

Management's Discussion and Analysis of Financial Condition  
and Results of Operations of

**UNIQUE BROADBAND  
SYSTEMS, INC.**

Three months ended November 30, 2009 and 2008

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## **UNIQUE BROADBAND SYSTEMS, INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Condition and Results of Operations**

(In thousands of dollars, except shares, share-based awards, per share amounts and per subscriber amounts)

For the three months ended November 30, 2009 and 2008

January 19, 2010

#### **1. INTRODUCTION**

The following Management's Discussion and Analysis ("MD&A") relates to the interim unaudited consolidated financial condition of Unique Broadband Systems, Inc. (the "Company") at November 30, 2009 and the consolidated results of operations for the three months ended November 30, 2009 and 2008. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for fiscal 2009 ended on August 31, 2009 and the Company's 2009 MD&A and the audited consolidated financial statements of Look Communications Inc. ("Look") for fiscal 2009 ended August 31, 2009 and Look's 2009 MD&A.

The interim unaudited consolidated financial statements have been prepared by management, on a going concern basis, in accordance with Canadian generally accepted accounting principles with respect to the preparation of interim financial information. The going concern basis of presentation assumes that the Company 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. Look is currently finalizing its plans in respect of its future business operations and the Company has concluded that the going concern basis of accounting is appropriate.

Unless specifically stated, the references to "UBS" include Unique Broadband Systems, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless"), and references to the "Company" include UBS and Look, a company controlled by UBS.

#### **2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A includes forward-looking statements and information concerning the future performance of the Company, its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to our objectives and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements and information are based on current expectations. The Company cautions that all forward-looking statements and information are inherently uncertain and actual results may differ materially from the assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company's control.

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New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or the effect that they may have on the Company. Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) the outcome of litigation, (ii) other risk factors related to the Company's historic business, and (iii) risk factors related to the Company's future operations.

For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see the sections entitled "Overview – Significant Current Events", and "Operating Risks and Uncertainties" below.

Therefore, future events and results may vary significantly from what the Company currently foresees. Readers are cautioned that the forward-looking statements and information made by the Company in this MD&A are stated as of the date of this MD&A, are subject to change after that date, and are provided for the purposes of this MD&A and may not be appropriate for other purposes. We are under no obligation to update or alter the forward-looking statements whether as a result of new information, future events, or otherwise, except as required by National Instrument 51-102, and we expressly disclaim any other such obligation.

### **3. OVERVIEW**

#### **Significant Current Events**

##### **(a) 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") for the sale of its spectrum and broadcast licence, Look received the full consideration of \$80,000 due from Inukshuk. In accordance with the Agreement, Inukshuk has requested that Look support an application by Inukshuk to the Canadian Radio-Television and Telecommunications Commission ("CRTC") for the grant of a licence under the *Broadcasting Act*.

The Company recorded transaction charges of \$61 during the quarter related to the sale of the spectrum and broadcast licence to Inukshuk.

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(b) Restructuring

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

	Site restoration and contract termination charges	Human resource restructuring charges	Total restructuring amounts
<b>Accrued restructuring liabilities</b>			
Balance as at August 31, 2009	\$ 204	\$ 2,110	\$ 2,314
Expensed in first quarter 2010	401	-	401
Paid in first quarter 2010	(430)	(2,108)	(2,538)
Balance as at November 30, 2009	\$ 175	\$ 2	\$ 177

	Site restoration and contract termination charges	Human resource restructuring charges	Total restructuring amounts
<b>Accrued restructuring liabilities due to related parties<sup>(1)</sup></b>			
Balance as at August 31, 2009	\$ -	\$ 22,934	\$ 22,934
Expensed in first quarter 2010	-	32	32
Paid in first quarter 2010	-	(17,224)	(17,224)
Balance as at November 30, 2009	\$ -	\$ 5,742	\$ 5,742

<sup>(1)</sup>See the section entitled "Related Party Transactions".

During the quarter ended November 30, 2009, the Company expensed \$433 to restructuring charges as noted above. As of November 15, 2009, Look is no longer offering service to any subscribers and as of December 31, 2009, Look has decommissioned its wireless network. Look is continuing to pursue opportunities to sell its remaining two material non-cash assets, which include:

- (i) Tax Assets – Approximately \$360,000 in tax assets; and
- (ii) Milton Property – The Company's current head office, Look's network operating centre and infrastructure in Milton, Ontario.

Look expects that substantially all of the charges and activities related to the ongoing restructuring process such as site shut down will be completed by the end of the second quarter of fiscal 2010.

(c) Income Taxes and the Corporate Reorganization Plan

As a result of the sale of the spectrum and broadcast licences and the restructuring of the business, the cumulative eligible capital pool has been converted to a non-capital loss and is included in the table below with an expiry date of December 31, 2029.

Look has the following federal non-capital income tax losses, which may be carried forward to reduce future years' taxable income. These losses will expire in the taxation years ending December 31 as follows:

<b>Year of expiry</b>	<b>Amount</b>
2010	\$184,303
2014	12,588
2015	55
2026	403
2028	13,539
2029	149,598
<b>Total</b>	<b>\$360,486</b>

## **Our Company**

UBS (TSX Venture: UBS) is a publicly listed Canadian company that has a 51.8% equity interest, on a fully diluted basis, in Look (TSX Venture: LOK and LOK.A) and other assets.

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 and sold its manufacturing business.

During fiscal 2009, Look entered into various transactions involving the sale of certain businesses and assets and, as a result, as of November 15, 2009 Look is no longer providing any services to subscribers and as of December 31, 2009, Look has decommissioned its wireless network. Look is currently finalizing its plans in respect of its future business operations and the Company has concluded that the going concern basis of accounting is appropriate.

The UBS head office is located in Milton, Ontario and UBS currently has six employees. Look's registered office is located in Toronto, Ontario and Look currently has six employees.

## **Our Strategy**

UBS' strategy is to maximize the value of its controlling interest in Look. Subsequent to the sale of Look's operating assets, Look will continue to operate as a public entity and as Look finalizes its strategic direction, Look and the Company will disclose this to shareholders.

## **4. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

### **Continuing Operations**

Effective November 30, 2003, UBS received final approval from the CRTC to acquire control of Look, which it did at the end of December 2003. Look, on a fully diluted basis, is currently a 51.8%-owned subsidiary of UBS and is consolidated for financial reporting purposes. UBS' share ownership in Look will fluctuate as convertible debentures previously issued by Look are converted into multiple and subordinate voting shares and interest obligations in connection with these convertible debentures are settled in subordinate voting shares. If all debentures are converted, UBS will have the ability to control at least 51% of Look by the conversion of its debentures. As the Company has the ability to maintain control by converting these securities at any time, UBS continues to consolidate its interest in Look.

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## **Discontinued Operations**

During the second quarter of fiscal 2004, UBS' divestiture of its Engineering and Manufacturing Business resulted in the reclassification of that business as "Discontinued Operations". Accordingly, all revenues and costs associated with that business and the divestiture have been reclassified from September 1, 2003 as "Discontinued Operations" in the Consolidated Statement of Operations and Deficit and the Consolidated Cash Flow Statement.

During the first quarter of fiscal 2009, Look sold its web hosting and domain name business. As a result, the Company has included from this business the gross margin in discontinued operations.

## **Consolidated Financial Statements**

The consolidated financial statements include the accounts of UBS' controlled subsidiary, Look, and UBS' wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

In accordance with the CICA Handbook Section 1600, *Consolidated Financial Statements*, when the losses applicable to the non-controlling interest in Look exceed the non-controlling interest's carrying value in Look, which occurred during the third quarter of fiscal 2008, the excess and any further losses will be fully absorbed by the Company. Subsequent earnings recorded by Look will be allocated entirely to the Company's interest until such previously absorbed losses are recovered, which occurred during the third quarter of fiscal 2009.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

Management's discussion and analysis of operating results and financial condition are made with reference to the Company's interim unaudited consolidated financial statements and notes thereto, which have been prepared in accordance with Canadian GAAP.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Company's financial statements, and the reported amount of revenues and expenses during the period. These estimates are based on management's historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported amounts of revenues, expenses, assets, and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The Company has identified the accounting policies and estimates in note 2 to its 2009 annual audited consolidated financial statements as critical to the understanding of its business operations. Where deemed significant, the impact and any associated risks related to these policies on its business operations are discussed throughout this MD&A.

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The Audit and Corporate Governance Committee of the Board of Directors reviews the Company's accounting policies as well as all quarterly and annual filings and recommends the eventual approval of the Company's quarterly and annual financial statements to the Company's Board of Directors.

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 except short-term investments as noted below:

#### Short-Term Investments

Short term investments include variable rate guaranteed investment certificates with original maturities of less than 365 days. Short-term investments held during the period have been classified as held-for-trading instruments.

#### Recent Accounting Pronouncement

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

The CICA plans to converge Canadian GAAP with IFRS. The Company will be required to adopt IFRS effective September 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements is in the process of being evaluated and is not yet determinable as the Company is currently evaluating its plans for future operations. The Company's first reporting period under IFRS will be for the first interim period of the year ending August 31, 2012.

### 6. KEY PERFORMANCE INDICATORS

The Company has measured the success of its strategies using a number of key performance indicators. Following the sale of Look's spectrum, broadcast licence, web hosting, domain name registration, and Internet businesses, and the upcoming determination of Look's future business operations, the Company plans to revise its key performance indicators to reflect the then-current nature of the ongoing operations.

The Company has disclosed in its Management's Discussion and Analysis for the years ended August 31, 2009 and 2008 its current Key Performance Indicators which have not changed during the quarter ended November 30, 2009.

### 7. RESULTS OF OPERATIONS

Highlights of the results for the three months ended November 30, 2009 include the following:

- As of November 15, 2009, Look no longer provides any services to subscribers and as a result, as at November 30, 2009, Look has no subscribers.
- As of December 31, 2009, Look has decommissioned its wireless network across the Provinces of Ontario and Quebec.

- For the three months ended November 30, 2009, service revenue from continuing operations was \$434 compared to \$3,537 for the three months ended November 30, 2008. Gross margin from continuing operations decreased from 46.5% to 2.1% during the quarter primarily as a result of the sale of the Internet business effective August 20, 2009 and the termination of Look's Broadcast Service business effective November 15, 2009.
- At November 30, 2009, the Company held cash and cash equivalents and short-term investments of \$42,147 compared to \$17,389 at August 31, 2009. The increase is due primarily to the receipt of the full consideration of \$80,000 due from Inukshuk partially offset by the payment of Look's restructuring charges.
- Look reduced its total headcount from 63 full-time and part-time employees at August 31, 2009 to its current level of six employees.

## Continuing Operations

### Service and Sales Revenue

A summary of service and sales revenue, carrier charges and cost of sales, and gross margin percentage for the quarter by major service are set out in the following table:

	Three months ended November 30,					
	2009			2008		
	Revenue	Carrier Charges and Cost of Sales	Gross Margin	Revenue	Carrier Charges and Cost of Sales	Gross Margin
<b>Service</b>						
Broadcast Service	\$ 434	\$ 425	2.1%	\$ 1,796	\$1,058	41.1%
Internet Service	—	—	—	1,702	823	51.6%
Other Service	—	—	—	39	10	74.4%
	<b>434</b>	<b>425</b>	<b>2.1%</b>	<b>3,537</b>	<b>1,891</b>	<b>46.5%</b>
Sales and Installations	—	—	—	51	49	—
<b>Total</b>	<b>\$434</b>	<b>\$ 425</b>		<b>\$3,588</b>	<b>\$1,940</b>	

### Total Revenue and Gross Margin

Total service and sales revenue from continuing operations for the three months ended November 30, 2009 of \$434 was \$3,154 or 87.9% lower than the three months ended November 30, 2008. This was due primarily to the sale of the Internet business effective August 20, 2009 and the termination of Look's Broadcast Service business effective November 15, 2009.

Gross margin for the three months ended November 30, 2009 declined to 2.1% (2008 – 46.5%). This was due to the winding down of Look's Broadcast Service business during the quarter.

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## Broadcast Service

The decrease in Broadcast Service revenue for the three months ended November 30, 2009 of \$1,362 over the three months ended November 30, 2008 and the decrease in gross margin for the three months ended November 30, 2009 to 2.1% (2008 – 41.1%) were primarily due to Look's restructuring plan and the termination of Look's Broadcast Service business effective November 15, 2009. As a result of the termination, there were no broadcast subscribers at November 30, 2009.

## Internet Service

There was no revenue or gross margin from Internet Service for the three months ended November 30, 2009 as a result of the sale of the Internet business effective August 20, 2009. Revenue and gross margin for the comparable period one year prior were \$1,702 and 51.6% respectively. As a result of the sale, there were no Internet subscribers at November 30, 2009.

## Other Service

A nominal amount of revenue from the continuing operation of Other Service including, amongst other things, co-location and administrative services, was recognized during the three months ended November 30, 2009 relative to \$39 for the three months ended November 30, 2008.

## Sales and Installation

There was no revenue derived from Sales and Installations for the three months ended November 30, 2009 (2008 - \$51). This was the result of the sale of Look's Internet and Broadcast businesses during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010 respectively.

## Operating Expenses

	Three months ended November 30,	
	2009	2008
Customer care	\$ 231	\$ 345
Engineering and operations	615	699
General and administration	1,706	2,387
Restructuring charges	433	-
Total before amortization of property and equipment and deferred charges	2,985	3,431
Amortization of property and equipment and deferred charges	115	1,156
Total operating expenses	\$ 3,100	\$ 4,587

## Customer Care

Customer care expenses, which concluded in December 2009, are primarily salaries and benefits associated with the operation of the call center for both technical and service support.

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For the three months ended November 30, 2009, customer care expenses declined to \$231 compared to \$345 for the three months ended November 30, 2008 primarily as a result of the restructuring of Look's business.

### **Engineering and Operations**

Engineering and operations expenses in Look's digital broadcast television distribution activities include the costs associated with operating and maintaining the broadcast distribution head-end facilities where television and audio signals are received, digitally encoded, and distributed to transmission sites. These expenses also include costs related to the network and transmission towers through which digital signals are transmitted via microwave to subscribers and the costs of providing services to the subscribers.

Engineering and operations expenses in Look's Internet Service activities consist primarily of the costs of the telecommunications facilities necessary to provide service to subscribers and the operation and maintenance of network servers. Telecommunications facilities costs include: (i) the costs of providing local telephone lines into each Look-owned point of presence; (ii) the cost of leased lines into non-Look owned ports and related facilities charges; and (iii) the cost of connecting Look's hub to the Internet backbone. Network server costs include the costs of contracts for software and hardware support with third parties.

For the three months ended November 30, 2009, engineering and operations expenses declined to \$615 compared to \$699 for the three months ended November 30, 2008.

As of December 31, 2009, the Engineering and operations department had decommissioned the Corporation's wireless network across the Provinces of Ontario and Quebec.

### **General and Administration**

General and administration expenses include administrative salaries, human resources, general occupancy, information technology, professional fees, and other administrative overheads for the Company. Costs relating to information technology, that comprise the development and maintenance of Look's customer service and billing systems, are also included. Some of these costs are variable and fluctuate with changes in the customer base.

A summary of the key components of general and administration expenses is set out below:

	<b>Three months ended November 30,</b>	
	<b>2009</b>	<b>2008</b>
Compensation and benefits	<b>\$ 760</b>	\$ 954
Professional fees	<b>643</b>	1,009
Office and general	<b>303</b>	424
<b>Total general and administrative expenses</b>	<b>\$ 1,706</b>	<b>\$ 2,387</b>

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For the three months ended November 30, 2009, general and administration expenses were \$1,706, compared to \$2,387 for the three months ended November 30, 2008. The decrease in general and administrative expenses for the quarter was due primarily to the restructuring undertaken by Look following the sale of the spectrum and broadcast licence (see the section entitled “Overview – Significant Current Events”).

### **Restructuring**

As a result of the sale of Look’s spectrum and broadcast licence to Inukshuk and the resulting restructuring of its business, the Company has recorded restructuring charges of \$433 during the quarter ended November 30, 2009 which include, among other things, site restoration charges, contract termination charges, interest on accrued restructuring liabilities and equipment disposition charges (see section entitled “Overview – Significant Current Events - Restructuring”).

### **Amortization of Property and Equipment and Deferred Charges**

For the three months ended November 30, 2009, amortization of property and equipment was \$115 (2008 - \$1,147) and no amortization of deferred financing charges was recognized (2008 - \$9).

### **Interest and Financing Charges**

	Three months ended November 30,	
	2009	2008
Accretion on liability component of convertible debentures	\$ (31)	\$ (30)
Interest and finance charges	(50)	(51)
Interest income	39	36
Total	\$ (42)	\$ (45)

For the three months ended November 30, 2009, \$31 (2008 – \$30) was recorded as the accretion on the liability component of the convertible debentures and \$50 (2008 – \$51) was recorded in interest expense related primarily to mortgage financing. The interest and financing charges were partially offset by \$39 (2008 – \$36) in interest income recognized on liquid assets. The increase in interest income was driven primarily by an increase in the principal amount of cash and cash equivalents and short-term investments held by the Company, partially offset by lower rates of interest.

### **Non-controlling interest**

Non-controlling interest in the consolidated balance sheets of the Company represents the non-controlling interest in both the equity in Look and equity component of convertible debentures in Look. Reported operating losses of Look are allocated to the non-controlling interest at 49% but are limited to the extent of any remaining non-controlling interest in the equity of Look. During the third quarter of fiscal 2008, the non-controlling interest in Look's equity was eliminated and, in accordance with the accounting treatment described above, the Company absorbed losses incurred by Look in excess of its 51% interest in Look amounting to \$1,717 as at August 31, 2008.

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Since Look generated income during quarter one of fiscal 2009, the Company recovered \$881 of the excess losses previously absorbed during the quarter ended November 30, 2008.

### Discontinued Operations

During the first quarter of fiscal 2009, Look sold its web hosting and domain name business which is accounted for as a discontinued operation. As a result, the Company has restated its comparative numbers.

A summary of revenue, carrier charges and cost of sales and gross margin percentage generated by the discontinued operations is set out in the table below:

	Three months ended November 30,					
	2009			2008		
	Revenue	Carrier Charges and Cost of Sales	Gross Margin	Revenue	Carrier Charges and Cost of Sales	Gross Margin
Web Hosting and Domain Name Business	\$ –	\$ –	\$ –	\$520	\$189	\$331

The income from discontinued operations for the quarter ended November 30, 2009 was \$78 and related to an adjustment to the gain on the sale of the web hosting and domain name business. The income from discontinued operations for the quarter ended November 30, 2008 of \$4,531 includes web hosting and domain name gross margin of \$331, and a gain on the sale of the web hosting and domain name business of \$4,200.

### Income (Loss) and Comprehensive Income (Loss)

The loss and comprehensive loss for the three months ended November 30, 2009 amounted to \$1,635 or \$0.02 per share (basic and diluted), compared with income and comprehensive income of \$1,549 or \$0.02 per share (basic and diluted) for the three months ended November 30, 2008.

## 9. QUARTERLY FINANCIAL RESULTS

The table below sets out restated financial information for the past eight quarters.

	2010	2009				2008		
	Nov 30	Aug 31 <sup>(3)</sup>	May 31 Restated <sup>(3)</sup>	Feb 28	Nov 30	Aug 31	May 31	Feb 29
Revenue <sup>(1)</sup>	\$ 434	\$2,507	\$3,096	\$3,327	\$3,588	\$3,905	\$4,095	\$4,357
Carrier charges and cost of sales <sup>(1)</sup>	425	1,071	2,470	1,814	1,940	2,090	2,280	2,349
Gross margin <sup>(1)</sup>	9	1,436	626	1,513	1,648	1,815	1,815	2,008
Operating expenses before amortizations and impairment	2,552	28,181 <sup>(2)</sup>	3,918	4,270	3,431	3,890	3,105	3,440
Interest, taxes, depreciation, amortization, impairment, gain on disposition of spectrum and broadcast licence, gain on sale of Internet business, loss on settlement of litigation, and gain/loss on disposition of property and equipment	(651)	1,724	72,899 <sup>(2)</sup>	(943)	(1,199)	(1,281)	(1,386)	(1,347)
Income (loss) from continuing operations before non-controlling interest	(3,194)	(25,021)	69,607	(3,700)	(2,982)	(3,356)	(2,676)	(2,779)
Non-controlling interest	1,519	9,002	(30,466)	65	-	(101)	193	1,212
Income (loss) from continuing operations	(1,675)	(16,019)	39,141	(3,635)	(2,982)	(3,457)	(2,483)	(1,567)
Income (loss) from discontinued operations <sup>(1)</sup>	40	(300)	-	-	4,531	514	504	293
Income (loss) for the period <sup>(1)</sup>	(1,635)	(16,319)	39,141	(3,635)	1,549	(2,943)	(1,979)	(1,274)
<b>Continuing Operations</b>								
Basic income(loss) per share	(0.02)	(0.16)	0.38	(0.04)	(0.03)	(0.03)	(0.02)	(0.02)
Diluted income per share	(0.02)	(0.16)	0.36	(0.04)	(0.03)	(0.03)	(0.02)	(0.02)
<b>Discontinued Operations</b>								
Basic income per share	-	-	-	-	0.04	0.01	0.01	0.00
Diluted income per share	-	-	-	-	0.04	0.01	0.01	0.00
<b>Income (loss) per share</b>								
Basic	(0.02)	(0.16)	0.38	(0.04)	0.01	(0.02)	(0.01)	(0.02)
Diluted	(0.02)	(0.16)	0.36	(0.04)	0.01	(0.02)	(0.01)	(0.02)

<sup>(1)</sup> Revenue, carrier charges and cost of sales and gross margin include items from continuing operations only. Revenue, carrier charges and cost of sales and gross margin from the web hosting and domain name business that was sold by Look during the first quarter of fiscal 2009 have been reclassified as discontinued operations.

<sup>(2)</sup> During the third quarter of fiscal 2009, as a result of Look's sale of its spectrum and broadcast licence to Inukshuk for consideration of \$80,000, the Company recorded a gain of \$78,106 from the sale, an impairment of its property and equipment in the amount of \$2,542, a charge of \$5,457 related to the settlement of its Bell litigation and a gain of \$4,000 on the settlement of litigation with Inukshuk et al.

<sup>(3)</sup> Effective May 31, 2009, the Company's Boards of Directors approved human resource restructuring charges of \$25,300 which were recognized in the interim financial statements for the quarter ended May 31, 2009. However, in accordance with the relevant accounting guidance, the Company restated \$25,300 of human resource restructuring charges from the third quarter to the fourth quarter of fiscal 2009 as the formal approval and communication criteria were not satisfied until the fourth quarter of fiscal 2009. As a result, income for the third quarter of fiscal 2009 increased from \$23,641 to \$39,141 and the loss for the fourth quarter of fiscal 2009 increased from \$819 to \$16,319. The impact on income per share was an increase of \$0.15 per share in the third quarter of fiscal 2009 and a decrease of \$0.15 per share in the fourth quarter of fiscal 2009.

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## 10. LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents and short-term investments of \$42,147 at November 30, 2009 compared with cash and cash equivalents of \$17,389 at August 31, 2009. Cash and cash equivalents consists of all bank balances and, from time to time, highly liquid short-term guaranteed investment certificates with original maturities of less than 90 days. Short term investments include variable rate guaranteed investment certificates with original maturities of less than 365 days. The certificates bear interest at the rate of prime minus 1.75% and are fully redeemable at any time by the Company at its discretion. The overall increase is due primarily to the receipt of the full consideration of \$80,000 due from Inukshuk partially offset by the payment of Look's accrued restructuring liabilities.

The change in cash and cash equivalents is summarized as follows:

	Three months ended November 30,	
	2009	2008
<b>Cash flows provided by (used in):</b>		
Operating activities – continuing operations	\$ (25,238)	\$ (2,068)
Operating activities – discontinued operations	78	507
Cash flows used in operating activities	(25,160)	(1,561)
Financing activities	-	-
Investing activities – continuing operations	13,880	(7)
Investing activities – discontinued operations	-	1,957
	13,880	1,950
Net cash used in continuing operations	(11,358)	(2,075)
Net cash provided by discontinued operations	78	2,464
Increase (decrease) in cash and cash equivalents	\$ (11,280)	\$ 389

Cash used in operating activities of the continuing operations for the three months ended November 30, 2009 was \$25,238 compared to cash used of \$2,068 for the comparative period in fiscal 2009. The change was due primarily to the payment by Look of accrued restructuring liabilities during the first quarter of fiscal 2010.

Cash provided by investing activities of the continuing operations for the quarter ended November 30, 2009 was \$13,880 compared to cash used of \$7 for the same period in fiscal 2009. This resulted mainly from the receipt of the final \$50,000 of consideration from the sale of the spectrum and broadcast licence to Inukshuk, offset partially by \$36,000 of short-term investments purchased. Cash provided by investing activities of the discontinued operations for the three months ended November 30, 2008 was \$1,957 and related to the sale of the web hosting and domain name business.

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The mortgage payable of \$1,800 bears interest at 10% per annum and matures on March 1, 2010. The mortgage is collateralized by a general security agreement over the assets at Look's Milton, Ontario premises, and a first legal charge over Look's land and building.

The Company's working capital surplus at November 30, 2009 was \$32,343 compared with \$35,286 at August 31, 2009. The change in working capital is primarily related to the loss from continuing operations incurred by the Company during the quarter.

## **11. SHARE CAPITAL**

As at November 30, 2009 and August 31, 2009, UBS had issued 102,747,854 Common Shares issued and outstanding, and there were options outstanding to acquire 15,891,000 Common Shares of UBS.

In determining diluted loss per share for the quarter ended November 30, 2009, the weighted average number of shares outstanding was not increased for stock options outstanding as the impact would have been anti-dilutive.

As at January 19, 2010, there were no changes to the issued and outstanding shares and there were 15,779,000 options outstanding to acquire Common Shares.

## **12. STOCK BASED COMPENSATION**

During the quarter ended November 30, 2009, there were no stock options granted and UBS recorded stock-based compensation expense of \$9 (November 30, 2008 - \$58) related to options issued to employees and \$28 (November 30, 2008 - \$7) related to options issued to non-employees, which has been recorded in contributed surplus.

There were no Share Appreciation Rights units issued during the quarter and none were outstanding as at November 30, 2009 and January 19, 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.

The Company recorded the following related party transactions in the quarter:

	Accrued Restructuring Liabilities			
	Balance at August 31, 2009	Interest accrued <sup>(3)</sup>	Paid by Look <sup>(4)</sup>	Balance at November 30, 2009 <sup>(5)</sup>
Jolian Investments Ltd <sup>(1)</sup>	\$ 7,366	\$ 10	\$ 5,566	\$ 1,810
DOL Technologies Inc. <sup>(2)</sup>	5,481	9	3,951	1,539
UBS directors and management	2,675	13	295	2,393
Total	\$ 15,522	\$ 32	\$ 9,812	\$ 5,742

<sup>(1)</sup> Jolian Investments Ltd. is a company controlled by the Chairman and Chief Executive Officer of the Company. Fees charged to general and administration expenses in the first quarter of 2010 amounted to \$143 (2009 - \$151).

<sup>(2)</sup> DOL Technologies Inc. is a company controlled by the Chief Technology Consultant of the Company. Fees charged to general and administration expenses in the first quarter of 2010 amounted to \$119 (2009 - \$125).

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

<sup>(4)</sup> In addition to the amounts paid by Look noted above, at August 31, 2009, Look had accrued \$7,412 in respect of accrued contingent payments due to other Look related parties that it paid during the first quarter of 2010.

<sup>(5)</sup> The accrued restructuring liabilities payable by UBS at November 30, 2009 are contingent upon adequate cash resources being received by UBS.

### 14. OPERATING RISKS AND UNCERTAINTIES

#### Capital risk management

The Company manages its capital to maximize value to shareholders and other stakeholders. The Company's capital structure includes cash and cash equivalents, accounts receivable and other receivables, short-term investments, short-term receivable due from Inukshuk, long-term debt due within one year, convertible debentures, and equity consisting of share capital, contributed surplus and deficit.

The Company is not subject to externally-imposed capital requirements. The Company's overall strategy with respect to capital risk management is to hold low-risk highly-liquid cash accounts and short-term investments.

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## Financial risk management

### (a) Overview:

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

### (b) Credit risk:

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

As at November 30, 2009, the Company had a nominal amount of past due accounts receivable from subscribers (August 31, 2009 - \$174 of past due accounts receivable and an allowance for doubtful accounts of \$86).

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

### (c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due. At November 30, 2009, the Company has a working capital surplus of \$32,343 (August 31, 2009 - \$35,286).

Effective December 31, 2006, Look may redeem the convertible debentures in certain circumstances at a price equal to par plus accrued and unpaid interest up to, but not including, the date of redemption. Look has the option to settle its obligation and repay the principal by issuing shares of Look.

The mortgage payable bears interest at the rate of 10% per annum and matures on March 1, 2010.

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(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments. Prior to the Company's restructuring process, the Company'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 was, however, exposed to currency risk for purchases that were denominated in foreign currencies. The Company believes this risk was minimal and had not entered into any currency hedging transactions.

The Company is subject to interest rate risk on its cash and cash equivalents and short-term investments. The Company estimates that for each 1% change in the interest rate earned on its cash holdings and its short-term investments at November 30, 2009, interest income will increase or decrease by approximately \$60 per annum and \$360 per annum respectively.

The Company may also be subject to interest rate risk on its mortgage payable which bears interest at the rate of 10% per annum. A 1% increase or decrease in the interest rate charged on the mortgage is expected to impact net income, either positively or negatively respectively, by \$18 per annum.

(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, restricted cash, short-term investments, accounts receivable and other receivables, short-term receivable due from Inukshuk, 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) The long-term debt, due within one year is carried at amortized cost, which approximates fair value; and,
- (iii) The liability component of the convertible debentures is carried at amortized cost, which approximates fair value.

(f) Classification of financial instruments:

- (i) Short-term investments, accounts receivable and other receivables, short-term receivable due from Inukshuk, 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

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(iii) Long-term debt due within one year and the liability component of convertible debentures are measured at amortized cost.

The Company has not classified any assets as available-for-sale or held-to-maturity during the quarter ended November 30, 2009 or the year ended August 31, 2009.

## **15. CONTINGENCIES**

(a) Craig Wireless International Inc. ("Craig Wireless"):

On February 19, 2004, Craig Wireless filed a statement of claim against the Company before the Ontario Superior Court of Justice. In its action, Craig Wireless claims that Look conducted its affairs in a manner that was oppressive and unfairly prejudicial to Craig Wireless and requests damages in the aggregate amount of \$12,000 and numerous sanctions against the Company and other parties. During December 2009, Look and UBS exchanged Affidavits of Documents with Craig Wireless.

The Company believes that the entire claim is without merit and intends to vigorously defend itself. Accordingly, no accrual has been recorded in the accounts for this claim.

(b) Border Broadcasters:

Look and Border Broadcasters executed a final settlement agreement to their ongoing litigation on August 17, 2009. During the quarter ended November 30, 2009 Look paid \$1,000 to Border Broadcasters for complete settlement of all claims.

(c) In the normal course of its operations, the Company may be subject to other litigations and claims. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the results of operations, financial position or liquidity of the Company.

(d) The Company indemnifies its directors, officers and employees against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

(e) Refer to the 2009 annual financial statements for the contingencies related to other litigation involving the Company.

## **16. ADDITIONAL INFORMATION**

Additional information regarding the Company's financial statements and corporate documents is available on SEDAR at [www.sedar.com](http://www.sedar.com).