following the Closing Date. See "Part III - Information Concerning the Resulting Issuer - Available Funds and Principal Purposes".

### **Selected Pro Forma Consolidated Financial Information**

The transaction is accounted for as a capital transaction in substance, rather than a business combination in accordance with Emerging Issues Committee Abstract No. 10, *Reverse Takeover Accounting*. The transaction is equivalent to the issuance of shares by CTW for the net monetary assets of the Corporation, accompanied by the recapitalization of CTW.

The following table summarizes selected *pro forma* financial information of the Resulting Issuer assuming completion of the Private Placement and the Qualifying Transaction and should be read in conjunction with the unaudited pro forma financial statements and related notes attached hereto as Exhibit "C" (Amounts are presented in USD):

<b>Pro Forma Balance Sheet</b>	<b><u>Bayview June 30, 2008</u></b>	<b><u>CTW June 30, 2008</u></b>	<b><u>Pro Forma Adjustments</u></b> (Note 1)	<b><u>Resulting Issuer Pro Forma</u></b>
Current Assets	\$988,096	\$157,802	\$13,050,700	\$14,196,598
Intangible Assets	Nil	\$632,642	Nil	\$632,642
Total Assets	\$988,096	\$1,069,868	\$12,771,276	\$14,829,240
Current Liabilities	\$1,272	\$1,355,980	\$(279,424)	\$1,077,828
Total Liabilities	\$1,272	\$1,355,980	\$(279,424)	\$1,077,828
Shareholders' Equity (Deficiency)	\$986,824	\$(286,112)	\$13,050,700	\$13,751,412

**Notes:**

- (1) The pro forma adjustments reflect (a) the gross proceeds of \$15,000,700 under the Private Placement; (b) the payment of estimated transaction costs at Closing, amounting to approximately \$2,739,382 (including estimated transaction costs of \$1,950,000 payable in cash and the fair value of the Agents Options amounting to \$789,382) (c) the charge of CTW deferred share issuance costs against the proceeds raised and (d) adjustments to the Corporation's historical share capital, contributed surplus and deficit accounts. Please refer to the Resulting Issuer pro forma balance sheet included in this Filing Statement for further details regarding the pro forma adjustments.
- (2) Amounts presented for Bayview as of June 30, 2008 are in U.S. dollars and have been converted at an exchange rate of \$0.99.

**Listing and Share Price on the Exchange**

The Common Shares of the Corporation are listed for trading on the Exchange under the trading symbol BPV.P. The closing trading price of the Common Shares on the Exchange on July 3, 2008 (the last day of trading preceding the announcement of the Qualifying Transaction) was \$0.30. The Corporation's Common Shares were halted from trading on July 3, 2008 pending receipt of the Final Exchange Bulletin. Trading in the Common Shares has not resumed since that date. Upon completion of the Consolidation, Delaware Domestication and Qualifying Transaction, and the receipt of the Final Exchange Bulletin, trading in the New Common Shares will resume.

There is no public market for the common shares of CTW.

**Conditional Listing Approval**

The Exchange has conditionally accepted the Qualifying Transaction subject to the Corporation fulfilling all of the requirements of the Exchange.

**Sponsor for the Qualifying Transaction**

No sponsor has been retained in connection with the Qualifying Transaction.

**Finder's Fee**

The Qualifying Transaction was referred to the Corporation by the IPO Agent. The Corporation agreed, subject to Exchange approval, to pay a finder's fee in the amount of \$100,000 to the IPO Agent. Immediately following completion of the Qualifying Transaction, 76,923 Common Shares in the capital of the Resulting Issuer having a transaction value of \$1.30 per Common Share will be issued to the IPO Agent in satisfaction of the fee.

## Securities Matters

Following completion of the Domestication and the Qualifying Transaction, the Resulting Issuer will be a U.S. entity, but will not be subject to the reporting requirements of the 1934 Act and the New Common Shares will not be registered with the SEC. As a U.S. entity, all of the New Common Shares issued by the Corporation pursuant to the Qualifying Transaction which are sold outside of the U.S. pursuant to Regulation S will be subject to a prohibition on the offer or sale of such New Common Shares to "U.S. persons" during a one year "distribution compliance period". This period commences on the date the first offer of the New Common Shares to persons other than distributors is made, or the date of the closing of the Qualifying Transaction, whichever occurs later.

During the one year distribution compliance period, the following restrictions will apply to any offers or sales of the Resulting Issuer's New Common Shares (or any other equity securities of the Resulting Issuer) that were initially issued pursuant to Regulation S:

- (a) The offer or sale, if made prior to the expiration of the one year distribution compliance period, is not made to a U.S. person or for the account or benefit of a U.S. person (other than a distributor); and
- (b) The offer or sale of New Common Shares or other equity securities of the Resulting Issuer, if made before the expiration of the one year distribution compliance period, must be made in accordance with the following conditions:
  - (A) the purchaser must certify that it is either a non-U.S. person and is not acquiring the securities for the account or benefit of any U.S. person, or that it is a U.S. person purchasing securities in an exempt transaction;
  - (B) the purchaser must agree: (i) that any resale will either be in accordance with Regulation S, after registration, or under a registration exemption; and (ii) not to engage in hedging transactions for those securities, except in compliance with the Securities Act;
  - (C) securities of the Resulting Issuer must contain a legend stating (i) that the transfer of the security is prohibited, unless the transaction (A) complies with Regulation S, (B) is after registration, or (C) is under a registration exemption; and (ii) that hedging those securities is prohibited, unless done in compliance with the Securities Act; and
  - (D) the Resulting Issuer must be required by contract or by a provision in its bylaws, articles of incorporation or comparable document to refuse to register any transfer of the securities that is not made either in accordance with Regulation S, after registration, or under a registration exemption. The proposed bylaws of the Resulting Issuer contain such a restriction on the transfer of shares of the Resulting Issuer.

All certificates evidencing New Common Shares (or any other equity securities of the Resulting Issuer) that were initially issued pursuant to Regulation S will bear a legend referencing these

restrictions. Securities initially sold offshore under Regulation S may, however, be resold during the distribution compliance period if certain conditions are met. See "Part II - Information Concerning the Qualifying Transaction and CTW – Securities Matters".

### **Risk Factors**

The proposed Qualifying Transaction should be considered highly speculative and is subject to a number of risks including, without limitation, the following:

- (a) CTW was only recently incorporated, has not commenced its commercial operations and, therefore, has no operating history upon which its business can be evaluated. As such, the Resulting Issuer's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. Such risks include the early stage development of the Vindicator System, the Resulting Issuer's ability to anticipate and adapt to its marketplace after the Qualifying Transaction, the ability to attract customers and meet its targeted growth plan, and the ability to identify, attract and retain qualified personnel;
- (b) Because CTW is a new company introducing a new product, the Resulting Issuer's revenues may be materially affected by the decisions, including timing decisions, of a relatively small number of customers;
- (c) Certain duties within CTW's accounting and finance departments are not properly segregated due to the small number of individuals employed in these areas. These deficiencies may be considered to be a significant deficiency in internal control, or a material weakness resulting in a more than remote likelihood that a material misstatement of the Resulting Issuer's annual or interim financial statements would not be prevented or detected;
- (d) The completion of the Qualifying Transaction is subject to the receipt of approval from the Exchange, which approval may not be obtained;
- (e) The Resulting Issuer may require additional financing to fund growth in working capital, to make further investments, or to complete development and begin commercial production of the Vindicator System. The ability of the Resulting Issuer to arrange such financing in the future, if needed, will depend in part on prevailing capital market conditions and the financial success of the Resulting Issuer. There can be no assurance that the Resulting Issuer will be successful in its efforts to arrange additional financing, if needed, on satisfactory terms;
- (f) Competition within the industries in which CTW operates is intense and is expected to increase in the future as the wind energy market matures. Some of CTW's competitors have longer operating histories and greater financial and marketing resources than CTW. There is no assurance that the Resulting Issuer will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates;

- (g) Changes to any of the laws, rules, regulations or policies to which the Resulting Issuer is subject could have a significant impact on the Resulting Issuer's business;
- (h) Any liability for damages resulting from defects in, or malfunctions, of the Resulting Issuer's products or other costs incurred to remedy problems relating to the Resulting Issuer's products, such as recalls, could be substantial and could increase the Resulting Issuer's expenses and prevent growth of its business. The Resulting Issuer's products will be sold with a warranty, which could expose the Resulting Issuer to significant warranty expenses. Furthermore, a defect in, or malfunction of, any of the Resulting Issuer's products could result in tort or warranty claims. A well-publicized actual or perceived problem could adversely affect the market's perception of the Resulting Issuer's products. This could result in a decrease in demand for the Resulting Issuer's products, which could have a material adverse effect on its business, financial condition, liquidity and results of operations;
- (i) CTW has licensed the technology which forms the basis of the Vindicator System from Optical Air pursuant to the terms of the License Agreement. In the event that CTW commits a material breach of its obligations under the License Agreement or made any material misrepresentation in anticipation of entering into the License Agreement and, after receiving notice of such breach or misrepresentation, CTW does not cure the relevant breach within sixty (60) days after receipt of such written notice, Optical Air may, at its discretion: (a) terminate the License Agreement; and/or (b) terminate the licenses granted to CTW under the License Agreement by giving written notice of termination to CTW. In addition, Optical Air may terminate the License Agreement in the event of the bankruptcy or insolvency of CTW. If the License Agreement is terminated prior to the expiration of any licensed patent or copyright, all rights granted to CTW under the License Agreement shall cease and revert back to Optical Air, and CTW shall not be permitted to thereafter make, use, offer to sell, sell, or import any products derived from the licensed technology, including the Vindicator System;
- (j) CTW has not conducted a detailed assessment of any of the patent applications that Optical Air has filed and cannot verify if the disclosure provided in the specification of each patent application is enabling and sufficient to obtain enforceable patent rights in such jurisdiction;
- (k) CTW has not conducted a freedom to operate or clearance assessment of its ability to use or exploit the patent rights or technology licensed under the License Agreement in any market. Such an assessment might uncover patent or other rights owned by third parties that could delay or halt the Resulting Issuer's ability to proceed with certain features of its products, and if that were the case, the Resulting Issuer might not be able to obtain a license to, or design around, such third party rights, if any;

- (l) CTW will initially be highly dependent on Optical Air for maintaining and enhancing the technology which forms the basis of the Vindicator System and any other products developed by CTW. In the event that Optical Air ceases for any reason to provide such services, or in the event of the termination of the Services Agreement, CTW may be unable to internally conduct its own research, development and engineering functions, and may be unable to reach satisfactory agreement with any other party to provide such services, which would have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition;
- (m) The market for renewable energy products, specifically wind energy technology, is characterized by rapidly changing technology, evolving industry standards and increasingly diverse and sophisticated customer requirements. The introduction by competitors of products which may use new technology and any emergence of new industry standards could make the Resulting Issuer's products obsolete and unmarketable, or could exert price pressure on the Resulting Issuer's products. In order to succeed, the Resulting Issuer must be able to anticipate and respond quickly to such changes by developing or licensing new products or enhancing pre-existing technology. The Resulting Issuer cannot provide assurance that it will successfully develop or license new products or enhance pre-existing technology, that its products will receive market acceptance, or that the introduction of new products by others won't render the Resulting Issuer's technology and products obsolete. In order to remain competitive, the Resulting Issuer may be required to invest significantly greater resources than is currently projected in research and development and product enhancement efforts, which could result in increased operating expenses;
- (n) The Resulting Issuer's commercial success depends upon its ability to develop or license new or improved technologies and products, and to successfully obtain, defend or claim under license patent or other proprietary or statutory protection for these technologies and products in the U.S., the European Union and other countries. The Resulting Issuer will devote significant resources to protecting its proprietary technology and the technology licensed to CTW under the terms of the License Agreement. However, the Resulting Issuer may not be able to develop or license technology that is patentable, patents may not be issued in connection with its pending applications and allowed claims may not be sufficient to protect its technology or technology that it or CTW licenses from third parties, including Optical Air. Furthermore, any patents issued (whether owned by, or licensed to, the Resulting Issuer) could be challenged, invalidated or circumvented and may not provide proprietary protection or a competitive advantage;
- (o) To date, CTW has not manufactured the Vindicator System on a high-volume basis. To meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market its products, the Resulting Issuer will have to produce such products through large-scale, high-volume processes. These large-scale, high-volume manufacturing processes may require significant advances in manufacturing technology. The Resulting Issuer

does not know whether or when it will be able to develop the manufacturing technology necessary to achieve efficient, large-scale, high-volume, low-cost manufacturing capability and processes; and

- (p) The Resulting Issuer expects that its initial sales will be made to a small number of customers such as wind farm operators or turbine manufacturers. The concentration of the Resulting Issuer's sales to a few customers could make the Resulting Issuer more vulnerable to collection risk if one or more of these customers were unable to pay for the Resulting Issuer's products. Also, having such a large portion of its total net revenue concentrated in a few customers could reduce the Resulting Issuer's negotiating leverage with these customers.

See "Part III - Information Concerning the Resulting Issuer - Risk Factors".

## **PART I - INFORMATION CONCERNING THE CORPORATION**

### **CORPORATE STRUCTURE**

The Corporation was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the OBCA dated December 21, 2005. On February 1, 2007, the articles of incorporation of the Corporation were amended by articles of amendment to delete provisions restricting the transfer of the Common Shares.

The registered and head office of the Corporation is located at 20 Holly Street, Suite 300, Toronto, Ontario M4S 3B1.

### **GENERAL DEVELOPMENT OF THE BUSINESS**

The Corporation is a capital pool company pursuant to the policies of the Exchange and to date has not carried on any operations. The principal business of the Corporation has been to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance for filing by the Exchange. The Corporation does not have business operations or assets other than cash, and currently has no written or oral agreements in principle for the acquisition of an asset or business other than the Agreement.

### **DIRECTORS OF THE CORPORATION**

The names of the current directors of the Corporation, their municipalities of residence, their positions with the Corporation, the number of voting securities beneficially owned by them, directly or indirectly, or over which they exercise control or direction, and their principal occupations during the past five years are as follows:



Name and Municipality of Residence	Position(s) with the Corporation	Principal Occupation	Director Since	Number of Voting Securities Owned or Over Which Control or Direction is Exercised <sup>(1)</sup>
Lorne Gertner Toronto, Ontario	Director	Chief Executive Officer, Hill & Gertner Capital Corporation	December 21, 2005	500,000 Common Shares
David Hill Toronto, Ontario	Director	President, Hill & Gertner Capital Corporation and Chief Executive Officer, Cannasat Therapeutics Inc.	December 21, 2005	500,000 Common Shares
Richard D. McGraw Toronto, Ontario	Chief Financial Officer and Director	President & Chief Executive Officer, Lochan Orca Group of Companies (private investment companies)	December 21, 2005	1,000,000 Common Shares
Mark Rider Toronto, Ontario	Chief Executive Officer, President, Secretary and Director	Chief Executive Officer, The Rider Group Inc.	December 21, 2005	1,000,000 Common Shares

**Notes:**

- (1) The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually.

**SELECTED FINANCIAL INFORMATION**

Since incorporation, the Corporation has incurred costs in carrying out its private placements and the Initial Public Offering, in seeking, evaluating and negotiating potential qualifying transactions and in meeting disclosure obligations imposed upon it as a reporting issuer listed for trading on the Exchange. The following table sets forth selected audited financial data for the financial periods set out therein, and should be read in conjunction with the financial statements for the Corporation.

	Year Ended December 31, 2006	Year Ended December 31, 2007
Revenue	\$1,403	\$35,204
Total Expenses	\$9,250	\$122,177
Total Assets	\$326,403	\$1,002,956
Total Liabilities	\$29,250	\$8,153
Deficit	(\$7,847)	(\$94,820)

In the event the Qualifying Transaction does not proceed, the Corporation estimates it will have approximately \$1,000,000, less the costs of the transaction, in net cash assets remaining, which will allow the Corporation to pursue another Qualifying Transaction while it still has adequate cash resources.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the financial statements of the Corporation and the notes thereto included in Exhibit "A" to this Filing Statement. All statements have been prepared in accordance with accounting principles generally accepted in Canada and are expressed in Canadian dollars. This management discussion and analysis is current as of August 10, 2008.

### **Results of Operations**

For the six months ended June 30, 2008, the Corporation earned \$18,112 in interest income and incurred expenses of \$16,123. These expenses relate to maintaining the listing of the Corporation's common shares on the Exchange and other expenses associated with the Corporation's continuous disclosure obligations under applicable securities legislation. Net income for the six months ended June 30, 2008 was \$1,989, or \$0.00 per share on both a basic and diluted basis.

As of the date of this Filing Statement, the Corporation had not yet commenced operations other than the identification, evaluation of assets or businesses that would constitute the Corporation's qualifying transaction. Therefore, the Corporation had not yet recorded any operating revenues.

As the Corporation is a capital pool company and has not completed a qualifying transaction, the Corporation will continue to incur expenses as it investigates and analyzes potential qualifying transactions. In addition, upon selection of a qualifying transaction, expenses are anticipated to increase relating to due diligence, negotiation of the terms of the transaction and preparation of legal agreements required to document and complete such transaction.

### **Liquidity and Capital Resources**

As at June 30, 2008, the Corporation had \$996,265 of cash and cash equivalents, which management believes is sufficient to meet all current and expected liabilities until the Corporation completes the Qualifying Transaction.

Until such time as the Corporation completes its qualifying transaction, it is contemplated that the working capital requirements of the Corporation will relate generally to the expenses of maintaining the listing of the Common Shares on the Exchange, other expenses associated with the Corporation's continuous disclosure obligations under applicable securities legislation and costs incurred in identifying, evaluating and executing a potential qualifying transaction. The only material ongoing contractual obligations of the Corporation relate to the payment of transfer agency fees and legal, audit and accounting fees.

### **Off-Balance Sheet Arrangements**

As of the date of this Filing Statement, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## **Related Party Transactions**

As at the date of this Filing Statement, the Corporation had not entered into any transactions with related parties other than in connection with the reimbursement of expenses. For the six month period ended June 30, 2008, included in office and general expense is \$1,584 paid to a director of the Corporation for expense reimbursements

## **RECENT ACCOUNTING PRONOUNCEMENTS**

### **Accounting Changes**

In July 2007, the CICA revised Handbook Section 1506, Accounting Changes, which requires that voluntary changes in accounting policy be made only if they result in the financial statements providing more reliable and more relevant information and that material prior period errors are corrected retrospectively. The Section applies to interim and annual financial statements commencing January 1, 2007. The adoption of this section did not have a material impact on the Corporation's financial statements.

### **Financial Instruments - Comprehensive Income and Hedges**

In January 2005, the CICA issued Handbook Section 1530, Comprehensive Income ("Section 1530"), Handbook Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855"), and Handbook Section 3865, Hedges ("Section 3865"). Section 1530 requires the financial statements to present certain gains and losses outside net income in a new component of shareholders' equity entitled Comprehensive Income. Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides character-based definition of a derivative, provides criteria to be used to determine when a financial instrument should be recognized and provides criteria to be used to determine when a financial liability is considered to be extinguished. Section 3865 established standards for when and how hedge accounting may be applied. The use of hedge accounting is optional. These standards are effective beginning January 1, 2007. The adoption of these standards did not have a material impact on the financial position, results of operations and cash flows of the Corporation.

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation, which together replace Section 3861, Financial Instruments – Disclosure and Presentation. These new standards carry forward unchanged the presentation requirements and revise and enhance the disclosure requirements, such as specific disclosures to be made when an entity defaults or breaches a loan agreement. The new sections are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, with earlier adoption encouraged. The adoption of these standards did not have a material impact on the financial position, results of operations and cash flows of the Corporation.

### **Capital Disclosures**

The CICA issued Handbook Section 1535, Capital Disclosures, which provides standards for disclosures regarding a company's capital and how it is managed. Enhanced disclosure with respect to the objectives, policies and processes for managing capital and quantitative disclosures

about what a company regards as capital are required. These recommendations are effective for fiscal years beginning on or after October 1, 2007 and, therefore, the Corporation will be required to implement these standards on January 1, 2008. The Corporation adopted these standards effective January 1, 2008 by providing the required disclosures in the notes to its financial statements. The adoption of these standards did not impact on the financial position, results of operations and cash flows of the Corporation.

### **Stock-Based Compensation for Employees Eligible to Retire Before the Vesting Date**

Emerging Issues Committee Abstract 162, Stock-based Compensation for Employees Eligible to Retire Before the Vesting Date ("EIC-162"), addresses how compensation cost should be accounted for in the case of a stock-based award that contains provisions that allow for the option to continue vesting in accordance with the stated vesting terms after the employee has retired from the entity when the grantee is an employee who is eligible to retire during the vesting period. EIC 162 requires the reporting enterprise to consider the substantive vesting period rather than the stated vesting terms. The abstract is to be retroactively applied, with restatement of prior periods, to all stock-based compensation awards accounted for in accordance with CICA Handbook Section 3870 in financial statements issued for interim and annual periods on or after December, 2006. The adoption of this standard did not have a material impact on the Corporation's financial statements.

### **General Standards of Financial Statement Presentation**

Effective January 1, 2008, the Corporation adopted the recommendations of CICA Handbook Section 1400, General Standards of Financial Statement Presentation, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

### **Relationship between the Corporation and Professional Persons**

No "Professional Person" (including the Corporation's auditor) holds any beneficial interest, direct or indirect, in any securities or properties of the Corporation with the exception of John D. Wright, a partner of Owens, Wright LLP, a law firm that provides legal services to the Corporation. Mr. Wright owns 50,000 Common Shares, representing 0.70% of the total issued and outstanding Common Shares as at the date hereof.

### **Financial Instruments and Other Instruments**

The Corporation's financial instruments consist of cash, term deposits and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying values.

## SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares. As at the date hereof there are 7,140,000 Common Shares issued and outstanding and 1,015,000 Common Shares issuable upon exercise of outstanding options or warrants at a price of \$0.20 per share.

On October 31, 2006, the Corporation issued 3,050,000 Common Shares for consideration of \$305,000. On March 29, 2007 the Corporation closed the Initial Public Offering of 4,000,000 Common Shares at \$0.20 per share for gross proceeds of \$800,000.

The Corporation granted the IPO Agent a non-transferable option, expiring twenty-four months after the date of the listing of the Common Shares on the Exchange, to purchase up to 400,000 Common Shares at a price of \$0.20 per Common Share. As at the date hereof, the IPO Agent has partially exercised the option to purchase a total of 90,000 Common Shares.

The Corporation has granted 705,000 fully vested incentive stock options to its current directors and officers to purchase Common Shares at a price of \$0.20 per Common Share, exercisable for a period of five years from the date granted. The fair value of the options granted at the time of grant was \$0.20 per option, assuming an expected volatility of 97% on the underlying Common Shares, an exercise price of \$0.20, a risk free interest rate of 3.98%, an expected life of 60 months and an expected dividend rate of 0%. The Corporation recognized compensation expense of \$105,452 in 2007 (nil in 2006).

## DESCRIPTION OF SECURITIES

### Common Shares

The authorized capital of the Corporation consists of an unlimited number of Common Shares without par value. As at the date hereof there are 7,140,000 Common Shares issued and outstanding as fully paid and non-assessable. In addition, 1,015,000 Common Shares are reserved for issuance under stock options granted to current directors and officers of the Corporation and the IPO Agent.

The holders of Common Shares are entitled to dividends if, as and when declared by the Board of Directors, to one vote per Common Share at meetings of the shareholders of the Corporation and, upon liquidation, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares. All Common Shares to be outstanding after completion of the Qualifying Transaction will be fully paid and non-assessable.

It is anticipated that, following completion of the Consolidation, the Corporation will issue 36,539,000 New Common Shares to the holders of CTW Shares in connection with the Amalgamation and the Qualifying Transaction.

### Dividend Record and Policy

The Corporation has not declared or paid a dividend in its history. Other than pursuant to the Exchange's policies, there are no restrictions on the Corporation that would prevent it from paying a dividend. The Board of Directors intends, however, to retain future earnings for

reinvestment in the Corporation's business and therefore has no current intention to pay dividends on its Common Shares in the foreseeable future. The Corporation's dividend policy will be reviewed from time to time in the context of its earnings, financial condition and other relevant factors.

### **STOCK OPTION PLAN AND OPTIONS GRANTED**

The Corporation has adopted a stock option plan in accordance with the policies of the Exchange (the "**Stock Option Plan**"), which authorizes the Board of Directors to grant to directors, officers, employees, advisors and consultants of the Corporation non-transferable options to purchase up to ten percent (10%) of the issued and outstanding Common Shares, exercisable for a period of up to 5 years from the date of grant. A maximum of 714,000 Common Shares are available for issuance under the Stock Option Plan, provided that Common Shares available for issuance pursuant to options cancelled or terminated without having been redeemed would again be available for issuance under the Stock Option Plan.

In addition, the number of Common Shares reserved for issuance to any one director or officer may not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants may not exceed two percent (2%) of the issued and outstanding Common Shares.

Options must be exercised no later than 90 days following the cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The price per Common Share, as set by the Board of Directors, shall not be less than the greater of: (i) the last price at which a full board lot of Common Shares was, on the last business day prior to the date on which such option is granted, traded on the Exchange or such other principal market on which the Common Shares are then traded, less the applicable permitted discount (if any) by such applicable exchange or market; and (ii) \$0.20 per share. For greater certainty, the exercise price per Common Share under any stock option shall not be less than the Offering Price and the Discounted Market Price, as such term is defined in Exchange Policy 1.1.

If, prior to the exercise of an option, the holder ceases to be a director, officer, employee, advisor or consultant of the Corporation, or its subsidiary, the option of the holder shall be limited to the number of Common Shares purchasable by such person immediately prior to the time of such person's cessation of office or employment and such person will have no right to purchase any other Common Shares. Any Common Shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

The options under the Stock Option Plan are personal to the participant. No participant in the Stock Option Plan may transfer or assign any option.

The Board of Directors may amend, suspend or terminate the Stock Option Plan or any portion of it at any time in accordance with Policy 2.4 and other applicable legislation, and subject to any required regulatory or shareholder approval. No amendment, suspension or termination may

materially adversely affect any options granted previously to any participant without the consent of that participant.

The following options granted by the Corporation to its current directors and officers remain outstanding:

<u>Name</u>	<u>Date of Grant</u>	<u>Number of Common Shares Under Option</u>	<u>Exercise Price per Common Share</u>	<u>Expiry Date</u>
Lorne Gertner	March 22, 2007	117,500	\$0.20	March 22, 2012
David Hill	March 22, 2007	117,500	\$0.20	March 22, 2012
Richard D. McGraw	March 22, 2007	235,000	\$0.20	March 22, 2012
Mark Rider	March 22, 2007	235,000	\$0.20	March 22, 2012
<b>Total</b>		<b>705,000</b>		

Pursuant to Exchange Policy 2.4, if any of these option holders ceases to be a director, officer, consultant or employee of, or ceases to be employed by, the Corporation (other than by reason of death), as the case may be, then the options granted shall expire on no later than the later of 12 months following completion of the Qualifying Transaction and 90<sup>th</sup> day following the date that the option holder ceases to be a director, officer, consultant or employee of, or ceases to be employed by, the Corporation, subject to the terms and conditions set out in the Stock Option Plan.

Pursuant to Exchange Policy 2.4, the maximum number of Common Shares that may be reserved under option for issuance may not exceed ten percent (10%) of the number of Common Shares that will be issued and outstanding.

Contemporaneously with the completion of the Qualifying Transaction, the Stock Option Plan will be replaced by the Amended and Restated Stock Option Plan. See "Part III - Information Concerning the Resulting Issuer – Options to Purchase Securities".

### PRIOR SALES

Since the date of incorporation of the Corporation, 7,140,000 Common Shares have been issued as follows:

<u>Date</u>	<u>Number of Shares</u>	<u>Issue Price per Share</u>	<u>Aggregate Issue Price</u>	<u>Consideration Received</u>
October 31, 2006	3,050,000	\$0.10	\$305,000	Cash
March 29, 2007	4,000,000	\$0.20	\$800,000	Cash
April 3, 2008	90,000	\$0.20	\$18,000	Cash
<b>Total</b>	<b>7,140,000</b>		<b>\$1,123,000</b>	

The 3,050,000 Common Shares issued on October 31, 2006 were issued to five individuals who were the Corporation's directors and officers and, in the case of John D. Wright, its counsel. These Common Shares are held in escrow pursuant to the Escrow Agreement. See "Escrowed Securities".

The 4,000,000 Common Shares issued on March 29, 2007 were issued pursuant to a prospectus dated March 13, 2007 in connection with the Corporation's Initial Public Offering.

On April 3, 2008, the IPO Agent exercised the option to purchase 90,000 Common Shares.

### **ESCROWED SECURITIES**

An aggregate of 3,050,000 Common Shares are held in escrow with the Escrow Trustee under the provisions of the Escrow Agreement, representing all of the outstanding Common Shares issued at a price below \$0.20 per Common Share.

All Common Shares acquired on exercise of stock options prior to completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. In addition, all Common Shares acquired in the secondary market prior to the completion of the Qualifying Transaction by any person or company who becomes a Control Person are required to be deposited in escrow. Subject to certain exemptions permitted by the Exchange, all securities of the Corporation held by Principals (as defined in Exchange Policy 1.1) of the Resulting Issuer will also be escrowed.

The following table sets out, as at the date hereof, the number of Escrow Shares that are held in escrow pursuant to the Escrow Agreement:

<u>Name and Residence of Shareholder</u>	<u>Number of Escrow Shares Held in Escrow</u>
Lorne Gertner Toronto, Ontario	500,000
David Hill Toronto, Ontario	500,000
Richard D. McGraw Toronto, Ontario	1,000,000
Mark Rider Toronto, Ontario	1,000,000
John D. Wright Toronto, Ontario	50,000
<b>TOTAL</b>	<b><u>3,050,000</u></b>

Under the Escrow Agreement, 10% of the Escrow Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

If the Resulting Issuer meets the Exchange's Tier 1 minimum listing requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the Escrow Shares will



be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 Issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

The Exchange's consent must be obtained prior to any transfer within escrow of Escrow Shares. Generally, the Exchange will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed qualifying transaction.

If a Final Exchange Bulletin is not issued, the Escrow Shares will not be released. Under the Escrow Agreement, each non arm's length party to the Corporation who holds Escrow Shares acquired at a price below \$0.20 has irrevocably authorized and directed the Escrow Trustee to immediately cancel all of those Escrow Shares upon the issuance by the Exchange of a bulletin delisting the Common Shares.

### STOCK EXCHANGE PRICE

The Common Shares have been listed and posted for trading on the Exchange since March, 2007. The following table sets forth information relating to the trading of the Common Shares on the Exchange since the Common Shares were listed for trading on April 3, 2007.

Period/Year	High	Low	Last	Volume	Value
July, 2008	\$0.300	\$0.250	\$0.300	111,000	\$29,270.00
June, 2008	-	-	-	-	-
May, 2008	\$0.285	\$0.240	\$0.285	19,000	\$4,845.00
April, 2008	\$0.350	\$0.200	0.240	135,500	\$32,785.00
March, 2008	\$0.300	\$0.295	\$0.300	20,000	\$5,950.00
February, 2008	-	-	-	-	-
January, 2008	-	-	-	-	-
December, 2008	\$0.220	\$0.220	\$0.220	7,500	\$1,650.00
November, 2008	-	-	-	-	-
October, 2008	\$0.210	\$0.210	\$0.210	10,000	\$2,100.00
September, 2008	\$0.310	\$0.300	\$0.300	203,750	\$61,225.00
August, 2008	\$0.310	\$0.310	\$0.310	500	\$155.00
July, 2007	\$0.310	\$0.310	\$0.310	97,250	30,147.50
June, 2007	\$0.350	\$0.350	\$0.350	25,000	8,750
May, 2007	\$0.320	\$0.275	\$0.300	50,000	\$14,977.50
April, 2007	\$0.300	\$0.200	\$0.300	210,000	\$50,825.00

**Note:**

- (1) The Corporation's Common Shares were halted from trading on July 3, 2008 pending receipt of the Final Exchange Bulletin. Trading in the Corporation's Common Shares has not resumed since that date.

### **ARM'S LENGTH QUALIFYING TRANSACTION**

The proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction within the meaning of the policies of the Exchange.

### **LEGAL PROCEEDINGS**

There are no legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated.

### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditor of the Corporation is Collins, Barrow Toronto LLP, (formerly DMCT, LLP) 20 Eglinton Avenue West, Suite 2100, P.O. Box 2014, Toronto, Ontario, M4R 1K8.

Equity Transfer & Trust Company, through its principal office in Toronto, Ontario at 200 University Avenue, Suite, 400, Toronto, Ontario M5H 4H1, is the transfer agent and registrar for the Common Shares.

### **MATERIAL CONTRACTS**

The Corporation has not entered into any contracts material to investors in the Common Shares since incorporation, other than contracts in the ordinary course of business, except:

- (a) The Escrow Agreement;
- (b) The Agency Agreement dated March 13, 2007 by and between the Corporation and the IPO Agent;
- (c) The Transfer Agent, Registrar and Disbursing Agent Agreement dated January 30, 2007 by and between the Corporation and the Escrow Agent;
- (d) The Stock Option Plan; and
- (e) The Agreement.

Copies of these agreements will be available for inspection at the offices of Owens, Wright LLP, counsel to the Corporation, at 20 Holly Street, Suite 300, Toronto, Ontario, M4S 3B1, at any time during ordinary business hours until the Closing Date and for a period of 30 days thereafter.

## **PART II - INFORMATION CONCERNING THE QUALIFYING TRANSACTION AND CTW**

### **THE QUALIFYING TRANSACTION**

Management of the Corporation has identified CTW as an appropriate acquisition to constitute its Qualifying Transaction. The Corporation entered into the Agreement with CTW, pursuant to which CTW has agreed to merge with Bayview SubCo to continue as Amalco, and whereby the Corporation will acquire all of the outstanding shares of CTW in exchange for New Common Shares on a post-Consolidation basis of one CTW Share for each New Common Share at a deemed price, on a post-Consolidation basis, of \$1.30 per share. The principal business of CTW is described in more detail below under "Narrative Description of the Business".

Prior to the completion of the Qualifying Transaction, and subject to Exchange approval:

- (a) CTW will complete the Private Placement to raise gross proceeds of \$15,000,700. The Agents will act as the agents for the Private Placement. The Agents will receive a fee consisting of (i) cash equal to 7% of the gross proceeds raised under the Private Placement; and (ii) Agents Options to purchase that number of common shares of CTW as is equal to 10% of the total number of Subscription Receipts sold under the Private Placement, exercisable at a price of \$1.30 per share at any time before 5:00 p.m. (Toronto time) on the date which is 24 months following completion of the Qualifying Transaction; and
- (b) The Corporation proposes to: (i) complete the Consolidation; and (ii) complete the Delaware Domestication by continuing the Corporation from the Province of Ontario to the State of Delaware. See "Part II - Information Concerning the Qualifying Transaction and CTW".

Subsequent to the completion of the Qualifying Transaction and subject to Exchange Approval, the Resulting Issuer will grant options to purchase 1,650,000 New Common Shares to certain directors, officers, employees and consultants of the Resulting Issuer and its Affiliates. The Resulting Issuer Incentive Options will have an exercise price of \$1.30 per share and term of five years from the date of the grant.

Pursuant to the Agreement, the following shall occur at the effective time of the Amalgamation:

- (a) Bayview SubCo and CTW will merge and CTW shall continue as the surviving company under the Virginia Stock Corporation Act;
- (b) Each one (1) CTW Share issued and outstanding immediately prior to the Amalgamation becoming effective will be cancelled and the holders thereof will receive one (1) fully paid and non-assessable New Common Share for each CTW Share;
- (c) Each one (1) Bayview SubCo Share issued and outstanding immediately prior to the Amalgamation becoming effective will be exchanged for one (1) Amalco Share;

- (d) Each Agents Option outstanding immediately prior to the Amalgamation becoming effective will be exchanged for a Resulting Issuer Agents Option and the Agents Options will be cancelled; and
- (e) Amalco will be a wholly-owned subsidiary of the Resulting Issuer.

In connection with the Delaware Domestication, the Corporation will change its corporate name to "Catch the Wind Ltd.". Following completion of the Qualifying Transaction, CTW will be a wholly-owned subsidiary of the Resulting Issuer and the Resulting Issuer will carry on CTW's business under CTW's management.

The number and terms of the securities to be issued in connection with the Qualifying Transaction was determined pursuant to arm's length negotiations between the management of the Corporation and CTW, respectively. Contemporaneously with and subject to the completion of the Qualifying Transaction, and subject to Exchange approval, the Corporation will issue 76,923 New Common Shares to the IPO Agent in connection with services provided by the IPO Agent relating to the sourcing of the Qualifying Transaction at a deemed price, on a post-Consolidation basis, of approximately \$1.30 per share.

The Agreement contains customary representations, warranties and covenants of the parties, including covenants by the Corporation not to engage in any discussions or negotiations, or enter into any agreement or understanding with any third party in order to propose or effect any transaction similar to the Qualifying Transaction and to obtain the approval of the Exchange in connection with the Qualifying Transaction, including approval of the listing on the Exchange of the New Common Shares issued in connection with the Qualifying Transaction.

Under the terms of the Agreement, the current directors and officers of the Corporation, other than Richard D. McGraw, will resign on Closing and the directors referenced in this Filing Statement will be elected as the new directors of the Resulting Issuer.

The foregoing summary of the Agreement is not complete and is qualified in its entirety by reference to the Agreement.

Following completion of the Private Placement, Consolidation, Delaware Domestication and Qualifying Transaction, there will be issued and outstanding: (i) 38,046,784 New Common Shares; (ii) options held by current and former directors and officers of the Resulting Issuer representing the right to purchase 141,283 New Common Shares; (iii) Resulting Issuer Agents Options representing the right to purchase 1,153,900 New Common Shares; and (iv) options held by the IPO Agent representing the right to purchase 62,124 New Common Shares.

In addition, the Resulting Issuer has agreed to grant options to acquire 1,650,000 New Common Shares to the directors, officers, employees and consultants of the Resulting Issuer and its Affiliates (including Optical Air) at an exercise price of \$1.30 per share and having a term of five years following completion of the Qualifying Transaction.

Following completion of the Qualifying Transaction, the CTW Shareholders and the holders of Subscription Receipts will, in the aggregate, own approximately 96.04% of the issued and outstanding shares of the Resulting Issuer on a non-diluted basis. Accordingly, the Qualifying

Transaction will constitute a reverse take-over of the Corporation.

The completion of the Qualifying Transaction contemplated by the Agreement is subject to certain conditions, including: (a) completion of the Private Placement, Consolidation and Delaware Domestication; (b) obtaining all necessary regulatory approvals, including the approval of the Exchange (including, without limitation, the Exchange being satisfied that after the completion of the transaction the Corporation will satisfy the Exchange's minimum listing requirements for a Tier 2 Technology Issuer as prescribed by Exchange Policy 2.1); (c) Philip L. Rogers entering into an employment agreement in form and substance satisfactory to the Corporation; and (d) other conditions under the Agreement which are typical for a three-cornered merger transaction.

### **Consolidation**

Prior to the completion of the Delaware Domestication and Qualifying Transaction, the Corporation will, subject to receipt of the requisite approvals from the Exchange and the shareholders of the Corporation (which approval will be sought at the Bayview Meeting), file articles of amendment to complete the Consolidation on the basis that 4.99 Common Shares will become one Common Share. In addition, all outstanding options will be similarly consolidated such that options to purchase 4.99 Common Shares will become options to purchase one Common Share, and the exercise price for each such consolidated option will be multiplied by a factor of 4.99. No fractional Common Shares will be issued pursuant to the Consolidation and no cash will be paid in lieu thereof, and any such fractional securities otherwise issuable as a result of the Consolidation will be rounded down to the nearest whole number of post-Consolidation Common Shares.

### **Private Placement**

Immediately prior to the completion of the Qualifying Transaction, CTW intends to raise \$15,000,700 through the sale of Subscription Receipts under the Private Placement. Each Subscription Receipt will entitle the holder thereof to acquire one CTW Share immediately prior to the completion of the Qualifying Transaction, which will then be exchanged for one New Common Share pursuant to the Qualifying Transaction, as described above. It is anticipated that CTW will issue 11,539,000 Subscription Receipts under the Private Placement, exclusive of the Agent's Option.

On July 30, 2008, CTW and the Corporation entered into the Agency Agreement with the Agents in connection with the Private Placement. Under the Agency Agreement, CTW engaged the Agents as its agents in connection with the Private Placement. Under the terms of the Agency Agreement, the Agents will receive a fee, in consideration of acting as agents in the Private Placement, consisting of cash equal to 7% of CTW's gross proceeds from the Private Placement (50% of which was paid to the Agents on the closing date of the Private Placement, subject to the condition that such amount shall be forthwith paid by the Agents to the holders of Subscription Receipts on a pro-rata basis if the Qualifying Transaction is not completed on or before September 15, 2008) and Agents Options entitling the holders to acquire that number of common shares of CTW as is equal to 10% of the total number of Subscription Receipts sold under the Private Placement, exercisable at a price of \$1.30 per share at any time before 5:00 p.m. (Toronto

time) on the date which is 24 months following the date of completion of the Qualifying Transaction. Each Agents Option outstanding immediately prior to the Qualifying Transaction becoming effective will be exchanged for a Resulting Issuer Agents Option and the Agents Options will be cancelled.

Under the terms of the Agency Agreement, subject to completion of the Qualifying Transaction, the Lead Agent was granted a right of first refusal on any offering of securities by CTW or the Resulting Issuer for a period of 18 months following completion of the Qualifying Transaction to:

- (a) Act as lead agent or underwriter in the case of an offering in Canada or the U.S. (except in the case of an offering that is primarily made in the U.S.); and
- (b) Act as a syndicate member with a minimum 20% economic interest in the case of an offering that is primarily made in the U.S., to enable the participation of Canadian and existing shareholders at such time in such offering.

In addition, CTW agreed to be responsible for all expenses incurred by the Agents in connection with the Private Placement and the Qualifying Transaction including, but not limited to, reasonable fees and disbursements of legal counsel of the Agents, up to a maximum aggregate amount of \$150,000. CTW is required to pay such expenses upon completion of the Qualifying Transaction.

The Agency Agreement also contains customary representations, warranties and indemnities given by CTW and the Corporation in favour of the Agents, as well as customary rights of termination in favour of the Agents.

### **Delaware Domestication**

As a condition to the completion of the Qualifying Transaction, the Corporation will change its jurisdiction of incorporation from the provincial jurisdiction of Ontario to the State of Delaware through a transaction called a "continuance" under Section 181 of the OBCA, also referred to as a "domestication" under Section 388 of the DGCL. The continued, or domesticated, corporation will become subject to the DGCL on the date of its domestication, but will be deemed to have commenced its existence in Delaware on the date it originally commenced existence in Ontario. Under the DGCL, a corporation becomes domesticated in Delaware by filing a certificate of domestication and a certificate of incorporation for the corporation being domesticated.

The Board of Directors has unanimously approved the Delaware Domestication for the following reasons:

- (a) The provisions of the OBCA require companies incorporated thereunder to ensure that at least 25% of the members of its board of directors are residents of Canada. The DGCL does not have any residency requirements. Because the focus of CTW's operations is outside of Canada, and the majority of the proposed directors of CTW are U.S. citizens, management and the respective boards of directors of the Corporation and CTW believe that having the freedom to access directors, whether Canadian residents or not, would be beneficial to the Resulting Issuer;

- (b) Since following the completion of the Qualifying Transaction virtually all of the Resulting Issuer's business activities will be based outside of Canada, management and the respective boards of directors of the Corporation and CTW believe that a U.S. incorporation would facilitate the Corporation's ability to negotiate and complete mergers and acquisitions with other U.S. domiciled firms that could have adverse tax consequences if the Resulting Issuer remained a Canadian corporation;
- (c) Management and the respective boards of directors of the Corporation and CTW believe that being incorporated in the U.S. will: (i) facilitate capital-raising activities in the U.S.; (ii) potentially make the Resulting Issuer more attractive to potential investors, lenders and strategic partners in the U.S. because they are more familiar with U.S. accounting, tax and disclosure standards than those in Canada and may be more comfortable dealing with U.S. corporations than Canadian corporations; (iii) eliminate many of the income tax and financial accounting complexities associated with incorporation outside the U.S. and have added income tax advantages to the Resulting Issuer as it matures and produces positive income on an ongoing basis; and (iv) provide greater opportunity in proposing and winning business in the United States;
- (d) The Delaware Domestication will provide the Corporation, CTW and the CTW Shareholders with a more tax efficient means of completing the Qualifying Transaction; and
- (e) For many years, Delaware has followed a policy of encouraging incorporation in that State and, in furtherance of that policy, has been a leader in adopting, construing and implementing comprehensive, flexible corporate laws that are responsive to the legal and business needs of corporations organized in Delaware. The DGCL is a modern, current and internationally recognized and copied corporation statute which is updated annually to take into account new business and court developments. Because of Delaware's prominence as the state of incorporation for many major corporations, both the legislature and courts in Delaware have demonstrated an ability and willingness to act quickly and effectively to meet changing business needs. The Delaware courts are known for their considerable expertise in dealing with complex corporate issues and providing predictability through a substantial body of case law construing Delaware's corporate law, which facilitates certainty in business planning. In addition, the Delaware Court of Chancery is considered by many to be the leading business court in North America, where judges expert in business law matters deal with business issues in an impartial setting. Coupled with an active bar known for continually assessing and recommending improvements to the DGCL, these factors add greater certainty in complying with fiduciary responsibilities and assessing risks associated with conducting business.

Set forth below are summaries of the steps required to complete the Delaware Domestication and changes to the authorized capital of the Corporation arising in connection with the Delaware Domestication.

## **Steps to Completing the Delaware Domestication**

If the Shareholders approve the Delaware Domestication by the required majority at the Bayview Meeting, the following steps must then be taken to give effect to the Delaware Domestication:

- (a) The Corporation must make application to the Registrar under the OBCA for approval of the Delaware Domestication in the form contemplated by the OBCA;
- (b) The Corporation must file a Certificate of Domestication and Certificate of Incorporation with the Secretary of State of the State of Delaware; and
- (c) The Corporation must make application to the Registrar under the OBCA for the issuance of a Certificate of Discontinuance.

Upon the Delaware Domestication becoming effective, the Corporation will be deemed to have been organized under, and will be subject to, the laws of Delaware and, upon the issuance of the Certificate of Discontinuance, will cease to be a corporation incorporated under the laws of Ontario. If the Corporation intends to carry on business in Ontario, it will be required to extra-provincially register in Ontario under the provisions of the OBCA. The Certificate of Incorporation and the new by-laws of the Corporation will each become effective upon the filing of the Certificate of Domestication and Certificate of Incorporation with the Secretary of State (Delaware).

## **Amendments to Authorized Capital in Connection with the Delaware Domestication**

The authorized capital of the Corporation currently consists of an unlimited number of Common Shares. Upon the Delaware Domestication becoming effective, each Common Share outstanding immediately prior to the Delaware Domestication will become and remain one New Common Share, and the constating documents will provide that the Resulting Issuer will be authorized to issue 100 million New Common Shares and 50 million shares of preferred stock issuable in series, the rights, privileges, restrictions and conditions of which will be fixed by the Board. Each New Common Share will have one vote.

## **Effects of the Continuance**

*Applicable Law:* As of the effective date of the Delaware Domestication, the Corporation's legal jurisdiction of incorporation will be Delaware, and the Corporation will no longer be subject to the provisions of the OBCA. All matters of corporate law will be determined under the DGCL. The Corporation's original incorporation date in Ontario will remain the date of incorporation for purposes of the DGCL. The Corporation will continue to be subject to the rules and regulations of the Exchange and the obligations imposed by applicable provincial securities regulatory authorities in Canada, but will not, as of the effective dates of the Delaware Domestication or the completion of the Qualifying Transaction, be subject to the reporting requirements of the 1934 Act.

*Assets, Liabilities, Obligations, Etc.:* Under Delaware law, as of the effective date of the Delaware Domestication, all of the Corporation's assets, property, rights, liabilities and obligations immediately prior to the Delaware Domestication will continue to be the



Corporation's assets, property, rights, liabilities and obligations. The OBCA will cease to apply to the Corporation on the effective date of the Delaware Domestication.

*Capital Stock:* Upon the completion of the Delaware Domestication, holders of Common Shares will own one New Common Share for each post-Consolidation Share held prior to the completion of the Delaware Domestication. Holders of options to purchase Common Shares on the effective date of the Delaware Domestication will continue to hold options to purchase one New Common Share for each post-Consolidation Share.

### **Regulatory and Other Approvals**

The Delaware Domestication is subject to the authorization of the registrar of the OBCA. The OBCA provides that the Corporation is not permitted to continue into another jurisdiction unless the laws of that other jurisdiction provide, in effect, that, after continuation:

- (a) The property of the Corporation continues to be the property of the continued corporation;
- (b) The continued corporation continues to be liable for the obligations of the Corporation;
- (c) An existing cause of action, claim or liability to prosecution is unaffected;
- (d) A civil, criminal or administrative action or proceeding pending by or against the Corporation may continue to be prosecuted by or against the continued corporation; and
- (e) A conviction against the Corporation may be enforced against the continued corporation or a ruling, order or judgment in favour of or against the Corporation may be enforced by or against the continued corporation.

### **SECURITIES MATTERS**

Following completion of the Domestication and the Qualifying Transaction, the Resulting Issuer will be a U.S. entity, but will not be subject to the reporting requirements of the 1934 Act and the New Common Shares will not be registered with the SEC. As a U.S. entity, all of the New Common Shares issued by the Corporation pursuant to the Qualifying Transaction which are sold outside of the U.S. pursuant to Regulation S will be subject to a prohibition on the offer or sale of such New Common Shares to "U.S. persons" during a one year "distribution compliance period". This period commences on the date the first offer of the New Common Shares to persons other than distributors is made, or the date of the closing of the Qualifying Transaction, whichever occurs later.

During the one year distribution compliance period, the following restrictions will apply to any offers or sales of the Resulting Issuer's New Common Shares (or any other equity securities of the Resulting Issuer) that were initially issued pursuant to Regulation S:

- (f) The offer or sale, if made prior to the expiration of the one year distribution compliance period, is not made to a U.S. person or for the account or benefit of a U.S. person (other than a distributor); and
- (g) The offer or sale of New Common Shares or other equity securities of the Resulting Issuer, if made before the expiration of the one year distribution compliance period, must be made in accordance with the following conditions:
  - (A) the purchaser must certify that it is either a non-U.S. person and is not acquiring the securities for the account or benefit of any U.S. person, or that it is a U.S. person purchasing securities in an exempt transaction;
  - (B) the purchaser must agree: (i) that any resale will either be in accordance with Regulation S, after registration, or under a registration exemption; and (ii) not to engage in hedging transactions for those securities, except in compliance with the Securities Act;
  - (C) securities of the Resulting Issuer must contain a legend stating (i) that the transfer of the security is prohibited, unless the transaction (A) complies with Regulation S, (B) is after registration, or (C) is under a registration exemption; and (ii) that hedging those securities is prohibited, unless done in compliance with the Securities Act; and
  - (D) the Resulting Issuer must be required by contract or by a provision in its bylaws, articles of incorporation or comparable document to refuse to register any transfer of the securities that is not made either in accordance with Regulation S, after registration, or under a registration exemption. The proposed bylaws of the Resulting Issuer contain such a restriction on the transfer of shares of the Resulting Issuer.

All certificates evidencing New Common Shares (or any other equity securities of the Resulting Issuer) that were initially issued pursuant to Regulation S will bear a legend referencing these restrictions. In addition, the trading symbol of the Resulting Issuer will contain a ".S" suffix to indicate that the New Common Shares are subject to these restrictions.

Securities initially sold offshore under Regulation S may, however, be resold during the distribution compliance period if they are sold:

- (a) Outside the U.S. pursuant to Rule 904 or Rule 901 under Regulation S;
- (b) In the U.S. after registration of the securities under the Securities Act; or
- (c) In the U.S. under Rule 144A of the Securities Act, a safe harbor exemption, or another exemption from the registration requirements of the Securities Act.

## **CORPORATE STRUCTURE OF CTW**

CTW was incorporated under the laws of the Commonwealth of Virginia on March 18, 2008. The head office and registered office address of CTW is located at 10781 James Payne Court, Manassas, Virginia, United States. The CTW Shareholders are also the sole members of Optical Air.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

CTW was incorporated under the laws of the Commonwealth of Virginia on March 18, 2008, with the objective of producing, marketing and distributing the Vindicator System. CTW was formed by the sole members of Optical Air, which is an industry leader in designing, developing and testing remote sensing fiber optic laser systems.

As of the date of this Filing Statement, CTW and Optical Air share common ownership. The CTW Shareholders own all of the outstanding membership interests of Optical Air in the same proportion as their ownership of the shares of CTW (prior to completion of the Private Placement). The current President of CTW, Mr. Rogers, was formerly the President of Optical Air from its inception until the date of incorporation of CTW. Following completion of the Qualifying Transaction, the current President of Optical Air, Ms. Rogers (the spouse of Mr. Rogers), will be a director of the Resulting Issuer, as will Mr. Rogers.

The following significant corporate initiatives have taken place in relation to CTW:

- (a) In April, 2006, Optical Air successfully demonstrated a laser-based landing system for helicopters and began negotiations for the commercialization of this technology for military purposes with Rockwell Collins, a world leader in the design, production and support of communications and aviation electronics. The technology developed by Optical Air for this laser-based landing system would ultimately form the basis for the Vindicator System;
- (b) In December, 2006, Optical Air entered into the Rockwell Collins License Agreement, pursuant to which Optical Air licensed this technology to Rockwell Collins for use in military applications and commercial avionics and airborne instrumentation applications;
- (c) In May, 2007, Optical Air began development of the Vindicator System. By July of 2007, Optical Air had developed a working prototype of the Vindicator System that could sense three dimensional wind speed and direction;
- (d) By the fall of 2007, Optical Air's marketing research determined that the Vindicator System could potentially increase the efficiency and lifespan of wind turbines. Because Optical Air is principally a research and development company that does not engage in production and commercialization activities, the members of Optical Air determined that Optical Air was not the proper vehicle through which to commercialize the Vindicator System. As such, the decision was made to incorporate a new company, with the goal of having this new company be the exclusive producer and distributor of the Vindicator System;

- (e) Commencing in January, 2008, Optical Air began to segregate and accrue costs incurred in connection with the development of the Vindicator System for the account of the company to be incorporated;
- (f) On March 18, 2008, CTW was incorporated;
- (g) Effective September 3, 2008, CTW and Optical Air entered into the License Agreement, pursuant to which Optical Air licensed the technology comprising the Vindicator System. The principal terms of the License Agreement are summarized below under the heading "License Agreement"; and
- (h) Effective September 3, 2008, CTW and Optical Air also entered into the Services Agreement, pursuant to which Optical Air will provide ongoing research, development, administrative and operational services to CTW. The principal terms of the Services Agreement are summarized below under the heading "Services Agreement".

### **NARRATIVE DESCRIPTION OF THE BUSINESS**

CTW is a Virginia-based developer and distributor of the Vindicator System, a forward-looking light detection and ranging technology that can reliably, and accurately, measure wind speed and direction from 300 meters away. When combined with the appropriate turbine control algorithm, the Vindicator System is expected to provide wind turbine control systems sufficient time to react to changing wind speed and direction, thereby increasing the efficiency of, and decreasing asymmetrical load wear on, wind turbine components.

#### **Description of the Vindicator System**

The Vindicator System is a laser-based light detection and ranging wind sensor system developed by Optical Air for the measurement of three dimensional wind speed and direction. The sensor design is based on state of the art fiber optic laser technology developed and patented by Optical Air.

The Vindicator System is comprised of: (a) a fiber optic-based laser module, processor, operating system software and remote lens assembly; and (b) when required, related wind turbine control algorithms and related interface software. The laser module and processor are housed in a separate assembly that may be mounted within the nacelle of the wind turbine, or with the remote lens assembly. For operators of existing wind turbines, CTW intends to develop and provide advanced wind turbine control algorithms and software which will interpret wind data and feed control information regarding blade orientation and pitch. The Vindicator System may be offered in several models, reflecting the type of wind turbine on which it will operate, the location of operation, and other factors. For example, the Vindicator System may be offered in two lens, three lens or four lens configurations, and may be adapted to specific locations such as marine and Arctic environments.

Using concepts similar to Doppler radar, with light as the medium of detection, the Vindicator System senses air particle movement at distances up to 1,200 meters (depending on atmospheric conditions). The system processor analyzes the air particle movement, producing speed and

direction data for wind field determination. CTW believes that the first production variant of the Vindicator System will sense the wind out to 300 meters. As the wind energy industry learns how to utilize and integrate wind data provided by the Vindicator System, longer ranges may be incorporated.

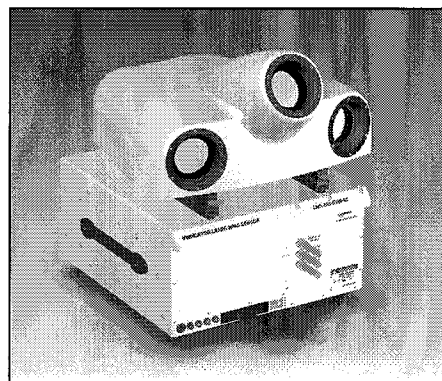
Several technologies have attempted to address the remote wind sensing market for numerous measurement applications. These products consist of mechanical, acoustic, radio frequency, as well as laser-based sensing devices. CTW believes that the Vindicator System surpasses existing products by addressing the need for a cost effective, eye-safe, compact, portable, remote wind measurement system capable of operating in multiple user-defined orientations. The first commercial application of the Vindicator System, and a current business focus of CTW, is the renewable wind energy industry. The Vindicator System will measure the wind as it approaches a wind turbine, thereby enabling the turbine control systems to adjust windmill orientation for increased power yields, and minimize downtime due to maintenance.

The Vindicator System is currently in the final stages of prototype development, with a plan to begin low-rate production during 2009. As of the date hereof, existing prototypes are undergoing laboratory and field tests, the results of which will be made available to the public on CTW's Web site ([www.catchthewindinc.com](http://www.catchthewindinc.com)) once completed.

The principal fiber laser technology behind the Vindicator System provides the basis for a suite of product configurations ranging from nacelle-mounted wind sensing systems to a hand-held version of the technology.

### **Advantages of the Vindicator System**

The following is a summary of the benefits that CTW believes can be achieved by a wind farm operator through use of the Vindicator System. CTW believes these benefits will result in, among other things, increased profit to wind farm operators through increased energy output, more reliable energy scheduling and lower maintenance costs. The extent of any such benefit to a wind farm operator will depend on various factors, including the size of wind turbine(s) operated, site location and other factors unique to the operator, such as the rate (or price) for energy sold. CTW



believes that use of the Vindicator System, together with an effective wind turbine control algorithm, can increase the amount of energy generated by a typical wind farm by up to 10%. CTW believes that use of the Vindicator System can also reduce the risk of catastrophic turbine failure due to wind shear and unexpected gusts.

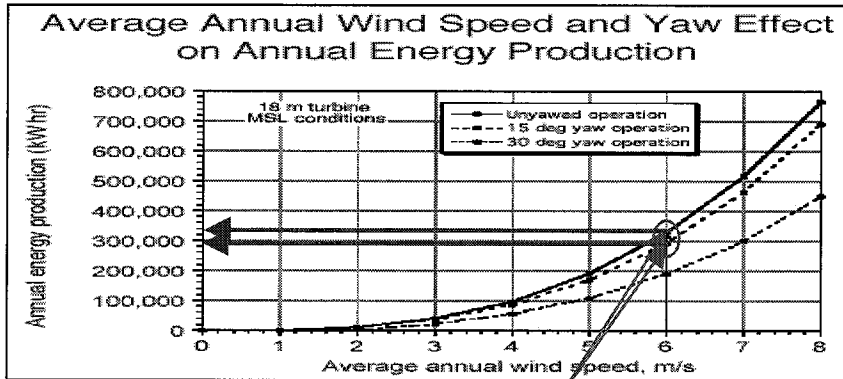
#### **(2) Safe and Efficient Wind Utilization**

##### *Nacelle Yaw Control*

The average wind turbine is "yawed", or out of alignment with the wind, throughout most of its operations. The wind is always changing direction; even when wind on average is steady from

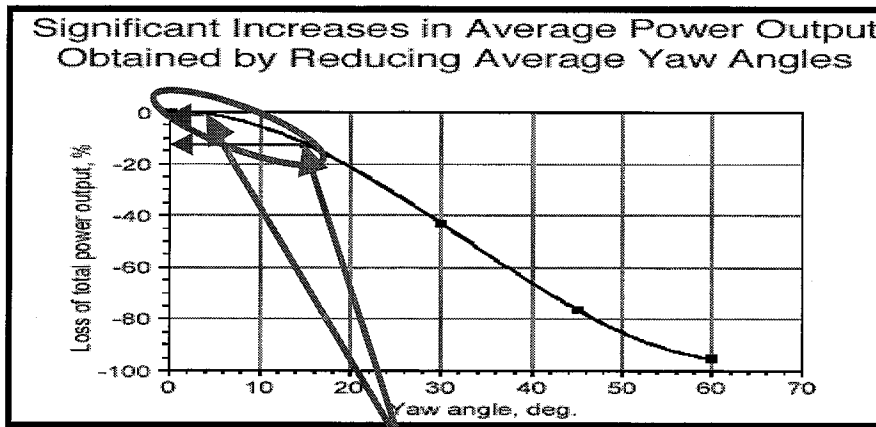
one heading, transient changes in heading of as much as 15 degrees are common. For every degree out of alignment, energy output drops by approximately 1%. Thus, a turbine that is 15 degrees out of alignment may lose as much as 15% of its efficiency.

The charts below illustrate that the yaw effect at a moderate wind speed of 6 meters per second results in a power loss of approximately 13 percent for an average annual yaw operation of 15 degrees. By reducing the average annual yaw angle from 15 degrees to 5 degrees, power output loss of a turbine can be reduced from 13 percent to 3 percent. Thus, a 10 percent improvement in efficiency can be realized if the annual average yaw effect for a large wind turbine is reduced by 10 degrees. The Vindicator System sees the wind as it approaches the turbine and provides the turbine controller with lead-time to orient the blade disk into the wind and keep it pointed into the wind. Decreasing the average misalignment condition from 15 degrees to 5 degrees should result in a 10% increase in turbine power output.



At an average annual wind speed of 6 m/s,  
An average 15 degree yaw results in  
~13% of annual energy production

This increase in average power output is illustrated on the chart below:



~ 10% more power output obtained by reducing  
yaw angle from 15 degrees to 5 degrees

### *Blade Pitch Control*

In addition to keeping the blade disk oriented into the wind, blade pitch position is also important to turbine efficiency. Turbine blades are the devices that turn wind energy into mechanical energy. Increased blade efficiency results in greater energy transfer to the turbine generator. Turbine blade efficiency is a function of pitch or offset angle to the wind. Just as wind direction varies, wind speed also varies as a result of the gusts, lulls and turbulence that are always present. Blade pitch, relative to wind speed, determines the amount of energy gleaned from the passing wind. With the accurate and timely information provided by the Vindicator System, the turbine controller is expected to better harvest energy and control loads from the wind.

An additional problem encountered by wind turbines is noise generated by the spinning blades when encountering turbulent air. Under certain conditions, some turbines emanate a low frequency noise, which can be an irritant to people living near wind farms. Wind farm site selection is made more difficult when this occurs. The Vindicator System will sense approaching turbulence and enable intelligent blade configuration, thereby potentially reducing or eliminating irritating acoustics.

Effective blade pitch control is expected to expand the turbine's operating envelope and enhance the following features:

(a) RPM Control

As with any mechanical device, a wind turbine has mechanical thresholds and limits. When a limit is exceeded, component failure may result; when a threshold is not met, the turbine will not operate. In either case, the turbine is no longer producing energy. The Vindicator System is expected to enable a wind turbine to efficiently adjust blade pitch based on the wind that is approaching the turbine in order to achieve and maintain a superior blade disk revolution rate, or RPM. RPM control is critical to the structural survival of a wind turbine. If turbine blades spin too fast, the blades will depart the turbine resulting in catastrophic failure; if, on the other hand, RPM drops below an optimal rate, the turbine generator is less efficient and the turbine will not develop its rated power.

Additionally, many turbines utilize an electrical generator which is linked directly to the turbine rotor disk and is dependent on turbine RPM to operate efficiently and to maintain the phase of the electrical output. Elaborate means are employed to hold phase because without knowing the approaching wind conditions, precise RPM control is impossible. CTW believes that the Vindicator System will enable a wind turbine to achieve and maintain active and effective RPM control.

(b) Low-Speed Wind Efficiency

Due to growth in the wind energy industry, many of the most suitable wind sites in North America have already been developed. As such, what generally remains are less desirable, lower average annual wind speed sites. CTW believes that this will drive the development of turbines that can be operated in lower speed, less consistent winds. CTW believes that the Vindicator System may be useful in these applications because it will

provide site operators with the ability to determine small variations in wind speed and direction in sufficient time to enable the turbine to be configured for optimum efficiency. Even a slight increase in the annual harvested wind results in a large increase in annual power generation, because the energy that is generated from the wind is proportional to the cube of the wind speed. As such, CTW believes that in low wind conditions, the Vindicator System will increase power output and profitability of wind farms.

(3) Increased Component Lifetime/Reduced Maintenance Costs

*Asymmetrical Load Alleviation*

A study conducted at the National Renewable Energy Laboratory (NREL) in January of 2006 estimates that 10% of the annual cost to generate a kWh of energy is directly attributable to maintenance and repair costs. CTW believes that the Vindicator System will reduce stress on mechanical components of wind turbines by reducing side load, or off-axis stress on the turbine. CTW believes that the Vindicator System may reduce overall turbine component wear by as much as 10% annually, thereby increasing dynamic component lifetime.

*Wind Shear and Gusts*

Large wind turbines, many over 350 feet tall, often experience very different wind speed and direction at the top and bottom of the rotor disk. These unbalanced forces generate an enormous amount of stress on the blade hub. This added stress translates into increased hub-bearing wear, generator drive train wear, and support structure fatigue. It is common for a wind turbine to require major repairs well before the expiration of its warranty period. Because the Vindicator System can report variations in wind speed and direction to the turbine controller, it is expected to provide the turbine controller with sufficient time to adjust blade pitch, allowing the wind gust to pass, and thereby reducing stress on the blades and the hub. In high wind conditions, blades that have not been adjusted have been known to flex so much that they have actually impacted the support tower, resulting in catastrophic turbine failure.

(4) Financial Benefit

*Energy Production Reliability and Predictability*

CTW believes that the Vindicator System will add a level of reliability to the wind energy production industry that is not available with existing technologies. Increased annual production, and less variability in production, may result in higher prices being paid for wind energy on the spot market. The wind energy spot price is affected, in some circumstances and in some locations, by a wind farm's "capacity factor", the ratio of the actual energy produced in a given period to the hypothetical maximum energy production for such period. By increasing the capacity factor of a wind farm through an increase in average annual output, producers may be able to demand a higher rate for the electricity they produce. An increase in capacity factor translates to a reduction in risk for the energy consumer – reliable energy yields greater returns to the producer.



*Financial Benefit to a Wind Farm Operator*

CTW believes that the Vindicator System, together with an effective turbine control algorithm that utilizes the wind information provided by the Vindicator System, will increase the amount of energy generated by a wind turbine and increase the profitability of wind farms.

The increased profitability of wind farms should be achieved through higher revenues from increased electricity production and reduced maintenance costs. In addition, and depending on a wind farm's unique circumstances, a wind farm may also realize higher revenues from the sale of renewable energy certificates, production tax credits, higher 'per-unit' spot rate electricity prices and lower debt and project financing costs as a result of less variability in energy production.

The size of the financial benefit will depend on factors unique to each wind farm, including the size and type of wind turbines operated, site location (which affects wind speed and variability), turbine control algorithm in use and the rate or price at which the electricity generated is sold. The following example illustrates how a 10% gain in the efficiency of a wind turbine would increase the gross revenues of a typical wind farm, depending on the type of wind turbine operated, the wind farm's capacity factor and the rate at which electricity is sold (commonly expressed as the gross revenue rate realized per kWh):

Illustrative Case #1 – 1,500 kW Nameplate Capacity

Increase in Gross Revenues (per year)										
Capacity Factor	Gross Revenue Rate Realized per kWh (IN USD)									
(Note 8)	\$ 0.04	\$ 0.05	\$ 0.06	\$ 0.07	\$ 0.08	\$ 0.09	\$ 0.10	\$ 0.11	\$ 0.12	
25%	\$ 12,746	\$ 15,932	\$ 19,119	\$ 22,305	\$ 25,492	\$ 28,678	\$ 31,865	\$ 35,051	\$ 38,237	
26%	13,256	16,570	19,883	23,197	26,511	29,825	33,139	36,453	39,767	
27%	13,765	17,207	20,648	24,090	27,531	30,972	34,414	37,855	41,296	
28%	14,275	17,844	21,413	24,982	28,551	32,119	35,688	39,257	42,826	
29%	14,785	18,481	22,178	25,874	29,570	33,267	36,983	40,659	44,355	
30%	15,295	19,119	22,942	26,766	30,590	34,414	38,237	42,061	45,885	
31%	15,805	19,756	23,707	27,658	31,610	35,561	39,512	43,463	47,414	
32%	16,315	20,393	24,472	28,551	32,629	36,708	40,787	44,865	48,944	
33%	16,824	21,031	25,237	29,443	33,649	37,855	42,061	46,267	50,473	
34%	17,334	21,668	26,001	30,335	34,669	39,002	43,336	47,669	52,003	
35%	17,844	22,305	26,766	31,227	35,688	40,149	44,610	49,071	53,532	
36%	18,354	22,942	27,531	32,119	36,708	41,296	45,885	50,473	55,062	
37%	\$ 18,864	\$ 23,580	\$ 28,296	\$ 33,012	\$ 37,728	\$ 42,444	\$ 47,159	\$ 51,875	\$ 56,591	

**Notes:**

Increase in gross revenues on a per-turbine basis, assuming a 1,500 kW Nameplate Capacity, operating at 97% availability per year and selling renewable energy certificates at \$20 per mWh. Amounts are pre-tax, and do not include the increased production tax credits that may be received by a wind farm operator.

Based on the foregoing, the potential increase in gross revenues of a wind farm using the Vindicator System, assuming a capacity factor of 27% and a gross revenue rate realized of \$0.06 would be:

8,760 hours x 97% availability	
x 1,500 Nameplate Capacity	
x 27% capacity factor	
x 10% gain in efficiency	= \$20,648 increase per year in gross
x \$0.06 per kWh	revenues for the wind farm

Illustrative Case #2 – 2,500 kW Nameplate Capacity

**Increase in Gross Revenues (per year)**

Capacity Factor		Gross Revenue Rate Realized per Kwh (IN USD)									
(Note 8)	\$ 0.04	\$ 0.05	\$ 0.06	\$ 0.07	\$ 0.08	\$ 0.09	\$ 0.10	\$ 0.11	\$ 0.12		
25%	\$ 21,243	\$ 26,554	\$ 31,865	\$ 37,175	\$ 42,486	\$ 47,797	\$ 53,108	\$ 58,418	\$ 63,729		
26%	22,093	27,616	33,139	38,662	44,185	49,709	55,232	60,755	66,278		
27%	22,942	28,678	34,414	40,149	45,885	51,620	57,356	63,092	68,827		
28%	23,792	29,740	35,688	41,636	47,584	53,532	59,480	65,428	71,376		
29%	24,642	30,802	36,963	43,123	49,284	55,444	61,605	67,765	73,926		
30%	25,492	31,865	38,237	44,610	50,983	57,356	63,729	70,102	76,475		
31%	26,341	32,927	39,512	46,097	52,683	59,268	65,853	72,439	79,024		
32%	27,191	33,989	40,787	47,584	54,382	61,180	67,978	74,775	81,573		
33%	28,041	35,051	42,061	49,071	56,082	63,092	70,102	77,112	84,122		
34%	28,890	36,113	43,336	50,558	57,781	65,004	72,226	79,449	86,671		
35%	29,740	37,175	44,610	52,045	59,480	66,915	74,351	81,786	89,221		
36%	30,590	38,237	45,885	53,532	61,180	68,827	76,475	84,122	91,770		
37%	\$ 31,440	\$ 39,300	\$ 47,159	\$ 55,019	\$ 62,879	\$ 70,739	\$ 78,599	\$ 86,459	\$ 94,319		

**Notes:**

Increase in gross revenues on a per-turbine basis, assuming a 2,500 kW Nameplate Capacity, operating at 97% availability per year and selling renewable energy certificates at \$20 per mWh. Amounts are pre-tax, and do not include the increased production tax credits that may be received by a wind farm operator.

Illustrative Case #3 – 3,600 kW Nameplate Capacity

**Increase in Gross Revenues (per year)**

Capacity Factor		Gross Revenue Rate Realized per Kwh (IN USD)									
(Note 8)	\$ 0.04	\$ 0.05	\$ 0.06	\$ 0.07	\$ 0.08	\$ 0.09	\$ 0.10	\$ 0.11	\$ 0.12		
25%	\$ 30,590	\$ 38,237	\$ 45,885	\$ 53,532	\$ 61,180	\$ 68,827	\$ 76,475	\$ 84,122	\$ 91,770		
26%	31,814	39,767	47,720	55,674	63,627	71,580	79,534	87,487	95,441		
27%	33,037	41,296	49,556	57,815	66,074	74,334	82,593	90,852	99,111		
28%	34,261	42,826	51,391	59,956	68,521	77,087	85,652	94,217	102,782		
29%	35,484	44,355	53,226	62,098	70,969	79,840	88,711	97,582	106,453		
30%	36,708	45,885	55,062	64,239	73,416	82,593	91,770	100,947	110,124		
31%	37,932	47,414	56,897	66,380	75,863	85,346	94,829	104,312	113,795		
32%	39,155	48,944	58,733	68,521	78,310	88,099	97,888	107,677	117,465		
33%	40,379	50,473	60,568	70,663	80,757	90,852	100,947	111,041	121,136		
34%	41,602	52,003	62,403	72,804	83,205	93,605	104,006	114,406	124,807		
35%	42,826	53,532	64,239	74,945	85,652	96,358	107,065	117,771	128,478		
36%	44,049	55,062	66,074	77,087	88,099	99,111	110,124	121,136	132,148		
37%	\$ 45,273	\$ 56,591	\$ 67,910	\$ 79,228	\$ 90,546	\$101,864	\$ 113,183	\$ 124,501	\$ 135,819		

**Notes:**

Increase in gross revenues on a per-turbine basis, assuming a 3,600 kW Nameplate Capacity, operating at 97% availability per year and selling renewable energy certificates at \$20 per mWh. Amounts are pre-tax, and do not include the increased production tax credits that may be received by a wind farm operator.

CTW believes that, as a result of the use of the Vindicator System on wind turbines, wind farm operators may also experience decreased maintenance costs (as a result of reduced asymmetric and unexpected loads on the turbine blades) and potentially lower project finance costs arising from both higher levels, and reduced variability, in the wind farm's revenue stream.

## **Stage of Development**

### *Current State of Technology*

The technology underlying the Vindicator System has been largely derived from mature, reliable commercial products in the telecom industry. Optical Air has created and patented new capabilities using these components and the unique application of fiber optic laser techniques. The evolution of this capability can be traced to research efforts and several generations of technology over the last 20 years.

The ability to accurately measure wind speed and direction remotely using this smaller laser technology has been proven by Optical Air through laboratory development and testing. Two first generation prototypes of the wind industry application models of the Vindicator System have been built and the accuracy of the wind measurements has been verified through a series of calibration tests. This technology has never been part of a production system, however, so a series of Vindicator System prototypes will be built to gain measurement experience and confidence in the system design. The engineering of production designs based on that technology is being supported through in-house and independent third party test projects intended to, among other objectives: (a) gather empirical data on the effects of the actual operational environment at various wind farm sites; and (b) develop the interfaces and control algorithms for specific wind turbines. In addition, a new advanced custom signal processor is under development that, along with improved software, will be integrated into Vindicator System prototype units to be built following completion of the Qualifying Transaction. Through this process, the Vindicator System's commercial design will be debugged and improved for performance, production, and reliability, and "ruggedized" to take into account long unattended field usage in adverse weather. The reliability and benefits of the Vindicator System's commercial design will then be confirmed in extended actual wind farm operations to ensure a quality product prior to full rate production.

### *Internal Testing*

Optical Air built and tested two Vindicator System prototypes in the course of developing the underlying LIDAR wind measurement technology. As of the date hereof, CTW has commenced construction of additional Vindicator System prototypes utilizing engineering services provided by Optical Air under the Services Agreement. Once completed, these additional prototypes will incorporate certain improvements (including design changes to weatherize the unit and further reduce its size) and additions of digital electronic components designed to help make the Vindicator System ready for low rate initial commercial production. Once completed, these units will be used for advanced testing and demonstrations to potential customers.

CTW plans to develop initial versions of the wind turbine control interfaces, algorithms and related software using a portion of the proceeds of the Private Placement. CTW will also make the Vindicator System available to wind turbine manufacturers to enable them, if desired, to develop their own wind turbine control algorithms and software customized to their turbines.

CTW has completed additional internal testing of the Vindicator System and has found that it more accurately measures wind speed and direction when compared to wind vanes and cup anemometers, the existing technology for wind measurement. Results of this testing will be made

available to the public on CTW's Web site once finalized.

### *Independent Testing*

In addition to internal testing performed by CTW, the Vindicator System is undergoing further testing as one of four research, development and demonstration projects for 2008 selected by WEICan to investigate innovative technologies that have significant potential to contribute to the advancement of the wind energy industry. Pursuant to an agreement between CTW and WEICan, CTW will mount and integrate the Vindicator System with a Windmatic 65 kW wind turbine operated by WEICan to test changes in energy generated by the turbine using the advanced wind data provided by the Vindicator System. The test plan proposal submitted to WEICan for this project includes four phases: (i) validation of the accuracy of the Vindicator System to measure wind speed and direction at gated intervals out to 300 meters; (ii) integration of the Vindicator System into a modern wind turbine control system to provide advance wind data to the wind turbine generator; (iii) optimization of the Vindicator System to provide control system inputs for maximum power output generation; and (iv) comparing the maximum power output of a Vindicator System-controlled wind turbine generator with the maximum power output of a standard anemometer-controlled wind turbine generator with the same wind speed and direction profiles.

The test, which is under the control of WEICan, will provide the first independent data analysis of the increased energy realized through use of the Vindicator System. CTW expects that testing of the Vindicator System will commence at WEICan in 2008, with results and data to be available in 2009.

Further planned testing at additional sites and with more advanced wind turbine control algorithms will provide additional information regarding the ability of the Vindicator System to improve wind turbine efficiency. CTW is presently in discussions with a large maritime wind farm developer, for the purpose of including the Vindicator System in an upcoming deepwater wind energy research program in the North Sea. As a result of the rapidly growing interest in LIDAR technology, CTW has been approached by several organizations to further investigate the benefit of the Vindicator System in a variety of applications, and CTW is currently evaluating a number of proposals from independent third parties to perform additional testing.

### **License Agreement**

CTW has licensed the technology that forms the basis of the Vindicator System (the "**Licensed Technology**") from Optical Air in accordance with the terms of the License Agreement. CTW has been granted an irrevocable, transferable, exclusive, sole (including as against Optical Air) worldwide right and license to produce, manufacture, commercialize, sublicense and exploit the Licensed Technology for any and all uses and applications other than military applications and commercial avionics and airborne instrumentation applications, which uses were granted to Rockwell Collins under the Rockwell Collins License Agreement. The Rockwell Collins License Agreement enables Rockwell Collins to exploit the Licensed Technology on an exclusive basis for military applications which may include wind sensing devices such as the Vindicator System. In addition, CTW has been granted a first right of refusal on all improvements and modifications to the Licensed Technology developed by Optical Air.

In consideration for the granting of the license, CTW is required to pay Optical Air an annual running royalty based on net sales of products developed from the Licensed Technology in accordance with the following:

<b>Years During Term of License Agreement</b>	<b>Percent of Net Sales - Royalty</b>
1 through 8	5%
9 through 15	3%
16 through 20	1%
21 and thereafter	0.5%

CTW is also required to pay a guaranteed minimum annual royalty in the amount of USD \$500,000 to Optical Air (less any royalties paid during each such year), payable quarterly and pro-rated for any partial year, commencing as of the date which is the earlier of: (i) the date that is three years following the date of the License Agreement; and (ii) the date as of when an aggregate of one hundred (100) units of products developed from the Licensed Technology have been sold by CTW.

In addition CTW is obliged to reimburse Optical Air for all or a portion of the costs incurred by Optical Air after the effective date of the License Agreement for the preparation, filing and maintenance of the patents forming a part of the Licensed Technology and the development, manufacturing, annuities and future fees associated with such patents depending on whether or not the claims are applicable solely to the use field licensed to CTW.

Under the terms of the License Agreement, CTW will have the right, at its option, to prosecute in its name and at its expense any infringement or misappropriation by third parties of any intellectual property rights relating to the Licensed Technology. In addition, Optical Air has indemnified CTW from and against any loss, claim, damage, lawsuit, demand, liability, cost (including reasonable attorneys' fees) and expense caused by or arising out of any claim, demand or suit alleging that CTW's exercise of the license granted to it under the License Agreement, with respect to Optical Air's contribution to the production or manufacture of the Licensed Technology, violates any United States patent or copyright, or misappropriates a trade secret of a third party.

Optical Air's maximum liability arising out of or under the License Agreement will in no event exceed the amount of any royalties (whether running royalties or guaranteed minimum annual royalties) actually paid to Optical Air up to the date of any applicable claim, up to a maximum amount of (USD) \$100,000.

CTW has indemnified Optical Air from any loss, claim, damage, lawsuit, demand, liability, cost (including reasonable attorneys' fees) and expense caused by or arising out of: (i) any activities carried out by CTW in relation to products developed from the Licensed Technology including, but not limited to, the design, production, manufacture, sale, use, lease or promotion of any such products, or any defect in the design, workmanship or material of any product designed by CTW

but not licensed to CTW under the License Agreement; (ii) any injury that arises as a result of the negligence or willful misconduct of any employee or agent of CTW; (iii) failure of CTW to comply in any material respect with applicable laws or regulations; (iv) any breach of a representation or warranty to a third party concerning the Licensed Technology by CTW; and (v) any injury, including personal injury to a third party, or any infringement or misappropriation of any intellectual property rights relating to the Licensed Technology, as a result of CTW combining with, adding to or modifying the Licensed Technology.

If CTW commits a material breach of its obligations under the License Agreement or made any material misrepresentation in anticipation of entering into the License Agreement and, after receiving notice of such breach or misrepresentation, CTW does not cure the relevant breach within sixty (60) days after receipt of such written notice, Optical Air may, at its discretion, (a) terminate the License Agreement; and/or (b) terminate the licenses granted to CTW under the License Agreement by giving written notice of termination to CTW. Either party to the License Agreement may also terminate the License Agreement in the event of the bankruptcy or insolvency of the other party.

If the License Agreement is terminated prior to the expiration of any licensed patent or copyright, all rights granted to CTW under the License Agreement shall cease and revert back to Optical Air, and CTW shall not be permitted to thereafter make, use, offer to sell, sell, or import any products derived from the Licensed Technology, including the Vindicator System.

Optical Air has made the following representations and warranties under the License Agreement:

- (a) Optical Air is the sole owner of the Licensed Technology and Optical Air has the right to grant to CTW the specific rights under the License Agreement;
- (b) To Optical Air's knowledge, the exercise of the specific rights set out in the License Agreement do not materially violate any rights of any third party; and
- (c) To Optical Air's knowledge, the Licensed Technology constitutes all of its technology within the use field granted to CTW.

The License Agreement is governed by the laws of the Commonwealth of Virginia.

### **Services Agreement**

Under the terms of the Services Agreement, CTW has retained Optical Air on a non-exclusive basis to provide certain research, development and administrative services to CTW, as needed on a best-effort as-available basis, in support of CTW's efforts to further develop and exploit the Licensed Technology. Optical Air will provide such services at its standard rates for its most favored customer, or at such lower rates as may be agreed to in writing by Optical Air and CTW.

Other than in connection with pre-existing works owned by Optical Air or any third party or as otherwise determined by CTW, all technical assistance provided by Optical Air to CTW under the Services Agreement will be exclusively owned by CTW and, as applicable, will be considered works for hire created by Optical Air for CTW.

Where technical assistance is developed for CTW by Optical Air under the Services Agreement and such technical assistance results in a modification to the Licensed Technology (whether such modification is developed solely by Optical Air or jointly by Optical Air and CTW), then in such case CTW will grant to Optical Air a nonexclusive, sublicensable upon approval of CTW (such approval not to be unreasonably withheld), fully paid-up license, to make, use, prepare derivative works from, reproduce, distribute, perform, display, transmit, further develop and otherwise exploit the applicable modification to the Licensed Technology.

Within 180 days after CTW receives notice from Optical Air of the development of a modification to the Licensed Technology which was jointly developed by Optical Air and CTW, CTW may provide written notice to Optical Air: (i) that CTW has elected not to protect any of the intellectual property rights in such joint modification; or (ii) if patents or applications for patents have been granted to, or filed by, CTW in respect of such joint modification, that CTW has elected to discontinue prosecution or maintenance of any patent or patent application regarding such joint modification, and in response thereto Optical Air notifies CTW that Optical Air wishes to see protection of the intellectual property rights in such joint modification, then CTW will be required to assign all of its right, title and interest in and to the intellectual property rights under the joint modification to Optical Air. CTW and Optical Air will bear the costs of attorney and patent agency costs for: (i) the preparation, filing, prosecution and maintenance; and (ii) annuities and other future fees and costs directly associated with the maintenance of, the applicable intellectual property rights in respect of any such joint modification in accordance with the provisions of the License Agreement.

In the event of any assignment by CTW to Optical Air of applicable intellectual property rights in respect of any such joint modification, Optical Air will grant to CTW an irrevocable, transferable, exclusive, sole worldwide right and license (including the right to grant sublicenses thereof) to make, have made, use, sell, offer to sell, lease, import, make modifications to, and otherwise exploit or deal with any such joint modification in the world during the term of the License Agreement (but not to exceed the lives of the patents licensed to CTW under the License Agreement) for the use field licensed to CTW under the License Agreement.

All fees payable by CTW to Optical Air under the Services Agreement must be paid within 30 days following the date of each applicable invoice rendered to CTW. All overdue amounts owing by CTW will be subject to interest until paid in full.

CTW may at any time terminate the Services Agreement by written notice to Optical Air. If CTW is in default of any material obligations under the Services Agreement and fails to cure such default within sixty (60) days after receiving notice from Optical Air to cure the same, then Optical Air shall thereupon be entitled to terminate the Services Agreement.

The Services Agreement is governed by the laws of the Commonwealth of Virginia.

## **Operations**

### *Production and Service Procedures/Capability*

CTW plans to become an ISO9000/AS9100 registered company, positioned for doing business in a variety of markets with both governmental and commercial customers, domestically and

abroad. CTW expects to hire a Quality Systems Manager to help develop and maintain a complete quality management system for CTW. Under the planned ISO certification, CTW will implement a complete documentation system with a site policy, procedures, work instructions and records, maintained within a planning system.

Production design and development of the Vindicator System is currently performed at, and following completion of the Qualifying Transaction, will continue to be performed at, the premises leased from Optical Air under the Sublease. The majority of such design and development work will be performed by Optical Air under the terms of the Services Agreement at rates agreed to by CTW and Optical Air for such services, plus costs incurred by Optical Air, until such time as sufficient sales of the Vindicator System have been generated to allow CTW to perform such design, development and production functions itself.

Following completion of the Qualifying Transaction, CTW will produce up to ten additional prototypes of the Vindicator System unit, with low rate initial commercial production of the units expected to occur in the first 24 months following completion of the Qualifying Transaction.

CTW currently expects that full rate production of the Vindicator System units will be performed in a larger facility that will be purchased or leased by CTW at such time as sufficient sales of the Vindicator System warrant full rate production. If and when production is moved to a larger facility, additional manufacturing personnel will be hired and additional equipment will be purchased and/or leased. All manufacturing employees hired by CTW will be trained in fiber-optic, electrical and mechanical assembly processes, which training will initially be performed by Optical Air pursuant to the terms of the Services Agreement.

CTW will source non-critical components of the Vindicator System units from key suppliers that have been identified by Optical Air. At this time, CTW expects that production of critical components and final assembly and testing of the Vindicator System units will be conducted by CTW (both on its own behalf and by employees of Optical Air under the terms of the Services Agreement) at the leased premises. CTW believes its product lead times are reasonable, with a maximum lead-time of two months for most critical items.

### *Employees*

CTW currently has no employees other than its President. To date, all administrative, marketing and production functions of CTW have been contracted from Optical Air under the terms of the Services Agreement. Concurrent with the completion of the Qualifying Transaction, CTW intends to hire additional senior executives, including a Vice-President/General Manager, a Vice-President of Business Development, and a Controller. In addition, upon completion of the Qualifying Transaction, CTW intends to hire business development, product development, sales and other personnel to support its operations (a number of whom may be hired from Optical Air). CTW expects to have between 10 and 18 employees, including senior executives, by the end of its first year of operation. In addition, CTW will continue throughout this period to engage the services of Optical Air under the terms of the Services Agreement for various functions, including technical, scientific and administrative services.



## Proprietary Protection

The technology that forms the basis of the Vindicator System is protected by the following registered patents, patent applications and trademark applications, each of which Optical Air has represented that it owns and has licensed to CTW under the terms of the License Agreement:

### List of Patents and Patent Applications as of September 2, 2008

Client/Matter No.	Country	Status	Title	Application No.	Filing Date	Patent No.	Patent Grant Date	Expiration Date
11034-0003	United States	Granted	Multi-Function Optical System	09/549,497	4/14/2000	6,614,510	9/2/2003	4/14/2020
11034-0004	Canada	Filed	Multi-Function Optical System And Assembly	2405898	4/13/2001			
11034-0004	Europe	Filed	Multi-Function Optical System And Assembly	019705078	4/13/2001			
11034-0004	United States	Filed	Multi-Function Optical System And Assembly	10/257,289	4/13/2001			
11034-0005	Australia	Granted	OPTICAL FIBER SYSTEM	2001276008	7/20/2001	2001276008	4/20/2006	7/20/2021
11034-0005	Canada	Granted	Optical Fiber System	2,417,175	7/20/2001	2,417,175	7/10/2007	7/20/2021
11034-0005	Germany	Granted	Optical Fiber System	019535749	7/20/2001	1311882	1/16/2008	7/20/2021
11034-0005	Europe	Granted	Optical Fiber System	019535749	7/20/2001	1311882	1/16/2008	7/20/2021
11034-0005	France	Granted	Optical Fiber System	019535749	7/20/2001	1311882	1/16/2008	7/20/2021
11034-0005	Great Britain	Granted	Optical Fiber System	019535749	7/20/2001	1311882	1/16/2008	7/20/2021
11034-0005	Japan	Filed	Optical Fiber System	2002514447	7/20/2001			
11034-0005	Sweden	Granted	Optical Fiber System	019535749	7/20/2001	1311882	1/16/2008	7/20/2021
11034-0006	United States	Granted	Optical Fiber System	09/625,243	7/25/2000	6,757,467	6/29/2004	7/25/2020
11034-0008	United States	Granted	Laser Doppler Velocimeter	07/804,888	12/6/1991	5,272,513	12/21/1993	12/6/2011
11034-0009	United States	Granted	Laser Doppler Velocimeter	08/169,129	12/20/1993	6,141,086	10/31/2000	12/6/2011
11034-0010	Australia	Granted	Laser Doppler Velocimeter	323893	12/4/1992	673341	2/26/1997	12/4/2012
11034-0011	Canada	Granted	Laser Doppler Velocimeter	2124963	12/4/1992	2124963	7/9/2002	12/4/2012
11034-0019C2	United States	Filed	Doppler Rotational Velocity Sensor	11/808,803	6/13/2007			

Client/Matter No.	Country	Status	Title	Application No.	Filing Date	Patent No.	Patent Grant Date	Expiration Date
11034-0020C2	United States	Filed	QUADRATURE PROCESSED LIDAR SYSTEM	11/882,280	7/31/2007			
11034-0021	United States	Granted	LASER DOPPLER VELOCIMETER	10/334,785	1/2/2003	7,068,355	6/27/2006	12/6/2011
11034-0021C	United States	Granted	LASER DOPPLER VELOCIMETER	11/362,725	2/28/2006	7,206,064	4/17/2007	12/6/2011
11034-0021C2	United States	Filed	LASER DOPPLER VELOCIMETER	11/716,654	3/12/2007			
11034-0026	Canada	Filed	VERY HIGH POWER PULSED FIBER LASER	2,549,172	12/6/2004			
11034-0026	Europe	Filed	VERY HIGH POWER PULSED FIBER LASER	04817945.1	12/6/2004			
11034-0026	United States	Filed	VERY HIGH POWER PULSED FIBER LASER	10/581,416	12/6/2004			
11034-0037	Australia	Filed	SINGLE APERTURE MULTIPLE OPTICAL WAVEGUIDE TRANSCEIVER	AU/	11/13/2006			
11034-0037	Canada	Filed	SINGLE APERTURE MULTIPLE OPTICAL WAVEGUIDE TRANSCEIVER	2,629,319	11/13/2006			
11034-0037	Europe	Filed	SINGLE APERTURE MULTIPLE OPTICAL WAVEGUIDE TRANSCEIVER	06844329.0	11/13/2006			
11034-0037	Japan	Filed	SINGLE APERTURE MULTIPLE OPTICAL WAVEGUIDE TRANSCEIVER	JP/	11/13/2006			
11034-0037	United States	Filed	SINGLE APERTURE MULTIPLE OPTICAL WAVEGUIDE TRANSCEIVER	12/084,849	11/13/2006			
11034-0038	United States	Filed	OPTICAL SYSTEM FOR DETECTING AND DISPLAYING AIRCRAFT POSITION AND ENVIRONMENT DURING LANDING AND TAKEOFF	12/085,310	2/25/2008			
11034-0038	Patent Cooperation Treaty	Filed	OPTICAL SYSTEM FOR DETECTING AND DISPLAYING AIRCRAFT POSITION AND ENVIRONMENT	PCT/US2008/002407	2/25/2008			

Client/Matter No.	Country	Status	Title	Application No.	Filing Date	Patent No.	Patent Grant Date	Expiration Date
			DURING LANDING AND TAKEOFF					
11034-0051	Patent Cooperation Treaty	Filed	LASER DOPPLER VELOCIMETER	PCT/US2008/005515	4/30/2008			

The patents owned by Optical Air and licensed to CTW under the Licensing Agreement may not be issued in connection with the pending applications and allowed claims may not be sufficient to protect its technology or technology that it or CTW licenses from third parties, including Optical Air. Furthermore, any patents issued (whether owned by, or licensed to, CTW) could be challenged, invalidated or circumvented and may not provide proprietary protection or a competitive advantage. There can be no assurance that any patent applications filed by CTW or Optical Air in respect of the technology which forms the basis of the Vindicator System will result in enforceable patents.

A number of CTW's competitors and other third parties have been issued patents, and may have filed patent applications or may obtain additional patents and proprietary rights, for technologies similar to those that CTW has made or licensed or that CTW may make or license in the future. Since patent applications filed before November 29, 2000 in the U.S. are maintained in secrecy until issued as patents, and as publication or public awareness of new technologies often lags behind actual discoveries, CTW cannot be certain that Optical Air was the first to develop the technology which forms the basis of the Vindicator System or that it was the first to file patent applications for such technology. In addition, the disclosure in the patent applications filed by Optical Air in respect of the technology which forms the basis of the Vindicator System, particularly in respect of the utility of its claimed inventions, may not be sufficient to meet statutory requirements for patentability in all cases. Optical Air could make decisions in the prosecution of its patent applications that could result in the issue of claims of patents more limited than may be desired by CTW or not relevant to the products of the CTW. Optical Air could make decisions not to pursue patent filings in countries that may be of interest to CTW. Optical Air may inadvertently or as a result of pursuing a course of conduct subsequently determined to be ineffective fail to make the required maintenance fee payments resulting in the loss of applicable patent rights.

CTW has not conducted a detailed assessment of any of the patent applications that Optical Air has filed and cannot verify if the disclosure provided in the specification of each patent application is enabling and sufficient to obtain enforceable patent rights in such jurisdiction.

CTW has not conducted a freedom to operate or clearance assessment of its ability to use or exploit the patent rights or technology licensed under the License Agreement in any market. Such an assessment might uncover patent or other rights owned by third parties that could delay or halt CTW's ability to proceed with certain features of its products, and if that were the case, CTW might not be able to obtain a license to, or design around, such third party rights, if any. See "Information Concerning the Resulting Issuer – Risk Factors".

**List of Trademark Applications  
as of September 2, 2008**

Client/Matter No.	Country	Status	Title	Application No.	Application Date
11034-0027	US	Filed	OADS	78/640,214	5/31/2005
11034-0028	US	Filed	OADS and logo	78/670,487	7/14/2005
11034-0035	US	Filed	LANDSAFE	78/669,628	7/13/2005
11034-0036	US	Filed	LANDSAFE (stylized)	78/683,564	8/2/2005
11034-0040	US	Filed	VINDICATOR	77/291,448	9/28/2007
11034-0041	US	Filed	RACER'S EDGE	77/291,467	9/28/2007
11034-0045	US	Filed	HYDRA	77/470,272	5/9/2008
11034-0046	US	Filed	TRIDENT	77/470,288	5/9/2008
11034-0047	US	Filed	WINDSEEKER	77/470,297	5/9/2008
11034-0048	US	Filed	CATCH THE WIND	77/470,320	5/9/2008
11034-0049	US	Filed	VINDICATOR (STYLIZED)	77/496,249	6/11/2008

**Market**

*Renewable Energy Market*

The search for low impact, non-polluting, renewable energy has become a primary goal of major industrial nations. A key factor preventing renewable energy from displacing fossil fuels as the primary source of energy for these nations has been the generation costs associated with renewable energy. According to a World Nuclear Association report titled "The Economics of Nuclear Power" released in May of 2008, the following table lists the average energy costs in 2005 from various energy sources:

Power Generation Source	Cost/kWh
Nuclear	\$0.0172
Coal	\$0.0221
Wind	\$0.0400
Hydro	\$0.0400
Gas	\$0.0751
Oil	\$0.0809
Solar	\$0.2100

Notwithstanding this economic pressure, the growth in renewable energy has been significant over the last decade. Of these renewable energy sources, wind energy is the largest and most mature market, with wind energy accounting for approximately 30% of the renewable energy market. Europe alone accounts for 65% of the global installed wind power capacity. In the United Kingdom, power companies are attempting to harvest the North Sea wind, which, if harvested, is estimated will provide enough energy to power every home in the British Isles. The chart below reflects the world's leading nations in wind energy production according to the Global Wind Energy Council's 2007 Report:

Nation	World Production	Domestic Demand <sup>(1)</sup>
Germany	22.2%	7.0%
Spain	15.1%	8.8%
USA	16.8%	1.0%
India	8.0%	5.8%
China	5.9%	Unknown
Denmark	3.1%	25.0%
Canada	1.8%	0.8%

**Notes:**

(1) Refers to total percentage of electricity generated by wind power.

The stated energy policy of the U.S. is to have 20% of domestic power consumption generated through renewable sources by the year 2030. Taking into account similar goals announced in Europe, China and India, the planned future growth of renewable energy generation, lead by wind power, is significant.

As the demand for wind energy grows, generation costs should naturally come down, and conversely, public pressure related to the environmental impact of nuclear/fossil fuels (CO<sup>2</sup> tax and storage of nuclear waste) will continue to increase the costs of those energy sources.

#### *Vindicator System Markets*

The Vindicator System is targeted towards two large markets: (i) legacy wind turbines (i.e., commercial-size wind turbines currently in operation); and (ii) new wind turbines.

#### *Legacy Wind Turbine Market - United States*

At the end of 2007, AWEA reported that there were more than 8,000 large wind turbine generators (greater than 1 megawatt) in operation in the U.S., and that an additional 3,000 wind turbines are planned to be put into service by 2010. Consequently, the potential large wind turbine market in the U.S. will be approximately 11,000 wind turbines through 2010. Based on an illustrative sales price of \$125,000 per unit for the Vindicator System, CTW estimates that the total potential market opportunity through 2010 for the Vindicator System will be approximately \$1.3 billion for wind turbines installed in the U.S.

#### *Legacy Wind Turbine Market - Worldwide*

At the end of 2007, the WWEA reported that worldwide Nameplate Capacity was nearly 100,000 megawatts (including turbines installed in the U.S.). It is difficult to determine exactly how many large wind turbines are installed around the world due to incomplete information provided by various national and international wind energy databases. However, CTW estimates that there were approximately 76,000 large, controllable wind turbines worldwide that contributed to the worldwide installed Nameplate Capacity of 100,000 megawatts.

The WWEA reports that by 2010 there will be an additional 60,000 megawatts of installed wind energy Nameplate Capacity worldwide. The new, large wind turbine generators are expected to be at 1.5 to 2 megawatts each, resulting in another 30,000 to 40,000 large legacy wind turbines that could be adapted to accept the Vindicator System wind data inputs.

Based on an illustrative sales price of \$125,000 per unit for the Vindicator System, CTW estimates that the total market opportunity through 2010 for the Vindicator System will be in excess of \$13 billion for wind turbines installed worldwide.

#### *New Wind Turbine Market - Worldwide*

According to the National Renewable Energy Laboratory, a national laboratory of the U.S. Department of Energy, the U.S. wind energy industry experienced a 45% growth in installed wind power generation capacity in 2007. That growth was nearly twice the level forecast just months earlier.

Various worldwide wind energy associations have predicted that wind energy generation will continue to grow by at least 20% annually through 2020, with even greater demand occurring in China and India. Consequently, CTW estimates that approximately 16,000 new large wind turbines will be manufactured worldwide in 2011, with 20% growth forecast in each successive year through 2020, for a total market in excess of 500,000 new wind turbine generators by 2020. This creates an enormous market potential for the Vindicator System. In addition, as sea-based wind turbine technology matures, including the development of advanced deep water anchoring capability, more wind farms will be built offshore with wind turbine generators rated at 2 megawatts and larger. CTW believes that at some point in the next five to seven years, wind farm operators and investors may request that turbine manufacturers include forward-looking, or "feed forward", wind sensor technologies, similar to that provided by the Vindicator System, as a standard component in new wind turbines.

### **Additional Markets for Vindicator**

In addition to the wind turbine market, CTW believes that the Vindicator System can be developed for use in other markets, including the following:

#### *Replacement for Meteorological Towers*

The planning phase for a new wind farm involves the measurement of wind speeds at the proposed hub height for periods of six months to a year, or longer, in order to ensure the site chosen has sufficient wind speeds to justify construction. This currently involves the construction of meteorological towers that are 60 to 100 meters high. These towers are expensive to build and can require site permits, zoning variances and other time-consuming government approvals.

The Vindicator System unit can be placed on the ground and pointed towards the desired measurement point. This will allow wind farm manufacturers, sponsors and financiers to quickly and effectively evaluate proposed new wind sites at greatly reduced costs without the need for the construction of new meteorological towers. The cost of tower wind measurement for potential off-shore wind turbine installations is even greater.

#### *Regional Airports & Heliports*

CTW believes that regional airports could benefit from a portable, low cost Vindicator System for safer airport traffic area operations by providing a wind sensor to detect wind shear and wake vortices that have caused several aircraft mishaps and deaths. According to the *CIA Fact Book*, last updated in May 2008, there are nearly 15,000 regional and municipal airports and certified heliports in the U.S. with paved runways that could be equipped with the Vindicator System to improve the safety of aviation operations. Additionally, there are thousands of rural airports and urban heliports that would benefit from a LIDAR wind sensor such as the Vindicator System to improve the safety of aviation operations.

### *Homeland Security (Chemical Facilities Power Plants /Refineries/Urban Centers)*

The Vindicator System can be developed for use as a real time sensor to determine local wind flow patterns that officials can use for emergency response to accidental or deliberate release of toxic emissions. Accurate, real time wind flow data from the Vindicator System can provide inputs to aerosol dispersal models to allow officials to direct evacuation zone priorities, evacuation route planning and provide public risk information to the appropriate emergency responders and emergency command centers.

There are more than 15,000 chemical facilities in the U.S., 100 of which are located near densely populated areas. In addition, there are approximately 153 oil refineries, 66 nuclear power plants, 378 conventional power plants, 10 major seaport terminals, as well as hundreds of large metropolitan areas that are relatively soft targets for a terrorist attack. All of these facilities could use Vindicator System wind flow data integrated into a comprehensive disaster response model that could save thousands of lives in the event of a catastrophic chemical, biological or nuclear release in a populated area. Many of these critical, at-risk facilities could be expected to initially utilize four or more Vindicator Systems (depending on the desired coverage area) for measurement of real time wind flow patterns.

### *Mega Yachts*

Interest has been generated in the high end sail yachting industry (mega yachts 80 feet and above) for the Vindicator System's wind sensing capability for automatic stabilization, rudder and sail controls to improve ride control as well as sailing efficiency. According to various reports, including a 2001 U.S. Coast Guard report, there were over 5,600 active mega yachts worldwide, with more than 2,000 mega yachts making port calls in the U.S. Each year, the world market builds more than 300 new mega yachts for the sailing yacht charter business, as well as for wealthy private owners who demand the latest in technology for their investments. CTW has held discussion with various parties regarding the implementation of a Vindicator System for automatic sail and ride control.

### *Commercial Cruise Lines and Large Commercial Cargo Ships*

Commercial cruise lines and large commercial cargo ships that operate their own helicopter service could use the Vindicator System to improve the safety of operating their helicopters during reduced visibility events and when weather conditions deteriorate unexpectedly. Additionally, the Vindicator System could assist these large vessels with critical docking maneuvers during high wind conditions. There are an estimated 22,500 large commercial cargo ships and many more commercial cruise liners around the world that would be potential market opportunities for the Vindicator System.

### *Forestry Service*

Large-scale forest fire-fighting operations frequently include rapidly shifting and gusting winds that threaten the safety of fire crews and other people in the path of advancing, out of control forest fires. A lightweight, portable Vindicator System could be used by the forestry service during critical fire-fighting operations to improve the safety of associated aviation operations, as well as ensure that firefighters are warned of impending wind shifts. According to Congressional



testimony in April of 2006 by officials of the United States Department of Agriculture, there are 55 national inter-agency management teams that coordinate large fire-fighting operations for the more than 18,000 firefighters that are available to respond annually to forest fires in the U.S. The Vindicator System, or a next generation hand-held variant, could be used by fire team leaders to provide critical wind flow information.

### *Sporting Activities*

CTW is in the process of creating concept designs for a small, handheld wind sensor based on the Vindicator System that can be used for various automotive and sporting applications where wind flow patterns and abrupt wind flow changes can affect the safety of operations or change the outcome of competitive events. These applications include: competitive and recreational sailing, football, baseball, golf, auto racing, high speed autobahn driving, ultra light aircraft, hot air ballooning, sport parachute jumping, ski jumping, sport-shooting and recreational hunting. These activities provide a potential market for several hundred thousand hand-held wind sensors to meet the demands of the sporting and automotive markets.

### **Marketing Plans and Strategies**

#### *Legacy Wind Turbine Market*

In order to exploit the legacy wind turbine market, CTW intends to use a combination of internal sales people and external consultants to contact prospective customers, and arrange for demonstration of the Vindicator System. CTW commenced initial marketing of the Vindicator System at the WINDPOWER 2008 Conference & Exhibition, in June 2008 in Houston, Texas. CTW intends to further its presence in the wind industry through participation in additional trade shows, and further advertising and marketing efforts in industry trade journals. CTW will also leverage its executive-level and Board of Director contacts to commence discussions with wind farm operators, wind turbine manufacturers, executives in the wind industry trade associations (AWEA, CANWEA and EWEA) and others in the industry.

#### *New Wind Turbine Market*

In order to exploit the new wind turbine market, CTW will initially target wind turbine generator manufacturers such as Vestas Wind Systems A/S (the world's largest manufacturer of wind turbine generators), General Electric Energy, Gamesa Corporación Tecnológica and Enercon GmbH. CTW is currently in discussions with a large turbine manufacturer for the testing of the Vindicator System on large wind turbine generator.

#### *Pricing Policy*

CTW has not yet finalized the installed price per unit for the Vindicator System, but expects introductory pricing to be approximately \$125,000 per unit. The price per unit will ultimately be determined by reference to, among other factors, market demand, the cost of production and the relative value brought to the user of the Vindicator System. CTW may also consider a pricing strategy based on installed megawatt level and a license fee for the turbine control algorithm and related software provided by CTW to customers.

*Obsolescence Factors*


Obsolescence is an important factor that drives innovation in the wind energy technology market. CTW plans to maintain its competitive position through continuous product and technological enhancement and new product development. Research and development services required to perform technological enhancement and product development will initially be provided by Optical Air under the terms of the Services Agreement. As CTW's business grows, CTW expects that some or all of these functions will be performed directly by employees and contractors of the Resulting Issuer.

*Warranties*

CTW plan to warranty the Vindicator System to correspond to typical new wind turbine warranties, which are typically five years from the date of installation.

**Competitive Conditions**

Presently, CTW is not aware of any known competitor in the LIDAR technology sector that matches the Vindicator System's small size, low cost and robust fiber-optic laser design. Based on accepted wind industry criteria, a comparison of certain systems and technologies presently in use to measure the wind and wind flow patterns is presented in the following chart:

		COMPETING PRODUCTS									
		Other LIDAR			Radio/Sonic Wave		Mechanical/ Ultrasonic				
		ZephIR	WindTracer	WindCube	RADAR	SODAR	Wind Vane	Wind Sock	Cup Anem.	2D Sonic Anem.	3D Sonic Anem.
Remote Measurement Capability	▲	▲	▲	▲	▲	▲					
Simultaneous Multiple Range Measurement	▲		▲	▲	▲	▲					
Forward and Slant Range Measurement	▲				▲						
Compact Size (< 0.5 m or 1.65 ft. cube)	▲			▲			▲	▲	▲	▲	▲
Weight (< 22.7 kg. or 50 lbs)	▲						▲	▲	▲	▲	▲
Power Draw (< 100 watts)	▲	▲					▲	▲	▲	▲	▲
Update Rate (< 1sec)	▲			▲			▲	▲	▲	▲	▲
Accuracy (> 0.51 m/s or 1 knot)	▲	▲	▲	▲		▲	▲	▲	▲	▲	▲
No Moving Parts	▲									▲	▲
Base Price (\$)	\$125,000	\$200,000	\$600,000	\$200,000	\$400,000	\$20,000	\$100	\$205	\$285	\$2,750	\$4,750
Manufacturer	Catch the Wind	Natural Power	LMCO	Leosphere	LMCO	SecondWind	NRG	Various	NRG	Gill	Gill

SODAR (sonic detection and ranging) systems are used to remotely measure the vertical turbulence structure and the wind profile of the lower layer of the atmosphere. Most SODAR systems operate by issuing an acoustic pulse and then listening for the return signal for a short period of time. Generally, both the intensity and the Doppler (frequency) shift of the return signal are analyzed to determine the wind speed, wind direction and turbulent character of the atmosphere. A profile of the atmosphere as a function of height is obtained by analyzing the return signal at a series of times following the transmission of each pulse.

CTW believes that SODAR systems have limitations for use in the wind turbine industry, with perhaps the most significant limitation being the fact that SODAR systems generally do not report valid data during periods of heavy precipitation. Another limitation of SODAR systems is that they primarily only provide measurements of mean wind. Other wind parameters, such as wind speed standard deviation, wind direction standard deviation and wind gust, are usually

either not available or not reliable with SODAR systems because in order to obtain a wind measurement SODAR systems sample over a volume and at multiple points in space and time, whereas a Vindicator LIDAR-based system instantaneously measures wind at a point in space and time. LIDAR data produced by the Vindicator system can be read directly by users or control systems without requiring expert interpretation, as often needed when dealing with SODAR data.

The Vindicator System is differentiated from other systems and technologies presently in use to measure the wind and wind flow patterns by the following:

*Technical Capability*

CTW believes that the Vindicator System is the only commercially available, forward-looking LIDAR-based wind measurement system available to the wind power industry. Other LIDAR-based wind sensing systems have been designed for use on the ground, are much larger in size and rely on moving parts which could potentially affect their reliability. The Vindicator System unit is substantially smaller and lighter than other LIDAR-based wind measurement devices.

*Accuracy of Measurement*

Other wind measurement systems, such as those based on SODAR and other technologies, do not have the same degree of accuracy and update rate as LIDAR-based systems and, unlike the Vindicator System, may not accurately measure wind in all weather conditions. In addition, experience with SODAR has shown that the accuracy of wind measurements varies greatly among users due to the subjectivity of the data provided.

**Selected Financial Information and Management's Discussion and Analysis**

*Financial Information as of and for the six months ended June 30, 2008*

The following table sets out selected financial information for CTW for the six months ended June 30, 2008, being the entire period of operation of CTW since inception of business activities (January 1, 2008). Such data has been derived from, and should be read in conjunction with the audited financial statements of CTW for the six month period ended June 30, 2008 included elsewhere in this Filing Statement (see Exhibit "B" – Audited Financial Statements of CTW), and the information under the headings "Management Discussion and Analysis" below.

	<b>Six Month Period from Inception (January 1, 2008) to June 30, 2008</b>
Sales	Nil
General and administration expense	\$258,690
Research expense	\$27,423
Net Loss and Comprehensive Loss	(\$286,113)

	<b>Balance Sheet Data as of June 30, 2008</b>
Cash and cash equivalents	\$94,204
Total current assets	\$157,802
Intangible assets	\$632,642
Due to related party	\$865,809
Total current liabilities	\$1,355,980
Total liabilities	\$1,355,980
Working capital deficiency	(\$1,198,178)
Shareholders' deficiency	(\$286,112)

## Management Discussion and Analysis

The following management discussion and analysis should be read in conjunction with the audited financial statements of CTW and notes thereto included in Exhibit A to this Filing Statement. All statements have been prepared in accordance with GAAP and are expressed in Canadian dollars. This management discussion and analysis is current as of August 1, 2008.

### *Results of Operations from Inception of Business Activities (January 1, 2008) to June 30, 2008*

CTW did not generate any revenue during the period from inception to June 30, 2008. Expenses during this period amounted to \$286,113 and consisted of general and administrative expenses of \$258,690 and research costs related to CTW's "Racer's Edge" product development program of \$27,423. Significant general and administration expenses included labour charges from Optical Air, a related party, at prescribed rates (amounting to \$78,263), trade show expenses, consulting fees, marketing and sales and other expenses. Net loss for the period amounted to (\$286,113). CTW recorded a valuation allowance against the full value of its future tax assets at June 30, 2008 and, accordingly, did not reflect any future income tax benefit in its statement of loss and comprehensive loss for period from inception to June 30, 2008.

### *Capital Expenditures*

CTW did not have any capital expenditures during the period from inception to June 30, 2008.

### *Summary of Quarterly Results*

The following table presents selected financial data for each of the last two fiscal quarters ended June 30, 2008:

	<b>For the Quarter Ended:</b>	
	<b>March 31, 2008</b>	<b>June 30, 2008</b>
<b>Revenue</b>	Nil	Nil
<b>Net Loss and Comprehensive Loss</b>	(\$40,978)	(\$245,135)
<b>Basic and Diluted Net Loss</b>	(\$0.00)	(\$0.01)

<b>Per Common Share <sup>(1)</sup></b>		
<b>Weighted Average Number of Shares Outstanding <sup>(1)</sup></b>	25,000,000	25,000,000

**Notes:**

- (1) Basic and Diluted Net Loss per Common Share for the quarters ended March 31, 2008 and June 30, 2008, respectively, have been determined on the basis of 25,000,000 outstanding CTW Shares. As described further in the audited financial statements of CTW for the six month period ended June 30, 2008 included elsewhere in this Filing Statement (see Exhibit "B" – Audited Financial Statements of CTW), the weighted average number of CTW Shares outstanding during these periods was adjusted to give retroactive effect to the issuance of 900 common shares from treasury and subsequent 25,000 to 1 stock dividend, in July, 2008.

*Liquidity and Capital Resources for the Six Months Ended June 30, 2008*

For the period from inception to June 30, 2008, CTW relied on the financial support of Optical Air.

In the period from inception to June 30, 2008, cash used in operating activities amounted to \$87,575 and was primarily the result of the operating loss for the period and the increase in inventory, offset by the increase in accounts payable and accrued liabilities and the increase in deferred revenue of \$100,000. Cash used in investing activities for this period amounted to \$542,314 arising from the increase in intangible assets of \$542,314 (comprised primarily of deferred development costs of the Vindicator System). Cash provided by financing activities for this period was attributable to advances from Optical Air, offset by the increase in deferred share issuance costs of \$141,717.

CTW's principal uses of cash have been, and are expected to be, general and administration expense, funds needed to complete development of the Vindicator System and to build prototype units, research and development costs, capital expenditures and funds needed to support marketing and commercialization activities. Until CTW is able to generate sales or receive deposits from customers on confirmed orders, it will continue to rely on equity and debt financing to fund these requirements. CTW does not have any other commitments for material capital expenditures over the near or long term, and none are presently contemplated other than as disclosed in this Filing Statement and/or in connection with normal operating requirements. CTW does not anticipate a need for additional debt or equity financing during the remainder of 2008, assuming completion of the Private Placement

**Commitments and Off-Balance Sheet Arrangements**

As at June 30, 2008 CTW had no commitments for capital expenditures and no off-balance sheet arrangements. As disclosed in note 6 to the audited financial statements of CTW for the six month period ended June 30, 2008 included elsewhere in this Filing Statement, CTW has a commitment to make royalty payments to Optical Air under the terms of the License Agreement.

### **Transactions with Related Parties**

As noted earlier in this Filing Statement, CTW and Optical Air share common ownership. The CTW Shareholders own all of the outstanding membership interests of Optical Air in the same proportion as their ownership of the shares of CTW (prior to completion of the Private Placement). As such CTW and Optical Air are under common control and Optical Air is considered a related party for purposes of accounting under CICA Handbook Section 3840 – "Related Party Transactions".

CTW currently relies upon Optical Air to provide it with engineering, research and development services related to the Licensed Technology, as well as general administration support. CTW believes that transactions between CTW and Optical Air reflect fair market value and are substantially equivalent to the terms that would have been negotiated had the companies operated on an arm's length basis. As described further in the audited financial statements of CTW for the six month period ended June 30, 2008 included elsewhere in this Filing Statement (see Exhibit "B" – Audited Financial Statements of CTW), the financial statements of CTW for such period are materially affected by transactions with Optical Air, a related party, including labour charges for engineering, research and development, and general administration support.

### **Due to Related Party**

As of June 30, 2008, CTW owed a balance of \$865,809 to Optical Air, a related party, arising from cash advances to CTW and direct expenditures paid by Optical Air on behalf of CTW (amounting to \$220,579), Optical Air labour charges for the period from inception (January 1, 2008) to June 30, 2008 (amounting to \$608,030) and the balance owed to Optical Air for aircraft usage (amounting to \$37,200). The expenditures paid on behalf of CTW included payment of transaction expenses relating to the completion of the Private Placement and the Qualifying Transaction, as well the costs of marketing activities, trade show attendance, Vindicator System development and other activities performed on behalf of CTW.

The costs incurred by Optical Air prior to December 31, 2007 related to the development of the Vindicator System, the Licensed Technology, and the ownership of patents held by Optical Air with respect thereto are not reflected in the audited financial statements of CTW for the six month period ended June 30, 2008.

### **Indebtedness**

CTW had no indebtedness during the period from inception (January 1, 2008) until June 30, 2008, except for the amounts owing to Optical Air, a related party, as described above.

On August 11, 2008, CTW received a bridge loan in the amount of (USD)\$1,000,000 from PNC Bank to fund its expenses (including expenses relating to the Qualifying Transaction), its working capital needs and to repay a portion of the balance due to Optical Air. The bridge loan bears interest at 5% per annum. Repayment of the bridge loan is secured by a first ranking security interest in substantially all of CTW's assets, and is guaranteed by Optical Air, Philip L. Rogers and Alisa Kramer Rogers. The bridge loan matures on November 11, 2008. CTW intends to fund repayment of the bridge loan from the proceeds of the Private Placement.

## Summary of Significant Accounting Policies

### *Critical Accounting Policies and Estimates*

CTW prepares its financial statements in accordance with GAAP, which requires management to make certain estimates and apply judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. CTW bases its estimates and judgments on historical experience, current trends, and other factors that management believes to be important at the time the financial statements are prepared. Actual results could differ from CTW's management estimates, and such differences could be material. On an ongoing basis, management of CTW reviews its accounting policies and how they are applied and disclosed in its financial statements.

The following supplemental information describes significant judgments and estimates involved in CTW's critical accounting policies, which are more fully described in CTW Financial Statements attached as Exhibit "B" to this Filing Statement.

### *Intangible assets*

CTW capitalizes and amortizes the cost of intangible assets acquired over their estimated useful lives in accordance with CICA Handbook Section 3064, "Goodwill and Intangible Assets". Intangible assets are amortized on a straight-line basis unless such lives are deemed indefinite.

CTW incurs research and development expenditures related to the development of products including the Vindicator System. The research and development activities are performed primarily by Optical Air, a related party, and are charged to CTW under the Services Agreement.

Research costs are expensed as incurred. Development costs which meet generally accepted criteria, including technical feasibility of the related project, the availability of adequate resources to complete development, intention to complete development and reasonable assurance regarding recoverability, among others, are capitalized as intangible assets and amortized over their expected period of commercial sale, beginning with commercial production. Annually, CTW reviews the recoverability of deferred development costs through an evaluation of the expected future cash flows from commercialization of the associated products to determine if there has been an impairment of the recoverable amount. The Vindicator System deferred development costs will be amortized over a 7 year period.

The primary estimates and assumptions underlying the deferral of the Vindicator System development costs included the expected future financial benefit attributable to the intangible asset (which was based, in part, on internal sales forecasts for the completed unit), and the availability of adequate technical, financial and other resources to complete development.

CTW capitalizes certain costs incurred related to the development of its Web site in accordance with EIC-118 "Accounting for Costs Incurred to Develop a Web Site". The Web site development costs will be amortized over the estimated useful life of 3 years.

Since development of CTW's Web site was completed during June 2008, CTW did not record any amortization expense during the 6 month period from inception to June 30, 2008.

CTW records the cost of start-up activities, including legal, organizational and pre-operating costs, as a current period expense in its Statement of Loss and Comprehensive Loss.

#### *Inventory*

CTW accounts for inventory in accordance with CICA Handbook Section 3031, "Inventories".

Inventory, consisting principally of electronic and optical components used to manufacture Vindicator System units, is carried at the lower of historical cost or net realizable value. Cost is determined using the first-in, first-out inventory basis, and includes the purchase price, import duties and other taxes, and transport expenses. Fixed and variable production overheads are systematically allocated to the carrying amount of inventory.

#### *Income taxes*

CTW operated as an unincorporated entity during the period from inception to March 17, 2008 and, accordingly, was not taxed as a separate entity under the United States Internal Revenue Code. As a result, no provision for income taxes has been reflected in the financial statements for this period.

CTW is taxed as a "C" corporation for U.S. federal and Virginia state taxation purposes and recognizes income taxes under the asset-and-liability method. Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits from loss carryforwards, to the extent that realization of such benefits is more likely than not. A valuation allowance against future income tax assets is recorded if CTW is not expected to generate future taxable income to utilize these future income tax assets. Future income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date or substantive enactment date.

CTW is in the development stage, and has not generated any revenue to date nor commenced its principle commercial operations. As a result, CTW recorded a valuation allowance against the full value of its future tax assets as at June 30, 2008.

#### **Financial Instruments**

CTW follows the accounting and disclosure requirements of CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation".

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and CTW's designation of such instruments. Settlement date accounting is used.



Classification

Cash and cash equivalents	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Due to related party	Other liabilities

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income. Financial liabilities designated as held for trading are those non-derivative financial liabilities that CTW elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets. CTW has not designated any non-derivative financial liabilities as held for trading.

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

CTW uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

The carrying value of financial instruments approximates their fair value, due to the short-term nature of such amounts.

*Capital disclosures*

CTW follows the provisions of Section 1535 of the CICA Handbook, "Capital Disclosures", which established standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

*Revenue recognition*

Revenue is recognized from product sales when the significant risks and rewards of ownership of the product passes to the customer (which may either be at the time of shipment or upon delivery and acceptance by the customer, depending on the terms of sale) and collection is reasonably assured. Sales discounts and allowances are recorded in the period in which the sale occurs. CTW records advances received from customers as deferred revenue.

## Recent Accounting Pronouncements

In March 2007, the CICA announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective January 1, 2011. IFRS will require increased financial statement disclosure. Although IFRS uses conceptual framework similar to GAAP, differences in accounting policies will need to be addressed. CTW is currently assessing the impact IFRS will have on its financial statements.

## DIRECTORS OF CTW

The names of the current directors of CTW, their municipalities of residence, their positions with CTW, the number of voting securities beneficially owned by them, directly or indirectly, or over which they exercise control or direction, and their principal occupations during the past five years are as follows:

Name and Municipality of Residence	Offices Held	Principal Occupation During Past 5 Years	Director Since	Number of Voting Securities Owned or over which Control or Direction is Exercised <sup>(1)</sup>
Philip L. Rogers <sup>(2)</sup> Hume, Virginia	President and Director	President of CTW since March, 2008. Formerly the President of Optical Air from June, 1990 to March, 2008.	March 18, 2008	21,250,000 common shares <sup>(4)</sup>
Alisa Kramer Rogers <sup>(3)</sup> Hume, Virginia	Director and Vice-President	President of Optical Air since March, 2008, and Vice-President of CTW since March, 2008. Formerly the Executive Vice-President of Optical Air from June, 1990 to March, 2008.	March 18, 2008	21,250,000 common shares <sup>(4)</sup>

Name and Municipality of Residence	Offices Held	Principal Occupation During Past 5 Years	Director Since	Number of Voting Securities Owned or over which Control or Direction is Exercised <sup>(1)</sup>
Elizabeth Anne Dakin <sup>(5)</sup> Great Falls, Virginia	Director and Secretary/Treasurer	Program Manager of Optical Air since October, 2006. Formerly an NRC post-doctoral fellow at the National Institute of Standards and Technology from October, 2005 to October, 2006. Prior to that was a graduate student at the University of Maryland from September, 2001 to May, 2005.	March 18, 2008	1,250,000 common shares

**Notes:**

- (1) The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Corporation, has been furnished by the respective individuals.
- (2) Mr. Rogers was formerly the President of Optical Air from June, 1990 until the date of incorporation of CTW and, jointly with Ms. Rogers, owns the majority of the membership interests in Optical Air.
- (3) Ms. Rogers is currently the President of Optical Air and the Vice-President of CTW and, jointly with Mr. Rogers, owns the majority of the membership interests in Optical Air.
- (4) Mr. Rogers and Ms. Rogers jointly own 21,250,000 CTW Shares as tenants by the entireties with right of survivorship.
- (5) Ms. Dakin is the daughter of, and an Associate of, each of Mr. Rogers and Ms. Rogers.

**DESCRIPTION OF THE SECURITIES**

The authorized capital of CTW consists of 25,000,000 shares of common stock, of which 25,000,000 shares of common stock are issued and outstanding as at the date of this Filing Statement.

The holders of the CTW Shares are entitled to dividends if, as and when declared by the board of directors of CTW, to one vote per share at meetings of the shareholders of CTW and, upon dissolution, to share equally with the other holders of common shares in the remaining property of CTW.

**CAPITALIZATION**

**Issued and Outstanding Shares**

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as of September 8, 2008</u>
Common shares	25,000,000	25,000,000

Immediately prior to the completion of the Qualifying Transaction, CTW intends to raise \$15,000,700 through the sale of Subscription Receipts under the Private Placement. Each Subscription Receipt will entitle the holder thereof to acquire one CTW Share immediately prior to the completion of the Qualifying Transaction. It is anticipated that CTW will issue 11,539,000 Subscription Receipts under the Private Placement, exclusive of the Agents Option.

### **PRIOR SALES**

There have been no issuances of CTW securities during the twelve months preceding the date of the filing of this Filing Statement except as set out in the following table:

<u>Date</u>	<u>Number of Securities</u>	<u>Issue Price per Security</u>	<u>Consideration Received</u>
March 18, 2008	100 common shares	\$0.01	Cash
July 24, 2008	900 common shares	\$0.01	Cash
July 25, 2008	24,999,000 common shares	Nil	Stock dividend <sup>(1)</sup>
July 30, 2008	11,539,000 Subscription Receipts	\$1.30	Cash <sup>(2)</sup>

#### **Notes:**

- (1) On July 25, 2008, in contemplation of the completion of the Qualifying Transaction, the board of directors and shareholders of CTW authorized a stock dividend in the amount of 25,000 shares of common stock for each one share of common stock then outstanding.
- (2) The consideration for the Subscription Receipts issued under the Private Placement is held in trust by the Escrow Trustee in accordance with the terms of the Subscription Receipt Agreement dated July 30, 2008 among CTW, the Lead Agent and the Escrow Trustee.

### **STOCK EXCHANGE PRICE**

None of the securities of CTW are, or have been, posted for trading on any stock exchange.

### **EXECUTIVE COMPENSATION**

For the period commencing on March 18, 2008 (the date on which CTW was incorporated) and ending on June 30, 2008, no compensation of any kind was paid to any executive officer of CTW in connection with their employment with CTW. For the expected compensation to be paid to officers of the Resulting Issuer, see "Part III - Information Concerning the Resulting Issuer - Proposed Compensation".

### **NON-ARM'S LENGTH PARTY TRANSACTIONS**

From the date of its incorporation to the date hereof, CTW has not acquired any assets or been provided any services from any director, officer, Insider or promoter of CTW, other than in connection with services and rights provided to CTW by Optical Air pursuant to the terms of the Services Agreement, License Agreement and Sublease.

CTW has accrued a payment of \$37,200 to be paid to a related party of Optical Air for use of Optical Air's aircraft in connection with the Private Placement roadshow.

The labor charges accrued in the financial statements of CTW included in this Filing Statement include \$35,501 payable to Optical Air in respect of services provided by Elizabeth Anne Dakin, a CTW Shareholder and the daughter of Philip L. Rogers and Alisa Kramer Rogers.

CTW also benefited from the use and support of facilities and personnel maintained by Optical Air, and for which it was not charged during the period from January 1, 2008 to June 30, 2008 including office space, accounting support and other services.

### **LEGAL PROCEEDINGS**

There are no legal proceedings material to CTW to which CTW is a party or of which any of its property is the subject matter and there are no such proceedings known to CTW to be contemplated.

### **MATERIAL CONTRACTS**

CTW has not entered into any contracts material to investors of the Corporation within the two year period prior to the date of this Filing Statement other than: (i) contracts entered into in the ordinary course of business; and (ii) the following contracts:

- (a) The License Agreement;
- (b) The Services Agreement;
- (c) The Agency Agreement;
- (d) The Subscription Receipt Agreement;
- (e) The Sublease; and
- (f) The Agreement.

The material contracts described above may be inspected during normal business hours at the office of counsel to CTW, Bennett Jones LLP, located at One First Canadian Place, 34<sup>th</sup> Floor, Toronto, Ontario, M5X 1A4.

## **PART III - INFORMATION CONCERNING THE RESULTING ISSUER**

### **CORPORATE STRUCTURE**

Following completion of the Delaware Domestication and Qualifying Transaction, the Corporation will own all of the issued and outstanding Amalco Shares, and the Corporation will be governed by the DGCL.

At the Bayview Meeting, Shareholders will be asked to approve the following corporate matters in connection with the completion of the Qualifying Transaction: (i) a special resolution

authorizing the Consolidation; (ii) a special resolution authorizing the Delaware Domestication; (iii) a special resolution approving the change of name of the Corporation to "Catch the Wind Ltd." or such other similar name as the Board of Directors and applicable regulators shall approve; and (iv) a resolution approving and adopting the Amended and Restated Stock Option Plan.

It is anticipated that the Resulting Issuer's head office and registered office will be located at 10781 James Payne Court, Manassas, Virginia, U.S.

### **NARRATIVE DESCRIPTION OF THE BUSINESS**

For a narrative description of the business of the Resulting Issuer, see "Part II - Information Concerning the Qualifying Transaction and CTW - Narrative Description of the Business".

#### **Business Objectives**

Following completion of the Qualifying Transaction, CTW and the Resulting Issuer will have the following business objectives:

1. *To manufacture and sell the Vindicator System to global customers in the wind energy market*

In order to accomplish this objective, the Resulting Issuer intends to:

- (a) Complete development of the Vindicator System, and build prototype units for testing purposes and demonstration to customers. These activities are underway as of the date hereof, and CTW expects to use approximately \$3,400,000 of the available funds upon completion of the Qualifying Transaction to pursue these activities. Development activities concerning the initial production variant of the Vindicator System, and production of prototype units for testing and demonstration purposes, are expected to be completed during the first 6 months of 2009. To meet this objective, CTW has hired two external consultants with experience in fiber optic technology to work with Optical Air staff. The purpose of their work is to finalize the Vindicator System design, review it for reliability of operation and performance, and design the production facility and production line for low-rate initial production of the Vindicator System. CTW will also begin development of the wind turbine control algorithm and related software by hiring employees, and/or external consultants, with the necessary technical background. Significant milestones related to these activities include the finalization of the Vindicator System design (expected by the end of 2008) and the construction of additional Vindicator System units for test purposes and demonstration to customers (expected in the first quarter of 2009). The hiring of personnel with turbine control software experience is expected to occur during the fourth quarter of 2008 or the first quarter of 2009.
- (b) Aggressively market to the leading wind turbine manufacturers, wind farm developers and wind resource assessment companies, demonstrating the ability of the Vindicator System to accurately measure wind flow fields in front of wind turbines and provide feed-forward information for integration into wind turbine

control systems. These activities are underway as of the date hereof, and CTW expects to use approximately \$2,500,000 of the available funds of the Resulting Issuer to pursue these activities. CTW's marketing activities will include the introduction of the Vindicator System to wind turbine OEMs, the establishment of operating partnerships with existing wind farms and attendance at wind industry conferences and other events to promote the availability of the Vindicator System to a wider audience. CTW expects to hire between 1 and 3 additional personnel to perform these activities, as well as engage external consultants, as necessary. Planned attendance at trade shows and conferences includes CANWEA (in October 2008), AWEA fall show (in November 2008) EWEA show (in March 2009) AWEA 2009 show (in May 2009) and Euro Offshore show (in August 2009)

- (c) Develop systems and procedures to manufacture Vindicator System units at low-rate production. CTW expects to set up low rate production of the Vindicator System during 2009, and has allocated \$1,700,000 of available funds of the Resulting Issuer for capital expenditures. CTW expects to perform these activities during the first and second quarters of 2009, when the design of the Vindicator System has been finalized and improved information is available as to the size of the production facility needed. Significant milestones include the set-up of the production facility and construction of a qualification unit for testing and other purposes. The Resulting Issuer expects this milestone to be met during the second or third quarter of 2009.
- (d) Develop systems and procedures to provide general administration and corporate oversight of the Resulting Issuer's operations, including meeting audit, legal and compliance requirements for publicly-traded enterprises. CTW has commenced these activities as of the date hereof, and expects to use approximately \$5,100,000 of the available funds of the Resulting Issuer to pursue these activities. The Resulting Issuer has established accounting and disclosure systems adequate to meet its reporting and compliance requirements on an ongoing basis, and will continue to develop these systems to process the higher level of transaction activity expected following completion of the Qualifying Transaction.

As discussed elsewhere in this Filing Statement, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve these objectives.

2. *To develop and sell other products based on wind sensing technology.*

In order to accomplish this objective, the Resulting Issuer intends to commercialize the Licensed Technology for use in the additional markets noted earlier in this Filing Statement, which includes development of a working model of "Racer's Edge", a hand-held version of the Vindicator System for use in sailing applications.

## DESCRIPTION OF SECURITIES

### New Common Shares

Following completion of the Consolidation, Delaware Domestication and Qualifying Transaction, the Resulting Issuer will be authorized to issue: (i) 100 million New Common Shares, of which, after completion of the Consolidation, Private Placement and Qualifying Transaction, there will be 38,046,784 New Common Shares issued and outstanding as fully paid and non-assessable; and (ii) 50 million shares of preferred stock issuable in series, the rights, privileges, restrictions and conditions of which will be fixed by the Board, of which, after completion of the Qualifying Transaction, there will be none outstanding.

The holders of New Common Shares will be entitled to dividends on a *pari passu* basis if, as and when declared by the Board of Directors, to one vote per share at meetings of the shareholders of the Resulting Issuer and, upon liquidation, to share equally in such assets of the Resulting Issuer as are distributable to the holders of New Common Shares.

Following completion of the Domestication and the Qualifying Transaction, the Resulting Issuer will be a U.S. entity, but will not be subject to the reporting requirements of the 1934 Act and the New Common Shares will not be registered with the SEC. As a U.S. entity, all of the New Common Shares issued by the Corporation pursuant to the Qualifying Transaction which are sold outside of the U.S. pursuant to Regulation S will be subject to a prohibition on the offer or sale of such New Common Shares to "U.S. persons" during a one year "distribution compliance period". During the one year distribution compliance period, certain restrictions will apply to any offers or sales of the Resulting Issuer's New Common Shares (or any other equity securities of the Resulting Issuer) that were initially issued pursuant to Regulation S. See "Part II - Information Concerning the Qualifying Transaction and CTW – Securities Matters".

### Dividend Record and Policy

It is not contemplated that any dividends will be paid by the Resulting Issuer in the immediate or foreseeable future following completion of the Qualifying Transaction.

### PRO FORMA CONSOLIDATED CAPITALIZATION OF THE RESULTING ISSUER

The following table sets forth the capitalization of the Resulting Issuer after giving effect to the transactions contemplated by the Consolidation, Private Placement and Qualifying Transaction:

Designation of Security	Amount Authorized	Amount Outstanding After Giving Effect to Consolidation, Private Placement and Qualifying Transaction <sup>(1)(2)</sup>
Common Shares	100,000,000	38,046,784 New Common Shares
Preferred Shares	50,000,000	None
Due to related party	N/A	\$865,809 <sup>(3)</sup>



**Notes:**

- (1) As a result of the Consolidation, the 3,050,000 Escrow Shares currently held in escrow pursuant to the Escrow Agreement will be reduced to 611,222 New Common Shares, which will continue to be held in escrow pursuant to the Escrow Agreement. In addition, a portion of the New Common Shares issued to the CTW Shareholders will be held in escrow as Value Escrow Shares. See "Escrowed Securities".
- (2) Subsequent to the completion of the Qualifying Transaction, the Resulting Issuer intends to grant options to certain directors and officers of the Resulting Issuer and employees and consultants of CTW and its affiliates, including employees of Optical Air, to purchase an aggregate of 1,650,000 New Common Shares, for a term of five years at an exercise price of \$1.30 per New Common Share, in each case pursuant to and in accordance with the terms of the Amended and Restated Stock Option Plan. As a result of these option grants, following completion of the Consolidation and Qualifying Transaction options to purchase 921,283 New Common Shares will be held, in the aggregate, by the current and former directors and officers of the Resulting Issuer, options to purchase 62,124 New Common Shares will be held by the IPO Agent, options to purchase 1,153,900 New Common Shares will be held by the Agents and options to purchase 870,000 New Common Shares will be held, in the aggregate, by employees and consultants of CTW and Optical Air (an Affiliate of CTW). See "Information Concerning the Resulting Issuer – Options to Purchase Securities."
- (3) Represents the amount owing to Optical Air by CTW as a result of advances made by Optical Air to CTW and expenditures incurred by Optical Air on behalf of CTW and Optical Air labour charges during the period commencing on January 1, 2008 and ending on June 30, 2008. The amount payable by CTW to Optical Air upon completion of the Qualifying Transaction will depend upon, among other things, the amount of additional expenditures incurred by Optical Air on behalf of CTW during the period commencing on June 30, 2008 and ending on the date of completion of the Qualifying Transaction. On August 11, 2008, CTW received a bridge loan in the amount of (USD)\$1,000,000 from PNC Bank to fund its expenses (including expenses relating to the Qualifying Transaction), its working capital needs and to repay a portion of the balance due to Optical Air. The bridge loan bears interest at 5% per annum. Repayment of the bridge loan is secured by a first security interest in substantially all of CTW's assets, and is guaranteed by Optical Air, Philip L. Rogers and Alisa Kramer Rogers. The bridge loan matures on November 11, 2008. CTW intends to fund repayment of the bridge loan from the proceeds of the Private Placement.

**FULLY DILUTED SHARE CAPITAL**

In addition to the information set out in the capitalization table above, the following table sets out the fully diluted share capital of the Resulting Issuer after giving effect to the Consolidation, Private Placement and Qualifying Transaction:

	<b>Common Shares After Giving Effect to the Consolidation, Private Placement and Qualifying Transaction</b>	<b>Percentage of Total After Giving Effect to the Consolidation, Private Placement and Qualifying Transaction</b>
Shares issued and outstanding <sup>(1)</sup>	38,046,784	92.67%
Common shares reserved for issuance pursuant to options issued to the following persons or companies (either previously issued or issued in connection with the completion of the Qualifying Transaction): <sup>(2)</sup>	Directors and officers of the Corporation – 141,283 <sup>(2)(3)</sup>	
	Directors and officers of CTW – 780,000 <sup>(2)(4)</sup>	
	Employees and consultants of CTW or its subsidiaries or affiliates – 870,000 <sup>(2)(5)</sup>	
	IPO Agent – 62,124 <sup>(2)</sup>	
	Agent – 1,153,900 <sup>(2)(6)</sup>	
	Total Shares Under Option: 3,007,307	7.33%
<b>Total Number of Fully Diluted Securities</b>	<b>41,054,091</b>	<b>100.0%</b>

**Notes:**

- (1) Based on the issuance of 11,539,000 Subscription Receipts under the Private Placement.
- (2) Subsequent to the completion of the Qualifying Transaction, the Resulting Issuer intends to grant options to certain directors and officers of the Resulting Issuer and employees and consultants of CTW and its affiliates, including employees of Optical Air, to purchase an aggregate of 1,650,000 New Common Shares, for a term of five years at a strike price of \$1.30 per New Common Share, in each case pursuant to and in accordance with the terms of the Amended and Restated Stock Option Plan. As a result of these option grants, following completion of the Consolidation and Qualifying Transaction, options to purchase an aggregate of 921,283 New Common Shares will be held by current and former directors and officers of the Resulting Issuer, and options to purchase 870,000 will be held by employees and consultants of CTW and its affiliates, including employees of Optical Air. See "Information Concerning the Resulting Issuer – Options to Purchase Securities." In addition, following completion of the Qualifying Transaction, there will be an additional pool of 2,013,395 New Common Shares reserved for issuance under the Amended and Restated Stock Option Plan based on the total number of New Common Shares issued and outstanding as at the date of completion of the Qualifying Transaction.
- (3) Options held by these individuals must be exercised no later than 12 months following the completion of the Qualifying Transaction and 90 days following the cessation of the optionee's position (director, officer or consultant) with the Corporation, provided that if the cessation of office, directorship or technical consulting arrangement is by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. The exercise price per New Common Share for these options will be \$0.998.
- (4) Subsequent to the completion of the Qualifying Transaction, the Resulting Issuer intends to grant options to purchase 100,000 New Common Shares to each of Messrs. McGraw, Samuels and Garman in their capacities as independent directors of the Resulting Issuer. The Resulting Issuer also intends to grant options to purchase 380,000 New Common Shares to Stephen Roy and options to purchase 100,000 New Common Shares to William Fetzer. These options will be issued pursuant to the Amended and Restated Stock Option Plan and will have a term of five years and an exercise price of \$1.30 per New Common Share.
- (5) Subsequent to the completion of the Qualifying Transaction, the Resulting Issuer intends to grant options to purchase 870,000 New Common Shares to employees and consultants of CTW and its affiliates, including employees of Optical Air. These options will be issued pursuant to the Amended and Restated Stock Option Plan and will have a term of five years and a strike price of \$1.30 per New Common Share.
- (6) The Resulting Issuer Agents Options have an exercise price of \$1.30 per share and expire 24 months after the completion of the Qualifying Transaction.

**OPTIONS TO PURCHASE SECURITIES**

Since incorporation of the Corporation, options to purchase 1,105,000 Common Shares have been granted, of which options to purchase 1,015,000 Common Shares remain outstanding.

Following completion of the Consolidation, Private Placement and Qualifying Transaction, there will be options to purchase 3,007,307 New Common Shares outstanding, with an additional pool of 2,013,395 New Common Shares reserved for issuance under the Amended and Restated Stock Option Plan based on the total number of New Common Shares issued and outstanding as at the date of completion of the Qualifying Transaction.

*Amended and Restated Stock Option Plan*

In connection with the completion of the Qualifying Transaction, and subject to the approval of the Exchange and the Shareholders at the Bayview Meeting, the Corporation intends to amend and re-state the Stock Option Plan, such that upon completion of the Qualifying Transaction the stock option plan of the Resulting Issuer will be the Amended and Restated Stock Option Plan. The principal features of the Amended and Restated Stock Option Plan are as follows:

- (e) The maximum number of New Common Shares reserved for issuance under the Amended and Restated Stock Option Plan, including options outstanding upon completion of the Private Placement and Qualifying Transaction, will be equal to

10% of the issued and outstanding New Common Shares from time to time outstanding. The 10% maximum will be an "evergreen" provision, such that, following the exercise, termination, cancellation or expiration of any options granted under the Amended and Restated Stock Option Plan, the number of New Common Shares equivalent to the number of options so exercised, terminated, cancelled or expired will automatically become reserved and available for issuance in respect of options granted in the future;

- (f) The number of New Common Shares available for issuance under options granted in any one year to any one employee cannot exceed 5% of the number of issued and outstanding New Common Shares at the time of the grant of the option. The number of New Common Shares available for issuance under options granted in any one year to any one consultant cannot exceed 2% of the outstanding number of New Common Shares;
- (g) The Amended and Restated Stock Option Plan will be administered by the Compensation Committee on behalf of the Board of Directors in accordance with such terms and conditions as the Board of Directors may prescribe in accordance with the Amended and Restated Stock Option Plan;
- (h) The Amended and Restated Stock Option Plan provides that options may be granted to any employee, officer, director or consultant of the Resulting Issuer or an affiliate of the Resulting Issuer;
- (i) The options issued pursuant to the Amended and Restated Stock Option Plan will be exercisable at a price which is not less than the market price of the New Common Shares on the date immediately preceding the date of the option grant;
- (j) Options under the Amended and Restated Stock Option Plan will be granted for a term not to exceed five years from the date of their grant if the Resulting Issuer is a Tier 2 Issuer on the Exchange and ten years if the Resulting Issuer is a Tier 1 Issuer on the Exchange;
- (k) All options will terminate on the earlier of (a) the expiry of their term; (b) the date of termination of an optionee's employment, office or position as director, if terminated for cause; (c) 30 days following the date of termination of an optionee's employment or office (other than consultants engaged in investor relations activities), if terminated for any reason other than the optionee's disability, death or termination for cause; (d) 90 days (or such other period of time as permitted by the Exchange) following the date of termination of an optionee's position as a director or officer, if terminated for any reason other than the optionee's disability or death; (e) 30 days following the date of termination of an optionee's position as a consultant engaged in investor relations activities, if terminated for any reason other than the optionee's disability, death or cause; and (f) the date of any sale, transfer, assignment or hypothecation or any attempted sale, transfer, assignment or hypothecation in violation of the provisions of the Amended and Restated Stock Option Plan;

- (l) An option may be exercisable for a period of 12 months following the date of termination of an optionee's employment if such termination is by reason of disability or death;
- (m) Options granted under the Amended and Restated Stock Option Plan may be subject to such vesting schedule as the Compensation Committee may determine;
- (n) The Compensation Committee shall have the right to accelerate the date of exercise of any installment of any option or to cause option holders to exercise their options in the event of a change of control of the Resulting Issuer in accordance with the Amended and Restated Stock Option Plan;
- (o) Options are non-assignable and non-transferable although they are assignable to and may be exercisable by an optionee's legal heirs, personal representatives or guardians in certain cases;
- (p) If a material alteration in the capital structure of the Resulting Issuer occurs as a result of a recapitalization, stock split, reverse stock split, stock dividend, or otherwise, the Compensation Committee shall make adjustments to the Amended and Restated Stock Option Plan and to the options then outstanding under it as the Compensation Committee determines to be appropriate and equitable under the circumstances; and
- (q) The Compensation Committee may terminate, suspend or amend the terms of the Amended and Restated Stock Option Plan, subject to the approval of any stock exchange on which the New Common Shares are listed, provided that the Compensation Committee may not, without the approval of the holders of a majority of the outstanding voting securities of the Resulting Issuer: (i) increase the number of New Common Shares which may be issued under the Amended and Restated Stock Option Plan; (ii) materially modify the requirements as to eligibility for participation in the Amended and Restated Stock Option Plan; or (iii) materially increase the benefits accruing to participants under the Amended and Restated Stock Option Plan. However, the Compensation Committee may amend the terms of the Amended and Restated Stock Option Plan to comply with the requirements of any applicable regulatory authority or law without obtaining the approval of the shareholders of the Resulting Issuer.

#### **AVAILABLE FUNDS AND PRINCIPAL PURPOSES**

The following table sets out information regarding the funds expected to be available to the Resulting Issuer upon completion of the Private Placement and the Qualifying Transaction, and the intended uses of such funds. The amounts shown in the table below are estimates only and are based on the best information available to the Corporation and CTW as of the date hereof. The intended uses of such funds may vary based on a number of factors, including the ability of the Resulting Issuer to meet its development schedule and execute its marketing plan, and changes in strategy.

<b>Sources:</b>	<b>Amount</b>
Bayview working capital at June 30, 2008	986,824
CTW working capital deficit at June 30, 2008 <sup>(1)</sup>	(232,369)
Proceeds from Private Placement <sup>(2)</sup>	15,000,700
<b>Total Funds Available <sup>(3)</sup></b>	<b>\$ 15,755,155</b>

<b>Uses:</b>	
Expenses related to the Qualifying Transaction and Private Placement payable in cash <sup>(2)</sup>	\$ 1,950,000
Operating and other expenditures <sup>(4)</sup>	12,700,000
Repayment of bridge loan <sup>(6)</sup>	1,000,000
Unallocated working capital	105,155
<b>Total Uses</b>	<b>\$ 15,755,155</b>

**Notes:**

- (1) Working capital deficit for CTW at June 30, 2008 excludes: (a) the amount of \$865,809 owing to Optical Air, and (b) a deferred revenue balance of \$100,000, as such liability is not anticipated to require a payment of current funds.
- (2) Under the Private Placement, CTW issued Subscription Receipts exchangeable into 11,539,000 shares of CTW common stock for gross proceeds of \$15,000,700. CTW expects to incur total expenses related to the Private Placement and the Qualifying Transaction of approximately \$2,739,382 (the "**Transaction Expenses**"), including Transaction Expenses payable in cash amounting to \$1,950,000 and the fair value of the Agents Options issued in connection with the Private Placement amounting to \$789,382. It is not practical to separate the expenses related to the Qualifying Transaction from those related to the Private Placement, and accordingly, such amounts are shown as combined Transaction Expenses in the table above. Transaction Expenses payable in cash include external legal expenses, accounting expenses, audit expenses, roadshow travel expenses, professional fees, listing fees, fees payable to the Agents under the Agency Agreement and other expenses which have been, or will be, incurred to complete the Private Placement and the Qualifying Transaction. Transaction Expenses also include an amount of \$37,200 to be paid by CTW to Optical Air for executive transportation during the roadshow. The fair value of the Agents Options was determined using the Black-Scholes method and the following assumptions: (Risk free interest rate – 3.98%; Dividend yield – 0%; Volatility – 97%; Expected Term – 2 years).
- (3) Total funds available are estimated on a pro forma basis as at June 30, 2008 by combining the working capital deficit of CTW as of June 30, 2008, the working capital of Bayview as at June 30, 2008, and the gross proceeds from the Private Placement.
- (4) Anticipated expenditures of the Resulting Issuer following completion of the Qualifying Transaction are as follows:

	<b>Total</b>
Capital expenditures	\$ 1,700,000
Vindicator System development	3,400,000
Marketing, selling and promotion	2,500,000
General and administration expense	5,100,000
<b>Total</b>	<b>\$ 12,700,000</b>

Anticipated expenditures following completion of the Qualifying Transaction include the following estimated payments to be made to non-arm's length parties.

Payments to non-arms' length parties

President and CEO - salary and benefits	\$ 854,250
Payments under Services Agreement	3,322,003
Sublease payment	263,000
Executive transportation	300,000
	<u>\$ 4,739,253</u>

CTW believes the amounts of such payments would be substantially equivalent to the payments that would be paid had the parties operated on an arm's length basis.

The estimated salary and benefits for the President and CEO of the Resulting Issuer are calculated as follows: \$335,000 base salary plus 70% estimated fringe benefits, including (50% bonus estimate), for a total of \$569,500. Estimated payments over 18 months are equal to \$569,500 x 18 months/12 months = \$854,250.

The above payments to non-arm's length parties are preliminary estimates only. Actual payments to be made by CTW to Optical Air will be governed by agreements entered into between the parties, including the License Agreement, Services Agreement and the Sublease.

- (5) CTW owed a balance of \$865,809 to Optical Air as of June 30, 2008, arising from cash advances to CTW and direct expenditures paid by Optical Air on behalf of CTW (amounting to \$220,579), Optical Air labour charges for the period from inception (January 1, 2008) to June 30, 2008 (amounting to \$608,030) and expenses relating to executive transportation during the roadshow (amounting to \$37,200). The expenditures paid on behalf of CTW include payment of certain Transaction Expenses, as well the costs of marketing activities, trade show attendance, Vindicator System development and other activities performed on behalf of CTW. CTW repaid \$794,000 of the balance due to Optical Air subsequent to June 30, 2008 using proceeds from the PNC bridge loan.
- (6) On August 11, 2008, CTW received a bridge loan in the amount of \$1,000,000 from PNC Bank to fund its expenses (including expenses relating to the Qualifying Transaction), its working capital needs and to repay a portion of the balance due to Optical Air. The bridge loan bears interest at 5% per annum. Repayment of the bridge loan is secured by a first security interest in substantially all of CTW's assets, and is guaranteed by Optical Air, Philip L. Rogers and Alisa Kramer Rogers. The bridge loan matures on November 11, 2008. CTW intends to fund repayment of the bridge loan from the proceeds of the Private Placement.
- (7) The above table does not account for interest income to be earned on proceeds during the period.
- (8) The Resulting Issuer does not expect to pay any dividends for the foreseeable future.

The Resulting Issuer will spend the funds available to it on completion of the Qualifying Transaction for the principal purposes as indicated above. Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve these objectives. The Resulting Issuer may require additional funds in order to fulfill all of its expenditure requirements and objectives, in which case the Resulting Issuer expects to either issue additional securities or incur indebtedness. There is no assurance that additional funding required by the Resulting Issuer will be available if required.

### PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Corporation and CTW as of the date hereof, the following shareholders (other than securities depositories) are anticipated to beneficially own, directly or indirectly, or exercise control or direction over voting securities

carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer:

<b>Name and Municipality of Residence of Shareholder</b>	<b>Type of Ownership</b>	<b>Number of Shares</b>	<b>Percentage of Shares owned Prior to Giving Effect to the Consolidation, Private Placement and Qualifying Transaction <sup>(1)</sup></b>	<b>Percentage of Shares owned After Giving Effect to the Consolidation, Private Placement and Qualifying Transaction <sup>(1)</sup></b>
Alisa Kramer Rogers and Philip L. Rogers, jointly <sup>(2)</sup> Hume, Virginia	Direct	21,250,000 New Common Shares	Nil	55.85% <sup>(3)</sup>

**Notes:**

- (1) Excluding New Common Shares issuable upon the exercise of any stock options.
- (2) Mr. Rogers and Ms. Rogers will jointly own 21,250,000 New Common Shares as tenants by the entireties with right of survivorship.
- (3) Mr. Rogers and Ms. Rogers will own 53.52% of the total number of New Common Shares on a fully diluted basis following completion of the Consolidation, Private Placement and Qualifying Transaction, assuming the exercise of all outstanding options.

**DIRECTORS, OFFICERS AND PROMOTERS**

**Directors and Officers of the Resulting Issuer**

The names, municipalities of residence, number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, following the completion of the Consolidation, Private Placement and Qualifying Transaction, and the offices to be held by each in the Resulting Issuer and the principal occupation, of the proposed directors and senior officers of the Resulting Issuer during the past five years are as follows:

<b>Name and Municipality of Residence</b>	<b>Offices to be Held<sup>(4)</sup></b>	<b>Principal Occupation During Past 5 Years</b>	<b>Number of New Common Shares Beneficially Owned or Controlled following the Consolidation, Private Placement and Qualifying Transaction <sup>(1)</sup></b>	<b>Percentage of New Common Shares Beneficially Owned or Controlled following the Consolidation, Private Placement and Qualifying Transaction <sup>(2)(5)</sup></b>
Philip L. Rogers <sup>(6)</sup> Hume, Virginia	CEO, President and Director	President of CTW since March, 2008. Formerly the President of Optical Air from June, 1990 to March, 2008.	21,250,000 New Common Shares <sup>(3)</sup>	55.85%

Name and Municipality of Residence	Offices to be Held <sup>(4)</sup>	Principal Occupation During Past 5 Years	Number of New Common Shares Beneficially Owned or Controlled following the Consolidation, Private Placement and Qualifying Transaction <sup>(1)</sup>	Percentage of New Common Shares Beneficially Owned or Controlled following the Consolidation, Private Placement and Qualifying Transaction <sup>(2)(5)</sup>
Alisa Kramer Rogers Hume, Virginia	Director	President of Optical Air since March, 2008. Formerly the Executive Vice-President of Optical Air from June, 1990 to March, 2008.	21,250,000 New Common Shares <sup>(3)</sup>	55.85%
Richard D. McGraw Toronto, Ontario	Director	President & Chief Executive Officer, Lochan Orca Group of Companies (private investment companies)	283,870 New Common Shares <sup>(7)</sup>	0.75%
David Samuels Washington, District of Columbia	CFO and Director	Chief Financial Officer of Lavell Systems, Inc. since July, 2007. Prior to that, Mr. Samuels was the Chief Financial Officer of SunRocket, Inc. from October, 2006 to July, 2007, a consultant with Continuum Financial from June, 2006 to September, 2006, VP Finance/Controller of GTSI Corp. from August, 2004 to May, 2006 and Chief Financial Officer of E-centives, Inc. from April, 2001 to May, 2004	Nil	0%
David Garman McLean, Virginia	Director	Principal of Decker Garman Sullivan & Associates, LLC, a federal relations and management consulting firm, since February, 2007. Prior to that, Mr. Garman was Under Secretary, United States Department of Energy from June, 2005 to January, 2007 and Assistant Secretary, United States Department of Energy from May, 2001 to June, 2005	Nil	0%
Stephen Roy, Marshall, Virginia	Vice-President, General Manager	Director of Operations of Optical Air since September, 2005. Formerly a special agent with the U.S. Federal Bureau of Investigations from September, 1995 to August, 2005	Nil	Nil



Name and Municipality of Residence	Offices to be Held <sup>(4)</sup>	Principal Occupation During Past 5 Years	Number of New Common Shares Beneficially Owned or Controlled following the Consolidation, Private Placement and Qualifying Transaction <sup>(1)</sup>	Percentage of New Common Shares Beneficially Owned or Controlled following the Consolidation, Private Placement and Qualifying Transaction <sup>(2)(5)</sup>
William Fetzer, Herndon, Virginia	Vice-President, Business Development	President of Fetzer Enterprises, Inc. since July, 1998.	Nil	Nil

**Notes:**

- (1) The information as to shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Corporation by the respective directors and senior officers as at the date hereof.
- (2) After giving effect to the Consolidation, Private Placement and Qualifying Transaction, the directors, officers, insiders and promoters of the Corporation, and their respective Associates and Affiliates, will hold 25,341,570 New Common Shares, representing 66.61% of the issued and outstanding New Common Shares of the Resulting Issuer.
- (3) Mr. Rogers and Ms. Rogers will jointly own 21,250,000 New Common Shares as tenants by the entireties with right of survivorship.
- (4) The board of directors of the Resulting Issuer intends to constitute an audit committee and a corporate governance and compensation committee. Both the audit committee and the compensation committee are expected to be comprised of Messrs. McGraw, Samuels and Garman.
- (5) Excluding Common Shares issuable upon the exercise of stock options.
- (6) Mr. Rogers will be appointed as the CEO and Mr. Samuels will be appointed as the CFO of the Resulting Issuer upon completion of the Qualifying Transaction.
- (7) Of this amount, 154,000 New Common Shares will be owned by Greenrock Capital Corporation, a company controlled by Mr. McGraw.

**Management and Directors**

The following sets out details respecting the proposed management and directors of the Resulting Issuer:

*Philip L. Rogers, CEO, President and Director:* Mr. Rogers, 56, is a co-founder of Optical Air. Following completion of his undergraduate work at Cornell University and his graduate work at the California Institute of Technology, Mr. Rogers began his career as an aerospace engineer at Lockheed Martin (Advanced Development Projects, Skunk Works) in Burbank, California in Aerodynamics and Flight Controls. Mr. Rogers was a leading design engineer on several classified advanced aircraft. Rising to the position of Special Projects Director at the Skunk Works, he led the design effort for several classified vehicle programs, and pioneered the development of the Lockheed laser air data system as a low observable replacement for conventional pneumatic Pitot tubes. Mr. Rogers was the recipient of Lockheed's most prestigious technical award, the Robert Gross Award for Technical Excellence/Engineer of the Year, as well as the Inventor of the Year award. In 1990, together with his wife Alisa Kramer Rogers, Mr. Rogers co-founded Optical Air to capitalize on newly emerging fiber optics technology in the telecommunications industry. Under Mr. Rogers' leadership, Optical Air has grown to become a recognized world leader in fiber optic laser and remote sensing technology. Mr. Rogers holds a Master of Science in Aerospace Engineering from Cornell University, New York and a Bachelor of Science in Engineering Physics from Cornell University, New York. Mr. Rogers also holds a

degree in aerospace engineering from the California Institute of Technology, Pasadena, California.

*Alisa Kramer Rogers, Director:* Ms. Rogers, 53, is a co-founder of Optical Air. Ms. Rogers began her career as an aerospace engineer at Lockheed Martin (Advanced Development Projects, Skunk Works) in Burbank, California in Commercial & Advanced Development Projects as the engineer responsible for the structural bonding of the L-1011 fuselage, the world's largest bonded structure at the time. In addition, she was involved with numerous other programs at Lockheed Martin, including the development of an all-composite empennage for the L-1011, the development of the low observable coating on Lockheed Martin's Stealth Ship and advanced window materials for the F-117 as well as other classified programs. In 1990, together with her husband *Philip L. Rogers*, Ms. Rogers co-founded Optical Air to capitalize on newly emerging fiber optics technology in the telecommunications industry. Ms. Rogers holds a Master of Science in Chemistry from the University of Southern California, Los Angeles and a Bachelor of Science in Chemistry from Syracuse University, New York.

*Richard D. McGraw, Director:* Mr. McGraw, 63, is a director and the chief financial officer of the Corporation. He has served as president and chief executive officer of Lochan Orca Group of Companies, private investment companies, since 1972. Mr. McGraw served as president and chief executive officer of Vitran Corporation Inc., a transportation and logistics services company from 1983 until 2002, a director from 1987 to present and chairman since 2002. He has also been a director of Exco Technologies Limited since 1992 and chairman since 2006. He has also served as a director of OutdoorPartner Media Corporation since 2004 and chairman since 2006, and as a director of Feel Good Cars Corporation since 2004 and chairman since 2006. He received a bachelor of commerce from the University of British Columbia.

*David Garman, Director:* Mr. Garman is currently a principal in the consulting firm Decker Garman Sullivan and Associates, LLC, with a client base that includes Fortune 500 companies, national laboratories, universities and "greentech" startups. Prior to launching Decker Garman Sullivan and Associates, LLC, Mr. Garman was the Under Secretary of the U.S. Department of Energy. Prior to that, he was the Assistant Secretary for Energy Efficiency and Renewable Energy. Both of these positions were Presidential appointments, and Mr. Garman was twice confirmed unanimously by the United States Senate. At the Department of Energy, Mr. Garman led several multi-billion dollar enterprises, shaped U.S. national energy policy at the highest levels, and played a leading role in the development and implementation of major Presidential initiatives. Mr. Garman currently serves on several boards of directors and advisory boards, including the Electric Power Research Institute Advisory Board and the States Energy Council. He holds a Bachelor of Arts in Public Policy from Duke University, and a Master of Science in Environmental Sciences from the Johns Hopkins University.

*David Samuels, CFO, Director:* Mr. Samuels, 47, is a seasoned financial executive with more than 20 years of broad-based financial and business experience with publicly traded, venture-backed and privately held businesses with revenues ranging from \$10M to over \$1B. He has completed nearly \$200M of equity and debt financings. Mr. Samuels is currently the Chief Financial Officer of Lavell Systems, Inc., a leader in the satellite communications industry. Immediately prior to joining Lavell Systems in July 2007, Mr. Samuels was the Chief Financial Officer for SunRocket, Inc., formerly the nation's second largest independent Internet voice

services provider, which secured more than \$100M in financing from premier venture capital investors. Preceding SunRocket, Mr. Samuels was VP Finance/Controller of GTSI Corp. (NASDAQ: GTSI), a recognized IT solutions provider with annual revenues in excess of \$1B during his tenure. Prior to joining GTSI, Mr. Samuels was Senior Vice President, Chief Financial Officer and Treasurer of Invenda Corp., formerly E-centives, Inc. (SWX: INVN), a provider of interactive direct marketing technologies and services. Mr. Samuels began his career in the assurance practice of KPMG LLP. Mr. Samuels holds an MBA in Finance and Investments from The George Washington University, a BS in Accounting, *magna cum laude*, from the University of Connecticut, and additional executive training at The Aspen Institute. He holds a CPA certificate in the State of Maryland.

*William "Bill" Fetzer, Vice President, Business Development:* Mr. Fetzer, 60, has been conducting business development activities for Optical Air since 2006 and is responsible for introducing Rockwell Collins, the licensee of the LandSafe™ aircraft survivability system, to Optical Air. Mr. Fetzer is also the founder and President of FetzEnt, Inc., a strategic business management consulting firm, providing advice and operational management expertise to U.S. and international companies in the field of national defense and training systems. Since 1998, has Mr. Fetzer consulted with several major defense contractors and has been selected to lead several evaluation teams tasked with vetting proposals for multi-million dollar training system contracts. Prior to starting his own consulting firm, Mr. Fetzer rose to the rank of Captain in the United States Navy, where he was promoted to the position of Program Manager for Naval Aviation Training Systems, where he was responsible for the development, production, and support of all Naval Aviation Training Systems. In 1993, Mr. Fetzer was selected as a Legislative Fellow to U.S. Senator John McCain, responsible for briefing Department of Defense issues and Business Development matters affecting the Senator. Mr. Fetzer holds an MS in both Aeronautical Engineering and Systems Management and is a graduate of the United States Naval Academy.

*Stephen Roy, Vice President, General Manager:* Mr. Roy, 43, has been the Operations Director for Optical Air since 2006, working directly under the President, Vice-President and founders, supervising the daily operations of Optical Air. In addition to providing overall management supervision, Mr. Roy was integral to the planning and execution of several major government contract efforts on behalf of Optical Air, one of which resulted in the success of the LandSafe™ aircraft survivability system and resultant Rockwell Collins License Agreement. Mr. Roy came to Optical Air from the U.S. Department of Justice, Federal Bureau of Investigation, where as a Special Agent he supervised and participated in several high profile national security matters requiring exceptional program management skills, administrative oversight, and personnel leadership. Mr. Roy received the 2005 Award for Public Service from the U.S. Attorney for the Eastern District of Virginia for identifying and disrupting a major threat to public safety. Mr. Roy served as an officer in the U.S. Marine Corps and was designated a Naval Aviator and Professional Adjutant. Mr. Roy is a graduate of Skidmore College with a BA in Political Science and History.

### **Promoter Consideration**

Each of Philip L. Rogers and Alisa Kramer Rogers may be considered to be promoters of CTW in that they took the initiative in founding and organizing CTW. As of the date hereof, Ms. Rogers and Mr. Rogers jointly beneficially own, directly or indirectly, or exercise control and

direction over, 21,250,000 CTW Shares. After giving effect to the Consolidation, Private Placement and Qualifying Transaction, Ms. Rogers and Mr. Rogers will jointly own, directly or indirectly, or exercise control and direction over, 21,250,000 New Common Shares, or 55.85% of the outstanding New Common Shares.

Mark Rider may be considered to be a promoter of the Corporation in that he took the initiative in founding and organizing the Corporation. As of the date hereof, Mr. Rider beneficially owns, directly or indirectly, or exercises control and direction over, 1,000,000 Common Shares and options to purchase 235,000 Common Shares. After giving effect to the Consolidation, Private Placement and Qualifying Transaction, Mr. Rider will beneficially own, directly or indirectly, or exercise control and direction over, 200,400 New Common Shares, or 0.53% of the outstanding New Common Shares, and options to purchase 47,095 New Common Shares.

### Other Reporting Issuer Experience

Neither of Messrs. Rogers or Garman, or Ms. Rogers, has any prior reporting issuer experience. The following table sets out the other proposed directors, officers and promoter(s) of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other Issuers that are or were reporting issuers in any jurisdiction:

<b><u>Name of Director, Officer or Promoter</u></b>	<b><u>Name of Reporting Issuer</u></b>	<b><u>Exchange</u></b>	<b><u>Position</u></b>	<b><u>Term</u></b>
Richard D. McGraw	Bayview Public Ventures Inc.	TSXVE	Director	Dec., 2005 to Present
	Vitran Corporation	TSX, NASDAQ	Director Chairman	May, 1987 to Present May, 2002 to Present
	Exco Technologies Limited	TSX	Director Chairman	May, 1992 to Present Oct., 2006 to Present
	Zenn Motor Company Inc. (formerly, Feel Good Cars Corporation)	TSXV	Director President & CEO CFO Chairman	Sept., 2004 to Present Oct., 2004 to Jan., 2006 Nov., 2004 to Jan., 2006 Jan. 2006 to Present
	OutdoorPartner Media Corporation (formerly Cutwater Capital Corporation)	TSXV	President, CEO & CFO Director Chairman	Sept., 2004 to Mar., 2006 Sept., 2004 to Present May, 2006 to Present
David Samuels	GTSI Corp.	NASDAQ	VP Finance/Controller	Aug., 2004 to May, 2006
	Invenda Corp (formerly E-centives, Inc.)	SWX	CFO	Apr., 2001 to May, 2004

### Conflicts of Interest

There are potential conflicts of interest to which the proposed directors, officers, insiders and promoters of the Resulting Issuer will be subject in connection with the operations of the Resulting Issuer. Each of the directors and officers of the Resulting Issuer may be or already are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. Certain of the directors have either other employment or other business or time

restrictions placed on them and accordingly, these directors will only be able to devote part of their time to the affairs of the Resulting Issuer. Some of the directors, officers, insiders and promoters have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporation on their own behalf and on behalf of other corporations. Conflicts, if any, will be subject to the procedures and remedies prescribed by the DGCL, the TSXVE and applicable securities law, regulations and policies. See also "Part III - Information Concerning the Resulting Issuer - Risk Factors".

### **Public Company Involvement, Corporate Cease Trade Orders or Bankruptcies**

Except as disclosed herein, during the past ten years, none of the proposed directors, officers or promoters of the Resulting Issuer were directors, officers or promoters of any other reporting issuer as defined under applicable securities legislation that was, during his tenure, the subject of a cease trade order or similar order or an order that denied that Issuer access to any statutory exemptions for a period of more than 30 consecutive days, or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that Issuer.

### **Penalties or Sanctions**

Except as disclosed herein, none of the proposed directors, officers, promoters or Control Persons of the Resulting Issuer have been subject to any penalties or sanctions imposed by a Court or by a securities regulatory authority relating to securities legislation, has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable security holder making a decision about the Qualifying Transaction.

### **Individual Bankruptcies**

None of the proposed directors, officers, promoters or Control Persons of the Resulting Issuer or a personal holding company of such persons have, during the past ten years, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under bankruptcy or insolvency legislation or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

## PROPOSED COMPENSATION

The following table sets out the proposed annual compensation to be paid, after giving effect to the Qualifying Transaction, to the President and CEO, Vice President, Business Development and Vice-President, General Manager of the Resulting Issuer, being its only officers:

Name and Principal Position	Year Ended Dec. 31	Annual Compensation <sup>(1)</sup>			Long Term Compensation	
		Salary (\$)	Bonus (\$) <sup>(2)</sup>	Other Annual Compensation (\$)	Securities Under Stock Options / SAR's Granted (\$)	All Other Compensation
<i>Philip L. Rogers</i> , President and CEO	2008	(USD) \$335,000	Discretionary <sup>(2)</sup>	(USD) \$50,250 <sup>(3)</sup>	Discretionary <sup>(5)</sup>	Nil
Stephen Roy, Vice President, General Manager <sup>(6)</sup>	2008	(USD) \$250,000 <sup>(4)</sup>	Discretionary	Nil	380,000 options to purchase New Common Shares <sup>(5)</sup>	Nil
William "Bill" Fetzer, Vice President, Business Development <sup>(6)</sup>	2008	(USD) \$200,000 <sup>(4)</sup>	Discretionary	Nil	100,000 options to purchase New Common Shares <sup>(5)</sup>	Nil
David Samuels, CFO <sup>(6)(7)</sup>	2008	Nil	Nil	Nil	100,000 options to purchase New Common Shares <sup>(5)</sup>	Nil

**Notes:**

- (1) The amounts reported reflect the compensation proposed to be paid to these individuals during the 12 month period following completion of the Qualifying Transaction.
- (2) The amount of bonuses, if any, will be determined by the Board of Directors of the Resulting Issuer. Mr. Rogers will be entitled to receive a bonus of at least 25% of his base salary (but no greater than 100% of his base salary) during each year of his employment, which will be based on a formula agreed to by Mr. Rogers and the Board of Directors of the Resulting Issuer on or before February 1 of each calendar year. If Mr. Rogers and the Resulting Issuer, after negotiating in good faith, are unable to establish bonus criteria by the deadline set forth above, then the bonus for that year shall be 50% of Mr. Rogers' base salary, regardless of corporate or individual performance.
- (3) This amount includes all compensation received by Mr. Rogers under all benefit plans, funds or arrangements available from time to time to senior executive officers of the Corporation, as determined by the Corporate Governance and Compensation Committee.
- (4) As of the date of this Filing Statement, these salaries are estimates and may be amended prior to completion of the Qualifying Transaction.
- (5) Each of the executive officers of the Resulting Issuer will be entitled to participate in the Amended and Restated Stock Option Plan and to be granted options at the discretion of the Compensation Committee, subject to compliance with the Exchange's policies related to stock option grants. For details of the option grants to be made to Messrs. Roy and Fetzer, please see "Fully Diluted Share Capital".
- (6) Expected to commence employment with the Resulting Issuer upon completion of the Qualifying Transaction.
- (7) Mr. Samuels will not initially be paid a salary upon his appointment as the CFO of the Resulting Issuer.

As a condition to the completion of the Qualifying Transaction, the Resulting Issuer will enter an employment contract with Mr. Rogers in order to secure his senior management services. This agreement will provide that Mr. Rogers will receive a base salary of (USD) \$335,000 per annum, and will be entitled to receive a bonus of at least 25% of his base salary (but no greater than 100% of his base salary) during each year of his employment, which will be based on a formula agreed to by Mr. Rogers and the Board of Directors of the Resulting Issuer on or before February 1 of each calendar year. If Mr. Rogers and the Resulting Issuer, after negotiating in good faith, are unable to establish bonus criteria by the deadline set forth above, then the bonus for that year shall be 50% of Mr. Rogers' base salary, regardless of corporate or individual performance. In addition, Mr. Rogers will be entitled to participate in the Amended and Restated Stock Option Plan and to be granted options at the discretion of the Compensation Committee, subject to compliance with the Exchange's policies related to stock option grants.

CTW has agreed to reimburse Mr. Rogers for appropriate actual expenses for travel by private aircraft, including, but not limited to charters, of up to (USD) \$200,000 per year. Such expenses may include use of an aircraft owned by a company controlled by Mr. Rogers.

The agreement will also provide that, upon termination of Mr. Rogers: (i) by the Resulting Issuer without cause; or (ii) by Mr. Rogers following a change in control of the Corporation resulting in, among other things, Mr. Rogers' diminished responsibility, Mr. Rogers will be entitled to a severance payment in an amount equal to 24 months of base salary, all earned but unpaid bonus and an amount equal to all remuneration and bonuses (including the present cash value of any non-cash remuneration and bonuses), other than base salary, paid to Mr. Rogers during the 24 months immediately preceding the termination date, all of which shall be paid to Mr. Rogers in a lump sum payment, less applicable deductions, within 30 days after the termination date. Mr. Rogers will be entitled to terminate his employment with the Resulting Issuer by providing the Resulting Issuer with 90 days' prior written notice.

### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No director, executive officer or other senior officer of the Corporation or CTW or person who acted in such capacity in the last financial year of the Corporation or CTW, or proposed director or officer of the Resulting Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of the Corporation or CTW indebted to the Corporation or CTW nor is, or at any time since the incorporation of the Corporation or CTW has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or CTW.

### **ESCROWED SECURITIES**

Following completion of the Consolidation and Qualifying Transaction, an aggregate of 611,222 New Common Shares will be held in escrow as CPC Escrow Shares with the Escrow Trustee under the provisions of the Escrow Agreement imposed in connection with the Initial Public Offering of the Corporation. See "Part I - Information Concerning the Corporation - Escrowed Securities". The Corporation and CTW expect 25,000,000 of the New Common Shares issued to CTW Shareholders pursuant to the Agreement, and the 154,000 New Common Shares issued to

Greenrock Capital Corporation will be subject to escrow as Value Escrow Shares as a result of the Qualifying Transaction. See "Part II - Information Concerning the Qualifying Transaction and CTW – The Qualifying Transaction".

*CPC Escrow Shares*

The following table sets out, as of the date hereof and to the knowledge of the Corporation and CTW, the name and municipality of residence of the securityholders whose Common Shares will be CPC Escrow Shares. Following completion of the Consolidation and Qualifying Transaction, an aggregate of 611,222 CPC Escrow Shares will be held in escrow with the Escrow Trustee under the provisions of the Escrow Agreement. See "Part I - Information Concerning the Corporation- Escrowed Securities".

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to the Consolidation, Private Placement and Qualifying Transaction		After Giving Effect to the Consolidation, Private Placement and Qualifying Transaction	
		Number of securities held in escrow	Percentage of Class	Number of securities held in escrow	Percentage of Class
Lorne Gertner Toronto, Ontario	New Common Shares	500,000	7%	100,200	0.26%
David Hill Toronto, Ontario	New Common Shares	500,000	7%	100,200	0.26%
Richard D. McGraw Toronto, Ontario	New Common Shares	1,000,000	14%	200,400	0.53%
Mark Rider Toronto, Ontario	New Common Shares	1,000,000	14%	200,400	0.53%
John D. Wright, Toronto, Ontario	New Common Shares	50,000	0.70%	10,020	0.03%
<b>TOTAL</b>		<b>3,050,000</b>	<b>42.7%</b>	<b>611,222</b>	<b>1.61%</b>

*Value Escrow Shares*

The following table sets out, as of the date hereof and to the knowledge of the Corporation and CTW, the name and municipality of residence of the securityholders who will be issued New Common Shares by the Corporation as consideration for all of the issued and outstanding CTW Shares in connection with the Qualifying Transaction, all of which will be Value Escrow Shares.

Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to the Consolidation, Private Placement and Qualifying Transaction		After Giving Effect to the Consolidation, Private Placement and Qualifying Transaction <sup>(1)</sup>	
		Number of securities held in escrow	Percentage of Class	Number of securities held in escrow	Percentage of Class
Alisa Kramer Rogers and Philip L. Rogers, jointly Hume, Virginia <sup>(2)</sup>	New Common Shares	Nil	Nil	21,250,000	55.85%



Name and Municipality of Residence of Shareholder	Designation of class	Prior to Giving Effect to the Consolidation, Private Placement and Qualifying Transaction		After Giving Effect to the Consolidation, Private Placement and Qualifying Transaction <sup>(1)</sup>	
		Number of securities held in escrow	Percentage of Class	Number of securities held in escrow	Percentage of Class
Greenrock Capital Corporation <sup>(3)</sup> , Toronto, Ontario	New Common Shares	Nil	Nil	154,000	0.30%
Elizabeth Anne Dakin <sup>(1)</sup> Great Falls, Virginia	New Common Shares	Nil	Nil	1,250,000	3.29%
Daniel Rogers <sup>(1)</sup> Hume, Virginia	New Common Shares	Nil	Nil	1,250,000	3.29%
Jonathan Rogers <sup>(1)</sup> Hume, Virginia	New Common Shares	Nil	Nil	1,250,000	3.29%
<b>TOTAL</b>				<b>25,154,000</b>	<b>56.40%</b>

**Notes:**

- (1) Based on the issuance of 11,539,000 Subscription Receipts under the Private Placement.
- (2) These shares will be jointly owned by Alisa Kramer Rogers and Philip L. Rogers as tenants by the entireties with right of survivorship.
- (3) Greenrock Capital Corporation is an Affiliate of Richard D. McGraw.

*Terms of Escrow for Escrow Shares*

Where escrowed shares are to be held by a company, such company will be required to agree not to carry out, while its shares are in escrow, any transaction that would result in the change of control of the company. Any such company will be required to further undertake to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities that could reasonably result in a change of control of the company.

If the Resulting Issuer meets the Tier 1 minimum listing requirements of the Exchange subsequent to the release of the Final Exchange Bulletin, the release of the CPC Escrow Shares will be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 Issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the New Common Shares on Tier 1 of the Exchange.

All holders of escrowed shares must obtain Exchange consent to transfer New Common Shares then subject to escrow, other than in specified circumstances set out in the applicable escrow agreement.

**RISK FACTORS**

The following risk factors assume the completion of the Qualifying Transaction. Given the speculative nature of the business of the Resulting Issuer, an investment in the New Common Shares should only be considered by those persons who can afford a total loss of their investment. The risks presented below should not be considered to be exhaustive and may not be

all of the risks that the Resulting Issuer and CTW may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Other sections of this Filing Statement include additional factors that could have an effect on the business and financial performance of the business following the completion of the Qualifying Transaction. The markets in which CTW currently competes are very competitive and change rapidly. New risks may emerge from time to time and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results. *For a description of the risk factors facing the Corporation as a CPC, please see the Corporation's Final Prospectus dated March 13, 2007, available on request to the Corporation or at [www.sedar.com](http://www.sedar.com).*

## **Risks Relating to the Domestication**

### *Canadian Tax Risks*

For Canadian tax purposes, on the date of the continuance (otherwise known as the domestication in the U.S.), the Resulting Issuer will be treated as though it sold all of its property and received the fair market value for that property. The Resulting Issuer will be taxed on any income or gain realized on that sale. In addition, the continuance will create a deemed year-end of the Corporation for Canadian tax purposes. The Resulting Issuer could be subject to an additional tax if the fair market value of its assets, net of liabilities, exceeds the paid-up capital of its issued and outstanding shares (prior to completion of the Qualifying Transaction and the Offering). The Corporation has reviewed its assets, liabilities and paid-up capital and believes that it will not owe any Canadian federal income taxes as a result of the continuance. It is possible that the facts on which the Corporation based its assumptions and conclusions could change before the continuance is completed. The Corporation has not applied to any federal tax authorities for a ruling on this matter and does not intend to do so. The Corporation has also made assumptions regarding the tax treatment of the continuance in order to reach its conclusions and it may be possible for some of these assumptions to be interpreted in a different manner which would be less favorable to the Resulting Issuer. It is possible that the federal tax authorities will not accept the Corporation's valuations or positions and claim that the Resulting Issuer owes taxes as a result of the continuance.

### *U.S. Tax Risks*

The Corporation believes that the domestication (otherwise known as the continuance in Canada) will qualify as a tax-free reorganization for United States federal income tax purposes. Any U.S. holder who owns 10% or more of the combined voting power of all classes of the Corporation's stock at the time of the domestication will have to recognize income, categorized as dividend income for U.S. federal income tax purposes, equal to the U.S. holder's allocable share of "all earnings and profits amount." Any U.S. holder that owns less than 10% of the combined voting power of all classes of the Corporation's stock and whose shares have a fair market value of \$50,000 or more will, assuming the deemed dividend election is made by such U.S. holder, have income in an amount equal to the lesser of the gain, if any, on the domestication or his allocable share of the "all earnings and profits amount." U.S. holders who own less than 10% of the combined voting power of all classes of the Corporation's stock and whose shares have a fair

market value below \$50,000 are not subject to tax on the domestication. The Corporation believes that it does not have an "all earnings and profits amount", and as a result, no U.S. holder should be subject to taxation; provided that U.S. holders who own less than 10% of the combined voting power of all classes of the Corporation's stock and whose shares have a fair market value of \$50,000 or more file the deemed dividend election. No assurance can be given, however, that the IRS will agree with the Corporation's position and that such position, if asserted, may be upheld.

The Corporation has not asked, and the Resulting Issuer does not intend to ask, for a ruling from the Internal Revenue Service that the U.S. federal income tax consequences will be as described herein. There is always the risk that the IRS may take a contrary position and that such position, if asserted, may be upheld.

#### *Difference in Shareholder Rights*

Upon completion of the domestication, the shareholders of the Corporation will become stockholders of a Delaware corporation. There are material differences between the OBCA and the DGCL and the Corporation's current and proposed charter and by-laws. For example, under the OBCA, many significant corporate actions such as amending a corporation's articles of incorporation or consummating a merger require the approval of at least two-thirds of the votes cast by shareholders, whereas under Delaware law, all that is required is a simple majority of the total voting power of all of the outstanding shares. Furthermore, shareholders under Ontario law are entitled to appraisal rights under a number of extraordinary corporate actions, including an amalgamation with another unrelated corporation, certain amendments to a corporation's articles of incorporation or the sale of all or substantially all of a corporation's assets, whereas under Delaware law, stockholders are only entitled to appraisal rights for certain mergers or consolidations and not for any other extraordinary corporate events. Some of these differences could provide less protection to the shareholders of the Resulting Issuer and give more discretion to the directors and officers of the Resulting Issuer. See "Domestication-Comparison of Shareholder Rights."

#### *Additional Costs*

Completion of the Delaware Domestication will result in additional direct costs, including attorneys' fees, accountants' fees, filing fees, mailing expenses and printing expenses. In addition, the Resulting Issuer may later choose to become a U.S. reporting issuer while still being a Canadian reporting issuer and, as a result, would incur additional costs and expenses of having to comply with U.S. securities laws and Canadian law.

#### *Shareholder Approval of Delaware Domestication*

The completion of the Delaware Domestication is subject to the requisite approval of the shareholders of the Corporation (as noted in this Filing Statement), which approval may not be obtained. If shareholder approval of the Delaware Domestication is not obtained, CTW will have the right to, and will likely, elect to not complete the Qualifying Transaction.

## **Risks Relating to the Operations of the Resulting Issuer**

### *Limited Operating History*

CTW was only recently incorporated, has not commenced its commercial operations and, therefore, has no operating history upon which its business can be evaluated. As such, the Resulting Issuer's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. Such risks include the early stage development of the Vindicator System, the Resulting Issuer's ability to anticipate and adapt to its marketplace after the Qualifying Transaction, the ability to attract customers and meet its targeted growth plan, and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Resulting Issuer will be successful in identifying and adequately responding to these risks.

In order for the Resulting Issuer to meet future operating requirements, it will need to be successful in its marketing efforts and operations. The revenues and income potential of the Resulting Issuer's business and market are unproven. The Resulting Issuer may not gain customer acceptance of its products due to the lack of an established track record, competition in the market, the price of its products or a variety of other factors. The Resulting Issuer's future revenues and expenses are subject to conditions that may change to an extent that cannot be determined at this time. If the Resulting Issuer's products are not accepted by potential customers, or if customers do not purchase the products at anticipated levels, the Resulting Issuer's operating results will be materially and adversely affected.

### *Quarterly Financial Results are Likely to Fluctuate Significantly*

Because CTW is a new company introducing a new product, its revenues can be materially affected by the decisions, including timing decisions, of a relatively small number of customers. In addition, expenses may exceed estimates or be incurred in the expectation of sales that do not occur or that occur later than expected. The Resulting Issuer does not expect to achieve significant levels of sales of its product during the 24 month period following completion of the Qualifying Transaction. General economic conditions in the industries in which CTW's customers compete, technological innovations and the adoption of technical standards can also be expected to affect operating results. As a result, the Resulting Issuer may experience significant, unanticipated quarterly losses and significant fluctuation in results of operations from quarter to quarter.

### *Internal Control over Financial Reporting*

As a public company, management will be responsible for certifying the design of the Resulting Issuer's internal control over financial reporting as required by Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transaction and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable generally accepted accounting principles;
- receipts and expenditures are only being made in accordance with authorization of management and the board of directors; and
- reasonable assurance regarding prevention and/or timely detection of unauthorized acquisition, use or disposition of the Resulting Issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitation, internal control over financial reporting may have material weaknesses and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### *Segregation of Duties*

Certain duties within CTW's accounting and finance departments are not properly segregated due to the small number of individuals employed in these areas. None of the segregation of duty deficiencies has resulted in a misstatement to the financial statements. However, these deficiencies may be considered to be a significant deficiency in internal control, or a material weakness resulting in a more than remote likelihood that a material misstatement of the Resulting Issuer's annual or interim financial statements would not be prevented or detected. As the Resulting Issuer experiences future growth, management plans to expand the number of individuals involved in the accounting function. In addition, going forward, the Audit Committee of the Resulting Issuer will review on a quarterly basis the financial statements and key risks of the Resulting Issuer and will query management about significant transactions, and there will be daily oversight by the senior management of the Resulting Issuer.

#### *Complex and Non-routine Transactions*

As required, CTW records complex and non-routine transactions. These sometimes are extremely technical in nature and require an in-depth understanding of GAAP. CTW's accounting staff has a reasonable knowledge of the rules related to GAAP; however, it is possible that transactions may not be recorded correctly, potentially resulting in material misstatement of the financial statements of the Resulting Issuer. To address this risk going forward, the Resulting Issuer will consult with its external audit firm and with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit of the Resulting Issuer's financial statements will be performed, with the results thereof presented to the Audit Committee of the Resulting Issuer.

### *Completion of Qualifying Transaction*

The completion of the Qualifying Transaction is subject to the receipt of approval from the Exchange, which approval may not be obtained.

### *Additional Financing*

The Resulting Issuer may require additional financing to fund growth in working capital, to make further investments, or to complete development and begin commercial production of the Vindicator System. The ability of the Resulting Issuer to arrange such financing in the future, if needed, will depend in part on prevailing capital market conditions and the financial success of the Resulting Issuer. There can be no assurance that the Resulting Issuer will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to take advantage of such opportunities. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of the Resulting Issuer may change and existing shareholders will suffer dilution. If sufficient funds are not available or are only available on terms which are not acceptable to the Resulting Issuer, the Resulting Issuer may not be able to take advantage of certain opportunities, complete development of the Vindicator System, or be in a position to adequately respond to competitive pressures, which could materially and adversely affect the Resulting Issuer's business, results of operations and financial condition.

### *Foreign Currency Risk*

Since the Resulting Issuer intends to operate internationally, the Resulting Issuer will be subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its customers are located or do business. While the Resulting Issuer will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that the Resulting Issuer will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

### *Competition*

Competition within the industries in which CTW operates is intense and is expected to increase in the future as the wind energy market matures. Some of CTW's competitors have longer operating histories and greater financial and marketing resources than CTW. If CTW's competitors develop more successful or accurate products or services, offer competitive products or services at lower price points or based on payment models perceived as offering a better value proposition, or if the Resulting Issuer does not continue to develop consistently high-quality and well-received products and services, the Resulting Issuer's business, results of operations and financial condition could be materially and adversely affected. There is no assurance that the Resulting Issuer will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates.

### *Changes in Laws*

Changes to any of the laws, rules, regulations or policies to which the Resulting Issuer is subject could have a significant impact on the Resulting Issuer's business. There can be no assurance that the Resulting Issuer will be able to comply with any future laws, rules, regulations and policies.

Failure by the Resulting Issuer to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Resulting Issuer's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Resulting Issuer's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

#### *Government Regulations*

The Resulting Issuer may be subject to various laws, regulations, regulatory actions and court decisions that may have negative effects on the Resulting Issuer. Changes in the regulatory environment imposed upon the Resulting Issuer could adversely affect the ability of the Resulting Issuer to attain its corporate objectives.

#### *Reduction in Government Incentives*

Renewable energy technologies, which include wind power, are not presently cost effective when compared to traditional energy sources such as oil, natural gas or hydro-electric power. The continued development of the market for wind power will depend on substantial reductions in the cost of producing energy from these sources. In the major countries that have led the development and adoption of renewable energy technologies, namely Germany, Japan and the United States, the adoption of renewable energy technology is subsidized through acquisition incentives, feed-in tariffs and production tax credits to the producers and consumers of wind power. As key countries in the development and adoption of wind energy, these countries will be markets targeted by the Resulting Issuer in its growth plan. If these countries were to significantly reduce or eliminate these incentives, there could be a reduction in demand for the Resulting Issuer's products, which could have a material adverse effect on its business, financial condition, liquidity and results of operations.

#### *Reliance on Key Personnel*

CTW is, and the Resulting Issuer will be, substantially dependent upon the services of its management team, and particularly Philip L. Rogers, for the successful operation of its business. The Resulting Issuer will also be dependent on the services of certain scientific and technical personnel with knowledge of LIDAR-based wind measurement systems. The loss of the services of any of these individuals could have a material adverse effect on the business of the Resulting Issuer. CTW does not have, and the Resulting Issuer may not have, key-man insurance policies on the lives of the members of its executive team. The market for technical, scientific, engineering, marketing and other personnel essential to the development and marketing of the Resulting Issuer's products and management of its businesses is extremely competitive. If the Resulting Issuer cannot successfully recruit and retain the employees it needs, or replace key employees following their departure, the Resulting Issuer's ability to develop and manage its business will be impaired.

#### *Volatility of Market Price*

The market price of the New Common Shares could be subject to significant fluctuation in response to variations in quarterly and yearly operating results, the success of the Resulting

Issuer's business strategy and other factors. In addition, the stock market experiences price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of affected companies. These fluctuations may adversely affect the market price of the securities of the Resulting Issuer.

#### *Use of Proceeds*

Although the Resulting Issuer has generally provided for the use of proceeds from its financing activities, it cannot specify with certainty the amount of the net proceeds from its financing activities which will be allocated for each purpose. Accordingly, the Resulting Issuer's management will have broad discretion in the application of such proceeds.

#### *Product Failure or Product Liability Risks*

Any liability for damages resulting from defects in, or malfunctions, of the Resulting Issuer's products or other costs incurred to remedy problems relating to the Resulting Issuer's products, such as recalls, could be substantial and could increase the Resulting Issuer's expenses and prevent growth of its business. The Resulting Issuer's products will be sold with a warranty, which could expose the Resulting Issuer to significant warranty expenses. While an estimated warranty reserve may be adequate to cover these costs, this may not be sufficient to cover such costs in the future and, as a result, the Resulting Issuer's financial condition may be adversely affected if a significant warranty expense is incurred. Furthermore, a defect in, or malfunction of, any of the Resulting Issuer's products could result in tort or warranty claims. A well-publicized actual or perceived problem could adversely affect the market's perception of the Resulting Issuer's products. This could result in a decrease in demand for the Resulting Issuer's products, which could have a material adverse effect on its business, financial condition, liquidity and results of operations.

#### *Distribution Agreements*

The Resulting Issuer may enter into distribution agreements with strategic partners for the purposes of distributing its products. The process of forming strategic relationships or distribution agreements is difficult, competitive and potentially lengthy. If the Resulting Issuer is unable to enter into acceptable distribution agreements it may impede the distribution of its products, which could materially and adversely affect the Resulting Issuer's business, results of operations and financial condition.

#### *Control of Production and Product Quality*

Although management believes that, after the completion of the Qualifying Transaction, the Resulting Issuer will be able to significantly enhance the management, production and supply of its products, there can be no assurance that this will occur. The failure by the Resulting Issuer to successfully manage the production and supply of its products, including the failure to manage the sourcing of components, to meet scheduled production and delivery deadlines, or the failure of products to meet the product quality expectations of the Resulting Issuer's customers, would have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.



### *Management of Growth*

Any expansion of the Resulting Issuer's business may place a significant strain on its operational, managerial and financial resources. There can be no assurance that the Resulting Issuer will be able to improve its operational, managerial and financial systems successfully and in a timely manner in order to manage the growth it experiences, which could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

### *Acquisitions*

Although it is not contemplated at this time, the Resulting Issuer may in the future consider expanding its operations or product lines through the acquisition of additional businesses, products or technologies that it believes will complement its current or future business. There can be no assurance that the Resulting Issuer will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses, products or technologies into the Resulting Issuer's business without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition. In addition, there can be no assurance that the Resulting Issuer can complete any acquisition it pursues on favourable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the Resulting Issuer's business. An acquisition could also result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of the Resulting Issuer to successfully manage this strategy could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

### *Product Development Schedules*

The Resulting Issuer's ability to meet product development schedules is affected by a number of factors, including the technical processes involved and the need to refine and test its products prior to their release. In the future, any failure to meet anticipated production or release schedules would likely result in a delay in meeting revenue targets or a reduction in the Resulting Issuer's profitability, causing its operating results to be materially different than anticipated.

### *Termination of License*

CTW has licensed the technology which forms the basis of the Vindicator System from Optical Air pursuant to the terms of the License Agreement. In the event that CTW commits a material breach of its obligations under the License Agreement or made any material misrepresentation in anticipation of entering into the License Agreement and, after receiving notice of such breach or misrepresentation, CTW does not cure the relevant breach within sixty (60) days after receipt of such written notice, Optical Air may, at its discretion, (a) terminate the License Agreement; and/or (b) terminate the licenses granted to CTW under the License Agreement by giving written notice of termination to CTW. In addition, Optical Air may terminate the License Agreement in the event of the bankruptcy or insolvency of CTW. If the License Agreement is terminated prior

to the expiration of any licensed patent or copyright, all rights granted to CTW under the License Agreement shall cease and revert back to Optical Air, and CTW shall not be permitted to thereafter make, use, offer to sell, sell, or import any products derived from the licensed technology, including the Vindicator System, which would have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

#### *Research and Development Outsourcing*

CTW will initially be highly dependent on Optical Air for maintaining and enhancing the technology which forms the basis of the Vindicator System and any other products developed by CTW. In the event that Optical Air ceases for any reason to provide such research and development services, or in the event of the termination of the Services Agreement, CTW may be unable to internally conduct its own research, development and engineering functions, and may be unable to reach satisfactory agreement with any other party to provide such services, which would have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

#### *Technology Changes*

The market for renewable energy products, specifically wind energy technology, is characterized by rapidly changing technology, evolving industry standards and increasingly diverse and sophisticated customer requirements. The introduction by competitors of products which may use new technology and any emergence of new industry standards could make the Resulting Issuer's products obsolete and unmarketable, or could exert price pressure on the Resulting Issuer's products. In order to succeed, the Resulting Issuer must be able to anticipate and respond quickly to such changes by developing or licensing new products or enhancing pre-existing technology. The Resulting Issuer cannot provide assurance that it will successfully develop or license new products or enhance pre-existing technology, that its products will receive market acceptance, or that the introduction of new products by others won't render the Resulting Issuer's technology and products obsolete. In order to remain competitive, the Resulting Issuer may be required to invest significantly greater resources than is currently projected in research and development and product enhancement efforts, which could result in increased operating expenses.

#### *Infringement of the Intellectual Property Rights of Others*

The industries in which CTW competes have many participants that own, or claim to own, intellectual property, including participants who have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by CTW in its products. Some of CTW's competitors have, or are affiliated with companies that have, substantially greater resources than the Resulting Issuer will have, and these competitors may be able to sustain the costs of complex intellectual property infringement litigation to a greater degree and for longer periods of time than the Resulting Issuer can. It is possible that an intellectual property infringement claim could be asserted against the Resulting Issuer. In the event that such a claim is brought, the Resulting Issuer will incur substantial expenses in evaluating and defending against such claims, regardless of the merits of the claim. In the event that there is a determination that the Resulting Issuer has infringed the intellectual

property rights of a third-party, the Resulting Issuer may not be able to successfully claim against Optical Air under the License Agreement in respect of such infringement, and the Resulting Issuer could therefore incur significant monetary liability and be prevented from using the rights in the future, which could negatively impact its operating results. The Resulting Issuer may also discover that future opportunities to provide new and innovative products may be precluded by existing patents that the Resulting Issuer is unable to obtain licenses for on reasonable terms.

### *Intellectual Property Protections*

The Resulting Issuer's commercial success depends upon its ability to develop or license new or improved technologies and products, and to successfully obtain, defend or claim under license patent or other proprietary or statutory protection for these technologies and products in the U.S., the European Union and other countries. The Resulting Issuer will devote significant resources to protecting its proprietary technology and the technology licensed to CTW under the terms of the License Agreement. However, the Resulting Issuer may not be able to develop or license technology that is patentable, patents may not be issued in connection with its pending applications and allowed claims may not be sufficient to protect its technology or technology that it or CTW licenses from third parties, including Optical Air. Furthermore, any patents issued (whether owned by, or licensed to, the Resulting Issuer) could be challenged, invalidated or circumvented and may not provide proprietary protection or a competitive advantage. There can be no assurance that any patent applications filed by the Resulting Issuer, CTW or Optical Air in respect of the technology which forms the basis of the Vindicator System will result in enforceable patents.

A number of CTW's competitors and other third parties have been issued patents, and may have filed patent applications or may obtain additional patents and proprietary rights, for technologies similar to those that CTW has made or licensed or that the Resulting Issuer may make or license in the future. Since patent applications filed before November 29, 2000 in the U.S. are maintained in secrecy until issued as patents, and as publication or public awareness of new technologies often lags behind actual discoveries, CTW cannot be certain that Optical Air was the first to develop the technology which forms the basis of the Vindicator System or that it was the first to file patent applications for such technology. In addition, the disclosure in the patent applications filed by Optical Air in respect of the technology which forms the basis of the Vindicator System, particularly in respect of the utility of its claimed inventions, may not be sufficient to meet statutory requirements for patentability in all cases. Optical Air could make decisions in the prosecution of its patent applications that could result in the issue of claims of patents more limited than may be desired by the Resulting Issuer or not relevant to the products of the Resulting Issuer. Optical Air could make decisions not to pursue patent filings in countries that may be of interest to the Resulting Issuer. Optical Air may inadvertently or as a result of pursuing a course of conduct subsequently determined to be ineffective fail to make the required maintenance fee payments resulting in the loss of applicable patent rights.

CTW has not conducted a detailed assessment of any of the patent applications that Optical Air has filed and cannot verify if the disclosure provided in the specification of each patent application is enabling and sufficient to obtain enforceable patent rights in such jurisdiction.

CTW has not conducted a freedom to operate or clearance assessment of its ability to use or exploit the patent rights or technology licensed under the License Agreement in any market. Such an assessment might uncover patent or other rights owned by third parties that could delay or halt the Resulting Issuer's ability to proceed with certain features of its products, and if that were the case, the Resulting Issuer might not be able to obtain a license to, or design around, such third party rights, if any.

In addition to patents, the Resulting Issuer will rely on, among other things, copyrights, trademarks, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. While CTW has entered into, and the Resulting Issuer will enter into, confidentiality and non-disclosure agreements with certain of its employees, consultants, contract manufacturers, customers, potential customers and others to attempt to limit access to, and distribution of, proprietary and confidential information, it is possible that:

- some or all of its confidentiality agreements may not be honoured;
- third parties may independently develop equivalent technology or misappropriate the Resulting Issuer's technology and/or designs;
- disputes may arise with the Resulting Issuer's strategic partners, customers or others concerning the ownership of intellectual property;
- there may be unauthorized disclosure of source code owned by the Resulting Issuer;
- unauthorized disclosure of the Resulting Issuer's know-how or trade secrets may occur;  
or
- contractual provisions may not be enforced in foreign jurisdictions.

Optical Air has not filed trademark applications to register its trademarks in key markets outside the U.S. Optical Air may find that it is unable to do so or it may be unwilling to do so. CTW has not conducted a freedom to operate or clearance assessment of its ability to use any of the trademarks licensed from Optical Air in any jurisdiction. The Resulting Issuer may therefore be unable to rely on a license to use these trademarks, or any of them, in such jurisdictions. The Resulting Issuer may need to adopt its own branding for its products and seek to protect such trademarks in such countries as it deems appropriate.

There can be no assurance that the Resulting Issuer will be successful in protecting its proprietary rights. In addition, effective patent, copyright and trademark protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. Despite the Resulting Issuer's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Resulting Issuer's products or to obtain and use information that the Resulting Issuer regards as proprietary. Policing unauthorized use of the Resulting Issuer's products will be difficult. There can be no assurance that the steps taken by the Resulting Issuer will prevent misappropriation of its technology and proprietary property.

### *Other Litigation*

From time to time in the future, the Resulting Issuer may become subject to other claims and litigation, which could be expensive, lengthy, and disruptive to normal business operations. In addition, the outcome of any claims or litigation may be difficult to predict and could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

### *Defective Products*

CTW's products are extremely complex and include components supplied by vendors in different countries. CTW intends to implement quality controls in place to detect defects in its products prior to their release. Nonetheless, these quality controls are subject to human error and customary resource constraints. Therefore, these quality controls and preventative measures may not be fully effective in detecting defects in the Resulting Issuer's products before they have been reproduced and released into the marketplace. In such event, the Resulting Issuer could be required to recall a product, or may find it necessary to voluntarily recall a product and/or scrap defective inventory, which could in each case significantly harm its business, results of operations and financial condition.

### *No Manufacturing Experience*

To date, CTW has not manufactured the Vindicator System on a high-volume basis. To meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market its products, the Resulting Issuer will have to produce such products through large-scale, high-volume manufacturing processes. These large-scale, high-volume processes may require significant advances in manufacturing technology. The Resulting Issuer does not know whether or when it will be able to develop the manufacturing technology necessary to achieve efficient, large-scale, high-volume, low-cost manufacturing capability and processes. The Resulting Issuer's failure to develop such manufacturing capability and processes could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

### *Limited Sales Experience*

CTW has limited experience selling capital equipment to the wind turbine industry. As part of the growth of its operations, the Resulting Issuer will be required to hire additional sales and business development personnel, develop marketing and sales programs and take other steps to establish an effective sales organization. If the Resulting Issuer cannot successfully recruit and retain the sales personnel it needs, or successfully develop an internal marketing and sales force, the Resulting Issuer will be unable to achieve commercial sales of its products.

### *Changes to Tax Rates or Exposure to Additional Tax Liabilities*

The Resulting Issuer may be subject to income taxes in various foreign jurisdictions. Significant judgment will be required in determining the Resulting Issuer's worldwide provision for income taxes and, in the ordinary course of its business, there are many transactions and calculations where the ultimate tax determination may be uncertain.

The Resulting Issuer will be required to estimate what its taxes will be in the future. Although CTW believes its current tax estimates are reasonable, the estimate process and the applicable law are inherently uncertain, and its estimates are not binding on tax authorities. The Resulting Issuer's effective tax rate could be adversely affected by changes in its business, including the mix of earnings in countries with differing statutory tax rates, changes in the elections it makes, changes in applicable tax laws as well as other factors. The Resulting Issuer's tax determinations will be subject to audit by tax authorities, which audits, if any, could adversely affect its income tax provision. Should the Resulting Issuer's ultimate tax liability exceed its estimates, its income tax provision and net income could be materially affected.

#### *Sales to Few Customers*

The Resulting Issuer expects that its initial sales will be made to a small number of customers such as wind farm operators or turbine manufacturers. The concentration of the Resulting Issuer's sales to a few customers could make the Resulting Issuer more vulnerable to collection risk if one or more of these customers were unable to pay for the Resulting Issuer's products. Also, having such a large portion of its total net revenue concentrated in a few customers could reduce the Resulting Issuer's negotiating leverage with these customers.

#### *Dependence on Third-Party Suppliers*

The Resulting Issuer intends to establish relationships with third-party suppliers, on whom it will rely to provide certain materials and components for the Vindicator System. A supplier's failure to supply materials or components in a timely manner, or the Resulting Issuer's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to the Resulting Issuer could harm the Resulting Issuer's ability to manufacture its products, including the Vindicator System.

#### *Dependence on Original Equipment Manufacturers*

In order to achieve significant market penetration in the new wind turbine market, the Resulting Issuer will seek to have its products, including the Vindicator System, integrated directly into wind turbines by turbine manufacturers. The Resulting Issuer can offer no assurances that turbine manufacturers will agree to the installation of the Resulting Issuer's products into their wind turbines. Any integration, design, manufacturing or marketing problems encountered by original equipment manufacturers could adversely affect the market for the Resulting Issuer's products, which could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

#### *Development of New Products*

The development and application of new technologies involves time, substantial costs and risks. The Resulting Issuer's inability, for technological or other reasons, to enhance, develop and introduce products in a timely manner, or at all, in response to changing market conditions or customer requirements could have a material adverse effect on the Resulting Issuer's operating results or could result in its products becoming obsolete. The Resulting Issuer's ability to compete successfully will depend in large measure on its ability to maintain a technically skilled

research and development staff, or to properly and economically outsource such services, and to adapt to technological changes and advances in the industry.

*No Assurance of Benefits*

The Resulting Issuer cannot provide any assurance that the Vindicator System will create the benefits expected by management of the Resulting Issuer, or that the Vindicator System will improve wind turbine efficiency to the extent believed by management, or at all. If the Vindicator System does not create the benefits expected by management it may lead to a decrease in demand for the Resulting Issuer's products, which could have a material adverse effect on its business, financial condition, liquidity and results of operations.

*No Assurance of Turbine Control Algorithm*

The Resulting Issuer cannot provide any assurance that it will be able to develop a suitable turbine control algorithm which takes advantage of the LIDAR wind information provided by the Vindicator System. Neither CTW nor Optical Air has experience in the development of wind turbine control algorithms. If the Resulting Issuer cannot successfully recruit and retain employees or contractors with sufficient experience in the development of turbine control algorithms, the Resulting Issuer's ability to develop and manage its business will be impaired.

*Limitations in Turbine Control Systems*

Inherent limitations in the control systems of wind turbines may prevent existing turbines from taking advantage of the LIDAR wind information provided by the Vindicator System. If these limitations cannot be overcome, it may lead to a decrease in demand for the Resulting Issuer's products, which could have a material adverse effect on its business, financial condition, liquidity and results of operations.

*Voiding of Existing Warranties*

The addition of the Vindicator System to wind turbines may void the wind turbine manufacturer's warranty, making it uneconomic for wind farms to adopt the Vindicator System during the warranty period of its turbines. This could reduce or delay sales of the Resulting Issuer's products, which could have a material adverse effect on its business, financial condition, liquidity and results of operation.

*Support of Turbine Manufacturers*

The Resulting Issuer will require the support and/or approval of wind turbine manufacturers to include the Vindicator System on new wind turbines. The limited number of existing wind turbine manufacturers are all much larger, and have greater financial resources, than the Resulting Issuer and may be able to exert pricing pressure on CTW for the sale of its products, which could have a material adverse effect on the Resulting Issuer's business, financial condition, liquidity and results of operation.

### *Reduced Spending by Customers*

It is difficult to estimate the level of growth for the economy as a whole. It is even more difficult to estimate growth in various parts of the economy, including the markets in which the Resulting Issuer will participate. Because all components of the Resulting Issuer's budgeting and forecasting are dependant upon estimates of growth in the markets that the Resulting Issuer will serve and on the demand for its products and services, economic uncertainties make it difficult to estimate future income and expenditures. Downturns in the economy or geopolitical uncertainties may cause customers to reduce or cancel orders for the Resulting Issuer's products, which could have a material adverse impact on the Resulting Issuer's business, operating results and financial condition. In addition, acts of terrorism and the outbreak of hostilities and armed conflicts between countries have created uncertainties that may affect the global economy and could have a material adverse effect on the Resulting Issuer's business, operating results and financial condition.

### *Control of the Production Process*

Although CTW leases a production facility from Optical Air under the Sublease and principally performs, and intends to continue to perform, final assembly of the Vindicator System itself, a portion of its production needs may in the future reside with third parties located in different countries, including China. The Resulting Issuer's sales and operating profits could be adversely affected if the Resulting Issuer fails to manage its manufacturing and logistics efficiently or to ensure that its products meet customers' quality standards. The Resulting Issuer may experience difficulties in its own facilities or the facilities of third parties, in connection with increasing or decreasing production, adopting new processes and finding the most effective and timely way to develop the best solutions to meet technical requirements of its products and customer needs. These difficulties may increase as the Resulting Issuer continues to manufacture an increasing number of different products. In addition, the Resulting Issuer's reliance on outsourcing to third parties may involve a number of risks, including:

- absence of guaranteed manufacturing;
- reduced control over delivery schedules and costs; and
- early termination of, or failure to renew, contractual arrangements.

The resources devoted by third party manufacturers that may in the future be retained by the Resulting Issuer is not within the Resulting Issuer's control, and there can be no assurance that manufacturing problems will not occur in the future. Insufficient supply or an interruption or stoppage of supply from such third party manufacturers or the Resulting Issuer's inability to obtain additional manufacturers when and if needed could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

### *Dividends*

The Resulting Issuer does not have any present intention to pay dividends on the outstanding New Common Shares.



### *Conflicts of Interest*

The directors of the Resulting Issuer may be, or may become, engaged in different industries, both on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Resulting Issuer. Conflicts of interest, if any, that arise will be subject to and governed by the procedures prescribed by the DGCL. See "Information Concerning the Corporation Subsequent to the Qualifying Transaction - Directors, Officers and Promoters - Conflicts of Interest".

### *Control Held by Two Individuals*

Two of the Resulting Issuer's shareholders, Alisa Kramer Rogers and Philip L. Rogers, will beneficially own, in the aggregate, in excess of 55% of the Resulting Issuer's outstanding voting securities, assuming that the Private Placement is fully subscribed. Accordingly, Ms. Rogers and Mr. Rogers will have the ability to exercise significant influence (and have effective control) over matters generally requiring shareholder approval, including the election of directors and the approval of significant corporate transactions, which could have the effect of delaying or preventing a third party from acquiring control over the Resulting Issuer.

## **PART IV - GENERAL MATTERS-SPONSORSHIP RELATIONSHIP**

No sponsor has been retained in connection with the Qualifying Transaction.

### **OTHER MATERIAL FACTS**

#### **Relationships with Professional Persons**

Other than John D. Wright, counsel to the Corporation, to the knowledge of management of the Corporation, no "Professional Person", nor any Associate or Affiliate of such person, has any beneficial interest, direct or indirect, in the securities or property of the Corporation, CTW or the Resulting Issuer, and no Professional Person is expected to be elected, appointed or employed as a director, senior officer or employee of the Resulting Issuer or of an Affiliate thereof.

### **BOARD APPROVAL**

Both the contents and the sending of this Filing Statement have been approved by the Board of Directors of the Corporation. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than the Corporation, the Corporation has relied upon information furnished by such person.

### **AUDITORS**

See "Part I - Information Concerning the Corporation – Auditors". Upon completion of the Qualifying Transaction, it is proposed that the Resulting Issuer's auditors will be Deloitte & Touche LLP, Chartered Accountants and Licensed Public Accountants, 1 Concord Gate, Suite 200, North York, Ontario, M3C 4G4.

**TRANSFER AGENT AND REGISTRAR**

See "Part I - Information Concerning the Corporation - Transfer Agent and Registrar".

**AUDITORS' CONSENT - BAYVIEW**

We have read the Filing Statement of Bayview Public Ventures Inc. (the "**Company**") dated September 8, 2008 relating to the acquisition by the Company of 100% of the issued and outstanding securities of Catch the Wind, Inc. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Filing Statement of our auditors' report dated February 8, 2008 (except for Note 14, which is as of September 8, 2008) to the Directors of the Company on the balance sheets of the Company as at December 31, 2007 and 2006 and the statements of operations and deficit and cash flows for the years ended December 31, 2007 and 2006.

*"Collins, Barrow Toronto LLP"*

Licensed Public Accountants

Toronto, Ontario

September 8, 2008.

**AUDITORS' CONSENT - CTW**

We have read the Filing Statement of the Corporation dated September 8, 2008 in respect of the proposed Qualifying Transaction. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the Filing Statement of our report to the directors of Catch the Wind, Inc. ("CTW") on the balance sheet of CTW as at June 30, 2008; statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the period from January 1, 2008 (date of inception of business activities) to June 30, 2008. Our report is dated July 18, 2008 (except as to note 10 which is as of September 3, 2008).

*"Deloitte & Touche LLP"*

Chartered Accountants  
Licensed Public Accountants

Toronto, Ontario

September 8, 2008

**CERTIFICATE OF BAYVIEW**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Bayview Public Ventures Inc., assuming completion of the Consolidation, Delaware Domestication, Private Placement and Qualifying Transaction.

Dated: September 8, 2008.

(signed) Mark Rider  
Chief Executive Officer

(signed) Richard D. McGraw  
Chief Financial Officer

**On behalf of the Board of Directors of the Corporation**

(signed) Lorne Gertner  
Director

(signed) David Hill  
Director

**CERTIFICATE OF CTW**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Catch the Wind, Inc., assuming completion of the Consolidation, Delaware Domestication, Private Placement and Qualifying Transaction.

Dated: September 8, 2008.

(signed) Philip L. Rogers  
President

(signed) Alisa Kramer Rogers  
Vice-President

**On behalf of the Board of Directors of CTW**

(signed) Philip L. Rogers  
Director

(signed) Alisa Kramer Rogers  
Director

(signed) Elizabeth Anne Dakin  
Director

**EXHIBIT "A"**

**ANNUAL AND INTERIM FINANCIAL STATEMENTS  
OF BAYVIEW PUBLIC VENTURES INC.**

# **Bayview Public Ventures Inc.**

## **Financial Statements**

**For the Three and Six Months Ended June 30, 2008 and  
2007 and For the Years Ended December 31, 2007 and  
2006**



## AUDITORS' REPORT

To the Directors of  
**Bayview Public Ventures Inc.**

We have audited the balance sheets of **Bayview Public Ventures Inc.** as at **December 31, 2007** and **2006** and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at **December 31, 2007 and 2006** and the results of its operations and its cash flows for the periods then ended, in accordance with Canadian generally accepted accounting principles.

*Collins Barrow Toronto LLP*

**Collins Barrow Toronto, LLP**  
**Licensed Public Accountants**

February 8, 2008 (except for Note 15, which is as of September 8, 2008)  
Toronto, Ontario

# Bayview Public Ventures Inc.

## Balance Sheets

	Note	June 30 2008 (unaudited)	December 31 2007	December 31 2006
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	5	\$ 996,265	\$ 1,002,366	\$ 306,403
Other assets		1,812	590	-
		<b>998,077</b>	<b>1,002,956</b>	<b>306,403</b>
<b>Deferred share issuance costs</b>		<b>-</b>	<b>-</b>	<b>20,000</b>
		<b>\$ 998,077</b>	<b>\$ 1,002,956</b>	<b>\$ 326,403</b>

## Liabilities

<b>Current</b>				
Accounts payable and accrued liabilities		\$ 1,285	\$ 8,153	\$ 29,250

## Shareholders' Equity

Capital stock	6	951,566	951,566	305,000
Contributed surplus	7	138,057	138,057	-
Deficit		(92,831)	(94,820)	(7,847)
		<b>996,792</b>	<b>994,803</b>	<b>297,153</b>
		<b>\$ 998,077</b>	<b>\$ 1,002,956</b>	<b>\$ 326,403</b>

*Subsequent event (Note 15)*

Approved by the Board "Richard D. McGraw" Director "Mark Rider" Director  
(Signed) (Signed)

See accompanying notes.

# Bayview Public Ventures Inc.

## Statements of Operations and Deficit

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,	Year Ended December 31,	
	Note	2008	2007	2008	2007	2007	2006
		(unaudited)	(unaudited)	(unaudited)	(unaudited)		
<b>Interest income</b>		\$ 8,118	\$ 9,795	\$ 18,112	\$ 12,194	\$ 35,204	\$ 1,403
<b>Expenses</b>							
Stock option expenses	9	-	-	-	105,452	105,452	-
Shareholder communication		4,431	1,894	5,255	1,894	2,963	-
Filing fees		500	1,329	5,500	1,329	1,329	-
Professional fees		3,869	3,719	3,869	3,719	12,295	9,240
Office and general		805	137	1,499	137	138	10
		<b>9,605</b>	<b>7,079</b>	<b>16,123</b>	<b>112,531</b>	<b>122,177</b>	<b>9,250</b>
<b>Net income ( loss)</b>		<b>(1,487)</b>	<b>2,716</b>	<b>1,989</b>	<b>(100,337)</b>	<b>(86,973)</b>	<b>(7,847)</b>
<b>Deficit at beginning of period</b>		<b>(91,344)</b>	<b>(110,900)</b>	<b>(94,820)</b>	<b>(7,847)</b>	<b>(7,847)</b>	<b>-</b>
<b>Deficit at end of period</b>		<b>\$ (92,831)</b>	<b>\$ (108,184)</b>	<b>\$ (92,831)</b>	<b>\$ (108,184)</b>	<b>\$ (94,820)</b>	<b>\$ (7,847)</b>
<b>Basic and diluted earnings (loss) per share</b>		<b>\$ (0.0002)</b>	<b>\$ 0.0004</b>	<b>\$ 0.0003</b>	<b>\$ (0.0194)</b>	<b>\$ (0.0100)</b>	<b>\$ (0.0200)</b>
<b>Weighted average shares outstanding:</b>							
Basic		7,140,000	7,129,121	7,140,000	5,167,127	6,161,671	508,334
Diluted		7,140,000	7,449,557	7,342,162	5,167,127	6,161,671	508,334

See accompanying notes.

# Bayview Public Ventures Inc.

## Statements of Cash Flows

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,	Year Ended December 31,
	2008	2007	2008	2007	2007	2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
<b>Cash flows from operating activities</b>						
Net earnings (loss) for the period	\$ (1,487)	\$ 2,716	\$ 1,989	\$ (100,337)	\$ (86,973)	\$ (7,847)
Add items not affecting cash						
Stock-based compensation	-	-	-	105,452	105,452	-
	(1,487)	2,716	1,989	5,115	18,479	(7,847)
Changes in non-cash working capital items						
Other current assets	1,895	(1,456)	(1,223)	(3,503)	(590)	-
Accounts payable and accrued liabilities	(5,802)	(22,334)	(6,867)	(4,967)	(1,097)	9,250
	(5,394)	(21,074)	(6,101)	(3,355)	16,792	1,403
<b>Cash flows from financing activity</b>						
Advance from related party	-	-	-	-	-	(10,000)
Shares issued net of share issuance costs	-	-	-	661,171	661,171	305,000
Exercise of stock options	-	18,000	-	18,000	18,000	-
	-	18,000	-	679,171	679,171	295,000
<b>Increase (decrease) in cash during the period</b>	<b>(5,394)</b>	<b>(3,074)</b>	<b>(6,101)</b>	<b>675,816</b>	<b>695,963</b>	<b>296,403</b>
<b>Cash at beginning of period</b>	<b>1,001,659</b>	<b>985,293</b>	<b>1,002,366</b>	<b>306,403</b>	<b>306,403</b>	<b>10,000</b>
<b>Cash at end of period</b>	<b>\$ 996,265</b>	<b>\$ 982,219</b>	<b>\$ 996,265</b>	<b>\$ 982,219</b>	<b>\$ 1,002,366</b>	<b>\$ 306,403</b>

### Supplemental Disclosure

Stock options granted to agent included in share issuance costs	\$ -	\$ -	\$ -	\$ 42,071	\$ 42,071	\$ -
Stock options exercised by agent reclassified to share capital	\$ -	\$ 9,466	\$ -	\$ 9,466	\$ 9,466	\$ -

See accompanying notes.

# Bayview Public Ventures Inc.

## Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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### 1. NATURE OF THE CORPORATION

Bayview Public Ventures Inc. (the "Corporation") was incorporated under the Business Corporations Act (Ontario) on December 21, 2005 and is classified as a Capital Pool Corporation as defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4.

The Corporation is involved in securing equity financing with which it intends to identify and evaluate opportunities for the acquisition of an interest in properties, corporations, assets or businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of shareholder and regulatory approval in order for the Corporation to complete a qualifying transaction approved by the Exchange.

### 2. CHANGE IN ACCOUNTING POLICIES

#### Financial Instruments

Effective January 1, 2007, the Corporation has adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments, and Section 3865, Hedges.

These recommendations establish standards for recognizing and measuring financial instruments, which include financial assets, financial liabilities, derivatives and embedded derivatives. Under these recommendations, all financial instruments are to be recorded initially at fair value. In subsequent periods, all financial instruments are re-measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

#### Financial assets

##### Held for trading

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets can be designated by the Corporation upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

##### Held-to-maturity

Financial assets that have a fixed maturity date and which the Corporation has a positive intention and the ability to hold to maturity are classified as held-to-maturity, which are subsequently re-measured at amortized cost using the effective interest rate method.

##### Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

# Bayview Public Ventures Inc.

## Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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### 2. CHANGE IN ACCOUNTING POLICIES (Cont'd)

#### Available-for-sale

Available-for-sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available-for-sale are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

#### Financial liabilities

##### Held for trading

Financial liabilities that are held with the intention of generating profits in the near term and derivative contracts that are financial liabilities, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial liabilities can be designated by the Corporation upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

##### Other liabilities

Non-derivative financial liabilities that have not been designated as held for trading are classified as other liabilities, which are subsequently re-measured at amortized cost using the effective interest rate method.

The Corporation has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Accounts payable and accrued liabilities	Other liabilities

CICA Handbook Section 3865, Hedges, replaces CICA Handbook Accounting Guideline 13, Hedging Relationships, which establishes standards for when and how hedge accounting may be applied. Consistent with financial instruments, it requires that all derivatives, including those designated as hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Corporation's exposure to changes in the fair value of an asset or liability, a fair value hedge, are recognized in net income together with those of the respective offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Corporation's exposure to changing cash flows, a cash flow hedge, are accumulated in other comprehensive income until the transaction being hedged affects net income.

CICA Handbook Section 1530, Comprehensive Income, establishes new measurements of earnings in the financial statements. Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income.

# Bayview Public Ventures Inc.

## Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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### 2. CHANGE IN ACCOUNTING POLICIES (Cont'd)

Effective January 1, 2008, the Corporation adopted the recommendations of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1535, Capital Disclosures ("Section 1535"). The new standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Disclosure requirements pertaining to Section 1535 are contained in Note 13.

Effective January 1, 2008, the Corporation adopted the recommendations of CICA Handbook Section 3862, Financial Instruments – Disclosure ("Section 3862"). Section 3862 provides standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments. Disclosure requirements pertaining to Section 3862 are contained in Note 14.

Effective January 1, 2008, the Corporation adopted the recommendations of CICA Handbook Section 3863, Financial Instruments – Presentation ("Section 3863"). Section 3863 provides standards for presentation of financial instruments and non-financial derivatives. Adoption of this standard had no impact on the Corporations' financial instrument related presentation disclosures.

Effective January 1, 2008, the Corporation adopted the recommendations of CICA Handbook Section 1400, General Standards of Financial Statement Presentation, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

### 3. RECENT ACCOUNTING PRONOUNCEMENT

#### International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

# Bayview Public Ventures Inc.

## Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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#### 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in the opinion of management, been properly prepared using careful judgment within the framework of the significant policies summarized below:

##### **Cash and Cash Equivalents**

Cash and cash equivalents represents funds temporarily invested with maturities of three months or less.

##### **Stock-Based Compensation**

The Corporation accounts for stock-based compensation granted to directors and third parties using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black-Scholes option pricing model, and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

##### **Loss Per Share**

Basic earnings per share are calculated based on the weighted average number of shares outstanding. The treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments.

##### **Income Taxes**

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

##### **Share Issuance Costs**

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.



# Bayview Public Ventures Inc.

## Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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### 5 CASH

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

### 6. CAPITAL STOCK

Authorized  
unlimited common shares

Issued and outstanding

	Number of Shares	Value
<b>As at December 31, 2005</b>	-	\$ -
Issued for cash <sup>(i)</sup>	3,050,000	305,000
<b>As at December 31, 2006</b>	<b>3,050,000</b>	<b>\$ 305,000</b>
Issued pursuant to initial public offering <sup>(ii)</sup>	4,000,000	800,000
Shares issued on exercise of options <sup>(iii)</sup>	90,000	27,466
Shares issuance costs	-	(180,900)
<b>As at December 31, 2007 and June 30, 2008 (unaudited)</b>	<b>7,140,000</b>	<b>\$ 951,566</b>

# Bayview Public Ventures Inc.

## Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

### 6. CAPITAL STOCK (Cont'd)

(i) The 3,050,000 issued Common Shares of the Corporation are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin with respect to any qualifying transaction completed by the Corporation (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

(ii) Pursuant to an agency agreement dated March 13, 2007 between the Corporation and its agent, Canaccord Capital Corporation, the Corporation filed a prospectus dated March 13, 2007 completing an offering of 4,000,000 common shares at a price of \$0.20 per common share by way of an Initial Public Offering. The Corporation agreed to pay the agent a commission of 10% of the gross proceeds of this Offering, a corporate finance fee of \$10,000, and the agent's reasonable expenses incurred pursuant to the Offering, including legal fees. The Agent was granted a non-transferable option to purchase 400,000 common shares at a price of \$0.20 per common share, exercisable for a period of 24 months from the date of listing of the common shares on the TSX Venture Exchange Inc.

The Corporation incurred costs of \$58,829 excluding the agent's commission, which were deducted from the proceeds of this Offering

The gross proceeds from the sale of securities may only be used to identify and evaluate assets or businesses for future investments. These restrictions apply until the Completion of a Qualifying Transaction.

(iii) As at December 31, 2007, a total of 90,000 of the agent's options had been exercised resulting in an increase in capital stock of \$27,466. This was comprised of cash received of \$18,000 and the reclassification of \$9,466 from contributed surplus. The aggregate exercise price for third-party stock options outstanding at December 31, 2007 was \$62,000 (2006 - \$NIL).

### 7. CONTRIBUTED SURPLUS

	June 30 2008	December 31 2007	December 31 2006
	(unaudited)		
Beginning balance	\$ 138,057	\$ -	\$ -
Stock-based compensation	-	105,452	-
Stock-based fees to agent on initial public offering	-	42,071	-
Exercise of agent's option		(9,466)	
Ending balance	\$ 138,057	\$ 138,057	\$ -

# Bayview Public Ventures Inc.

Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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## 8. STOCK OPTIONS

The Corporation has adopted an incentive stock option plan in accordance with the policies of the Exchange for the benefit of directors and officers of the Corporation whereby a maximum of 10% of the issued and outstanding common shares are reserved for issuance pursuant to the exercise of stock options to be granted to directors. Options vest immediately when granted and expire five years from the date of the grant. However, any common shares issued pursuant to the exercise of the Incentive Stock Options prior to the completion of the Qualifying Transaction must be deposited into escrow and will be subject to escrow until the final TSX Venture bulletin announcing acceptance of the Qualifying Transaction is issued.

Stock options outstanding at December 31, 2007 and June 30, 2008 (unaudited) are as follows:

<b>Number of Options</b>	<b>Price</b>	<b>Expiry Date</b>
705,000	\$ 0.20	March 28, 2012
310,000	\$ 0.20	March 28, 2009
<b>1,015,000</b>		

# Bayview Public Ventures Inc.

## Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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### 9. STOCK-BASED COMPENSATION

The Corporation recorded \$105,452 (2006 - \$NIL) as stock option expenses for the year ended December 31, 2007 relating to the issuance of 705,000 options to the directors.

The Corporation determined the fair value of the stock options granted under the Stock Option Plan using the Black-Scholes model with the following assumptions on a weighted average basis:

---

<b>December 31, 2007</b>	
Risk-free interest rate	3.98%
Dividend yield	0
Volatility	97%
Expected term	5 years

---

The Corporation also had stock option costs of \$42,071 related to the issuance of 400,000 options issued pursuant to the Agency Agreement related to the initial public offering (Note 6(ii)). The Agent received an option to purchase 400,000 common shares at a price of \$0.20 per share. The option will expire 24 months after the date of the listing of the common shares on the Exchange.

The Corporation determined the fair value of the stock options granted under this plan using the Black-Scholes model with the following assumptions on a weighted average basis:

---

<b>December 31, 2007</b>	
Risk-free interest rate	3.98%
Dividend yield	0
Volatility	97%
Expected term	2 years

---

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

# Bayview Public Ventures Inc.

Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

## 10. INCOME TAXES

### (i) Income Tax Expense

The provision for income tax is different from the amount computed by applying the combined federal and provincial income tax rates to earnings before taxes. The reasons for the difference are as follows:

	December 31	
	2007	2006
Loss before income taxes	\$ (86,973)	\$ (7,847)
Statutory rate	36.1%	36.1%
Expected income tax recovery	\$ (31,397)	\$ (2,833)
Effect on income taxes of:		
Amounts not deductible for tax	38,068	-
Amounts deductible for tax purpose	(10,031)	-
Change in valuation allowance, including effect of change in tax rates	3,360	2,833
<b>Income tax</b>	<b>\$ -</b>	<b>\$ -</b>

### (ii) Future Income Taxes

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

	December 31	
	2007	2006
Amounts related to tax loss carryforwards	\$ 4,975	\$ 2,833
Share issue costs	32,232	-
	37,207	2,833
Less: Valuation allowance	(37,207)	(2,833)
<b>Total future income tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

(iii) The Corporation has non-capital losses available to apply against future taxable income. If not utilized, the non-capital losses will expire in the following years.

Loss incurred		Expires	
2006	\$ 7,847	2026	
2007	9,307	2027	
	<b>\$ 17,154</b>		

# Bayview Public Ventures Inc.

## Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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### 11. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statement.

The Corporation incurred legal fees of \$20,714 for the year ended 2007 (\$3,000 for the year ended 2007) to a law firm in which a shareholder is a partner.

The Corporation incurred legal fees of \$1,584 for six month period ended June 30, 2008 (\$1,769 for six month period ended June 30, 2007) to a law firm in which a shareholder is a partner.

### 12. FINANCIAL INSTRUMENTS

In management's opinion, the carrying amount of financial instruments approximates fair value unless otherwise noted.

### 13. CAPITAL MANAGEMENT (unaudited)

The Corporation's objectives when managing capital are:

- To safeguard the Corporation's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing operating costs.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Corporation includes shareholders' equity in the definition of capital.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Pursuant to TSX Venture Exchange Capital Pool Corporation policies, the maximum amount of cash the Corporation may spend for purposes other than identifying and evaluating assets or business projects is limited to 30% of the gross proceeds raised from the issuance of common shares.

# Bayview Public Ventures Inc.

Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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## 14. FINANCIAL RISK MANAGEMENT (unaudited)

The Corporation does not use derivative instruments or hedges to manage risks because the Corporation's exposure to credit risk, interest rate risk and currency risk is small.

### a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents are exposed to credit risk. The credit risk on cash and cash equivalents is small because the counterparties are highly rated banks.

### b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's cash and cash equivalents are exposed to interest rate risk as the Corporation invests cash and cash equivalents at floating rates of interest in highly liquid instruments. Fluctuations in interest rates impact the value of cash and cash equivalents. As at June 30, 2008, if interest rates had been 1% lower, income for the three months period ended June 30, 2008 would have been \$2,491 lower and conversely if interest rates had been 1% higher, income for the three month period ended June 30, 2008 would have been \$2,491 higher.

### c) Currency Risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to currency risk is negligible because the Corporation's operations are in one country, being Canada. The dollar amount and number of transactions conducted in currencies other than the Canadian dollar are not material.

### d) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation's accounts payable and accrued liabilities are all current and due within 90 days of the balance sheet date. The Corporation ensures that it has sufficient capital to meet short term financial obligations.

# Bayview Public Ventures Inc.

Notes to Financial Statements

June 30, 2008 (unaudited) and December 31, 2007 and 2006

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## 15. SUBSEQUENT EVENT

The Corporation entered into a term sheet dated July 2, 2008, providing for the acquisition of 100% of the issued and outstanding shares of Catch the Wind, Inc. ("CTW"), by way of a "three-cornered" amalgamation (the "Transaction"). It is anticipated that the Corporation will issue 36,539,000 post-consolidated common shares with an ascribed value of \$1.30 per common share pursuant to the Transaction. CTW is a private company incorporated pursuant to the laws of the Commonwealth of Virginia. The principal business of CTW is the manufacture, production and sale of the Vindicator System. The Transaction will qualify as the Corporation's Qualifying Transaction.

In addition, contemporaneously with the completion of the Transaction the Corporation will issue 76,923 post-consolidated common shares in connection with services provided relating to the sourcing the Transaction at a deemed price of \$1.30 per share.

Prior to the completion of the Transaction the Corporation will consolidate its common shares on a 4.99:1 basis.

As part of the Transaction, the Corporation will re-domicile itself to the State of Delaware.



**EXHIBIT "B"**

**AUDITED FINANCIAL STATEMENTS OF CATCH THE WIND, INC.**

**Catch the Wind, Inc.**  
**(A Development Stage Enterprise)**  
**Financial Statements**  
**June 30, 2008**

**Catch the Wind, Inc.**  
**(A Development Stage Enterprise)**  
**Financial Statements**  
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Deloitte & Touche LLP  
1 Concorde Gate  
Suite 200  
North York ON M3C 4G4  
Canada

Tel: 416-601-6150  
Fax: 416-601-6610  
www.deloitte.ca

## Auditors' Report

To the Directors of  
Catch the Wind, Inc.

We have audited the balance sheet of Catch the Wind as at June 30, 2008 and the statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the year period from January 1, 2008 (date of inception of business activities) to June 30, 2008. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2008 and the results of its operations and its cash flows from the period from January 1, 2009 (date of inception of business activities) to June 30, 2008 in accordance with Canadian generally accepted accounting principles

*Deloitte + Touche LLP*

Chartered Accountants  
Licensed Public Accountants  
July 18, 2008 (except Note 10, which is as of September 3, 2008)

Member of  
Deloitte Touche Tohmatsu

Catch the Wind, Inc.  
(A Development Stage Enterprise)  
Balance Sheet  
(Amounts in U.S Dollars)

	<u>As at June 30, 2008</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 94,204
Inventory	59,177
Prepaid expenses	4,421
Total current assets	<u>157,802</u>
Deferred share issuance costs	279,424
Intangible assets (Note 3)	<u>632,642</u>
 Total Assets	 <u><u>\$ 1,069,868</u></u>
 <b>Liabilities and Shareholders' Deficiency</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 390,171
Due to related party (Note 6)	865,809
Deferred revenue	100,000
Total current liabilities	<u>1,355,980</u>
 Shareholders' deficiency:	
Common stock, no par value - 100 shares authorized; 100 shares issued and outstanding (Note 10)	1
Shareholders' deficiency	<u>(286,113)</u>
Total shareholders' deficiency	<u>(286,112)</u>
 Total Liabilities and Shareholders' Deficiency	 <u><u>\$ 1,069,868</u></u>

Approved on behalf of the Board:

"Phillip L. Rogers"

\_\_\_\_\_  
Director

"Alisa Kramer Rogers"

\_\_\_\_\_  
Director

See accompanying notes to financial statements.

**Catch the Wind, Inc.**  
**(A Development Stage Enterprise)**  
**Statement of Loss and Comprehensive Loss**  
**(Amounts in U.S Dollars)**

	<b>6 Month Period from Inception (January 1, 2008) to June 30, 2008</b>
	<b>(Note 1)</b>
Revenues	\$ -
Expenses:	
General and administration	258,690
Research	27,423
Loss before income taxes	(286,113)
Income taxes (Note 4)	-
Net Loss and Comprehensive Loss	\$ (286,113)
Basic and Diluted Net Loss Per Common Share (Note 7)	\$ (0.01)
Weighted average number of common shares (Note 7)	25,000,000

See accompanying notes to financial statements.

**Catch the Wind, Inc.**  
**(A Development Stage Enterprise)**  
**Statement of Changes in Shareholders' Deficiency**  
**(Amounts in U.S Dollars)**

	<b>Common Stock</b>	<b>Deficit</b>	<b>Total</b>
<b>Common shares issued upon incorporation</b>	<b>\$ 1</b>		<b>\$ 1</b>
<b>Net loss for the 6 month period from inception (January 1, 2008) through June 30, 2008</b>		<b>(286,113)</b>	<b>(286,113)</b>
<b>Balance at June 30, 2008</b>	<b>\$ 1</b>	<b>\$ (286,113)</b>	<b>\$ (286,112)</b>

See accompanying notes to financial statements.

Catch The Wind, Inc.  
(A Development Stage Enterprise)

Statement of Cash Flows

(Amounts in U.S Dollars)

	6 Month Period from Inception (January 1, 2008) to June 30, 2008
<b>Operating activities</b>	
Net loss	\$ (286,113)
Net change in non-cash operating assets and liabilities:	
Increase in inventory	(59,177)
Increase in prepaid expenses	(4,421)
Increase in accounts payable and accrued liabilities	162,136
Increase in deferred revenue	100,000
Net cash used in operating activities	<u>(87,575)</u>
<b>Investing activities</b>	
Increase in intangible assets	<u>(542,314)</u>
Net cash used in investing activities	<u>(542,314)</u>
<b>Financing activities</b>	
Proceeds from issuance of common shares	1
Increase in deferred share issuance costs	(141,717)
Increase in balance due to related party	865,809
Net cash provided in financing activities	<u>724,093</u>
Net increase in cash and cash equivalents, being cash and cash equivalents at June 30, 2008	<u>\$ 94,204</u>
<b><u>Other cash flow information</u></b>	
Cash paid for interest expense	\$ -
Cash paid for taxes	\$ -
Increase in intangible assets attributable to accounts payable and accrued liabilities	\$ 90,328
Increase in deferred share issuance costs attributable to accounts payable and accrued liabilities	\$ 137,707

See accompanying notes to financial statements.



**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

**June 30, 2008**

**Notes to Financial Statements**

(Amounts in U.S Dollars)

**1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

Catch The Wind, Inc. (CTW or the Company), was incorporated under the laws of the Commonwealth of Virginia on March 18, 2008. The Company operated as an unincorporated entity and affiliate of Optical Air Data Systems, LLC (OADS), a Virginia limited liability company, for the period from its inception (on January 1, 2008) to March 17, 2008.

The Company was established as a separate entity on January 1, 2008 to develop, manufacture and sell products based on light detection and ranging (LIDAR) technology developed by OADS, including the Vindicator remote wind sensing system. OADS chose to form a new entity for these activities effective January 1, 2008, as its other business activities, primarily contracting services for the U.S. government and others, involved different customers, activities and objectives.

CTW's activities since inception have consisted primarily of company formation, capital raising, initial marketing related to the Vindicator system and other organizational activities. To date, the Company has not earned any revenues or commenced its principal commercial operations, and is therefore considered to be in the development stage. The Company's continued existence is dependent upon its ability to obtain sufficient financing during the development stage.

Management of OADS holds a majority of the membership interests in OADS and a majority of the common shares of Catch the Wind, Inc. OADS and the Company are therefore under common control and OADS is considered a related party for purposes of accounting under CICA Handbook Section 3840 "*Related Party Transactions*".

The Company operates in one reportable segment. Substantially all of the Company's assets are located in the United States of America.

Catch The Wind, Inc.  
(A Development Stage Enterprise)

June 30, 2008

Notes to Financial Statements (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The accompanying financial statements are presented in U.S. dollars, which is the Company's functional currency, and in accordance with Canadian generally accepted accounting principles.

**Cash and cash equivalents**

Cash and cash equivalents include demand deposits with financial institutions and short-term, highly liquid investments purchased with original maturities of three months or less.

**Deferred share issuance costs**

Deferred share issuance costs represent expenditures incurred by CTW in connection with the capital raising activities described in Note 10. When raised, these costs will be charged to the proceeds of capital.

**Earnings per share**

The Company presents basic and diluted net loss per common share. Basic earnings per share is determined by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share reflects the potential dilution that would occur if all "in the money" securities and other contracts to issue common shares were exercised or converted at the beginning of the period.

**Inventory**

The Company accounts for inventory in accordance with CICA Handbook Section 3031, "Inventories".

Inventory, consisting principally of electronic and optical components used to manufacture Vindicator wind sensor systems, is carried at the lower of historical cost or net realizable value. Cost is determined using the first-in, first-out inventory basis, and includes the purchase price, import duties and other taxes, and transport expenses. Fixed and variable production overheads are systematically allocated to the carrying amount of inventory.

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**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

At June 30, 2008, the inventory consisted primarily of parts and components for the Vindicator wind sensing system.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the accompanying financial statements include the recoverability of amounts capitalized as intangible assets.

**Revenue recognition**

Revenue is recognized from product sales when the significant risks and rewards of ownership of the product passes to the customer (which may either be at the time of shipment or upon delivery and acceptance by the customer, depending on the terms of sale), evidence of arrangement exists, price is fixed and determinable, and collection is reasonably assured. Sales discounts and allowances are recorded in the period in which the sale occurs. The Company records advances received from customers as deferred revenue.

**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

**Income taxes**

The Company operated as an unincorporated entity and affiliate of OADS during the period from inception (January 1, 2008) through March 17, 2008 and, accordingly, was not taxed as a separate entity under the United States Internal Revenue Code. As a result, no provision for income taxes has been reflected in the financial statements for this period.

Effective March 18, 2008, the date of incorporation, the Company is taxed as a "C" Corporation for United States federal and Virginia state taxation purposes and recognizes income taxes using the liability method. Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits from loss carryforwards, to the extent that realization of such benefits is more likely than not. A valuation allowance against future income tax assets is recorded if CTW is not expected to generate future taxable income to utilize these future income tax assets. Future income tax assets and liabilities are measured using substantively enacted or enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date or substantive enactment date.

**Intangible assets**

The Company capitalizes and amortizes the cost of intangible assets acquired over their estimated useful lives in accordance with CICA Handbook Section 3064 "*Goodwill and Intangible Assets*". Intangible assets are amortized on a straight-line basis unless such lives are deemed indefinite.

The Company incurs research and development expenditures related to the development of products including the Vindicator wind sensor system. The research and development activities are performed primarily by OADS, a related party, and are charged to the Company under the Services Agreement described in Note 6.

Catch The Wind, Inc.  
(A Development Stage Enterprise)

June 30, 2008

Notes to Financial Statements (Continued)

Research costs are expensed as incurred. Development costs which meet generally accepted criteria, including technical feasibility of the related project, the availability of adequate resources to complete development, intention to complete development and reasonable assurance regarding recoverability, among others, are capitalized as intangible assets and amortized over their expected period of commercial sale, beginning with commercial production. Annually, the Company reviews the recoverability of deferred development costs through an evaluation of the expected future cash flows from commercialization of the associated products to determine if there has been an impairment of the recoverable amount. The Vindicator deferred development costs will be amortized over a 7 year period.

The Company capitalizes certain costs incurred related to the development of its website in accordance with EIC-118 "*Accounting for Costs Incurred to Develop a Web Site*". The website development costs will be amortized over the estimated useful life of 3 years.

Since development of the website was completed during June 2008, the Company did not record any amortization expense during the 6 month period from inception (January 1, 2008) through June 30, 2008.

The Company records the cost of start-up activities, including legal, organizational and pre-operating costs, as a current period expense in the Statement of Loss and Comprehensive Loss.

**Financial instruments**

The Company follows the accounting and disclosure requirements of CICA Handbook Section 3855 "*Financial Instruments — Recognition and Measurement*", Section 3862, "*Financial Instruments — Disclosures*", and Section 3863, "*Financial Instruments — Presentation*."

**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Due to related party	Other liabilities

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income. Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets. The Company has not designated any non-derivative financial liability as held for trading.

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

The carrying value of financial instruments approximates their fair value, due to the short-term nature of such amounts.

**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

**Capital disclosures**

The Company follows the provisions of Section 1535 of the CICA Handbook "*Capital Disclosures*", which established standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. This information is provided in Note 8 "Capital Disclosures".

**Future accounting changes**

In March 2007, the CICA announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective January 1, 2011. IFRS will require increased financial statement disclosure. Although IFRS uses conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company is currently assessing the impact IFRS will have on its financial statements.

**3. INTANGIBLE ASSETS**

Intangible assets consisted of the following as of June 30, 2008:

Vindicator deferred development costs	\$ 618,426
Website development costs	<u>14,216</u>
	<u>\$ 632,642</u>

During the period from inception (January 1, 2008) through June 30, 2008, the Company incurred development expenses relating to the Vindicator remote wind sensing project amounting to \$618,426. No amortization expense was recorded with respect to these costs, as the Company has not yet commenced commercial production of the unit. Since inception, the Company has not earned any revenues from this project.

Catch The Wind, Inc.  
(A Development Stage Enterprise)

June 30, 2008

Notes to Financial Statements (Continued)

The Company is also developing the LIDAR technology for other commercial uses, including the *Racer's Edge* application. Research costs related to *Racer's Edge* amounted to \$27,423 for the period from inception (January 1, 2008) through June 30, 2008 and have been expensed in the Statement of Loss and Comprehensive Loss.

The costs incurred by OADS prior to December 31, 2007 related to the development of Vindicator, the underlying LIDAR technology, and the ownership of patents held by OADS with respect thereto, are not reflected in these financial statements.

**4. INCOME TAXES**

A reconciliation of the Company's statutory tax rate to the effective rate for the period from inception (January 1, 2008) through June 30, 2008 is as follows:

	Period from Inception (January 1, 2008) to June 30, 2008	<u>Percentage</u>
Federal income tax benefit at 34%	\$ (97,278)	34%
State tax benefit, net of federal tax expense	(11,076)	4%
Other permanent differences	2,181	(1%)
Benefit of losses not recognized	<u>106,173</u>	<u>(37%)</u>
	<u>\$ -</u>	<u>-</u>



**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

The components of the Company's future income tax asset as of June 30, 2008 are as follows:

	<u>Total</u>
Future tax assets:	
Net operating loss carryforwards	\$ 322,881
Other	<u>18,046</u>
Total future tax assets	340,927
Future tax liability: Deferred Vindicator development costs	<u>(234,754)</u>
	106,173
Less valuation allowance	<u>(106,173)</u>
	<u>\$ -</u>

The evaluation of the realizability of the Company's future income tax asset is based upon a variety of factors, including its ability to generate future taxable income, and its projected operating performance. CTW is in the development stage, and has not commenced its principal commercial operations. As a result, a valuation reserve has been recorded for 100% of the Company's future income tax asset.

As of June 30, 2008, the Company had net operating loss carry forwards of approximately \$850,600 for federal and state income tax purposes that are available to offset future taxable income through the year 2028. The ability of the Company to utilize its net operating loss carryforwards to reduce future taxable income could be limited should the Company experience a qualifying change in stock ownership.

As of June 30, 2008, the Company had non-refundable research and experimental tax credit carryforwards of approximately \$26,100 that are available to offset future federal taxes payable through the year 2028.

**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

**5. COMMITMENTS AND CONTINGENCIES**

Lease commitment for premises – payable to related party:

2008 - \$12,000  
2009 - 24,000

See also Note 10.

**6. RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE**

The Company relies on the continued financial support of OADS. As described further below, the Company also relies upon OADS for research, development and engineering services related to its LIDAR technology, and administrative support.

OADS services are billed to CTW on a time and materials basis, in accordance with labor rates agreed between the companies. CTW also reimburses OADS for direct out-of-pocket expenses incurred by OADS on behalf of CTW. The Company believes that transactions between CTW and OADS reflect fair market value and are substantially equivalent to the terms that would have been negotiated had the companies operated on an arm's length basis. The services provided by OADS to CTW and the billing rates at which such services are charged were approved by CTW's Board of Directors.

The financial statements for the 6 month period from inception (January 1, 2008) through June 30, 2008 reflect the following labour charges from OADS:

<u>Financial Statement Caption</u>	<u>OADS Labour Charges</u>
General and administration expenses	\$ 78,263
Research expenses	\$ 27,423
Vindicator deferred development costs	\$ 502,340

Deferred share issuance costs also includes a \$37,200 charge from OADS to CTW for executive transportation during the Company's road show.

**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

At June 30, 2008, the Company owed a balance of \$865,809 to OADS arising from cash advances to CTW and direct expenditures paid by OADS on behalf of CTW (amounting to \$220,579), OADS labour charges for the period from inception (January 1, 2008) to June 30, 2008 (amounting to \$608,026) and the balance owed to OADS for usage of OADS' aircraft (amounting to \$37,200).

The balance payable to OADS is due on demand. The Company did not make any payments to OADS in the period from inception (January 1, 2008) through June 30, 2008. The Company intends to settle the balance due to OADS upon closing of the capital raising activities described in Note 10. After closing, payment for services received from OADS will be made on a monthly basis, and deficient balances will accrue interest at the bank prime rate then in effect.

At June 30, 2008, the Company owed a balance of \$132,586 in respect of charges incurred on CTW credit cards, such amount included in accounts payable and accrued liabilities. The principals of OADS guarantee the payment of amounts owed on these credit cards.

**7. BASIC AND DILUTED NET LOSS PER COMMON SHARE**

Basic and Diluted Net Loss per Common Share for the period from inception (January 1, 2008) through June 30, 2008 has been computed as follows:

Net Loss and Comprehensive Loss for the Period	<u>(\$286,113)</u>
Weighted average number of shares outstanding	<u>25,000,000</u>
Basic and Diluted Net Loss per Common Share	<u>(____ \$0.01)</u>

The weighted average number of shares outstanding during the period has been adjusted to give retroactive effect to the issuance of 900 common shares from treasury and subsequent 25,000 to 1 share split during July 2008 as described further in Note 10.

**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

**8. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to ensure that sufficient resources are available to fund the development and commercialization of its products and to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers its capital to include the shareholders' equity (or deficit) amount and loans, if any, taken out to fund operations.

Management reviews its capital management approach on an ongoing basis, and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management in the period from inception (January 1, 2008) through June 30, 2008. The Company is not subject to any externally imposed capital requirements.

**9. FINANCIAL INSTRUMENTS**

The fair value of cash and cash equivalents, accounts payable and accrued liabilities and balance due to related party approximate their carrying value due to the relatively short-term maturities of these instruments.

The Company may be exposed to risks of varying degrees of significance which affect its ability to achieve its strategic objectives. The main objectives of the Company's risk processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are as follows:

*Capital risk*

The Company manages its capital to ensure there are adequate capital resources to fund development and commercialization of its Vindicator System. The capital structure consists of shareholders' equity (deficit) and loans taken out to funds operations, and will be affected by the Company's future results of operations and cash burn rate until such time as sales of the Company's product occur.

**Catch The Wind, Inc.**  
**(A Development Stage Enterprise)**

June 30, 2008

**Notes to Financial Statements (Continued)**

*Credit risk*

Credit risk is the risk that a client or vendor will be unable to pay any amounts owed to the Company. Management's assessment of the Company's risk is low, and is primarily attributable to money held in the Company's bank account. The Company monitors its investments and balances held at depository institutions, and is satisfied with the credit ratings of its banks.

*Liquidity risk*

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company is currently dependent on the continued financial support of OADS. Balances owed to the Company's creditors included in accounts payable and accrued liabilities are payable according on the vendors' individual credit terms (i.e. within 15 to 60 days of invoice date.) The balance due to OADS is repayable on demand. The Company intends on fulfilling its obligations.

*Interest rate risk*

The Company has cash balances and no long-term debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions.

**10. SUBSEQUENT EVENTS**

*Capital raising activities*

On July 2, 2008, the Company entered into a Letter of Intent with Bayview Public Ventures Inc., a Canadian Capital Pool Company ("Bayview"), under which the parties agreed to complete a transaction by which the Company would complete a reverse takeover of Bayview, such that the Company would become a wholly-owned subsidiary of Bayview and the shareholders of the Company would own the majority of the common shares of Bayview. The parties intended for this transaction to constitute Bayview's "Qualifying Transaction" under the policies of the TSX Venture Exchange (the "Qualifying Transaction").

Catch The Wind, Inc.  
(A Development Stage Enterprise)

June 30, 2008

Notes to Financial Statements (Continued)

On July 30, 2008 and in connection with the Qualifying Transaction, the Company undertook a private placement of subscription receipts for gross proceeds of \$15,000,700 (the "Private Placement"). Each subscription receipt entitles the holder thereof to acquire one share of common stock of the Company immediately prior to the completion of the Qualifying Transaction, which will then be exchanged for one common share of Bayview pursuant to the Qualifying Transaction. The Company issued 11,539,000 Subscription Receipts under the Private Placement. In connection with the Private Placement, the Company agreed to pay a commission equal to 7% of the gross proceeds from the Private Placement to the private placement agents (the "Agents") and agreed to grant options to the Agents entitling the holders thereof to acquire an aggregate of 1,153,900 shares of common stock of the Company at an exercise price of \$1.30 per share, exercisable for the 24 month period following completion of the Qualifying Transaction. Upon completion of the Qualifying Transaction, such options will be exchanged for options to purchase Bayview common shares. The Company also agreed to pay for expenses incurred by the Agents in connection with the Private Placement and Qualifying Transaction, to a maximum aggregate amount of \$150,000. The consideration for the subscription receipts is held in escrow and will be released to the Company in accordance with the terms of the documents governing the Private Placement.

On September 3, 2008, the Company entered into an acquisition agreement with Bayview and a wholly-owned subsidiary of Bayview ("SubCo") governing the terms and conditions of the Qualifying Transaction (the "Acquisition Agreement"). Under the terms of the Acquisition Agreement, the Company and SubCo will merge, the holders of the Company shares will be issued common shares of Bayview, and the Company will become a wholly-owned subsidiary of Bayview.

On July 24, 2008, the Company's Board of Directors authorized to issue from treasury 900 additional shares of common stock to the existing shareholders in such proportions as to maintain the existing ownership and voting percentages prior to the issuance. Following completion of this action, the number of common shares outstanding increased to 1,000. The Company issued these shares in exchange for nominal consideration.

On July 25, 2008 and subject to the approval of the Virginia State Corporation Commission, the Board of Directors authorized the issuance of up to 50,000,000 shares of common stock, and to split the 1,000 issued and outstanding shares in a ratio of 25,000 shares to 1 share. Following completion of this action, the number of shares outstanding increased to 25,000,000.

Catch The Wind, Inc.  
(A Development Stage Enterprise)

June 30, 2008

Notes to Financial Statements (Continued)

*Bridge Loan*

On August 11, 2008, CTW received a bridge loan in the amount of \$1,000,000 from PNC Bank to fund its expenses (including expenses relating to the Qualifying Transaction), its working capital needs and to repay a portion of the balance due to Optical Air. The bridge loan bears interest at 5% per annum. Repayment of the bridge loan is secured by a first security interest in substantially all of CTW's assets, and is guaranteed by Optical Air and certain of the Company's shareholders. The bridge loan matures on November 11, 2008.

*Sublease Agreement*

On September 1, 2008 the Company and OADS entered into a Sublease Agreement pursuant to which CTW will lease certain office and support space from OADS for a period of one year commencing September 2008. CTW has the option to renew the sublease for an additional term of 2 years. Rent is payable at \$22.00 per square foot (including all utilities, taxes and common area amounts) and is subject to an annual escalation of 3% annual rate per option year. The payment under the lease agreement is dependent upon amount of space utilized, and is estimated to be \$36,000 for the first year. The Sublease Agreement is the Company's only lease commitment.

*Services Agreement*

On September 3, 2008, the Company and OADS entered into a Services Agreement pursuant to which the services described in note 6 will be provided on an ongoing basis. Following completion of the capital raising activities described above, transactions between CTW and OADS under the Services Agreement will be subject to review by the Company's audit committee, which will include independent directors not affiliated with the Company.

Catch The Wind, Inc.  
(A Development Stage Enterprise)

June 30, 2008

Notes to Financial Statements (Continued)

*License Agreement*

On September 3, 2008 the Company entered into a License Agreement ("the Agreement") with OADS under which CTW was granted an irrevocable, transferable, exclusive worldwide right and license to develop, produce and sell products based on fiber optic sensing technology developed by OADS. The Agreement allows the Company to develop and commercialize the licensed technology for any and all applications, excluding military applications and commercial avionics and airborne instrument applications. The Agreement provides the Company with the right to sublicense the licensed technology to third parties. OADS retains full responsibility for the payment of all future costs for the preparation, filing, prosecution and maintenance of patents related to the licensed technology, provided however that costs related to the preparation, filing, prosecution and maintenance of patent claims after the effective date of the Agreement may be payable in whole or in part by CTW.

The Agreement provides for an annual royalty payment equal to 5% of Net Sales for the first eight years of CTW's operation. The annual royalty decreases to 3% of Net Sales in the next seven years, to 1% for the following five years, and to 0.5% thereafter.

Commencing with the Date of First Sale (as defined), the Agreement provides for CTW to pay OADS a guaranteed minimum annual royalty of \$500,000 per year. The guaranteed minimum annual royalty will be paid in four equal installments, on or before March 31, June 30, September 30 and December 31 of any year. The Date of First Sale is the date which is the earlier of 3 years from the date of the Agreement, or the date when an aggregate of 100 units of royalty product have been sold by CTW. The guaranteed minimum royalty payments are non-refundable advance payments in respect of royalties due for that year. Deficient or late royalty payments, including guaranteed minimum annual royalty, accrue interest at the then current prime rate.



**EXHIBIT "C"**

**PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER**

**BAYVIEW PUBLIC VENTURES INC.**

**(A Capital Pool Company)**

**Unaudited Pro Forma Consolidated Balance Sheet**

**June 30, 2008**

## Compilation report on pro forma balance sheet

To the Directors of  
Bayview Public Ventures Inc.:

We have read the accompanying unaudited pro forma consolidated balance sheet of Bayview Public Ventures Inc. (the "Corporation") as at June 30, 2008 and have performed the following procedures.

1. Compared the figures in the columns captioned "Bayview Public Ventures Inc." to the unaudited balance sheet, after giving effect to a Canadian dollar to U.S. dollar exchange rate of \$0.99, of the Corporation as at June 30, 2008 and found them to be in agreement.
2. Compared the figures in the column captioned "Catch the Wind, Inc." to the audited balance sheet of Catch the Wind, Inc. as at June 30, 2008 and found them to be in agreement.
3. Made enquiries of certain officials of the Corporation who have responsibility for financial and accounting matters about:
  - (a) the basis for determination of the pro forma adjustments; and
  - (b) whether the pro forma balance sheet complies as to form in all material respects with Securities Acts of Alberta, British Columbia, Ontario and the related regulations ("the Acts").

The officials:

- (a) described to us the basis for determination of the pro forma adjustments, and
  - (b) stated that the pro forma statements comply as to form in all material respects with the Acts.
4. Read the notes to the pro forma balance sheet, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
  5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Bayview Public Ventures Inc." and "Catch the Wind, Inc." and found the amounts in the column captioned "Pro forma Balance Sheet" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments, which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma balance sheet, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such a statement.

*Deloitte + Touche LLP*

Chartered Accountants  
Licensed Public Accountants  
September 8, 2008

**BAYVIEW PUBLIC VENTURES INC.**  
**UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2008**  
**(in U.S. Dollars, unless otherwise indicated)**

	Bayview Public Ventures Inc. June 30, 2008 (Note 2)	Catch the Wind, Inc. June 30, 2008	Pro forma Adjustments (Note 3)	Pro forma Balance Sheet June 30, 2008
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 986,302	\$ 94,204	\$ 15,000,700 (a)	
Prepaid and other assets	1,794	4,421	\$ (1,950,000) (c)	\$ 14,131,206
Inventory	-	59,177	-	6,215
Total current assets	<u>988,096</u>	<u>157,802</u>	<u>13,050,700</u>	<u>59,177</u> 14,196,598
Deferred share issuance costs	-	279,424	2,459,958 (b)	
Intangible assets	-	632,642	(2,739,382) (d)	-
Total Assets	<u>\$ 988,096</u>	<u>\$ 1,069,868</u>	<u>\$ 12,771,276</u>	<u>\$ 14,829,240</u>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,272	\$ 390,171	\$ 1,670,576 (b)	
Due to related party		865,809	\$ (1,950,000) (c)	\$ 112,019
Deferred revenue	-	100,000	-	865,809
Total current liabilities	<u>1,272</u>	<u>1,355,980</u>	<u>(279,424)</u>	<u>100,000</u> 1,077,828
Shareholders' equity (deficiency):				
Share capital, without par value	942,050	1	136,676 (e)	
			(91,902) (e)	
			15,000,700 (a)	
			(2,739,382) (d)	13,248,143
Contributed surplus	136,676	-	(136,676) (e)	
Deficit	(91,902)	(286,113)	789,382 (b)	789,382
Total shareholders' equity (deficiency)	<u>986,824</u>	<u>(286,112)</u>	<u>91,902 (e)</u>	<u>(286,113)</u> 13,751,412
Total Liabilities and Shareholders' Equity (Deficiency)	<u>\$ 988,096</u>	<u>\$ 1,069,868</u>	<u>\$ 12,771,276</u>	<u>\$ 14,829,240</u>

*See accompanying notes to the unaudited pro forma consolidated balance sheet.*

**BAYVIEW PUBLIC VENTURES INC.**  
**NOTES TO UNAUDITED PRO FORMA BALANCE SHEET**  
**June 30, 2008**  
(In U.S. Dollars, unless otherwise noted)

**1. BASIS OF PRESENTATION**

Management has prepared the accompanying unaudited pro forma balance sheet (the "Pro Forma Balance Sheet") of Bayview Public Ventures Inc. ("Bayview" or the "Corporation") in accordance with Canadian generally accepted accounting principles. The accounting policies used to prepare the pro forma balance sheet are consistent with those of Catch the Wind, Inc. The Pro Forma Balance Sheet has been prepared from information derived from the unaudited financial statements of Bayview as at June 30, 2008 and audited financial statements of Catch the Wind, Inc. ("CTW") as at June 30, 2008, and the presents the pro forma financial position of the combined companies as if the transactions described below were given effect as of June 30, 2008. Management believes the Pro Forma Balance Sheet includes all adjustments necessary for fair presentation of the proposed common share issuances and the recapitalization plan as described below. The Pro Forma Balance Sheet may not necessarily be representative of the financial position of the Corporation following completion of the Transactions.

CTW is a privately-held company incorporated under the laws of the State of Virginia and Bayview is a public company listed on the TSX Venture Exchange. CTW and Bayview have entered into an agreement and recapitalization plan pursuant to which the following transactions will occur on a concurrent basis: (the "Transactions"):

- (i) Bayview will reincorporate as a U.S. domiciled company in the State of Delaware;
- (ii) A subsidiary of Bayview will acquire 100% of the outstanding shares of CTW in exchange for 25,000,000 shares of Bayview common stock;
- (iii) Bayview will issue 11,539,000 shares of common stock to new investors in exchange for Subscription Receipts issued by CTW in connection with the private placement.

Following completion of the Transactions, the former CTW shareholders will own 25,000,000 shares of Bayview common stock, representing approximately 65.7% of the total number of shares outstanding after the close of the Transactions, the Bayview shareholders will own 1,507,784 shares of common stock (after giving effect to the share consolidation described elsewhere in the this filing statement), representing 4.0% of the common shares to be outstanding and the new investors will own 11,539,000 shares of common stock, representing approximately 30.3% of the common shares outstanding.

**BAYVIEW PUBLIC VENTURES INC.**  
**NOTES TO UNAUDITED PRO FORMA BALANCE SHEET**  
**June 30, 2008**

(In U.S. Dollars, unless otherwise noted)

In accordance with Abstract #10 of the Emerging Issues Committee of the Canadian Institute of Chartered Accountants – Reverse Takeover Accounting (“EIC-10”), the acquisition of CTW by Bayview will be accounted for as a reverse takeover that does not constitute a business combination. The substance of the transaction provides for CTW to become a listed public entity through the acquisition of CTW by Bayview and issuance of new Bayview shares to new investors. While the Pro Forma Balance Sheet and share capital description are those of Bayview as a legal entity, the assets, liabilities and dollar amounts attributed to share capital are those of CTW. Future financial statements will present a combination of Bayview and CTW’s businesses, and the business will be carried on in the name of Catch the Wind, Limited. In accordance with EIC-10, the share capital of CTW is increased by the net monetary assets of Bayview and the deficit and other surplus accounts in the consolidated financial statements immediately after the reverse-take-over would be the same as the accounts of CTW.

**2. FUNCTIONAL CURRENCY AND ACCOUNTING PRINCIPLES**

Bayview prepares its financial statements in Canadian dollars. The unaudited balance sheet of Bayview as of June 30, 2008 has been translated into U.S. Dollars at a rate of \$0.99 in connection with the preparation of the Unaudited Pro Forma Balance Sheet.

Prior to completion of the Transactions, Bayview will be reincorporated under the laws of the State of Delaware. Bayview will continue to prepare its financial statements in accordance with Canadian generally accepted accounting principles.

**BAYVIEW PUBLIC VENTURES INC.**  
**NOTES TO UNAUDITED PRO FORMA BALANCE SHEET**  
**June 30, 2008**  
(In U.S. Dollars, unless otherwise noted)

**3. PRO FORMA ADJUSTMENTS**

The Pro Forma Balance Sheet includes the following pro forma adjustments to reflect the Transactions:

- [a] The issuance of 11,539,000 shares of Bayview common stock to new investors at an offering price of \$1.30 per common share, generating gross proceeds of \$15,000,700.
- [b] The accrual for remaining transaction expenses at closing, consisting of:

Fair value of options to be issued to underwriter (*)	\$ 789,382
Other expenses payable in cash	<u>1,670,576</u>
	<u>\$ 2,459,958</u>

- (\*) In connection with the Private Placement, CTW agreed to issue options to the underwriter enabling the holder to purchase 1,153,900 shares of Bayview stock at a price of \$1.30 per share, such options exercisable for 24 months following completion of the Transactions. CTW will account for the options issued as a transaction expense, and the fair value thereof will be credited to Contributed Surplus. The fair value of the options to be issued to the underwriter was determined using the Black-Scholes method of option valuation and the following assumptions (Risk free interest rate – 3.98%; Dividend yield – 0%; Volatility – 97%; Expected Term – 2 years).

Total transaction costs payable in cash amount to \$1,950,000 and include estimated cash expenses at closing of \$1,670,576 and transactions expenses of \$279,424 paid prior to June 30, 2008 and accounted for as deferred share issuance costs.

- [c] The payment of estimated cash transaction expenses at closing, amounting to \$1,950,000.
- [d] To charge the share issuance costs to share capital.
- [e] The elimination of the Bayview historical deficit at June 30, 2008 (amounting to \$91,902) and Bayview contributed surplus account at June 30, 2008 (amounting to \$136,676), such amounts eliminated in accordance with EIC-10 by charging them to share capital. Following completion of the Transactions, CTW share capital at closing will therefore amount to \$13,248,143 and consist of (i) CTW share capital prior to the Transactions of \$1, (ii) the net monetary assets of Bayview received by CTW as the accounting acquirer as defined in EIC-10 (amounting to \$986,824) and (ii) the net proceeds from issuance of common shares to the new investors (amounting to \$12,261,318).

**BAYVIEW PUBLIC VENTURES INC.**  
**NOTES TO UNAUDITED PRO FORMA BALANCE SHEET**  
**June 30, 2008**  
(In U.S. Dollars, unless otherwise noted)

**4. CONTINUITY OF SHARE CAPITAL**

A continuity of the pro forma share capital after completion of and giving effect to the Transactions is set out below:

	<b>Number of Shares</b>	<b>Share Capital Value</b>
CTW common shares outstanding at June 30, 2008	100	\$ 1
Common shares issued from treasury for no consideration	900	-
Effect of 25,000 to 1 stock dividend	24,999,000	-
Sub-total: CTW common shares outstanding prior to Transactions	25,000,000	1
Reverse take-over adjustment (*)	1,507,784	986,824
Common shares issued to new investors	11,539,000	12,261,318
Pro forma share capital at June 30, 2008	38,046,784	\$ 13,248,143

(\*) Includes 1,430,861 Bayview common shares to be held by the former CPC shareholders following 4.99 to 1 Bayview Public Ventures Inc. share consolidation, and 76,923 Bayview common shares to be issued to Bayview's IPO Agent.

**4. INCOME TAX RATE**

Following completion of the Transactions, the pro forma effective income tax rate applicable to the operations will be 38%, equal to the United States federal income tax rate of 34% and the Virginia state corporate tax rate of 6.0%, net of the 2% federal benefit.