

PATENT ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	CORRECTIVE ASSIGNMENT
NATURE OF CONVEYANCE:	Corrective Assignment to correct the Assignment via Merger recorded on January 12, 2007 by adding the Certificate of Dissolution. Assignment via Merger was previously recorded on Reel 018746 Frame 0693. Assignor(s) hereby confirms the Merger identified in Future Beach Corporation Consolidated Financial Statements.

CONVEYING PARTY DATA

Name	Execution Date
Step Jet Corporation	10/01/2001

RECEIVING PARTY DATA

Name:	Future Beach Corporation
Street Address:	3333 Graham Blvd.
Internal Address:	Suite 400
City:	Montreal, Quebec
State/Country:	CANADA
Postal Code:	H3R 3L5

PROPERTY NUMBERS Total: 1

Property Type	Number
Patent Number:	5989081

CORRESPONDENCE DATA

Fax Number: (312)236-8176
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 3122368500
 Email: mzaronias@cookalex.com
 Correspondent Name: Michael D. Zaronias
 Address Line 1: 200 West Adams Street
 Address Line 2: Suite 2850
 Address Line 4: Chicago, ILLINOIS 60606

ATTORNEY DOCKET NUMBER:	1407-0040
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NAME OF SUBMITTER:	Michael D. Zaronias
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CH \$40.00 5989081

Total Attachments: 22

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NATURE OF CONVEYANCE:	MERGER
EFFECTIVE DATE:	10/01/2001
CONVEYING PARTY DATA	
Name	Execution Date
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Street Address:	3333 Graham Blvd.
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Patent Number:	5989081
CORRESPONDENCE DATA	
Fax Number:	(312)236-8176
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
Phone:	312-236-8500
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Correspondent Name:	Renee C. Barthel
Address Line 1:	200 West Adams Street
Address Line 2:	Suite 2850
Address Line 4:	Chicago, ILLINOIS 60606
ATTORNEY DOCKET NUMBER:	1407-0040
NAME OF SUBMITTER:	Renee C. Barthel
Total Attachments: 17	

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**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000

AUDITORS' REPORT

To the Shareholders of
**Future Beach Corporation/
Corporation Future Beach**

We have audited the consolidated balance sheet of **Future Beach Corporation/Corporation Future Beach** as at September 30, 2001 and 2000 and the consolidated statements of income 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 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 amount 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) Schlesinger Newman Goldman

CHARTERED ACCOUNTANTS

Montréal, Québec
December 17, 2001

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2001 AND 2000**

	2001	2000
ASSETS		
Current		
Cash and short-term investments	\$ -	\$ 507,968
Accounts receivable	580,546	439,471
Inventories (Note 3)	908,938	573,027
Tax credits recoverable	231,205	329,029
Prepaid expenses and deposits	72,758	52,800
	<u>1,793,447</u>	<u>1,902,295</u>
Capital (Note 4)	1,286,019	974,159
Deferred Development Costs (Note 5)	202,941	271,515
Goodwill and Patent Rights (Note 6)	<u>56,711</u>	<u>1,199,965</u>
	<u>\$ 3,339,118</u>	<u>\$ 4,347,934</u>
LIABILITIES		
Current		
Bank indebtedness (Note 7)	\$ 667,356	\$ -
Accounts payable and accrued liabilities	1,110,835	689,998
Current portion of long-term debt	483,507	223,891
	<u>2,261,698</u>	<u>913,889</u>
Long-Term Debt (Note 8)	<u>1,786,751</u>	<u>752,578</u>
Rent Inducement	<u>72,411</u>	<u>-</u>
Long-Term Payable (Note 9b)	<u>386,627</u>	<u>122,158</u>
Deferred Gain on Forgiveness of Debt (Note 10)	<u>320,853</u>	<u>527,902</u>
SHAREHOLDERS' DEFICIENCY		
Capital Stock (Note 11)	7,423,610	7,423,610
Deficit	<u>(8,912,832)</u>	<u>(5,392,203)</u>
	<u>(1,489,222)</u>	<u>2,031,407</u>
	<u>\$ 3,339,118</u>	<u>\$ 4,347,934</u>

APPROVED ON BEHALF OF THE BOARD:

Signed – Mark Diamond Director

Signed – David Lekhtman Director

See accompanying notes

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

	2001	2000
Sales	\$ 2,175,334	\$ 1,928,281
Cost of Sales	<u>1,468,257</u>	<u>1,026,819</u>
Gross Profit	<u>707,077</u>	<u>901,462</u>
Expenses		
General and administration	975,191	569,758
Selling	1,111,877	969,204
Financial	113,849	64,002
Research and development <i>(Net of research and development tax credits of \$137,205; 2000 - \$231,205)</i>	76,843	272,887
Interest on long-term debt	89,107	148,336
Consulting fee	329,394	180,163
Relocation expenses	148,480	-
Amortization of deferred gain on debt forgiven	(207,049)	(113,246)
Amortization of capital assets	348,682	260,016
Amortization of development costs	68,574	68,574
Amortization of goodwill and patent rights	101,836	134,540
Impairment charge for goodwill and patent rights	1,070,922	-
	<u>4,227,706</u>	<u>2,554,234</u>
Net Loss for the Year	(3,520,629)	(1,652,772)
Deficit, Beginning of Year	<u>(5,392,203)</u>	<u>(3,739,431)</u>
Deficit, End of Year	\$ <u>(8,912,832)</u>	\$ <u>(5,392,203)</u>
Basic Loss per Share	\$ <u>(0.42)</u>	\$ <u>(0.22)</u>
Basic Weighted Average Number of Common Shares Outstanding	<u>8,346,818</u>	<u>7,393,568</u>

See accompanying notes

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
CONSOLIDATED STATEMENTS OF CASH FLOWS (NOTE 13)
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

	2001	2000
Operating Activities		
Net loss for the year	\$ (3,520,629)	\$ (1,652,772)
Add:		
Items not affecting cash:		
Amortization	519,092	463,130
Amortization of deferred gain on debt forgiven	(207,049)	(113,246)
Impairment charge for goodwill and patent rights	1,070,922	-
Rent inducement	72,412	-
Long-term payable accrued	264,469	122,158
	<u>(1,800,783)</u>	<u>(1,180,730)</u>
Increase in accounts receivable	(141,075)	(134,669)
Increase in inventories	(335,911)	(273,224)
Decrease (increase) in tax credits recoverable	97,824	(13,391)
Increase in prepaid expenses	(19,958)	(10,202)
Increase in accounts payable and accrued liabilities	420,837	180,905
Cash used in operating activities	<u>(1,779,066)</u>	<u>(1,431,311)</u>
Financing Activities		
Issuance of long-term debt	1,700,000	-
Repayment of long-term debt	(406,211)	(720,869)
Shares issued, net of issue costs	-	3,554,190
Cash provided by financing activities	<u>1,293,789</u>	<u>2,833,321</u>
Investing Activities		
Additions to patents	(29,504)	(37,680)
Additions to capital assets	(660,543)	(505,563)
Cash used in investing activities	<u>(690,047)</u>	<u>(543,243)</u>
(Decrease) Increase in Cash	(1,175,324)	858,767
Cash Position (Bank Indebtedness), Beginning of Year	<u>507,968</u>	<u>(350,799)</u>
(Bank Indebtedness) Cash Position, End of Year	<u>\$ (667,356)</u>	<u>\$ 507,968</u>

See accompanying notes

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 1

Going Concern

The Company (*formerly Damar Leisure Products Inc.*) was incorporated under the Canada Business Corporation Act on September 30, 1992. The Company develops and manufactures water-oriented leisure crafts and products.

The Company has incurred significant operating losses since inception and has a working capital deficiency and an accumulated deficit. The Company's future success and viability is dependent upon its ability to raise additional capital and to attain profitable operations. The Company is in default under its covenant relating to its bank loan and has been advised by its bank that it must fully secure, by way of outside security and guarantees satisfactory to the bank, its line of credit by March 1, 2002, described in Note 7, and the Company has had to defer payment of certain long term debts described in Notes 8d) and 8e).

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which implies that the Company will be able to meet its commitments and continue operations and will realize its assets and discharge its liabilities in the normal course of business. The use of such principles may not be appropriate because, as of September 30, 2001, there was significant doubt that the Company would be able to continue as a going concern.

Management is seeking additional guarantees, financing and equity funding from existing and new investors. As described in Note 7 certain shareholders have provided additional guarantees and loans subsequent to September 30, 2001. Management believes that the Company is in position to significantly increase revenues and decrease net losses for the year ending September 30, 2002.

Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing and improvement in operating cash flows to enable it to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments to the carrying value of assets and liabilities, the reported net loss and the cumulative deficit may be necessary. Such adjustments could be material.

NOTE 2

Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements:

a) **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiary companies:

WindSaucer Corporation	100%
Step Jet Corporation	100%

b) **Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant areas requiring the use of management estimates relate to the useful lives of deferred development costs and the amortization of the deferred gain on forgiveness of debt. Actual results may differ from those estimates.

c) **Cash and Short-Term Investments**

Cash and short-term investments include cash and liquid investments with original maturities of three months or less.

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 2 (Cont'd.)

Summary of Significant Accounting Policies

d) Inventory Valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

e) Government Assistance

Government assistance in the form of grants and investment and other tax credits is accrued when earned. Such assistance is applied to reduce the related asset costs or expenses.

f) Amortization

Amortization is provided on the following basis and annual rates:

Furniture, fixtures and equipment	20% - 30% declining balance
Equipment and equipment under a capital lease	30% declining balance
Rolling stock	30% declining balance
Molds	7 years straight-line
Leasehold improvements	5 years straight-line

Molds in process will be amortized over 7 years straight-line once the products to which the molds relate are ready for commercialization.

g) Development Costs

Development costs associated with molds that are expected to be commercially viable are deferred and amortized, on a straight-line basis over the expected useful lives of the molds, which is expected to be seven years. Other research and development costs are expensed as incurred.

h) Goodwill and Patent Rights

Goodwill represents the excess of the purchase price of businesses acquired over the fair value of the underlying net identifiable assets acquired or liabilities assumed. Goodwill is amortized on a straight-line basis over the estimated period of benefit of ten years. Patent rights represent the valuation placed on acquired patents and the costs incurred by the Company in developing new patents. Patent rights are amortized on a straight-line basis over a period of ten years. On an annual basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. This is primarily accomplished by determining whether future cash flows on a discounted basis from the operations to which the goodwill and patent rights relate exceed the net book value of the goodwill and patent rights as of the assessment date.

In connection with preparing its consolidated financial statements the Company identified indicators of possible impairment of its recorded goodwill and patent rights. Such indicators included significantly lower than expected revenues from product sales, higher than expected costs in selling and marketing the Company's products, the general decline in the leisure industry in the latter part of 2001 and lower gross margins from what was originally anticipated. Accordingly, the Company estimated the fair value of the goodwill and patent rights initially recorded in connection with the Company's acquisition of WindSaucer Corporation and Step Jet Corporation using a discounted cash flow analysis and recorded impairment charges of \$333,216 and \$737,706 against goodwill and patent rights, respectively during the fourth quarter. These charges to earnings, write-off the remaining value of acquired goodwill and patent rights.

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 2 (Cont'd.)

Summary of Significant Accounting Policies

i) **Deferred Gain on Debt Forgiven**

The gain on forgiveness of debt is being amortized to income rateably over the term of the consulting agreement described in Note 9 b).

j) **Future Income Taxes**

Future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and tax values of assets and liabilities, using enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

As the Company has not met the criteria for recognition of potential future tax recoveries as an asset, no future tax benefits have been recorded in these consolidated financial statements.

k) **Basic Earnings per Share**

The loss per share has been calculated using the weighted average number of common shares outstanding during the years.

Fully diluted loss per share has not been presented as the results would be anti-dilutive.

NOTE 3

Inventories

Inventories are comprised of the following:

	2001	2000
Raw materials	\$ 6,858	\$ 38,084
Work-in-process	217,588	200,495
Finished goods	<u>684,492</u>	<u>334,448</u>
Balance, End of Year	<u>\$ 908,938</u>	<u>\$ 573,027</u>

NOTE 4

Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2001	2000
Furniture, fixtures and equipment	\$ 92,974	\$ 24,481	\$ 68,493	\$ 32,533
Equipment	338,908	142,150	196,758	265,935
Equipment under a capital lease	265,000	161,120	103,880	148,400
Rolling stock	14,063	4,790	9,273	13,490
Molds	1,498,025	768,812	729,213	493,916
Leasehold improvements	28,976	5,796	23,180	19,885
Molds in process	<u>155,222</u>	<u>-</u>	<u>155,222</u>	<u>-</u>
	<u>\$ 2,393,168</u>	<u>\$ 1,107,149</u>	<u>\$ 1,286,019</u>	<u>\$ 974,159</u>

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 5

Deferred Development Costs

	2001	2000
Deferred development costs	\$ 611,504	\$ 611,504
Accumulated amortization	<u>(408,563)</u>	<u>(339,989)</u>
Balance, End of Year	<u>\$ 202,941</u>	<u>\$ 271,515</u>

NOTE 6

Goodwill and Patent Rights

Goodwill and patent rights are comprised of the following:

	2001	2000
Goodwill	\$ -	\$ 408,019
Patent rights	<u>67,199</u>	<u>937,384</u>
	67,199	1,345,403
Less: Accumulated amortization	<u>(10,488)</u>	<u>(145,438)</u>
Balance, End of Year	<u>\$ 56,711</u>	<u>\$ 1,199,965</u>

See Note 2 h) for information concerning the Company's recognition of a \$333,216 and \$737,706 goodwill and patent rights impairment charge in the fourth quarter of 2001.

NOTE 7

Bank Indebtedness

On October 18, 2001, the Company obtained an amendment to its line of credit facility. The Company's line of credit has available maximum borrowings of \$1,100,000, due on demand, bearing interest ranging from the prime rate plus 0.5 % to 1.5% per annum. This line of credit is secured by a \$500,000 moveable hypothec, which provides for a charge on the Company's accounts receivable, inventory and all other moveable assets and by Section 427 Security under the Bank Act on inventory.

The bank agreement contains a financial covenant, which requires the Company to maintain a minimum tangible net worth as defined by the bank of \$300,000 and certain financial commitments. The Company is not in compliance with this financial covenant. The bank has waived its rights under this default as at September 30, 2001 but has indicated to the Company that the line of credit must be completely secured by outside security and guarantees by March 1, 2002. The additional amount required by March 1, 2002 amounts to approximately \$150,000.

As of October 18, 2001, shareholders have provided additional guarantees secured by certificates on deposit of \$660,000 for total shareholder cash collateralized guarantees of \$960,000.

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 8

Long-Term Debt

	2001	2000
a) Bank loan due on demand bearing interest at prime plus 0.5% payable monthly, secured by a moveable hypothec on specific deposit instruments of a Company controlled by a shareholder of the Company in the amount of \$300,000.	\$ 300,000	\$ -
b) Non-interest bearing loan from the Federal Office of Regional Development – Québec, under the Quebec SME Development Assistance Project (IDEA-SME), maturing on June 30, 2002. This loan is repayable in equal, consecutive bi-annual payments of \$16,667.	50,000	66,667
c) Loan under private placement with a shareholder of the Company, bearing interest of 10%, payable August 10, 2002.	200,000	-
d) Private placement with a Director of the Company, \$250,000 of which bears interest at 7.25% payable weekly. During the year, interest of \$4,321 was paid.	600,000	-
e) Loan under private placement with a Director of the Company, bearing interest at 15% payable monthly. During the year, interest of \$44,000 was paid.	400,000	-
f) Loan under the Small Business Act, bearing interest at the bank's prime rate plus 3%, due March 5, 2004 and repayable in blended monthly installments of \$2,629, secured by a \$250,000 moveable hypothec and providing charges against specific equipment.	72,663	110,026
g) Loan by Garantie Québec bearing interest at the lender's prime rate plus 1.5% and secured by a moveable hypothec in the amount of \$375,000 against moveable assets, accounts receivable and inventory. The loan matures October 31, 2004 and is repayable in monthly installments ranging from \$6,000 to \$3,000 plus interest.	249,563	297,563
h) Loan by Garantie Québec bearing interest at the lender's prime rate plus 1.5% and secured by a moveable hypothec in the amount of \$500,000 providing charges against moveable assets and accounts receivable. The loan matures October 31, 2005 and is repayable in annual installments ranging from \$84,000 to \$45,000 plus interest.	332,655	371,655

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

**NOTE 8 (Cont'd)
Long-Term Debt**

i) Capital lease obligation with a bank to acquire machinery, bearing interest at 8.5% and payable in blended monthly payments of \$5,872, expiring in July 2002. A purchase option exists at the end of the lease for \$31,800.	53,812	116,734
j) Capital lease obligation with a bank to acquire rolling stock, bearing interest at 9.75% and payable in blended monthly payments of \$355, expiring in August 2004.	11,565	13,824
	<u>2,270,258</u>	<u>976,469</u>
Deduct:		
Current portion	<u>483,507</u>	<u>223,891</u>
	<u>\$ 1,786,751</u>	<u>\$ 752,578</u>

During the year, payment on the loans described in Notes 8d) and 8e) was deferred until the earlier of the Company refinancing its operations or October 1, 2002.

Principal payments are due in the following fiscal years:

	Gross Payments	Interest on Capital Lease Obligations	Capital Payments
2002	\$ 489,354	\$ 5,847	\$ 483,507
2003	1,519,825	561	1,519,264
2004	168,452	183	168,269
2005	90,563	-	90,563
2006	<u>8,655</u>	<u>-</u>	<u>8,655</u>
	<u>\$ 2,276,849</u>	<u>\$ 6,591</u>	<u>\$ 2,270,258</u>

**NOTE 9
Commitments**

- a) The minimum rentals payable under a long-term operating lease, exclusive of certain operating costs for which the Company is responsible, is approximately as follows:

2002	\$ 283,000
2003	304,000
2004	323,000
2005	<u>342,000</u>
	<u>\$ 1,252,000</u>

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 9 (Cont'd)

Commitments

- b) The Company's subsidiary, Step Jet Corporation, has entered into a consulting agreement with one of the Company's shareholders whereby the subsidiary has agreed to pay 3% of net monthly sales up to a maximum of \$1,020,000. This subsidiary has undertaken to pay this maximum amount by no later than December 31, 2002. This amount is being accrued based on the expected sales to December 31, 2002. An amount of \$329,394 (2000 - \$180,163) has been accrued in the year. The long-term payable relates to the accrued amount that is not currently due.
- c) As part of the acquisition of the shares of WindSaucer Corporation during 1999, the Company entered into an agreement with the former 15% shareholders of WindSaucer Corporation whereby they will receive an amount equal to 10% of net annual sales of all sailing products, calculated up to September 30, 2004 and limited to a maximum of \$100,000. As at September 30, 2000, no amount has been accrued to the former shareholders of WindSaucer Corporation. Should the former 15% shareholders of WindSaucer Corporation not receive \$100,000 by September 30, 2004, then a new corporation will be created by the Company, owned 85% by the Company and 15% by the former shareholders of WindSaucer Corporation. The Company will transfer the sailing products technology at nominal consideration to the new corporation.

NOTE 10

Deferred Gain on Forgiveness of Debt

	2001	2000
Balance, beginning of year	\$ 527,902	\$ 641,148
Amortization	<u>207,049</u>	<u>113,246</u>
Balance, End of Year	\$ <u>320,853</u>	\$ <u>527,902</u>

NOTE 11

Capital Stock

Authorized

The following authorized classes of shares are without par value:

1,000 voting, Series I Preferred shares, paying a monthly cumulative dividend at the Royal Bank's prime rate plus 2 ½% per annum not exceeding 8%, redeemable and retractable at their issue price following the third anniversary of the date of their issuance and convertible, under certain terms and conditions, into Class A Common shares

An unlimited number of Class A Preferred shares, issuable in an unlimited number of series with the designation, rights, privileges, restrictions and conditions to be determined by the Company's board of directors

An unlimited number of redeemable, non-voting Class B Preferred shares, paying a non-cumulative dividend of 1% per month

An unlimited number of redeemable, retractable, voting Class C Preferred shares, paying a non-cumulative dividend of 1% per month

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

**NOTE 11 (Cont'd)
Capital Stock**

An unlimited number of redeemable, retractable, non-voting Class D Preferred shares, paying a non-cumulative dividend of 1% per month

An unlimited number of voting Class A Common shares

An unlimited number of non-voting Class B Common shares

Issued and Outstanding

	Class A Common	Series I Preferred	Amount
Balance, September 30, 1999	6,440,318	-	3,869,420
Issued for cash	1,906,500	-	4,480,275
Share issue costs	-	-	(926,085)
	<u>8,346,818</u>	<u>-</u>	<u>\$ 7,423,610</u>
Balance, September 30, 2001	<u>8,346,818</u>	<u>-</u>	<u>\$ 7,423,610</u>

Stock Option Plan

Under a stock option plan, the Corporation may grant options to purchase common shares to key employees, directors, officers and service-providers. The terms, number of common shares covered by each option, as well as, the permitted frequency of the exercise of such options are determined by the Board of Directors. The plan provides that a maximum of 1,000,000 common shares may be optioned under the stock option plan. The subscription price for each share covered by an option shall be established by the Board of Directors but such price shall not be lower than the fair market value at the date of grant.

Changes in outstanding options are as follows:

	Number	Weighted Average Exercise Price
Options outstanding, September 30, 1999	904,706	\$ 2.41
Granted in 2000	190,650	2.35
Cancelled in 2000	(450,000)	2.35
Expired in 2000	(165,000)	2.08
Options Outstanding, September 30, 2000	480,356	2.56
Expired in 2001	(10,000)	2.35
Granted in 2001	148,000	2.35
Options Outstanding, September 30, 2001	<u>618,356</u>	<u>\$ 2.51</u>

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 11 (Cont'd)
Capital Stock

Options outstanding at September 30, 2001 are exercisable at the following prices:

<u>Option</u>	<u>Expiry Date</u>	<u>Exercise Price per Share</u>
190,650	April 10, 2002	\$2.35
279,706	April 10, 2003	\$2.7025
80,000	September 4, 2003	\$2.35
48,000	February 15, 2004	\$2.50
20,000	July 5, 2006	\$2.20

Each option listed above consists of the right to acquire 1 Class A Common share.

Changes in outstanding warrants are as follows:

	<u>Number</u>	<u>Exercise Price</u>
Warrants outstanding, September 30, 1999	-	\$ -
Granted in 2000	953,250	2.50
Warrants Outstanding, September 30, 2000	953,250	2.50
Expired in 2001	953,250	2.50
Warrants Outstanding, September 30, 2001	-	\$ -

NOTE 12

Export Sales

The Company and its subsidiaries operate in one industry segment developing and manufacturing water-oriented leisure crafts and products, all assets and liabilities of the Company are held in Canada. Sales by geographic segments:

	<u>2001</u>	<u>2000</u>
U.S.A.	\$ 903,798	\$ 783,362
Canada	714,583	719,064
International	556,953	425,855
	<u>\$ 2,175,334</u>	<u>\$ 1,928,281</u>

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 13

Consolidated Statements of Cash Flows

The following amounts were paid (recovered):

	2001		2000
Other interest charges	\$ 51,764	\$	84,558
Interest on long-term debt	89,107		186,587
Tax credits recovered	(99,563)		(180,417)

NOTE 14

Related Party Transactions

- a) Included in accounts payable and long-term payable are \$132,521 (2000 - \$58,005) and \$386,627 (2000 - \$122,158) respectively, relating to the consulting fees owing referred to in Note 9b).
- b) Included in accounts payable is \$42,841 (2000 - \$49,535) owing to a director of the Company.

NOTE 15

Subsequent Events

On October 1, 2001 the Company's subsidiary, Step Jet Corporation, was wound up into the operations of the Company.

NOTE 16

Contingent Liability

The Company has been named defendant in a legal action by a distributor, in the amount of approximately \$395,000. Management and the Company's counsel believe the claim is unwarranted and excessive and as a result the final outcome of this litigation is not presently determinable. The Company intends to vigorously contest this claim.

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 17

Income Taxes

The Company's income tax provision has been determined as follows:

	2001	2000
Net Loss for the Year	\$ <u>3,520,629</u>	\$ <u>1,652,772</u>
Combined basic federal and provincial income tax recovery at 31%	\$ 1,091,395	\$ 512,359
Net operating loss and temporary differences for which no benefit was recognized excluding effect of investment tax credits in accordance with the Company's accounting policy	<u>(1,091,395)</u>	<u>(512,359)</u>
	\$ <u>-</u>	\$ <u>-</u>

As at September 30, 2001, the Company and its subsidiary, Step Jet Corporation, had available non-capital losses for tax purposes that may be used to reduce taxable income in future years. These losses expire approximately as follows:

	Federal	Provincial
Tax losses expiring in:		
2002	\$ 101,000	\$ 181,000
2003	370,000	440,000
2004	600,000	920,000
2005	216,000	216,000
2006	1,188,000	1,188,000
2007	1,549,000	1,549,000
2008	<u>2,002,000</u>	<u>2,002,000</u>
	6,026,000	6,496,000

Excess of amounts booked for accounting purposes over amounts claimed for tax (*temporary differences*), not subject to expiry:

Amortization of capital assets	<u>630,000</u>	<u>710,000</u>
Losses for Accounting Purposes Carried Forward	\$ <u>6,656,000</u>	\$ <u>7,206,000</u>

**FUTURE BEACH CORPORATION/
CORPORATION FUTURE BEACH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

NOTE 17 (Cont'd)

Income Taxes

In addition, the Company and its subsidiary, Step Jet Corporation, have earned non-refundable investment tax credits amounting to approximately \$248,000 that can be applied to reduce future federal income taxes payable, expiring as follows:

2008	\$	23,000
2010		94,000
2011		<u>131,000</u>
	\$	<u>248,000</u>

The benefit of these losses and non-refundable investment tax credits has not been reflected in these consolidated financial statements. The significant components of future income tax assets and liabilities are summarized approximately as follows:

	2001	2000
Non-capital loss carry-forwards	\$ 1,911,000	\$ 1,134,000
Benefit of investment tax credits	50,000	179,000
Amortization	203,000	73,000
Valuation allowance	<u>(2,164,000)</u>	<u>(1,386,000)</u>
Net Deferred Tax Asset	\$ <u>-</u>	\$ <u>-</u>

The Company has recorded a full valuation allowance against its deferred tax assets because it believes it is not more likely than not that sufficient taxable income will be realized during the carry-forward period to utilize the deferred tax asset. During the year, the valuation allowance increased by approximately \$778,000. Realization of the future tax benefits is dependent upon many factors, including the Company's ability to generate taxable income within the loss carry-forward periods.

NOTE 18

Financial Instruments

a) **Fair Value of Financial Instruments**

The estimated fair value of accounts receivable, accounts payable and accrued liabilities is equal to the book value given their short-term nature. The carrying amount of long-term debt and long-term payable at variable rates approximates the fair value because effective rates represent the rates that should be used to calculate their fair value.

b) **Foreign Exchange Risk**

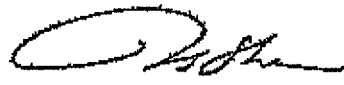
(Bank indebtedness) cash, accounts receivable and accounts payable and accrued liabilities include approximately \$(21,000) (2000 - \$10,585), \$405,000 (2000 - \$149,475) and \$(10,000) (2000 - \$(18,514)) respectively, denominated in U.S. dollars which have been translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

**Certificate
of Dissolution**

**Canada Business
Corporations Act**

**Certificat
de dissolution**

**Loi canadienne sur
les sociétés par actions**

STEP JET CORPORATION-	
CORPORATION STEP JET	310037-5
<hr/>	<hr/>
Name of corporation-D énomination de la société	Corporation number-Numéro de la société
<p>I hereby certify that the above-named corporation was dissolved under the <i>Canada Business Corporations Act</i> pursuant to:</p>	<p>Je certifie que la société susmentionnée a été dissoute sous le régime de la <i>Loi Canadienne sur les sociétés par actions</i>, conformément:</p>
(a) sections 210 or 211 of the Act as set out in the attached articles of dissolution; <input checked="" type="checkbox"/>	a) aux articles 210 ou 211 de la Loi, tel qu'il est indiqué dans les clauses de dissolution ci-jointes; <input checked="" type="checkbox"/>
(b) section 212 of the Act; or <input type="checkbox"/>	b) à l'article 212 de la Loi; <input type="checkbox"/>
(c) the attached court order. <input type="checkbox"/>	c) à l'ordonnance du tribunal ci-jointe. <input type="checkbox"/>
 Director - Directeur	December 3, 2001 / le 3 décembre 2001 Date of Dissolution - Date de dissolution



Industry Canada Industrie Canada

ELECTRONIC TRANSACTION REPORT

RAPPORT DE LA TRANSACTION ÉLECTRONIQUE

Canada Business Loi canadienne sur les Corporations Act sociétés par actions

ARTICLES OF DISSOLUTION (SECTIONS 210 AND 211)

CLAUSES DE DISSOLUTION (ARTICLES 210 ET 211)

Processing Type - Mode de traitement: E-Commerce/Commerce-É

1. Name of Corporation - Dénomination de la société STEP JET CORPORATION- CORPORATION STEP JET	2. Corporation No. - N° de la société 310037-5
--	---

3. Is the Corporation bankrupt or insolvent within the meaning of the *Bankruptcy and Insolvency Act*?
La société est-elle en faillite ou insolvable au sens de la *Loi sur la faillite et l'insolvabilité*?

Yes - Oui No - Non

Complete either Item 4 or 5, but not both - Remplir la rubrique 4 ou 5, mais non les deux

4. Has the corporation previously filed a statement of intent to dissolve (Form 19) under subsection 211(4) of the Act?
La société a-t-elle déjà déposé une déclaration d'intention de dissolution (formule 19) en vertu du paragraphe 211(4) de la Loi?

Yes - Oui No - Non

If yes, has the corporation provided for the payment or discharge of its obligations and distributed its remaining property as required by subsection 211(7) of the Act?
Dans l'affirmative, conformément au paragraphe 211(7) de la Loi, la société a-t-elle constitué une provision pour honorer ses obligations et réparti le reliquat de l'actif?

Yes - Oui No - Non

5. Is the corporation applying for dissolution under Section 210 of the Act? (To apply under Section 210, the corporation cannot have previously filed a statement of intent to dissolve (Form 19) under subsection 211(7) of the Act.)
La société dépose-t-elle une demande de dissolution en vertu de l'article 210 de la Loi? (Pour être admissible en vertu de l'article 210, la société ne peut pas avoir déposé une déclaration d'intention de dissolution (formule 19) en vertu du paragraphe 211(7) de la Loi.)

Yes - Oui No - Non

If yes, under what subsection of the Act is the corporation applying for dissolution?
(CHECK ONLY ONE ITEM)
Dans l'affirmative, en vertu de quel paragraphe de la Loi la société procède-t-elle?
(COCHER UNE RUBRIQUE SEULEMENT)

- Subsection 210(1) of the Act applying to a corporation that has not issued any shares.
Paragraphe 210(1) de la Loi applicable à une société qui n'a pas émis d'actions.
- Subsection 210(2) of the Act applying to a corporation that has no property and no liabilities.
Paragraphe 210(2) de la Loi applicable à une société sans biens ni dettes.
- Subsection 210(3) of the Act applying to a corporation that has discharged its liabilities and distributed its property.
Paragraphe 210(3) de la Loi applicable à une société qui a réglé ses dettes et réparti ses biens.

6. Name, address and occupation of the person keeping the documents and records of the corporation for six years after the date of dissolution.

Nom, adresse et profession de la personne qui garde les documents et livres de la société pour une période de six ans suivant la date de dissolution.

Mark Diamond

181 Oneida Drive POINTE-CLAIRE Quebec H9R 1A9 Canada

Director

Date	Signature	Title - Titre
2001-10-01	Mark Diamond	Director

Canada