

Interim Unaudited Consolidated Financial Statements of

**UNIQUE BROADBAND  
SYSTEMS, INC.**

Three and nine months ended May 31, 2011 and 2010

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim unaudited consolidated financial statements of the Company for the interim periods ended May 31, 2011 and 2010 have been prepared by and are the responsibility of the management of Unique Broadband Systems, Inc. ("UBS").

UBS' independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# UNIQUE BROADBAND SYSTEMS, INC.

Interim Unaudited Consolidated Balance Sheets  
(In thousands of dollars)

As at

	May 31, 2011	August 31, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 6)	\$ 1,567	\$ 4,332
Accounts receivable and other receivables (note 7)	206	3
Prepaid expenses and deposits (note 8)	782	608
	2,555	4,943
Restricted cash (note 6)	50	50
Investment in Look (note 5)	11,419	12,564
	\$ 14,024	\$ 17,557

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable	\$ 469	\$ 30
Accrued restructuring liabilities (note 4)	-	696
Accrued restructuring liabilities due to related parties (notes 4 and 13)	3,973	5,369
Accrued liabilities and provisions (note 19)	1,002	434
Deferred revenue (note 13)	1,678	2,400
	7,122	8,929
Shareholders' equity:		
Share capital (note 11)	58,139	58,139
Contributed surplus	3,246	3,235
Deficit	(54,483)	(52,746)
	6,902	8,628
Basis of presentation and going concern (note 1)		
Contingencies (note 15)		
Subsequent events (note 19)		
	\$ 14,024	\$ 17,557

See accompanying notes to interim unaudited consolidated financial statements.

# UNIQUE BROADBAND SYSTEMS, INC.

Interim Unaudited Consolidated Statements of Operations, Comprehensive Income, and Deficit  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	2011	2010
Service and sales revenue (notes 12 and 13)	\$ 433	\$ 39	\$ 1,522	\$ 473
Carrier charges and cost of sales (note 12)	-	-	-	425
Gross margin from continuing operations	433	39	1,522	48
Expenses:				
Customer care	-	-	-	231
Engineering and operations	-	-	-	615
General and administration	1,417	1,095	2,804	4,510
Amortization of property and equipment	-	41	-	198
Restructuring charges (recovery) (note 4)	30	957	(1,036)	1,698
	1,447	2,093	1,768	7,252
Loss from continuing operations before the under noted	(1,014)	(2,054)	(246)	(7,204)
Accretion on liability component of convertible debentures (note 9)	-	(90)	-	(232)
Interest and finance charges	-	-	-	(101)
Interest income	6	47	19	133
Gain on sale of other property and equipment	-	5	-	10
Loss on sale of spectrum and broadcast licence (note 3)	-	-	-	(61)
Equity interest in Look's losses (note 5)	(338)	(39)	(1,145)	(39)
Dilution loss due to change in shareholding in Look (note 5)	-	(677)	-	(677)
Loss for the period from continuing operations before income taxes	(1,346)	(2,808)	(1,372)	(8,171)
Income taxes	-	-	-	-
Loss for the period from continuing operations before non-controlling interest	(1,346)	(2,808)	(1,372)	(8,171)
Non-controlling interest (note 10)	-	975	-	3,425
Loss for the period from continuing operations	(1,346)	(1,833)	(1,372)	(4,746)
Income (loss) for the period from discontinued operations (note 14)	(365)	-	(365)	40
Loss and comprehensive loss for the period	(1,711)	(1,833)	(1,737)	(4,706)
Deficit, beginning of period	(52,772)	(49,617)	(52,746)	(46,744)
Deficit, end of period	\$ (54,483)	\$ (51,450)	\$ (54,483)	\$ (51,450)
Continuing operations:				
Basic and diluted income (loss) per share	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.05)
Discontinued operations:				
Basic and diluted income per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Income (loss) per share:				
Basic and diluted income (loss) per share	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.05)
Weighted average of number of shares outstanding (note 11):				
Basic	102,748	102,748	102,748	102,748

See accompanying notes to interim unaudited consolidated financial statements.

Fiscal 2010 comparatives to May 25, 2010 include Look on a consolidated basis.

# UNIQUE BROADBAND SYSTEMS, INC.

Interim Unaudited Consolidated Statements of Cash Flows  
(In thousands of dollars)

Three and nine months ended May 31, 2011 and 2010

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2011	2010	2011	2010
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (1,711)	\$ (1,833)	\$ (1,737)	\$ (4,706)
Less: (Income) loss for the period from discontinued operations	365	-	365	(40)
Non-controlling interest	-	(975)	-	(3,425)
Equity interest in Look's losses	338	39	1,145	39
Amortization of property and equipment	-	41	-	198
Interest earned on short-term investments	-	(40)	-	(122)
Interest and finance charges	-	-	-	11
Amortization of stock-based compensation	(32)	32	11	91
Accretion on liability component of convertible debentures	-	90	-	232
Adjustment to gain on sale of spectrum and broadcast licence	-	-	-	61
Dilution loss due to change in shareholding in Look (note 5)	-	677	-	677
Gain on sale of other property and equipment	-	(5)	-	(10)
Change in non-cash operating assets and liabilities (note 16)	498	(170)	(2,184)	(23,170)
Cash used in continuing operations	(542)	(2,144)	(2,400)	(30,164)
Cash provided by (used in) discontinued operations	(365)	-	(365)	78
	(907)	(2,144)	(2,765)	(30,086)
Financing Activities:				
Interest on convertible debentures	-	(32)	-	(73)
Settlement and discharge of mortgage	-	-	-	(1,800)
Redemption of debentures	-	(242)	-	(242)
	-	(274)	-	(2,115)
Investing activities:				
Purchase of property and equipment	-	(1)	-	(24)
Proceeds on sale of property and equipment	-	15	-	50
Proceeds on sale of spectrum and broadcast licence (note 3)	-	-	-	50,000
(Purchase) redemption of short-term investments	-	5,500	-	(27,500)
Elimination of Look's cash due to change in equity accounting of Look (note 5)	-	(2,179)	-	(2,179)
Transaction costs on sale of spectrum and broadcast licence	-	-	-	(61)
Interest earned on short-term investments	-	16	-	22
Cash provided by continuing operations	-	3,351	-	20,308
Cash provided by discontinued operations	-	-	-	-
	-	3,351	-	20,308
Net cash provided by (used in) continuing operations	(542)	933	(2,400)	(11,971)
Net cash provided by (used in) discontinued operations	(365)	-	(365)	78
Increase (decrease) in cash and cash equivalents	(907)	933	(2,765)	(11,893)
Cash and cash equivalents, beginning of period	2,474	4,563	4,332	17,389
Cash and cash equivalents, end of period	\$ 1,567	\$ 5,496	\$ 1,567	\$ 5,496

See accompanying notes to interim unaudited consolidated financial statements.

Fiscal 2010 comparatives up to May 25, 2010 include Look on a consolidated basis.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## **Introduction:**

Unique Broadband Systems, Inc. is a publicly listed Canadian company that, effective May 25, 2010, has a 39.2% fully diluted equity interest in Look Communications Inc. ("Look") and other financial assets. References to "UBS" include the legal entity Unique Broadband Systems, Inc. and its wholly owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless"). References to the Company mean UBS and Look.

In 2003, UBS transitioned from a technology company that designed, developed and manufactured broadband wireless equipment to a holding company when it acquired a controlling interest in Look, through share transactions and 7% secured convertible debentures issued by Look ("Debentures"), and sold its manufacturing business. This holding in Look's securities gave UBS a controlling 51.8% share of Look.

Following the announcement by Look in April 2010 that it intended to redeem all outstanding Debentures on May 25, 2010, the Debenture previously held by UBS Wireless was among the Debentures redeemed by Look and, as a result, effective May 25, 2010, UBS has a non-controlling 37.6% voting interest and a 39.2% economic interest in Look (notes 5 and 9).

## **1. Basis of presentation and going concern:**

These interim unaudited consolidated financial statements have been prepared, on a going concern basis, in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") with respect to the preparation of financial statements. The going concern basis of presentation assumes that UBS will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about UBS' use of the going concern assumption because as at May 31, 2011, UBS has a working capital deficiency of \$4,567 (August 31, 2010 - \$3,986). Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions by Look to its shareholders, including UBS, and the outcomes of certain litigation (2010 annual financial statements and note 15). UBS will need to raise cash and/or monetize assets, and/or receive cash distributions from Look and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments giving rise to doubt about UBS' use of the going concern assumption.

Notwithstanding the above, the interim unaudited consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying value and balance sheet classifications of assets and liabilities and reported revenue and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 1. Basis of presentation and going concern (continued):

UBS' actual share ownership in Look has fluctuated as Debentures previously issued by Look were converted into multiple and subordinate voting shares and interest obligations in connection with these Debentures were settled in subordinate voting shares. If all Debentures were converted, UBS would have had the ability to control at least 51% of Look by the conversion of its Debentures. As UBS had the ability to maintain control by converting these Debentures at any time, UBS consolidated its interest in Look.

However, following the redemption of Debentures by Look, UBS no longer has the ability to convert its Debentures and as from the effective date of the redemption of Look's Debentures, May 25, 2010, UBS accounts for its 39.2% interest in Look using the equity method that reports UBS' equity participation in Look through the "equity interest in Look's income or loss" in the statement of operations.

## 2. Significant accounting policies:

Accounting policies and methods of their application followed in the preparation of these interim unaudited consolidated financial statements are consistent with those used in the most recent annual audited consolidated financial statements for the year ended August 31, 2010.

### (a) Principles of consolidation:

These interim unaudited consolidated financial statements include the accounts of UBS' wholly owned subsidiary, UBS Wireless for the three and nine months ended May 31, 2011 and 2010, and UBS' investment in Look that, effective May 25, 2010, accounted for its 39.2% interest using the equity method for the three and nine months ended May 31, 2011 and 2010. All significant intercompany balances and transactions have been eliminated upon consolidation.

In accordance with the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1600, Consolidated Financial Statements ("Section 1600"), when the losses applicable to the non-controlling interest in Look exceeded the non-controlling interest's carrying value in Look, which occurred during the third quarter of fiscal 2008, the excess and any further losses were fully absorbed by the Company. Subsequent earnings recorded by Look were allocated entirely to the Company's interest until such previously absorbed losses were recovered, which occurred during the third quarter of fiscal 2009 (note 10).

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 2. Significant accounting policies (continued):

### (b) Recent accounting pronouncements:

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

The CICA plans to adopt IFRS as Canadian standards for publicly accountable enterprises. UBS will be required to adopt IFRS effective September 1, 2011. The impact of the transition to IFRS on UBS' consolidated financial statements is not yet determinable as both UBS and Look are currently evaluating their plans for future operations. UBS' first reporting period under IFRS will be for the first interim period of the year ending August 31, 2012.

#### (ii) Business combinations:

In October 2008, the CICA issued Handbook Section 1582, Business Combinations ("CICA 1582"), concurrently with Handbook Sections 1601, Consolidated Financial Statements ("CICA 1601"), and 1602, Non-Controlling Interests ("CICA 1602"). CICA 1582, which replaces Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination.

These new standards are effective for UBS' interim and annual consolidated financial statements commencing on September 1, 2011. UBS is assessing the impact of the new standards on its consolidated financial statements.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

### 3. Sale of spectrum and broadcast licence:

On September 11, 2009, following the receipt of regulatory approval of the transaction by Industry Canada and the satisfaction of all remaining conditions precedent to the consummation of the transactions contemplated in the Agreement of Purchase and Sale between Look and Inukshuk Wireless Partnership (“Inukshuk”) (through joint partners Rogers Communications and Bell Canada) for the sale of its spectrum and broadcast licence (“Agreement”), Look received the final \$50,000 of the full consideration of \$80,000 due from Inukshuk. In accordance with the Agreement, Inukshuk requested that Look support an application by Inukshuk to the CRTC for the grant of a licence under the *Broadcasting Act*. On June 17, 2010 following advice from Inukshuk, Look directed the Court-appointed monitor to surrender Look’s CRTC decisions and related licences to the CRTC and, as such, Look has no further obligations with respect to the Agreement.

Look recorded transaction charges of \$61 during the quarter ended November 30, 2009 related to the sale of the spectrum and broadcast licence to Inukshuk.

### 4. Restructuring:

As a result of the sale of its spectrum and broadcast licence to Inukshuk and the resulting restructuring of its business, UBS has recorded and paid restructuring amounts during fiscal 2011 as set out in the following tables:

<b>Accrued restructuring liabilities</b>	Site restoration, contract termination, special meeting, and legal and consulting charges <sup>(1)</sup>	Human resource restructuring charges	Total restructuring amounts
Balance at August 31, 2010	\$ 664	\$ 32	\$ 696
Expensed in first quarter of fiscal 2011	154	-	154
Paid in first quarter of fiscal 2011	(70)	(7)	(77)
Balance at November 30, 2010	\$ 748	\$ 25	\$ 773
Expensed in second quarter 2011	-	-	-
Paid in second quarter 2011	(727)	(19)	(746)
Balance at February 28, 2011	\$ 21	\$ 6	\$ 27
Expensed in third quarter 2011	-	-	-
Paid in third quarter 2011	(21)	(6)	(27)
Balance at May 31, 2011	\$ -	\$ -	\$ -

<sup>(1)</sup> Effective December 1, 2010, the Company will accrue and expense all professional fees and employee severance in general and administrative costs unless otherwise noted.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

## 4. Restructuring (continued):

<b>Accrued restructuring liabilities due to related parties<sup>(1)</sup></b>	Site restoration, contract termination, special meeting, and legal and consulting charges <sup>(2)</sup>	Human resource restructuring charges	Total restructuring amounts
Balance at August 31, 2010	\$ -	\$ 5,369	\$ 5,369
Expensed in first quarter of fiscal 2011	7	41	48
Paid/drawn down in first quarter of fiscal 2011	(7)	-	(7)
Balance at November 30, 2010	\$ -	\$ 5,410	\$ 5,410
Expensed in second quarter 2011	-	29	29
Paid in second quarter 2011	-	(199)	(199)
Reversed in second quarter 2011	-	(1,297)	(1,297)
Balance at February 28, 2011	\$ -	\$ 3,943	\$ 3,943
Expensed in third quarter 2011	-	30	30
Balance at May 31, 2011	\$ -	\$ 3,973	\$ 3,973

<sup>(1)</sup> see note 13.

<sup>(2)</sup> Effective December 1, 2010, the Company will accrue and expense all professional fees and employee severance in general and administrative costs unless otherwise noted.

During the nine months ended May 31, 2011, UBS expensed \$261, paid \$1,056 and recovered \$1,297 of restructuring charges. Of the \$261 expensed in fiscal 2011, \$161 related primarily to professional fees and consulting expenses and the balance related mainly to accrued interest.

On January 6, 2011, UBS settled the accrued restructuring award granted to the former Chief Financial Officer ("CFO") by the former Board of Directors and any other amount due under his employment agreement, for \$330, which resulted in a reversal of \$833 to restructuring charges.

On February 16, 2011, UBS settled the accrued restructuring award granted to a former director of UBS, which resulted in, among other things, a full reversal of the restructuring award originally granted in June 2009 and accrued interest, totalling \$464, to restructuring charges.

As of November 15, 2009, Look no longer offers service to any subscribers and as of December 31, 2009, Look decommissioned its wireless network. Look is continuing to pursue opportunities to realize the value of its tax attributes of approximately \$138,000 (note 19).

On March 17, 2011, Look announced that it had entered into an agreement to sell its current head office, network operating centre and infrastructure in Milton, Ontario. The transaction closed on June 3, 2011 for aggregate consideration of \$3,050.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

## 5. Investment in Look:

At May 31, 2011, UBS Wireless held 24,864 Multiple Voting Shares and 29,921 Subordinate Voting Shares in Look representing a 39.2% economic interest and a 37.6% voting interest in Look. UBS acquired its shareholding in Look through a series of transactions and the receipt of shares in lieu of interest on its Debentures as set out in the table below. UBS' 39.2% interest in Look's equity of \$29,131 at May 31, 2011 amounted to \$11,419 (August 31, 2010 - \$12,564).

	May 31, 2011
Investment in shares of Look at cost	11,929
Cumulative equity interest in Look's income (loss)	(510)
<b>Investment in Look as at May 31, 2011</b>	<b>\$ 11,419</b>

An analysis of UBS' interest in the post acquisition income and losses of Look is as follows:

Cumulative equity interest in Look's income as at August 31, 2010 <sup>(1)</sup>	\$ 635
Equity interest in Look's losses for the quarter ended November 30, 2010	(446)
Equity interest in Look's losses for the quarter ended February 28, 2011	(361)
Equity interest in Look's losses for the quarter ended May 31, 2011	(338)
<b>Cumulative equity interest in Look's losses as at May 31, 2011</b>	<b>\$ (510)</b>

<sup>(1)</sup> Included in the cumulative equity interest as at August 31, 2010 is the dilution loss on the change in shareholding from 51% to 39.2% on May 25, 2010 of \$677.

Look's loss for the three and nine months ended May 31, 2011 was \$861 and \$2,922 respectively, compared with a loss of \$2,090 and \$7,013 for the three and nine months ended May 31, 2010 respectively, and its summarised balance sheets as at May 31, 2011 and August 31, 2010 are set out below:

	May 31, 2011	August 31, 2010
<b>ASSETS</b>		
Total current assets	\$ 28,616	\$ 31,505
Property and equipment	1,632	1,738
	<b>\$ 30,248</b>	<b>\$ 33,243</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Total current liabilities	\$ 1,117	\$ 1,190
<b>Shareholders' equity</b>		
Share capital	34,484	34,484
Contributed surplus	11,934	11,934
Deficit	(17,287)	(14,365)
Total shareholders' equity	29,131	32,053
	<b>\$ 30,248</b>	<b>\$ 33,243</b>

Look's market capitalization, based on the closing share prices of its multiple and subordinate voting shares at May 31, 2011 of \$0.135 and \$0.15 respectively, was approximately \$19,963.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 6. Cash:

### (a) Cash and cash equivalents:

At May 31, 2011, UBS held cash and cash equivalents of \$1,567, of which \$1,199 was held in a bankers' acceptance note, compared with cash and cash equivalents of \$4,332 at August 31, 2010 of which \$2,202 was held in a bankers' acceptance note.

### (b) Restricted cash:

At May 31, 2011 and August 31, 2010, UBS had restricted cash of \$50, which was held in an interest-bearing certificate at 0.05%.

## 7. Accounts receivable and other receivables:

The balance of accounts receivable and other receivables as at May 31, 2011 and August 31, 2010 are set out in the following table:

	May 31, 2011	August 31, 2010
GST/HST receivable	\$ 156	\$ -
Legal retainers receivable	37	-
Other receivables	13	3
Total	\$ 206	\$ 3

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

## 8. Prepaid expenses and deposits:

A summary of prepaid expenses and deposits is tabled below:

	May 31, 2011	August 31, 2010
Indemnification advances <sup>(1)</sup>	\$ 446	\$ 564
Legal retainers <sup>(2)</sup>	303	-
Other	33	44
Prepaid expenses and deposits	\$ 782	\$ 608

<sup>(1)</sup> On or about June 16, 2010, the former Board of Directors of UBS received a letter signed by each of UBS' directors, officers and consultants (the "Indemnitees") advising UBS that they seek, and are entitled to, indemnification under their Indemnity Agreements and article 7 of the By-Laws of UBS for, among other things, ongoing legal expenses for lawyers that have been retained to advise them on indemnity matters. Subsequently \$570 was placed in trust by UBS with various legal firms. As at May 31, 2011, UBS estimates that the amounts in trust had been drawn down by a total of approximately \$68. \$19 was returned to UBS as a result of a settlement agreement executed between UBS and the former CFO. \$37 is due to be returned to UBS as a result of a settlement agreement executed between UBS and a former director and is reflected in accounts receivable and other receivables. As a result, approximately \$446 remained in trust at May 31, 2011.

<sup>(2)</sup> Funds totalling \$330 were placed in Trust with a legal firm on February 24, 2011 for, among other things, legal advice with regard to ongoing litigation. At May 31, 2011, approximately \$27 was expensed and \$303 remained in Trust.

## 9. Convertible debentures:

Look's Debentures bore interest at a rate of 7% per annum. Look paid interest on the Debentures, which were scheduled to mature on December 30, 2013, semi-annually in arrears, on June 30 and December 30 of each year, which commenced on June 30, 2004. Look carried the Debentures at amortized cost using an effective interest rate of 13.6%. The Debentures were convertible at the option of the holder into Multiple Voting and Subordinate Voting Shares of Look at a conversion price of \$0.075 per each Multiple Voting and Subordinate Voting Share, representing 6,667 Multiple Voting Shares and 6,667 Subordinate Voting Shares per \$1 debenture. Look has had the option to settle its obligation to pay interest and repay the principal by issuing shares of Look. The Debentures were direct obligations of Look and ranked *pari passu* with all other subordinated, secured obligations of Look.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 9. Convertible debentures (continued):

Since January 1, 2007, Look has had the right to redeem the Debentures. On April 22, 2010 Look's Board of Directors announced that it would redeem all of its principal amount of \$4,158 of outstanding Debentures for cash on May 25, 2010. By May 11, 2010 5:00 pm (Eastern Time), the deadline for Debenture-holders to elect to convert their Debentures into shares, Debenture-holders with \$916 of Debentures had elected to convert their Debentures into shares at May 25, 2010. The remaining \$3,242 of Debentures, including \$3,000 of Debentures held by UBS Wireless that could have been converted into 20,000 Multiple Voting Shares and 20,000 Subordinate Voting Shares, were redeemed by Look at a price equal to the principal amount of the Debentures plus accrued and unpaid interest to May 24, 2010.

## 10. Non-controlling interest:

Non-controlling interest in the consolidated balance sheets of the Company represented the non-controlling interest in both the equity in Look and equity component of Debentures in Look. Reported operating losses of Look were allocated to the non-controlling interest at 49% but were limited to the extent of any remaining non-controlling interest in the equity of Look.

As a result of the redemption of the Debentures held by UBS, effective May 25, 2010, UBS has a 39.2% economic interest in Look and as of that date no longer consolidates Look. Future income or losses of Look will be accounted for by UBS using the equity method that reports UBS' equity participation in Look through the "equity interest in Look's income or loss" in the statement of operations (note 1).

## 11. Share capital:

### (a) Authorized:

Unlimited common shares  
Unlimited Class A non-voting shares

### (b) Issued and outstanding:

As at May 31, 2011 and August 31, 2010, UBS had 102,748 common shares and no Class A non-voting shares issued and outstanding.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 11. Share capital (continued):

### (c) Stock option incentive plan:

On February 11, 2011, 1,500 options were granted to Robert Ulicki, the chairman of the board of directors of UBS. Due to notification from the TSX Venture Exchange (“the Exchange”) that options cannot be granted when a strike price falls below \$0.10, these options were cancelled on March 10, 2011.

During the quarter ended May 31, 2011, no options expired, 1,500 options were cancelled and as of that date there were 13,515 options outstanding to acquire common shares of UBS (August 31, 2010 – 12,616).

### (d) Share appreciation rights plan (“SAR Plan”):

As a result of the restructuring process, there were no SAR units outstanding at August 31, 2010 and on November 24, 2010 UBS’ Board of Directors cancelled the SAR Plan.

### (e) Change of Look to Tier 2 TSX listed company:

On February 3, 2011, Look received notice from the TSX Venture Exchange (the “Exchange”) that, in accordance with its Continued Listing Requirements outlined in Exchange Policy 2.5, Look no longer meets the tests related to having a significant interest in a business or primary asset used to carry on business. Effective May 9, 2011, the Exchange issued a bulletin reclassifying Look to Tier 2 and placed Look on notice to transfer to NEX, subject to Look making a submission that it meets all Tier 2 Continued Listing Requirements.

## 12. Segment disclosure:

Look sold its web hosting and domain name business, spectrum and broadcast licence, and its Internet business during the first, third, and fourth quarters of fiscal 2009 respectively. In accordance with Section 3475 of the CICA Handbook, the operations and cash flows of the web hosting and domain name business are presented as discontinued operations while the broadcast, Internet, and certain other operations, which do not meet the definition of discontinued operations, are shown as continuing operations.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

## 12. Segment disclosure (continued):

The revenue, carrier charges and cost of sales and gross margin for the three and nine months ended May 31, 2011 and 2010 from continuing operations and the management service fees from the Look MSA are as follows:

Services	Three months ended May 31, 2011			Three months ended May 31, 2010 <sup>(1)</sup>		
	Revenue	Carrier charges and cost of sales	Gross margin	Revenue	Carrier charges and cost of sales	Gross margin
Broadcast services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Look MSA fees	433	-	433	39	-	39
<b>Total</b>	<b>\$ 433</b>	<b>\$ -</b>	<b>\$ 433</b>	<b>\$ 39</b>	<b>\$ -</b>	<b>\$ 39</b>

Services	Nine months ended May 31, 2011			Nine months ended May 31, 2010 <sup>(1)</sup>		
	Revenue	Carrier charges and cost of sales	Gross margin	Revenue	Carrier charges and cost of sales	Gross margin
Broadcast services	\$ -	\$ -	\$ -	\$ 434	\$ 425	\$ 9
Look MSA fees	1,522	-	1,522	39	-	39
<b>Total</b>	<b>\$1,522</b>	<b>\$ -</b>	<b>\$1,522</b>	<b>\$ 473</b>	<b>\$ 425</b>	<b>\$ 48</b>

<sup>(1)</sup> May 31, 2010 comparatives include Look on a consolidated basis to May 25, 2010.

All of the Company's revenue was generated in Canada and all of its assets are located in Canada.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 13. Related party transactions:

Related party transactions in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions not in the normal course of operations, such as the Company's accrued human resource restructuring contingent payments, have been measured at the carrying amount which is the amount of an item transferred or the cost of services provided.

### (a) Management Services Agreement with Look ("Look MSA"):

Under the terms of the Management Service Agreement entered into between UBS and Look on May 19, 2004, Look had been required to pay an annual fee of \$2,400 to UBS. Look paid, in September 2007, in advance, an annual fee of \$2,400, which is included in deferred revenue. On a 12-month rolling basis, Look had maintained this prepaid annual fee.

On April 22, 2010, Look's Board of Directors notified UBS that it would not be recommencing the term of the MSA on May 19, 2010 such that the Look MSA will expire at the end of its current term being May 19, 2012 or such earlier date that is mutually agreed to by Look and UBS.

As a result of the sale of its spectrum and broadcast licence to Inukshuk and the resulting restructuring of its business, Look no longer requires the same level of Chief Executive Officer ("CEO") Services and Other Services from UBS, particularly as that relates to annual business planning and budgeting, human resources, engineering, updating of broadcast and information technology, the management of regulatory requirements, and managing Look's fixed and variable costs to maximize Look's profits. Accordingly, on December 3, 2010, Look and UBS agreed that, with effect from January 1, 2011, Look will no longer maintain the prepaid annual fee of \$2,400 on a monthly basis and this amount will be drawn down at approximately \$145 per month over the remaining term of the Look MSA, being January 1, 2011 through May 19, 2012. UBS will continue to provide services to Look, where still applicable pursuant to the Look MSA, and all other terms and conditions of the Look MSA will remain in effect until May 19, 2012. The cash flow impact of this amendment is a reduction of approximately \$900 in fees from Look to UBS over the remaining term of the Look MSA.

The base fee pursuant to the Look MSA received by UBS during the three and nine months ended May 31, 2011 amounted to \$433 and \$1,522 respectively (2010 - \$39 and \$39 respectively) and is included in Service and Sales Revenue (note 12).

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

## 13. Related party transactions (continued):

### (b) Interest on Debentures:

Following the redemption of the Debentures in May 2010, no interest was earned by UBS during the three and nine months ended May 31, 2011 (2010 - \$49 and \$154 respectively).

### (c) Rent of Milton premises:

During the three and nine months ended May 31, 2011, UBS subleased a portion of Look's premises in Milton for \$19 and \$58 respectively (2010 - \$20 and \$59 respectively). On June 3, 2011, the Milton facility was sold for aggregate consideration of \$3,050. The Company continues to operate from the premises as a tenant on a month-to-month basis.

### (d) Accrued restructuring liabilities:

The Company recorded related party transactions in the three and nine months ended May 31, 2011, as follows:

	Accrued Restructuring Liabilities				Balance at May 31, 2011 <sup>(5)</sup>
	Balance at August 31, 2010	Interest accrued <sup>(3)</sup>	Awards reversed <sup>(4)</sup>	Awards paid <sup>(4)</sup>	
Jolian Investments Ltd. <sup>(1)</sup> /McGoey	\$ 1,843	\$ 41	\$ -	\$ -	\$ 1,884 <sup>(6)</sup>
DOL Technologies Inc. <sup>(2)</sup> /Dolgonos	1,566	36	-	-	1,602 <sup>(6)</sup>
Former UBS directors and Management	1,960	(23)	(1,251)	(199)	487
<b>Total</b>	<b>\$ 5,369</b>	<b>\$ 54</b>	<b>\$ (1,251)</b>	<b>\$ (199)</b>	<b>\$ 3,973</b>

<sup>(1)</sup> Jolian Investments Ltd. ("Jolian") is a company controlled by Mr. McGoey, the former Chairman of the Board of Directors and former CEO of UBS.

On July 5, 2010, the former Board of Directors, including Mr. McGoey, was not elected by shareholders at a special meeting, which resulted in Jolian alleging a Company Default pursuant to the Jolian Management Services Agreement with UBS ("Jolian MSA") and a subsequent claim for, among other things, payment for termination of services and the outstanding accrued restructuring liability to Jolian. Details of the litigation against UBS commenced by Jolian on July 12, 2010 are set out in the 2010 annual financial statements.

Fees charged to general and administration expenses in the three and nine months ended May 31, 2010 amounted to \$143 and \$428 respectively. No options or SAR units were granted to Mr. McGoey or Jolian during the three and nine months ended May 31, 2010.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 13. Related party transactions (continued):

<sup>(2)</sup> DOL Technologies Inc. ("DOL") is a company controlled by Mr. Dolgonos, the former Chief Technology Consultant of UBS.

On July 5, 2010, the former Board of Directors was not elected by shareholders at a special meeting, which resulted in DOL alleging that its agreement with UBS ("Technology Agreement") had been terminated for "Good Reason following Change-in-Control" and a subsequent claim for, among other things, payment for termination of services and the outstanding accrued restructuring liability to DOL. Details of the litigation against UBS commenced by DOL on July 12, 2010 are set out in the 2010 annual financial statements.

Fees charged to general and administration expenses in the three and nine months ended May 31, 2010 amounted to \$119 and \$356 respectively. No options or SAR units were granted to Mr. Dolgonos or DOL during the three and nine months ended May 31, 2010.

<sup>(3)</sup> The interest on accrued restructuring liabilities payable by UBS is charged to restructuring charges.

<sup>(4)</sup> On January 6, 2011, UBS settled the accrued restructuring award granted to the former CFO by the former Board of Directors and any other amount due under his employment agreement, for \$330, which resulted in a reversal of \$833 to restructuring charges in the second quarter of fiscal 2011. On February 16, 2011, UBS settled with a former director of UBS, which resulted in, among other things, a full reversal of his restructuring award, originally granted in June 2009 and accrued interest, totalling \$464, to restructuring charges.

<sup>(5)</sup> The accrued restructuring liabilities payable by UBS at May 31, 2011 are payable upon, among other things, adequate cash resources being received by UBS.

<sup>(6)</sup> These amounts, among others, are included in the claims filed against UBS by Jolian and DOL on July 12, 2010. Counterclaims filed by UBS against Jolian, Mr. McGoey and certain former directors and against DOL, Mr. Dolgonos, and certain former directors are detailed in the 2010 annual financial statements.

### (e) General security interest:

On November 26, 2003, Look granted a security interest in all of its personal property to UBS for any liabilities owing by Look to UBS.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 13. Related party transactions (continued):

### (f) Indemnity agreements:

The former Board of Directors resolved that the Indemnitees were entitled to retain legal counsel pursuant to their Indemnity Agreements and as a result \$60 was expensed during the nine months ended May 31, 2011, \$37 has been reallocated to Accounts Receivable and Other Receivables and \$19 was recovered pursuant to a settlement agreement. \$446 remains advanced by UBS to various legal firms for future services (note 7).

### (g) Special shareholders meeting:

It was stated in the information circular prepared in connection with the July 5, 2010 special meeting of shareholders that the costs incurred in the preparation and mailing of the circular and the solicitation will be borne by certain concerned shareholders who would seek reimbursement from UBS of its out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with the meeting. In this regard, UBS has reimbursed \$533 to the concerned shareholders, some of whom are directors of UBS.

## 14. Discontinued operations:

On May 24, 2011, UBS settled the action that was brought against UBS in respect of certain repairs to premises under a lease entered into by UBS in 1999. After attending a pre-trial hearing in February 2011, and with the benefit of advice from counsel and input from prior management, the board concluded that the settlement was in the best interests of UBS, taking into account, among other things, prior settlement offers, pre-judgment interest and costs as well as the time and expense to UBS of an anticipated lengthy trial of the matters raised.

Under the terms of the settlement, in exchange for a full and final release, UBS will pay the plaintiff damages totaling \$600 in two installments. \$450 was paid on May 24, 2011 and \$150 is payable on January 15, 2012. A third party, against whom UBS had filed a third party claim for indemnification of certain damages, was also a party to the settlement arrangements and paid \$85 to UBS on May 24, 2011. The net charge to Discontinued Operations totaled \$365. Both the original action and the third party claim were dismissed without costs.

During the quarter ended November 30, 2009, the Company recorded an adjustment of \$40, net of non-controlling interest, related to the sale of the web hosting and domain name business.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 15. Contingencies:

(a) For details on the Statements of Claim and Defences and Counterclaims involving the former CEO and Chief Technology Consultant and other litigation, refer to the 2010 annual financial statements.

(b) Statement of Claim served on UBS and its directors by 2064818 Ontario Inc.:

On December 23, 2010, a registered shareholder of UBS, 2064818 Ontario Inc., which is a corporation controlled by UBS' former Chief Technology Consultant, Alex Dolgonos, served a statement of claim (the "Statement of Claim") on UBS and each of Grant McCutcheon, Robert Ulicki and Henry Eaton.

Among other things, 2064818 Ontario Inc. alleges that (i) the directors of UBS are exercising their powers as directors in a manner that is oppressive, unfairly prejudicial and unfairly disregards the interests of UBS shareholders; and (ii) the existing directors have failed to act honestly and in good faith with a view to the best interests of UBS. The allegations are made, among other things, in respect of the amendment of the Look MSA. It is also alleged that the new directors of UBS intentionally triggered a change-in-control in the Jolian MSA by failing to re-elect the former CEO as a director.

The Statement of Claim seeks various relief, including among other things, (i) the removal of the directors of UBS from its board of directors, (ii) the setting aside of the amendment to the Look MSA or, in lieu thereof, damages in the amount of \$900, and (iii) an order restraining UBS from obtaining any dilutive financing unless existing shareholders are entitled to participate in such financing on a pro rata basis.

(c) In connection with the claims and counterclaims involving, among others, Jolian, Mr. McGoey, DOL and Mr. Dolgonos (the "Plaintiff Group"), the court has rendered a decision in connection with motions for summary judgment brought by UBS and the Plaintiff Group relating to the indemnification of the Plaintiff Group's legal expenses.

The court ordered UBS to pay the Plaintiff Group's past legal costs as well as the legal expenses in the litigation on an ongoing basis, including all costs relating to the claims of certain members of the Plaintiff Group for termination payments under certain management services agreements. Based on information provided by the Plaintiff Group's counsel, as of the date that the motion for summary judgment was argued in April, the legal expenses of the Plaintiff Group, up to April 30, 2011, are estimated to be approximately \$750.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

## 15. Contingencies (continued):

The Company has appealed the decision of the court in connection with motions for summary judgment brought by UBS and the Plaintiff Group relating to the indemnification of the Plaintiff Group's legal expenses.

- (d) In the normal course of its operations, UBS may be subject to other litigation and claims.
- (e) The Company indemnifies its directors, officers, consultants and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

## 16. Supplement cash flow information:

- (a) The change in non-cash operating assets and liabilities in respect of continuing operations consists of the following:

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2011	2010 <sup>(1)</sup>	2011	2010 <sup>(1)</sup>
Accounts receivable	\$ 198	\$ 223	\$ (203)	\$ (608)
Inventory	-	-	-	40
Prepaid expenses and deposits	(297)	(2,571)	(174)	(2,257)
Accounts payable, accrued liabilities and provisions	1,027	(686)	1,007	(3,851)
Accrued restructuring liabilities	(27)	115	(696)	(2,147)
Accrued restructuring liabilities due to related parties	30	33	(1,396)	(17,127)
Restricted cash	-	316	-	380
Unearned revenue	(433)	-	(722)	-
Deferred revenue	-	2,400	-	2,400
	\$ 498	\$ (170)	\$ (2,184)	\$ (23,170)

<sup>(1)</sup> Comparatives include Look on a consolidated basis until May 25, 2010.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 16. Supplement cash flow information (continued):

(b) Interest paid and received:

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010 <sup>(1)</sup>	2011	2010 <sup>(1)</sup>
Interest paid	\$ -	\$ -	\$ -	\$ 101
Interest received	6	47	19	133

<sup>(1)</sup>Comparatives include Look on a consolidated basis until May 25, 2010.

## 17. Capital risk management:

The Company manages its capital to maximize value to shareholders and other stakeholders. Up until May 25, 2010, the Company's capital structure included cash and cash equivalents, short-term investments, accounts receivable and other receivables, Debentures, and equity consisting of share capital, contributed surplus and deficit.

As of May 31, 2011, UBS' capital structure includes cash and cash equivalents, accounts receivable and other receivables and equity consisting of share capital, contributed surplus and deficit. UBS is not subject to externally-imposed capital requirements. UBS's overall strategy with respect to capital risk management is to hold low-risk highly-liquid cash and cash equivalents.

## 18. Financial risk management:

(a) Overview:

UBS may have exposure to credit risk, liquidity risk and market risk. UBS' Board of Directors has overall responsibility for the establishment and oversight of UBS' risk management framework. The Audit and Corporate Governance Committee of the Board of Directors reviews UBS' risk management policies from time to time on an as needed basis.

(b) Credit risk:

Credit risk is the risk of financial loss to UBS if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from UBS' cash and cash equivalents, restricted cash, and accounts receivable and other receivables. The carrying amount of financial assets represents UBS' estimate of its maximum credit exposure.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 18. Financial risk management (continued):

Cash and cash equivalents, restricted cash, and short-term investments (in the case of Look) consist of cash and variable rate guaranteed investment certificates and bankers acceptances with reputable Canadian financial institutions, from which the Company believes the risk of loss to be minimal.

Accounts receivable and other receivables consists primarily of \$156 of HST receivable from Canadian government bodies, \$37 of legal retainers recoverable, \$10 of expense reimbursements and \$3 of SKAT receivables from Danish government bodies (August 31, 2010 - \$nil, \$nil, \$nil and \$3) (note 7).

### (c) Liquidity risk:

Liquidity risk is the risk that UBS will not be able to meet its financial obligations as they become due. UBS' approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due.

UBS has incurred operating losses and negative cash flows from operations in recent years and at May 31, 2011, UBS had a working capital deficiency of \$4,567. Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions to Look's shareholders and the outcomes of certain litigation detailed in the 2010 annual financial statements. UBS will need to raise cash and/or monetize assets and/or receive cash distributions from Look and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments giving rise to doubt about UBS' use of the going concern assumption (note 1).

### (d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect UBS' income or the value of its financial instruments. Prior to Look's restructuring process, Look's products and services were available solely in Canada and substantially all of the Company's financial assets and liabilities originated in Canadian dollars. The Company believed this risk was minimal and did not enter into any currency hedging transactions.

UBS is subject to interest rate risk on its cash and cash equivalents and restricted cash (note 6). UBS estimates that for each 1% change in the interest rate earned on its cash holdings at May 31, 2011, interest income will increase or decrease by approximately \$16 per annum.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 18. Financial risk management (continued):

### (e) Fair value of financial instruments:

The fair values of financial assets and financial liabilities are determined as follows:

- (i) For cash and cash equivalents, short-term investments, restricted cash, accounts receivable and other receivables, accounts payable, accrued restructuring liabilities, accrued restructuring liabilities due to related parties and accrued liabilities and provisions carrying amounts approximate fair value due to the short-term nature of the assets and liabilities;
- (ii) Prior to its settlement, the long-term debt due within one year was carried at amortized cost which approximates fair value (note 18); and
- (iii) Prior to their redemption and conversion, the liability component of the Debentures was carried at amortized cost, which approximates fair value (note 9).

### (f) Classification of financial instruments:

- (i) Short-term investments, accounts receivable and other receivables and restricted cash have been classified as financial assets held for trading and are measured at fair value;
- (ii) Accounts payable, accrued restructuring liabilities, accrued restructuring liabilities due to related parties and accrued liabilities and provisions have been classified as financial liabilities held for trading; and
- (iii) Prior to their redemption and conversion, the liability component of the convertible debentures was carried at amortized cost, which approximated fair value (note 9).

The Company has not classified any assets as available-for-sale or held-to-maturity during the three and nine months ended May 31, 2011 and 2010. The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash and cash equivalents and restricted cash. The Company does not have Level 2 or Level 3 inputs.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
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Three and nine months ended May 31, 2011 and 2010

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## 19. Subsequent events:

(a) CCAA proceedings and notice of appeal of summary judgment motions:

On July 5, 2011, UBS announced that it and its wholly owned subsidiary UBS Wireless Systems Inc. has commenced proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA") and that the court has made an order staying all proceedings against the Company and its directors until August 5, 2011. RSM Richter Inc. (the "Monitor") has been appointed as the Monitor of UBS. Further information with respect to the CCAA proceedings can be found on the Monitor's website at [www.rsmrichter.com](http://www.rsmrichter.com).

The Company has been successful over the past twelve months in significantly reducing operating expenses, settling certain claims and obtaining the reversal of approximately \$1.8 million of awards granted by the Company's prior board in 2009. Notwithstanding these achievements, the approximately \$16.7 million in termination and other payments being pursued in claims against UBS involving, among others, the Plaintiff Group, have precipitated the commencement of proceedings under the CCAA, which the Company views as the best course of action to preserve its assets.

The CCAA proceeding has been commenced to, among other things:

- (i) facilitate the determination and compromise or arrangement of creditor claims against UBS;
- (ii) to permit the company to propose a plan to realize value from the company's accumulated tax losses, public listing and other assets;
- (iii) avert an imminent liquidity crisis being caused by litigation-related expenses that will prevent UBS from continuing to carry on business for the benefit of its stakeholders and defending the proceedings brought by the Plaintiff Group;
- (iv) stay all payables owing by UBS; and
- (v) provide a process to determine the claims being asserted against UBS by the Plaintiff Group in a more cost effective and expeditious manner.

While under protection from its creditors, the Company's board of directors will continue to manage the Company. In addition, UBS will continue to provide certain services to LOOK Communications Inc. pursuant to the management services agreement between the parties.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 19. Subsequent events (continued):

- (b) Motion for summary judgment relating to the indemnification of the Plaintiff Group's legal expenses:

In connection with the claims and counterclaims involving the Plaintiff Group, the court has rendered a decision in connection with motions for summary judgment brought by UBS and the Plaintiff Group relating to the indemnification of the Plaintiff Group's legal expenses by ordering UBS to pay the Plaintiff Group's past legal costs as well as the legal expenses in the litigation on an ongoing basis, including all costs relating to the claims of certain members of the Plaintiff Group for termination payments under certain management services agreements, estimated at \$750 up to April 30, 2011, which have been accrued in the financial statements of UBS.

The Company has appealed the decision of the court in connection with motions for summary judgment brought by UBS and the Plaintiff Group relating to the indemnification of the Plaintiff Group's legal expenses.

- (c) Look's Statement of Claim in connection with the payment of restructuring awards:

On July 6, 2011, Look issued a Statement of Claim (the "Claim") in the Ontario Superior Court of Justice (the "Court") against certain former directors and certain former officers of Look in connection with the payment of approximately \$20 million of "restructuring awards" paid in 2009 (the "Sale Awards"), of which approximately \$15.7 million was paid to the directors and senior officers named in the Claim (or their personal holding companies, as applicable) from the net proceeds of approximately \$64 million realized by Look on the sale of its spectrum licence in 2009. The former officers and directors named in the Claim collectively resigned effective July 21, 2010. None of the allegations in the Claim have been proven before the Court and none of the defendants have filed a statement of defence. Look intends to vigorously pursue its claims against the former directors and former officers named in the Claim (as well as their personal holding companies, as applicable) for payments and decisions which Look believes were not in Look's or its shareholders' best interests.

- (d) GPV Elbau Electronics A/S vs UBS:

On June 17, 2011, The Supreme Court of Denmark gave judgment in favour of UBS and GPV Elbau Electronics A/S has been ordered to pay legal costs to UBS in the amount of DKK 100 (approximately \$19).

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands, except per share amounts)

Three and nine months ended May 31, 2011 and 2010

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## 19. Subsequent events (continued):

(e) UBS' change to Tier 2 TSX listed company:

On July 6, 2011, UBS received notice from the TSX Venture Exchange (the "Exchange") that, in accordance with its Continued Listing Requirements outlined in Exchange Policy 2.5, it would appear that UBS no longer meets the tests related to having a significant interest in a business or primary asset used to carry on business. Effective July 7, 2011, the Exchange issued a bulletin reclassifying UBS to Tier 2 and placed UBS on notice to transfer to NEX, subject to UBS making a submission that it meets all Tier 2 Continued Listing Requirements.

(f) Look's sale of Milton facility:

On March 17, 2011, Look announced that it had entered into an agreement to sell its current head office, network operating centre, and infrastructure in Milton, Ontario. The transaction closed on June 3, 2011 for aggregate consideration of \$3,050. The Company continues to operate from the premises as a tenant on a month-to-month basis.

(g) Look's tax loss carry-forwards:

Due to the Canada Revenue Agency's ("CRA") current interpretation of the tax treatment with respect to the disposition of licences, Look conducted an independent study of its remaining federal non-capital income tax losses, amending the total amount to reflect greater certainty in their deductibility, which may be carried forward to reduce future years' taxable income. As part of this process, Look filed a protective tax election to ensure that no tax liability could occur should the CRA challenge Look's position in regards to the 2007 licence disposition.

# UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

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## **Board of Directors**

Henry Eaton  
Grant McCutcheon  
Robert Ulicki (Chairman of the Board)

## **Officers**

Grant McCutcheon  
Chief Executive Officer

C. Fraser Elliott  
Chief Financial Officer

## **Auditors**

Grant Thornton LLP  
350 Burnhamthorpe Road West  
Suite 401  
Mississauga, Ontario  
L5B 3J1

## **Shareholder inquiries**

UBS Investor Relations  
8250 Lawson Road  
Milton, Ontario  
L9T 5C6  
email: [irinfo@uniquebroadband.com](mailto:irinfo@uniquebroadband.com)

## **Transfer agent**

Equity Transfer & Trust Company  
200 University Avenue, Suite 400  
Toronto, Ontario  
M5H 4H1  
Tel: (416) 361-0152  
Fax: (416) 361-0470

email: [irinfo@equitytransfer.com](mailto:irinfo@equitytransfer.com)

## **Common shares**

The common shares of the Company are listed on the TSX Venture Exchange under the symbol UBS.