

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

**UNIQUE BROADBAND  
SYSTEMS, INC.**

Three and six months ended February 28, 2010 and 2009

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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 and per share amounts)  
For the three and six months ended February 28, 2010 and 2009

April 22, 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 February 28, 2010 and the consolidated results of operations for the three and six months ended February 28, 2010 and 2009. 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 and the notes thereto 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.

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 expected future events, 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 future results, conditions, actions or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or 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) tax-related matters (including possible legislation affecting income trust usage of tax losses), (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments, (iv) business integrations and internal reorganizations, (v) process risks, (vi) health, safety, and environmental developments, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) other risk factors related to the Company's historic business, and (x) 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) Management Service Agreement**

On April 22, 2010, Look's Board of Directors notified UBS that it will not be recommencing the Management Services Agreement ("MSA") on May 19, 2010. Accordingly, the MSA will expire on May 19, 2012 or such earlier date that is mutually agreed to by Look and UBS. Look's remaining liability to UBS for annual fees as of May 19, 2010 will be \$4,800 of which \$2,400 has already been prepaid.

##### **(b) Convertible Debentures**

On April 22, 2010 Look's Board of Directors announced that it will redeem all of its outstanding 7% convertible debentures for cash on May 25, 2010. The outstanding principal amount of the convertible debentures, including those held by UBS, is currently \$4,154.

A Notice of Redemption will be mailed to all convertible debenture holders on April 23, 2010. All convertible debentures outstanding on May 25, 2010 will be redeemed by Look for cash, at a price equal to the principal amount of the convertible debentures plus accrued and unpaid interest to May 24, 2010. The convertible debentures were issued by Look in February 2004 pursuant to a rights offering. Since January 1, 2007, Look has had the right to redeem the convertible debentures.

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Holders of the convertible debentures have the right to convert the debentures into Look's Multiple Voting Shares and Subordinate Voting Shares, in accordance with the terms and conditions of the Trust Indenture, on the basis of one-half of a Multiple Voting Share and one-half of a Subordinate Voting Share for every \$0.075 principal amount of the convertible debentures. In order to convert debentures into shares of Look, holders must deliver to Computershare Trust Company of Canada, the trustee for the convertible debentures, their debenture certificates with a duly-completed conversion form by 5:00 pm (eastern time) on May 11, 2010.

(c) Plan of Arrangement

On April 22, 2010, Look's Board of Directors announced that it will apply to the Ontario Superior Court of Justice for an Initial Order authorizing it to hold a special meeting of shareholders. The meeting is being sought under the *Canada Business Corporations Act (Section 192)*, to consider a proposed Court process with a view to:

- (i) an orderly sale of Look's remaining property (not including its cash and tax attributes); and
- (ii) providing shareholders with the option of receiving their initial distribution of available cash, net of reserves, by way of either a return of capital or dividend as elected by each shareholder.

Should the Court grant the Initial Order, a special meeting of Look's shareholders will be held. Look's shareholders would be asked to approve the Arrangement Resolution under the Plan of Arrangement, which includes the return of capital and reduction of stated capital for Look's Multiple and Subordinate Voting Shares. The Plan of Arrangement also contemplates releases, whereby parties with possible indemnity claims against Look will be barred from asserting such claims in exchange for a Court ordered release, subject to specified exemptions, in favour of those same parties by, among others, former and current shareholders.

Look's Board of Directors has decided that, in addition to requiring approval of at least two-thirds of the eligible votes cast by shareholders, the Plan of Arrangement will only proceed if the Arrangement Resolution is approved by a majority of eligible votes cast by shareholders other than UBS and other released parties.

If the shareholders approve the Arrangement Resolution, Look will return to Court to obtain an Interim Approval Order approving, among other things, the elements of the Plan of Arrangement, including the Sales, Claim Identification, and Distribution Processes therein and the appointment of Grant Thornton Limited, as the Monitor.

At various times during the process, Look will return to Court for, among other things, approval of the sale of the Milton property and the distribution of available cash, net of reserves, to shareholders. No other Look shareholder approvals will be necessary or sought after the special meeting of shareholders.

UBS has indicated its support for the Plan of Arrangement process and has entered into a Conversion Agreement with Look whereby UBS has agreed to use all reasonable efforts to convert only such portion of its convertible debentures into shares so as to ensure that it will hold less than 50% of the votes attached to the shares of Look on a fully-diluted basis and redeem or sell its remaining convertible debentures in order to preserve Look's tax attributes.

At the conclusion of the Plan of Arrangement and following distribution of available cash, net of reserves, to shareholders, Look will apply to have its Multiple and Subordinate Voting Shares de-listed but will remain a public company with approximately \$360,000 in tax attributes, which Look will continue to attempt to monetize.

(d) 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 (“Bell”)) for the sale of its spectrum and broadcast licence (“Agreement”), 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 for the grant of a licence under the *Broadcasting Act*.

(e) 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 first and second quarters 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)
<b>Balance as at November 30, 2009</b>	<b>175</b>	<b>2</b>	<b>177</b>
Expensed in second quarter 2010	278	(2)	276
Paid/reversed in second quarter 2010	(393)	-	(393)
<b>Balance at February 28, 2010</b>	<b>\$ 60</b>	<b>\$ -</b>	<b>\$ 60</b>

	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)
<b>Balance as at November 30, 2009</b>	<b>-</b>	<b>5,742</b>	<b>5,742</b>
Expensed in second quarter 2010	-	32	32
Paid/reversed in second quarter 2010	-	-	-
<b>Balance at February 28, 2010</b>	<b>\$ -</b>	<b>\$ 5,774</b>	<b>\$ 5,774</b>

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

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During the quarter ended February 28, 2010, the Company expensed \$308 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 Attributes – Approximately \$360,000 in tax attributes; and
- (ii) Milton Property – The Company’s current head office, Look’s network operating centre and infrastructure in Milton, Ontario (see the section entitled “Overview – Significant Current Events – Plan of Arrangement”).

Look believes that substantially all of the charges and activities related to the restructuring process have been recognized and performed.

(f) 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	156,306
<b>Total</b>	<b>\$367,194</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.

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On April 22, 2010, Look announced that it was applying to the Ontario Superior Court of Justice for an Initial Order authorizing it to hold a special meeting of shareholders. The meeting is being sought under the *Canada Business Corporations Act (Section 192)*, to consider a proposed Court process with a view to:

- (i) an orderly sale of Look's remaining property (not including its cash and tax attributes); and
- (ii) providing shareholders with the option of receiving their initial distribution of available cash, net of reserves, by way of either a return of capital or dividend as elected by each shareholder.

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. Look is continuing to pursue opportunities to sell its remaining two material non-cash assets as discussed in the section entitled "Overview – Significant Current Events – Restructuring" during which time Look will invest its existing cash in short-term liquid investments, the income from which will be tax sheltered (see the section entitled "Overview – Significant Current Events – Plan of Arrangement").

## **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.

### **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.

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## **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.

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.

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## Recent Accounting Pronouncement

### (a) 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 as disclosed in its MD&A for the years ended August 31, 2009 and 2008.

## 7. RESULTS OF OPERATIONS

Highlights of the results for the three and six months ended February 28, 2010 and 2009 include the following:

- As of November 15, 2009, Look no longer provided any services to subscribers and as a result, as at November 30, 2009, Look had no subscribers.
- For the six months ended February 28, 2010, service revenue from continuing operations was \$434 compared to \$6,821 for the three months ended February 28, 2009. Gross margin from continuing operations decreased from 46.3% to 2.1% during the six months 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 February 28, 2010, the Company held cash and cash equivalents and short-term investments of \$4,563 and \$33,075 compared to \$17,389 and nil 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, amongst other things, the payment of Look’s accrued restructuring charges and the legal settlement paid to Bell.
- As of December 31, 2009, Look had decommissioned its wireless network across the Provinces of Ontario and Quebec. As part of the restructuring process (see the section entitled “Overview – Significant Current Events”), Look has terminated all leases and restored all sites related to the broadcast and internet businesses and does not expect any significant ongoing commitments related to this process.
- Look reduced its total headcount from 21 full-time and part-time employees at November 30, 2009 to its current level of six.

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## Continuing Operations

### Service Revenue

A summary of revenue, carrier charges and cost of sales, and gross margin percentage from continuing operations by major service is set out in the following tables:

	Three months ended February 28, 2010			Three months ended February 28, 2009		
	Revenue	Carrier Charges and Cost of Sales	Gross Margin	Revenue	Carrier Charges and Cost of Sales	Gross Margin
<b>Service</b>						
Broadcast Service	-	-	-	\$ 1,649	\$ 953	42.2%
Internet Service	-	-	-	1,594	805	49.5%
Other Service	-	-	-	41	11	73.2%
<b>Total Service</b>	-	-	-	3,284	1,769	46.1%
Sales and Installations	-	-	-	43	45	
<b>Total</b>	-	-	-	\$3,327	\$1,814	

	Six months ended February 28, 2010			Six months ended February 28, 2009		
	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%	\$ 3,445	\$2,011	41.6%
Internet Service	-	-	-	3,296	1,628	50.6%
Other Service	-	-	-	80	21	73.8%
<b>Total Service</b>	434	425	2.1%	6,821	3,660	46.3%
Sales and Installations	-	-	-	94	94	
<b>Total</b>	\$434	\$ 425		\$6,915	\$3,754	

### Total Revenue and Gross Margin

There was no service and sales revenue from continuing operations for the three months ended February 28, 2010. Total revenue from continuing operations for the six months ended February 28, 2010 was \$434. The decrease relative to the same period in fiscal 2009 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 six months ended February 28, 2010 declined to 2.1% (2009 – 46.3%). This was due to the winding down of Look's Broadcast Service business during the period.

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### Broadcast Service

There was no Broadcast Service revenue for the three months ended February 28, 2010 due primarily to Look's restructuring plan and the termination of Look's Broadcast Service business effective November 15, 2009. During the six months ended February 28, 2010, revenue from the continuing operation of the Broadcast Service business was \$434. As a result of the termination, there were no broadcast subscribers at February 28, 2010.

### Internet Service

There was no revenue or gross margin from Internet Service for the three and six months ended February 28, 2010 as a result of the sale of the Internet business effective August 20, 2009. As a result of the sale, there were no Internet subscribers at February 28, 2010.

### Other Service

No Other Service revenue was recognized during the three and six months ended February 28, 2010.

### Sales and Installation

There was no revenue derived from Sales and Installations for the three and six months ended February 28, 2010 as a result of the sale of Look's Internet business and the termination of the Broadcast service business during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010 respectively.

### Operating Expenses

	Three months ended February 28, 2010	Three months ended February 28, 2009
Customer care	\$ -	\$ 327
Engineering and operations	-	699
General and administration	1,709	3,244
Restructuring charges	308	-
Total before amortization of property and equipment and deferred charges	2,017	4,270
Amortization of property and equipment and deferred charges	42	893
Total operating expenses	\$ 2,059	\$ 5,163

	Six months ended February 28, 2010	Six months ended February 28, 2009
Customer care	\$ 231	\$ 672
Engineering and operations	615	1,398
General and administration	3,415	5,631
Restructuring charges	741	-
Total before amortization of property and equipment and deferred charges	5,002	7,701
Amortization of property and equipment and deferred charges	157	2,049
Total operating expenses	\$ 5,159	\$ 9,750

### Customer Care

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

For the three months ended February 28, 2010, there were no customer care expenses compared to \$327 for the three months ended February 28, 2009 primarily as a result of the restructuring of Look's business. For the six months ended February 28, 2010, customer care expenses declined to \$231 compared to \$672 for the six months ended February 28, 2009.

### Engineering and Operations

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

Engineering and operations expenses in Look's Internet Service activities consisted 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 included: (i) the costs of providing local telephone lines into each Company-owned point of presence; (ii) the cost of leased lines into non-Company owned ports and related facilities charges; and (iii) the cost of connecting Look's hub to the Internet backbone. Network server costs included the costs of contracts for software and hardware support with third parties.

As of December 31, 2009, the Engineering and operations department had decommissioned Look's wireless network across the provinces of Ontario and Quebec. Salaries and benefits incurred subsequent to November 30, 2009 in connection with the decommissioning were recognized as restructuring charges in the quarter ended February 28, 2010. As of December 31, 2009, there were no remaining Engineering and operations staff.

For the three and six months ended February 28, 2010, engineering and operations expenses declined to nil and \$615 respectively compared to \$699 and \$1,398 for the three and six months ended February 28, 2009.

### 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:

	Three months ended February 28		Six months ended February 28	
	2010	2009	2010	2009
Compensation and benefits	\$ 705	\$ 985	\$ 1,465	\$ 1,939
Professional fees <sup>(i)</sup>	750	1,848	1,393	2,857
Office and general	254	411	557	835
<b>Total general and administrative expenses</b>	<b>\$1,709</b>	<b>\$3,244</b>	<b>\$3,415</b>	<b>\$5,631</b>

<sup>(i)</sup> Certain professional fees directly related to the sale of the spectrum and broadcast licence (see the section entitled "Overview – Significant Current Events – Sale of Spectrum and Broadcast Licence") were included in the net gain on the transaction.

For the three and six months ended February 28, 2010, general and administration expenses were \$1,709 and \$3,415 respectively compared to \$3,244 and \$5,631 for the three and six months ended February 28, 2009. The decrease in general and administrative expenses for the period was due primarily to the restructuring undertaken by Look (see the section entitled "Overview – Significant Current Events - Restructuring").

### Restructuring Charges

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 restructuring charges of \$308 during the quarter ended February 28, 2010 which include, among other things, site restoration charges, contract termination charges, and equipment disposition charges (see the section entitled "Overview – Significant Current Events - Restructuring").

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

For the three and six months ended February 28, 2010, amortization of property and equipment was \$42 and \$157 respectively (2009 - \$884 and \$2,031) and no amortization of deferred financing charges was recognized (2009 - \$9 and \$18).

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## Interest and Financing Charges

	Three months ended		Six months ended	
	February 28		February 28	
	2010	2009	2010	2009
Accretion on liability component of convertible debentures	\$ (111)	\$ (28)	\$ (142)	\$ (58)
Interest and finance charges	(51)	(49)	(101)	(100)
Interest income	47	27	86	63
Total	\$ (115)	\$ (50)	\$ (157)	\$ (95)

For the six months ended February 28, 2010, \$142 (2009 – \$58) was recorded as the accretion on the liability component of the convertible debentures and \$101 (2009 – \$100) was recorded in interest expense related primarily to mortgage financing (see the section entitled “Liquidity and Capital Resources”). The interest and financing charges were partially offset by \$86 (2009 – \$63) 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 and was partially offset by a lower overall rate of interest earned.

### 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 in note 2(a), the Company absorbed losses incurred by Look in excess of its 51% interest in Look amounting to \$1,717 as at August 31, 2008. Since Look generated further losses for the six months ended February 28, 2009, the Company absorbed an additional \$739 in excess losses in that period.

### 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:

	Six months ended February 28,					
	2010			2009		
	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 six months ended February 28, 2010 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 six months ended February 28, 2009 of \$4,531 includes web hosting and domain name gross margin of \$331, and an initial gain on the sale of the web hosting and domain name business of \$4,200.

#### **Loss and Comprehensive Loss**

The loss and comprehensive loss for the three and six months ended February 28, 2010 amounted to \$1,238 or \$0.01 per share and \$2,873 or \$0.03 per share respectively (basic and diluted), compared with loss and comprehensive loss of \$3,635 or \$0.04 per share and \$2,086 or \$0.02 per share respectively (basic and diluted) for the three and six months ended February 28, 2009.

## 8. QUARTERLY FINANCIAL RESULTS

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

	2010		2009				2008	
	Feb 28	Nov 30	Aug 31 <sup>(3)</sup>	May 31 Restated <sup>(3)</sup>	Feb 28	Nov 30	Aug 31	May 31
Revenue <sup>(1)</sup>	\$ -	\$ 434	\$2,507	\$3,096	\$3,327	\$3,588	\$3,905	\$4,095
Carrier charges and cost of sales <sup>(1)</sup>	-	425	1,071	2,470	1,814	1,940	2,090	2,280
Gross margin <sup>(1)</sup>	-	9	1,436	626	1,513	1,648	1,815	1,815
Operating expenses before amortizations and impairment	1,709	2,552	28,181 <sup>(2)</sup>	3,918	4,270	3,431	3,890	3,105
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	(460)	(651)	1,724	72,899 <sup>(2)</sup>	(943)	(1,199)	(1,281)	(1,386)
Income (loss) from continuing operations before non-controlling interest	(2,169)	(3,194)	(25,021)	69607	(3,700)	(2,982)	(3,356)	(2,676)
Non-controlling interest	931	1,519	9,002	(30,466)	65	-	(101)	193
Income (loss) from continuing operations	(1,238)	(1,675)	(16,019)	39,141	(3,635)	(2,982)	(3,457)	(2,483)
Income (loss) from discontinued operations <sup>(1)</sup>	-	40	(300)	-	-	4,531	514	504
Income (loss) for the period <sup>(1)</sup>	(1,238)	(1,635)	(16,319)	39,141	(3,635)	1,549	(2,943)	(1,979)
<b>Continuing Operations</b>								
Basic income(loss) per share	(0.01)	(0.02)	(0.16)	0.38	(0.04)	(0.03)	(0.03)	(0.02)
Diluted income per share	(0.01)	(0.02)	(0.16)	0.36	(0.04)	(0.03)	(0.03)	(0.02)
<b>Discontinued Operations</b>								
Basic income per share	-	-	-	-	-	0.04	0.01	0.01
Diluted income per share	-	-	-	-	-	0.04	0.01	0.01
<b>Income (loss) per share</b>								
Basic	(0.01)	(0.02)	(0.16)	0.38	(0.04)	0.01	(0.02)	(0.01)
Diluted	(0.01)	(0.02)	(0.16)	0.36	(0.04)	0.01	(0.02)	(0.01)

<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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## 9. LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents and short-term investments of \$37,638 at February 28, 2010 compared with cash and cash equivalents of \$17,389 at August 31, 2009. Cash and cash equivalents consist 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, among other things, payment of Look's accrued restructuring liabilities and the legal settlement amount paid to Bell.

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

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	2010	2009
<b>Cash flows provided by (used in):</b>				
Operating activities – continuing operations	<b>\$ (2,738)</b>	\$ (2,104)	<b>\$ (28,014)</b>	\$ (4,172)
Operating activities – discontinued operations	-	(12)	<b>78</b>	495
Cash flows used in operating activities	<b>(2,738)</b>	(2,116)	<b>(27,936)</b>	(3,677)
Financing activities	<b>(1,841)</b>	1	<b>(1,841)</b>	1
Investing activities – continuing operations	<b>3,033</b>	(5)	<b>16,951</b>	(12)
Investing activities – discontinued operations	-	1,436	-	3,393
	<b>3,033</b>	1,431	<b>16,951</b>	3,381
Net cash used in continuing operations	<b>(1,546)</b>	(2,108)	<b>(12,904)</b>	(4,183)
Net cash provided by discontinued operations	-	1,424	<b>78</b>	3,888
Decrease in cash and cash equivalents	<b>\$ (1,546)</b>	\$ (684)	<b>\$ (12,826)</b>	\$ (295)

Cash used in operating activities of the continuing operations for the three months ended February 28, 2010 was \$2,738 compared to cash used of \$2,104 for the comparative period in fiscal 2009. The change was due primarily to the loss incurred by the Company in the quarter and the settlement of accounts payable and accrued liabilities and provisions.

Cash used in financing activities during the three and six months ended February 28, 2010 was \$1,841 and was due primarily to the settlement and discharge of the mortgage of \$1,800.

Cash provided by investing activities of the continuing operations for the quarter ended February 28, 2010, was \$3,033 compared to cash used of \$5 for the comparative period in fiscal 2009. This resulted mainly from the redemption of \$3,000 of short-term investments during the quarter. The cash provided during the six months ended February 28, 2010 was driven primarily by 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.

The mortgage payable which bore interest at the rate of 10.0% per annum was settled in full and discharged effective February 28, 2010.

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The Company's working capital surplus at February 28, 2010 was \$30,391 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 six months.

## **10. SHARE CAPITAL**

As at February 28, 2010 and August 31, 2009, UBS had issued 102,747,854 Common Shares issued and outstanding. As at February 28, 2010, there were options outstanding to acquire 15,293,000 Common Shares of UBS (August 31, 2009 – 15,891,000).

In determining diluted loss per share for the three and six months ended February 28, 2010, the weighted average number of shares outstanding was not increased for stock options outstanding as the impact would have been anti-dilutive.

As at April 22, 2010, there were no changes to the issued and outstanding shares and there were 15,203,000 (August 31, 2009 - 15,891,000) options outstanding to acquire Common Shares.

## **11. STOCK BASED COMPENSATION**

During the six months ended February 28, 2010, there were no stock options granted and 688 options expired. UBS recorded stock-based compensation expense related to options issued to employees of \$4 and \$13 respectively (February 28, 2009 - \$22 and \$80 respectively) and options issued to non-employees totalled \$18 and \$47 respectively (February 28, 2009 - \$42 and \$49 respectively), which has been recorded in contributed surplus.

There were no Share Appreciation Rights units issued during the quarter and none were outstanding as at February 28, 2010 and April 20, 2010.

## **12. 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**

On May 19, 2004, UBS and Look entered into a MSA under which UBS is providing Look with a wide range of services designed to maximize Look's full commercial potential. Under the terms of the MSA, Look is required to pay UBS an annual fee of \$2,400. UBS received, in September 2007, in advance, an annual fee of \$2,400. On a 12-month rolling basis, Look has maintained this fee. Look may, from time to time, recognize the performance of UBS in the form of cash bonus payments, direct grant of treasury shares of Look, or options for the purchase of Subordinate Voting Shares from treasury. All options shall conform to Look's stock option plan. Look shall also reimburse UBS for certain expenses and disbursements incurred in respect of the MSA and the services provided by UBS.

The initial term of the MSA is for a moving three-year period commencing on May 19, 2004 (the "execution date"). On each anniversary of the execution date, the term will automatically recommence unless, prior to an annual anniversary, Look's Board of Directors has communicated in writing to UBS its intent that the MSA not recommence, in which event, the MSA expires on the completion of the remaining term.

On April 22, 2010, Look's Board of Directors notified UBS that it will not be recommending the MSA on May 19, 2010. Accordingly, the MSA will expire on May 19, 2012 or such earlier date that is mutually agreed to by Look and UBS. Look's remaining liability to UBS for annual fees as of May 19, 2010 will be \$4,800 of which \$2,400 has already been prepaid (see section entitled "Overview – Significant Current Events – Management Service Agreement").

(b) The Company recorded the following related party transactions in the three and six months ended February 28, 2010

	Accrued Restructuring Liabilities			
	Balance at August 31, 2009	Interest accrued <sup>(3)</sup>	Paid by Look <sup>(4)</sup>	Balance at February 28, 2010 <sup>(5)</sup>
Jolian Investments Ltd <sup>(1)</sup>	\$ 7,366	\$ 20	\$ 5,566	\$ 1,820
DOL Technologies Inc. <sup>(2)</sup>	5,481	17	3,951	1,547
UBS directors and management	2,675	27	295	2,407
Total	\$ 15,522	\$ 64	\$ 9,812	\$ 5,774

<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 three and six month periods ended February 28, 2010 amounted to \$143 and \$286 respectively (2009 - \$151 and \$301 respectively).

<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 three and six month periods ended February 28, 2010 amounted to \$119 and \$238 respectively (2009 - \$125 and \$250 respectively).

<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 February 28, 2010 are contingent upon adequate cash resources being received by UBS.

### 13. 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, short-term investments, accounts receivable and other receivables, 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 of Directors 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.

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 February 28, 2010, the Company has a working capital surplus of \$30,391 (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. On April 22, 2010, Look announced that it will redeem all of its outstanding 7% convertible debentures for cash on May 25, 2010 (see section entitled "Overview – Significant Current Events – Convertible Debentures").

The mortgage payable which bore interest at the rate of 10% per annum was settled in full and discharged effective February 28, 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 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, short-term investments and restricted cash. The Company estimates that for each 1% change in the interest rate earned on its cash holdings and its short-term investments at February 28, 2010, interest income will increase or decrease by approximately \$46 per annum and \$330 per annum respectively.

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

The Company had not classified any assets as available-for-sale or held-to-maturity during the three and six month periods ended February 28, 2010 or the year ended August 31, 2009.

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## 14. COMMITMENTS AND CONTINGENCIES

### Commitments

As part of the restructuring process (see the section entitled "Overview – Significant Current Events"), Look has terminated all leases and restored all sites related to the broadcast and internet businesses and does not expect any significant ongoing commitments related to this process.

### Contingencies

- (a) Manalta Investment Company Ltd. (formerly known as 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. On February 4, 2010, the Company announced that Craig Wireless has agreed to a dismissal of its claim, in its entirety, against the Company, and other named defendants. The terms of the dismissal and minutes of settlement include the following:

- (i) Craig Wireless will pay \$15 in costs to each of Look and UBS; and
- (ii) Craig Wireless has executed a full and final release that covers not only all known injuries, losses and damages, but also injuries, losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

- (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 litigation and claims.

- (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. (see section entitled "Overview – Significant Current Events – Plan of Arrangement").

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

## 15. 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).