

Consolidated Financial Statements of

**UNIQUE BROADBAND
SYSTEMS, INC.**

Years ended August 31, 2010 and 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Unique Broadband Systems, Inc. (the "Company") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Company's financial position, results of operations and cash flows. Management has prepared the financial information presented elsewhere in Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements.

Management of the Company is responsible for the internal controls that provide reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a proper basis for the preparation of consolidated financial statements and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit and Corporate Governance Committee (the "Audit Committee").

The Audit Committee meets periodically with management, as well as with external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management's Discussion and Analysis, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton LLP has full and free access to the Audit Committee.

(Signed) - Grant McCutcheon

(Signed) - Malcolm Buxton-Forman

Grant McCutcheon
Chief Executive Officer
December 8, 2010

Malcolm Buxton-Forman
Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Unique Broadband Systems, Inc. as at August 31, 2010 and the consolidated statements of operations, comprehensive income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at and for the year ended August 31, 2009 were audited by another firm of chartered accountants.



Grant Thornton LLP
Chartered Accountants, Licensed Public Accountants
Mississauga, Canada
December 8, 2010

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Balance Sheets
(In thousands of dollars)

As at August 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents (note 6)	\$ 4,332	\$ 17,389
Accounts receivable and other receivables	3	297
Short-term receivable due from Inukshuk (note 3)	-	50,000
Inventory	-	40
Prepaid expenses and deposits (note 7)	608	365
	<u>4,943</u>	<u>68,091</u>
Restricted cash (note 6)	50	430
Property and equipment (note 8)	-	1,995
Investment in Look (note 5)	12,564	-
	<u>\$ 17,557</u>	<u>\$ 70,516</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable	\$ 30	\$ 1,112
Accrued restructuring liabilities (note 4)	696	2,314
Accrued restructuring liabilities due to related parties (notes 4 and 15)	5,369	22,934
Accrued liabilities and provisions	434	4,631
Long-term debt, due within one year	-	1,800
Current portion of liability component of convertible debentures (note 11)	-	14
Deferred revenue (note 15)	2,400	-
	<u>8,929</u>	<u>32,805</u>
Liability component of convertible debentures (note 11)	-	917
Non-controlling interest (note 12)	-	21,940
Shareholders' equity:		
Share capital (note 13)	58,139	58,139
Contributed surplus (note 13)	3,235	3,459
Deficit	(52,746)	(46,744)
	<u>8,628</u>	<u>14,854</u>
Basis of presentation and going concern (note 1)		
Contingencies (note 18)		
Subsequent events (note 22)		
	<u>\$ 17,557</u>	<u>\$ 70,516</u>

See accompanying notes to consolidated financial statements.

2009 comparatives include Look on a consolidated basis.

On behalf of the Board of Directors:

(Signed) - Grant McCutcheon
Director

(Signed) - Robert Ulicki
Director

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

	2010	2009
Service and sales revenue (notes 14 and 17)	\$ 1,073	\$ 12,518
Carrier charges and cost of sales (notes 14 and 17)	425	7,295
Gross margin from continuing operations	648	5,223
Expenses:		
Customer care	231	1,279
Engineering and operations	615	2,786
General and administration	4,859	9,541
Amortization of property and equipment	198	2,986
Amortization of deferred charges	-	28
Restructuring charges (note 4)	2,555	26,194
Impairment of property and equipment (note 8)	-	2,542
	8,458	45,356
Loss from continuing operations before the under noted	(7,810)	(40,133)
Accretion on liability component of convertible debentures (note 11)	(232)	(120)
Interest and finance charges	(101)	(203)
Interest income	136	79
Gain on sale of other property and equipment	10	2
Gain on settlement of Inukshuk litigation (note 3)	-	4,000
Gain (loss) on sale of spectrum and broadcast licence (note 3)	(61)	78,106
Gain on sale of Internet business (note 3)	-	1,630
Loss on settlement of Bell litigation (notes 3)	-	(5,457)
Equity interest in Look's losses (note 5)	(582)	-
Dilution loss due to change in shareholding in Look (note 5)	(677)	-
Income (loss) for the year from continuing operations before income taxes	(9,317)	37,904
Income taxes (note 16)	-	-
Income (loss) for the year from continuing operations before non-controlling interest	(9,317)	37,904
Non-controlling interests (note 12)	3,425	(21,399)
Income (loss) for the year from continuing operations	(5,892)	16,505
Income (loss) for the year from discontinued operations (note 17)	(110)	4,231
Income (loss) and comprehensive income (loss) for the year	(6,002)	20,736
Deficit, beginning of year	(46,744)	(67,480)
Deficit, end of year	\$ (52,746)	\$ (46,744)
Continuing operations:		
Basic income (loss) per share	\$ (0.06)	\$ 0.16
Diluted income (loss) per share	(0.06)	0.16
Discontinued operations:		
Basic income per share	\$ 0.00	\$ 0.04
Diluted income per share	0.00	0.04
Income (loss) per share:		
Basic	\$ (0.06)	\$ 0.20
Diluted	(0.06)	0.20
Weighted average of number of shares outstanding (note 13):		
Basic	102,748	102,748
Diluted	102,748	104,501

See accompanying notes to consolidated financial statements.

2009 comparatives include Look on a consolidated basis.

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Cash Flows
(In thousands of dollars)

Years ended August 31, 2010 and 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Income (loss) for the year	\$ (6,002)	\$ 20,736
Less: Income (loss) for the year from discontinued operations	110	(4,231)
Non-controlling interest	(3,425)	21,399
Equity interest in Look's losses	582	-
Amortization of property and equipment	198	2,986
Impairment of property and equipment	-	2,542
Interest earned on short-term investments	(122)	-
Amortization of deferred charges	-	28
Interest and finance charges	11	13
Amortization of stock-based compensation	89	816
Accretion on liability component of convertible debentures	232	120
Gain/Adjustment to gain on sale of spectrum and broadcast licence	61	(78,106)
Gain on sale of Internet business	-	(1,630)
Loss on settlement of Bell litigation	-	5,457
Dilution loss due to change in shareholding in Look (note 5)	677	-
Gain on sale of other property and equipment	(10)	(2)
Change in non-cash operating assets and liabilities (note 19)	(23,579)	25,309
Cash used in continuing operations	(31,178)	(4,563)
Cash provided by (used in) discontinued operations (note 17)	(72)	34
	(31,250)	(4,529)
Financing activities:		
Interest on convertible debentures	(73)	-
Settlement and discharge of mortgage	(1,800)	-
Redemption of Look's debentures	(242)	-
	(2,115)	-
Investing activities:		
Purchase of property and equipment	(24)	(20)
Proceeds on sale of property and equipment	50	2
Proceeds on sale of spectrum and broadcast licence (note 3)	50,000	30,000
Purchase of short-term investments	(27,500)	-
Settlement of Bell litigation	-	(16,000)
Elimination of Look's cash due to change to equity accounting of Look	(2,179)	-
Proceeds on sale of Internet business	-	1,187
Transaction costs on sale of spectrum and broadcast licence (note 3)	(61)	(1,859)
Interest earned on short-term investments	22	-
Cash provided by continuing operations	20,308	13,310
Cash provided by discontinued operations	-	3,440
	20,308	16,750
Net cash provided by (used in) continuing operations	(12,985)	8,747
Net cash provided by (used in) discontinued operations	(72)	3,474
Increase (decrease) in cash and cash equivalents	(13,057)	12,221
Cash and cash equivalents, beginning of year	17,389	5,168
Cash and cash equivalents, end of year	\$ 4,332	\$ 17,389

See accompanying notes to consolidated financial statements.

2009 comparatives include Look on a consolidated basis.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

Introduction:

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

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

On May 11, 2010, UBS announced that it had not converted any of its outstanding Debentures by the final date for conversion following the announcement by Look that it intended to redeem all outstanding Debentures on May 25, 2010. Accordingly, the Debenture previously held by UBS Wireless was among the Debentures redeemed by Look and, as a result, effective May 25, 2010, UBS has a non-controlling 37.6% voting interest and a 39.2% economic interest in Look (notes 5 and 11).

On July 5, 2010, at a special meeting of shareholders requisitioned by a group of concerned shareholders of UBS (the "Concerned Shareholders"), Robert Ulicki, Grant McCutcheon and Henry Eaton were elected to the Board of Directors of UBS to replace Gerald McGoey, Louis Mitrovich and Douglas Reeson. Robert Ulicki was appointed Chairman of the Board and Grant McCutcheon was appointed Chief Executive Officer ("CEO") of UBS. Refer to notes 15 and 18 for details of certain impacts to UBS involving related parties following the removal of the former directors and the election of the new directors.

On July 21, 2010, prior to the opening of the markets, Look announced that Messrs. Robert Ulicki, Grant McCutcheon and Henry Eaton had accepted appointment to the Board of Directors of Look after the former Board of Directors of Look resigned en masse, appointing these individuals as new directors. As a result of the resignations of Look's CEO and Chief Financial Officer ("CFO"), effective July 21, 2010, Grant McCutcheon was appointed Look's CEO and will also serve as acting CFO until a suitable replacement is found.

On July 27, 2010, Look announced that the two remaining vacancies on the Look Board of Directors from resignations on July 21, 2010 had been filled by Messrs. David Rattee and Lawrence Silber.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

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

- (a) providing releases, whereby parties with possible indemnity claims against Look would 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;
- (b) an orderly sale of Look's remaining property (not including its cash and tax attributes); and
- (c) 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.

On April 23, 2010, Look announced that it had obtained an Initial Order from the Ontario Superior Court of Justice permitting it to hold a special meeting of Look's shareholders on June 28, 2010.

On May 3, 2010 Look announced that it had decided not to proceed with the previously announced special meeting of shareholders scheduled for June 28, 2010 and Look filed a Notice of Abandonment and a Notice of Termination of Plan of Arrangement with the Court. Legal and consulting charges in connection with the 2010 POA amounted to \$712 (note 4).

As a result of the sale of its spectrum and broadcast licence and the resulting restructuring of its business, Look no longer requires the same level of CEO Services and Other Services from UBS, particularly as that relates to annual business planning and budgeting, human resources, engineering, updating of broadcast and information technology, the management of regulatory requirements, and managing Look's fixed and variable costs to maximize Look's profits. Accordingly, on December 3, 2010, Look and UBS agreed that, with effect from January 1, 2011, Look will no longer maintain the prepaid annual fee of \$2,400 on a monthly basis and that this amount will be drawn down at approximately \$145 per month over the remaining term of the Management Service Agreement entered into between UBS and Look ("Look MSA"), being January 1, 2011 through May 19, 2012, in lieu of the annual fee that would otherwise be payable to UBS under the Look MSA. UBS will continue to provide services to Look, where still applicable pursuant to the Look MSA, and all other terms and conditions of the Look MSA will remain in effect until May 19, 2012. The cash flow impact of this amendment is a reduction of approximately \$900 in fees from Look to UBS over the remaining term of the Look MSA (notes 15 and 22).

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

1. Basis of presentation and going concern:

These consolidated financial statements have been prepared, on a going concern basis, in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") with respect to the preparation of financial statements. The going concern basis of presentation assumes that UBS will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about UBS' use of the going concern assumption because UBS has a working capital deficiency of \$3,986 as at August 31, 2010. Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions by Look to its shareholders, including UBS, and the outcomes of certain recent litigation (note 18). UBS will need to raise cash and/or monetize assets, and/or receive cash distributions from Look and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments giving rise to doubt about UBS' use of the going concern assumption.

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

Effective November 30, 2003, UBS received final approval from the Canadian Radio-Television and Telecommunications Commission ("CRTC") to acquire control of Look, which it did at the end of December 2003. Up until May 25, 2010, Look, on a fully diluted basis, was a 51.8%-owned subsidiary of UBS and was consolidated for financial reporting purposes.

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

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

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

2. Significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of UBS' wholly owned subsidiary, UBS Wireless for the year ended August 31, 2010, and investment in Look, consolidated for the period up to May 25, 2010 and then accounted for from May 26, 2010 to August 31, 2010 using the equity method. All significant intercompany balances and transactions have been eliminated upon consolidation.

At August 31, 2010 and 2009, UBS Wireless held 24,864 Multiple Voting Shares and 29,921 Subordinate Voting Shares in Look. In addition, up until May 25, 2010, UBS Wireless was the holder of a Debenture in the principal amount of \$3,000 which could have been converted into 20,000 Multiple Voting Shares and 20,000 Subordinate Voting Shares. On a fully diluted basis, UBS Wireless held approximately 51% of Look and accordingly consolidated the results of Look up to May 25, 2010. Following the redemption of the Debentures, UBS has a 39.2% economic interest and a 37.6% voting interest in Look and as of May 25, 2010, accounts for its interest in Look using the equity method.

In accordance with the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1600, Consolidated Financial Statements ("Section 1600"), when the losses applicable to the non-controlling interest in Look exceeded the non-controlling interest's carrying value in Look, which occurred during the third quarter of fiscal 2008, the excess and any further losses were fully absorbed by the Company. Subsequent earnings recorded by Look were allocated entirely to the Company's interest until such previously absorbed losses were recovered, which occurred during the third quarter of fiscal 2009 (note 11).

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates are used in determining, among other things, useful lives of property and equipment, prepaid expenses, property and equipment impairment assessments, tax attributes, income tax valuation allowances, certain liabilities for cost of carrier services, accrued liabilities and provisions, stock-based compensation expense, contingent liabilities and site restoration charges.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of all bank balances and highly liquid short-term investments with original maturities of periods less than 90 days. Cash equivalents held during the year have been classified as held-for-trading instruments.

(d) 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 year have been classified as held-for-trading instruments.

(e) Inventory:

Inventory, which consists primarily of modems and antennae, is recorded at the lower of cost and net realizable value.

(f) Property and equipment:

Property and equipment is recorded at cost less accumulated amortization. Amortization is provided at rates and on bases designed to amortize the cost of the assets over their estimated useful lives as follows:

Asset	Basis	Rate
Building	Declining balance	4%
Headend and network equipment	Straight line	8 - 10 years
Customer connections	Straight line	5 - 10 years
Computer hardware	Declining balance	30%
Computer software	Straight line	Up to 1 year
Office equipment and other	Declining balance	20%
Vehicles	Declining balance	30%

(g) Impairment of long-lived assets:

The carrying amount of long-lived assets to be held and used is reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset or related asset group exceeds its fair value.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

2. Significant accounting policies (continued):

(h) Deferred charges:

Deferred charges consist primarily of Look's licence renewal application costs. Licence renewal application costs represent expenditures incurred in the course of obtaining licence renewals from the CRTC and were previously being amortized on a straight-line basis over the term of the licence of approximately seven years.

(i) Revenue recognition:

As a result of the sale of Look's spectrum and broadcast licence to Inukshuk, Look terminated service to its remaining subscribers as of November 15, 2009.

Service and sales revenue is comprised of:

- (i) fees received from subscribers in connection with Broadcast, Internet, and Other services provided by Look and sales and installations of equipment, and
- (ii) base fees and performance incentives received by UBS from Look pursuant to the Look MSA entered into between UBS and Look on May 19, 2004.

Service revenue from subscribers, comprised of Broadcast, Internet, and Other, is presented net of discounts granted to new subscribers as incentives. Broadcast Service revenue was earned from the provision of digital television services to residential and business subscribers. Internet Services revenue was earned primarily from monthly and annual subscriptions from individuals and businesses for access to the Internet. Look earned Other Services revenue by providing services such as web hosting, domain name registration, and web server co-location. Revenue from domain name registration for all service periods was recognized when invoiced, as Look had no future obligation to the consumer. Web hosting and web server co-location charges invoiced or paid for in advance were recorded as revenue when services were provided. Revenues from the web-hosting and domain name registration business are presented as part of discontinued operations as a result of the sale of these businesses during the year ended August 31, 2009. Deferred revenue consisted of prepayments under certain customer contracts and was amortized to revenue over the term of the contract. Deferred revenue also includes payments received by UBS from Look in advance of future services pursuant to the Look MSA.

Sales and installations revenue was earned from the sales of digital receivers and Internet equipment to subscribers and the installations of such equipment. Revenue from the sale of receiving equipment and modems was recognized in the period in which the services were activated.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

2. Significant accounting policies (continued):

Service revenue in connection with the Look MSA include base fees payable on a monthly basis from Look to UBS and any performance incentives recognised by Look in the form of cash bonus payments, the direct grant of treasury shares or options for the purchase of Look shares from treasury.

(j) Foreign currency translation:

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at the exchange rate in effect at the date of the transaction. Resulting exchange gains or losses are included in the income or loss for the year.

(k) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the years in which the future income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

(l) Stock-based compensation:

(i) Stock option incentive plan:

UBS has a stock option incentive plan, which is described in note 13. UBS accounts for all stock options to employees and non-employees using the fair value-based method. Under the fair value-based method, compensation cost attributable to awards to employees and directors is measured at fair value at the grant date and recognized over the vesting period. Forfeitures are accounted for as they occur. Consideration paid by employees and non-employees on the exercise of stock options is recorded as share capital.

For non-employee awards, the fair value of stock-based compensation is periodically remeasured until counterparty performance is complete, and any change therein is recognized over the vesting period of the option grant.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

2. Significant accounting policies (continued):

(ii) Share appreciation rights plan:

UBS had a share appreciation rights ("SAR") plan ("SAR Plan"), which is described in note 13. UBS accounted for SAR units as a liability and compensation cost would have been recorded based on the intrinsic value of the award when it was considered likely that the terms and conditions of the SAR Plan that govern the awards would have been met. Subsequent to August 31, 2010, UBS' Board of Directors cancelled the SAR Plan (note 22).

(m) Financial instruments:

The Company's financial assets are classified as held-for-trading, held-to-maturity investments, loans and receivables or available-for-sale. All financial liabilities must be classified as held-for-trading or other financial liabilities. These financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest method. The change in the fair value of a financial asset or financial liability classified as held-for-trading is included in operations in the period in which it arises, and the change in the fair value of available-for-sale financial assets is recognized in other comprehensive income until the financial asset is derecognized and any cumulative gain or loss is then recognized in operations.

The Company has classified cash and cash equivalents, accounts receivable, short-term receivable due from Inukshuk and restricted cash as held-for-trading. Accounts payable, accrued restructuring liabilities, accrued restructuring liabilities due to related parties and accrued liabilities and provisions have also been classified as held-for-trading. Long-term debt due within one year and the liability component of the convertible debentures have been classified as financial liabilities. The Company has not classified any financial asset as available-for-sale or held-to-maturity.

All derivatives, including embedded derivatives, that must be separately accounted for, are measured at fair value with changes in fair value recorded in the consolidated statement of operations and deficit unless they are designated cash flow hedges.

The Company has determined that it has no other comprehensive income or loss transactions during the year and no opening or closing balances in accumulated other comprehensive income or loss.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

2. Significant accounting policies (continued):

(n) Basic and diluted income (loss) per share:

Basic income (loss) per share is calculated using the weighted average number of shares outstanding during the year. Diluted income (loss) per share reflects the dilution that would occur if outstanding stock options were exercised into the Company's common shares using the treasury stock method.

(o) Changes in accounting policies - Goodwill and intangible assets:

In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets. Section 3064 replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs. It establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. The Company adopted this standard on September 1, 2009 without a material impact to its consolidated financial statements.

(p) Recent accounting pronouncements:

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

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

(ii) Business Combinations:

In October 2008, the CICA issued Handbook Section 1582, Business Combinations ("CICA1582"), concurrently with Handbook Sections 1601, Consolidated Financial Statements ("CICA 1601"), and 1602, Non-Controlling Interests ("CICA1602"). CICA 1582, which replaces Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

2. Significant accounting policies (continued):

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

3. Sale of spectrum and broadcast licence:

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

4. 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 fiscal 2010 as set out in the following tables:

	Site restoration, contract termination, special meeting and legal charges	Human resource restructuring charges	Total restructuring amounts
Accrued restructuring liabilities			
Balance at August 31, 2009	\$ 204	\$ 2,110	\$ 2,314
Expensed in fiscal 2010	2,722	30	2,752
Paid/reversed in fiscal 2010	(2,087)	(2,108)	(4,195)
Elimination of Look's accrual due to change to equity accounting for the investment in Look	(175)	-	(175)
Balance at August 31, 2010	\$ 664	\$ 32	\$ 696

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

4. Restructuring (continued):

	Site restoration, contract termination, special meeting and legal charges	Human resource restructuring charges	Total restructuring amounts
Accrued restructuring liabilities due to related parties⁽¹⁾			
Balance at August 31, 2009	\$ -	\$ 22,934	\$ 22,934
Expensed in fiscal 2010	144	132	276
Paid in fiscal 2010	(144)	(17,224)	(17,368)
Reversal of accrual	-	(473)	(473)
Balance at August 31, 2010	\$ -	\$ 5,369	\$ 5,369

⁽¹⁾ see note 15.

In fiscal 2010, the Company expensed a total of \$3,028 to restructuring charges of which \$1,119, inclusive of expenses incurred by the Concerned Shareholders, related to the special meeting of shareholders held on July 5, 2010 and the subsequent litigation commenced by Messrs. McGoey and Dolgonos; \$712 related to legal and consulting charges incurred in relation to the 2010 POA; \$144 related to indemnity agreements; and the balance related primarily to site restoration and contract termination charges and accrued interest. During the fourth quarter of fiscal 2010, a former director of UBS, Mr. Minaki, relinquished all rights to the contingent restructuring award granted to him by the former Board of Directors, resulting in a reversal of \$473, including accrued interest, and net restructuring charges in fiscal 2010 of \$2,555.

Payments and other reversals of restructuring charges during fiscal 2010 amounted to \$21,563, of which \$19,334 related to human resource restructuring charges paid by Look.

As of November 15, 2009, Look no longer offers service to any subscribers and as of December 31, 2009, Look decommissioned its wireless network. Look is continuing to pursue opportunities to realize the value of its remaining two material non-cash assets, which include:

- (a) Tax Attributes – Approximately \$373,000 in tax attributes, of which approximately \$184,000 expires at the end of December 2010 (note 16); and
- (b) Milton Property – Look's network operating centre and infrastructure in Milton, Ontario.

Look believes that substantially all of the charges and activities related to the site restoration, contract termination and human resources restructuring process have been recognized and performed.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

5. Investment in Look:

At August 31, 2010, UBS Wireless held 24,864 Multiple Voting Shares and 29,921 Subordinate Voting Shares in Look representing a 39.2% economic interest and a 37.6% voting interest in Look.

UBS acquired its shareholding in Look through a series of transactions and the receipt of shares in lieu of interest on its Debentures as set out in the table below. UBS' 39.2% interest in Look's equity of \$32,053 at August 31, 2010 amounted to \$12,564.

	2010
Investment in Look shares	
Acquired from Look treasury	\$ 2,995
Acquired from third party	5,364
Converted from Debentures	2,447
Shares received in lieu of interest on Debentures	1,123
Investment in shares of Look at cost	11,929
Cumulative equity interest in Look's income	635
Investment in Look	\$ 12,564

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

Accumulated share of Look's income at August 31, 2009	\$ 5,420
UBS' share of Look's losses in fiscal 2010 up to May 25, 2010	(3,526)
UBS' share of Look's income at May 25, 2010	1,894
Dilution loss on change in shareholding from 51% to 39.2%	(677)
Accumulated share of Look's income	1,217
Equity interest in Look's losses for May 26 to August 31, 2010	(582)
Cumulative equity interest in Look's income as at August 31, 2010	\$ 635

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

5. Investment in Look (continued):

Look's loss for the year ended August 31, 2010 was \$8,397 compared with income of \$45,521 for the year ended August 31, 2009 and its summarised balance sheets as at August 31, 2010 and 2009 are set out below:

	2010	2009
ASSETS		
Total current assets	\$ 31,505	\$ 67,288
Restricted cash	-	380
Property and equipment	1,738	1,995
	<u>\$ 33,243</u>	<u>\$ 69,663</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Total current liabilities	\$ 1,190	\$ 26,144
Liability component of convertible debentures	-	3,291
Total liabilities	<u>1,190</u>	<u>29,435</u>
Shareholders' equity		
Share capital	34,484	33,566
Equity component of convertible debentures	-	1,479
Contributed surplus	11,934	11,151
Deficit	(14,365)	(5,968)
Total shareholders' equity	<u>32,053</u>	<u>40,228</u>
	<u>\$ 33,243</u>	<u>\$ 69,663</u>

Look's market capitalization, based on the closing share prices of its multiple and subordinate voting shares at August 31, 2010, of \$0.16 and \$0.17 respectively, was \$23,100.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

6. Cash:

(a) Cash and cash equivalents:

At August 31, 2010, UBS held cash and cash equivalents of \$4,332, of which \$2,202 was held in guaranteed investment certificates and bankers' acceptances, compared with cash and cash equivalents of \$3,135 at August 31, 2009.

The Company held cash and cash equivalents of \$17,389 at August 31, 2009, of which \$2,701 was held in guaranteed investment certificates and bankers' acceptances.

(b) Restricted cash:

At August 31, 2010, UBS had restricted cash of \$50 which was held in an interest-bearing certificate at 0.05%. At August 31, 2009 the Company's restricted cash totalled \$430 of which \$350 was held in interest-bearing certificates at 0.2%.

7. Prepaid expenses and deposits:

A summary of prepaid expenses and deposits is tabled below:

	2010	2009
Indemnification advances ⁽ⁱ⁾	\$ 564	\$ -
Other	44	365
Prepaid expenses and deposits	\$ 608	\$ 365

⁽ⁱ⁾ On June 16, 2010, the former Board of Directors of UBS received a letter signed by each of UBS' directors, officers and consultants (the "Indemnitees") advising UBS that the Indemnitees seek, and are entitled to, indemnification under the Indemnity Agreements and article 7 of the By-Laws of UBS for, among other things, ongoing legal expenses for lawyers that have been or will be retained to advise Indemnitees on indemnity matters. The former Board of Directors resolved that each Indemnitee was entitled to retain legal counsel pursuant to their Indemnity Agreements and, accordingly, \$564 has been advanced by UBS to various legal firms for future services.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

8. Property and equipment:

As at August 31, 2009, all of the Company's property and equipment belonged to Look and as a result of the change in the basis of accounting for UBS' investment in Look, there is no property and equipment at August 31, 2010, as reflected below.

2010	Cost	Accumulated amortization	Net book value
Land	\$ -	\$ -	\$ -
Building	-	-	-
Headend and network equipment	-	-	-
Customer connections	-	-	-
Computer hardware and software	-	-	-
Office equipment and other	-	-	-
Vehicles	-	-	-
	\$ -	\$ -	\$ -

2009	Cost	Accumulated amortization	Net book value
Land	\$ 195	\$ -	\$ 195
Building	1,432	512	920
Headend and network equipment	34,609	34,609	-
Customer connections	20,767	20,767	-
Computer hardware and software	19,533	19,353	180
Office equipment and other	2,542	1,887	655
Vehicles	288	243	45
	\$ 79,366	\$ 77,371	\$1,995

Certain of Look's assets have been pledged as security in connection with certain agreements (notes 10 and 15). During the third quarter of fiscal 2009, Look completed a transaction with Inukshuk for the sale of its spectrum and broadcast licence (note 3). As a result of this transaction, Look assessed its property and equipment for impairment and determined that headend and network equipment and customer connections assets had limited future and salvage value to Look and a non-cash write-down of \$2,542 was recorded. This writedown is included in accumulated amortization in the above table for 2009, which resulted in a nil net book value for these assets.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

9. Deferred charges:

2010	Cost	Accumulated amortization	Net book value
Licence renewal application costs	\$ -	\$ -	\$ -
Customer lists	-	-	-
	\$ -	\$ -	\$ -

2009	Cost	Accumulated amortization	Net book value
Licence renewal application costs	\$ 252	\$ 252	\$ -
Customer lists	12	12	-
	\$ 264	\$ 264	\$ -

During fiscal 2009, Look recorded \$28 of amortization on its deferred charges. As a result of the sale of its spectrum and broadcast licence to Inukshuk, during the third quarter of fiscal 2009 Look offset the remaining \$35 of deferred licence renewal application costs against the gain on the sale (note 3).

10. Long-term debt:

	2010	2009
Mortgage payable	\$ -	\$ 1,800
Less current portion	-	1,800
	\$ -	\$ -

Look's mortgage payable of \$1,800 bore interest at 10.5% per annum and was settled and discharged on February 28, 2010.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

11. Convertible debentures:

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

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

On the redemption of the Debentures, Look recorded a one-time non-cash charge of \$56 which is included in the accretion on the liability component of convertible debentures.

12. Non-controlling interest:

Non-controlling interest in the consolidated balance sheets of the Company represented the non-controlling interest in both the equity in Look and equity component of convertible debentures in Look. Reported operating losses of Look were allocated to the non-controlling interest at 49% but were limited to the extent of any remaining non-controlling interest in the equity of Look. 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. Further losses in excess of 51% amounting to \$739 were absorbed by the Company in the first and second quarters of fiscal 2009 but since Look generated income in the quarter ended May 31, 2009, the Company recovered all excess losses previously absorbed totalling \$2,456 during the third quarter of fiscal 2009.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

12. Non-controlling interest (continued):

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

The non-controlling interest in Look as previously reported is set out below:

	2010	2009
Shares and equity	\$ -	\$ 21,527
Equity component of convertible debentures	-	413
Non-controlling interest in Look	\$ -	\$ 21,940

13. Share capital:

(a) Authorized:

Unlimited common shares
Unlimited Class A non-voting shares

(b) Issued and outstanding:

As at August 31, 2009 and 2010, UBS had 102,748 common shares and no Class A non-voting shares issued and outstanding.

(c) Income/loss per share:

In determining diluted loss per share for the year ended August 31, 2010, the weighted average number of shares outstanding was not increased for in-the-money stock options outstanding as the impact would have been anti-dilutive.

For the year ended August 31, 2009, the weighted average number of shares outstanding was increased by 1,753 for stock options where such dilution would not have an anti-dilutive effect on income per share. The diluted weighted average number of shares outstanding during fiscal 2009 was 104,501.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

13. Share capital (continued):

(d) Contributed surplus:

Details of the Company's contributed surplus are as follows:

	2010	2009
Balance, beginning of year	\$ 3,459	\$ 2,643
Stock-based compensation	89	816
Gain due to change in shareholding in Look	(313)	-
Balance, end of year	\$ 3,235	\$ 3,459

(e) Stock option incentive plan:

UBS' stock option plan (the "Option Plan") provides for the granting of stock options to employees, directors and consultants of UBS. Under the Option Plan, up to 19,765 common shares may be issued from treasury. The exercise price of the options is determined by the Board of Directors at the time of the grant of an option, but cannot be lower than the closing market price of the Company's shares on the TSX Venture Exchange on the business day immediately preceding the day on which an option is granted. In the absence of terms specifying otherwise, options vest annually over a three-year period and are exercisable during a period not to exceed 10 years from such grant.

The following table reflects activity under the Option Plan during 2010 and 2009:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	15,891	\$ 0.27	15,974	\$ 0.27
Granted	-	-	3,900	0.15
Expired	(3,275)	0.21	(3,983)	0.16
Outstanding, end of year	12,616	\$ 0.28	15,891	\$ 0.27

There were no options granted in the year ended August 31, 2010. The weighted average fair value for the options granted during the year ended August 31, 2009 was \$0.12, determined using the Black-Scholes option pricing model with the following weighted average assumptions: an average risk-free interest rate of 2.5%, a dividend yield of nil, a volatility factor of the expected market price of UBS shares of 118%, and an expected option life of 4.8 years.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

13. Share capital (continued):

Under generally accepted accounting principles, the fair value of stock-based awards to employees is calculated through the use of option pricing models, such as the Black-Scholes model, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions. These models also require subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values.

A summary of the status of the Option Plan as at August 31, 2010 is as follows:

Exercise price	Options outstanding, end of year	Weighted average remaining contractual life (years)	Weighted average exercise price	Options exercisable, end of year
\$0.12 - \$0.14	1,841	0.6	\$ 0.12	2,008
\$0.15 - \$0.17	3,800	8.2	0.15	1,734
\$0.21 - \$0.27	333	0.8	0.25	333
\$0.28 - \$0.34	3,020	3.7	0.33	3,020
\$0.40 - \$0.48	3,622	1.9	0.46	3,858
	12,616	4.0	\$ 0.28	10,953

As a result of the sale of Look's spectrum and broadcast licence to Inukshuk, the Company undertook to restructure its business and the former Board of Directors accelerated the vesting of 4,332 options to purchase common shares of the Company effective May 14, 2009. This resulted in an additional stock based compensation expense of \$439. During the year ended August 31, 2010, there were no stock options granted and 3,275 options expired. UBS recorded stock-based compensation expense related to options issued to employees in the year ended August 31, 2010 of \$21 (2009 - \$134) and options issued to non-employees of \$68 (2009 - \$569), which has been recorded in contributed surplus. As at August 31, 2010, there were 12,616 options outstanding (August 31, 2009 - 15,891).

(f) Share appreciation rights plan:

On October 12, 2006, the Board of Directors approved a SAR Plan for UBS. Pursuant to the SAR Plan, directors, employees and consultants were awarded units from time to time that were subject to conditions set by the Board of Directors. The value of a SAR unit was equivalent to the market value at the date when all the conditions attached to the SAR unit were met, less the market value at the date of the award of the unit.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

13. Share capital (continued):

As a result of the restructuring process, there were no SAR units outstanding at August 31, 2010 or at August 31, 2009. Subsequent to August 31, 2010, UBS' Board of Directors cancelled the SAR Plan (note 22).

14. Segment disclosure:

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

The revenue, carrier charges and cost of sales and gross margin for the years ended August 31, 2010 and 2009 from continuing operations and the management service fees from the Look MSA are as follows:

Services	2010			2009		
	Revenue	Carrier charges and cost of sales	Gross margin	Revenue	Carrier charges and cost of sales	Gross margin
Broadcast	\$ 434	\$ 425	\$ 9	\$ 6,377	\$ 4,035 ⁽¹⁾	\$2,342
Internet	-	-	-	5,869	3,085	2,784
Other	-	-	-	137	41	96
Total service	434	425	9	12,383	7,161	5,222
Sales and installations	-	-	-	135	134	1
Total subscriber service and sales	434	425	9	12,518	7,295	5,223
Look MSA fees	639	-	639	-	-	-
Total	\$1,073	\$ 425	\$648	\$12,518	\$ 7,295	\$5,223

⁽¹⁾ During the year ended August 31, 2009, Look recorded a charge of \$737 pursuant to the settlement of its litigation with Border Broadcasters Inc. et al. that is included in broadcast carrier charges and cost of sales.

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

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

14. Segment disclosure (continued):

The service and sales revenue, carrier charges and cost of sales and gross margin from discontinued operations are as follows:

Services	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 registration business ⁽¹⁾	\$ -	\$ -	\$ -	\$ 520	\$ 189	\$ 331

⁽¹⁾ See note 17.

15. Related party transactions:

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

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

On May 19, 2004, UBS and Look entered into the Look 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 Look MSA, Look has been 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, which is included as deferred revenue at August 31, 2010. 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 Look MSA and the services provided by UBS.

The initial term of the Look MSA was 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 Look MSA not recommence, in which event, the Look MSA expires on the completion of the remaining term.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

15. Related party transactions (continued):

On April 22, 2010, Look's former Board of Directors notified UBS that it will not be recommencing the Look MSA on May 19, 2010 such that the Look MSA will expire at the end of its current term being May 19, 2012 or such earlier date that is mutually agreed to by Look and UBS. As a result of this notification, Look would continue to maintain the prepaid annual fee of \$2,400 by paying \$200 per month until May 2011, after which the prepaid annual fee of \$2,400 would be drawn down at \$200 per month for the final twelve months of the Look MSA.

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

The portion of the base fee recognised by UBS for the period from May 26 to August 31, 2010, amounting to \$639, is included in Service and Sales Revenue (note 14).

(b) Interest on Debentures:

During fiscal 2010, UBS earned \$154 in interest on the principal amount of \$3,000 of Debentures held by UBS (2009 - \$210 earned by Look issuing 836 of its subordinate voting shares).

(c) Redemption of Debentures:

Effective May 25, 2010 Look redeemed its outstanding Debentures for cash. UBS elected not to convert any of its Debentures into shares and, accordingly, the \$3,000 of Debentures held by UBS Wireless was redeemed.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

15. Related party transactions (continued):

(d) Rent of Milton premises:

UBS has subleased a portion of Look's premises in Milton for a five-year term at an annual rent of \$78 (2009 - \$77). The initial five-year term of the lease with Look expired on April 1, 2010 and the lease is now extended on a month to month basis.

(e) Accrued restructuring liabilities:

The Company recorded the following related party transactions in fiscal 2010:

	Accrued Restructuring Liabilities				Balance at August 31, 2010 ⁽⁶⁾
	Balance at August 31, 2009	Interest accrued ⁽³⁾	Awards reversed ⁽⁴⁾	Paid by Look ⁽⁵⁾	
Jolian Investments Ltd. ⁽¹⁾ / McGoey	\$ 7,366	\$ 43	\$ -	\$ 5,566	\$ 1,843 ⁽⁷⁾
DOL Technologies Inc. ⁽²⁾ / Dolgonos	5,481	36	-	3,951	1,566 ⁽⁷⁾
Former UBS directors and management	2,675	53	(473)	295	1,960
Total	\$ 15,522	\$ 132	\$ (473)	\$ 9,812	\$ 5,369

⁽¹⁾ Jolian Investments Ltd. ("Jolian") is a company controlled by Mr. McGoey, the former Chairman of the Board of Directors and former CEO of UBS. Fees charged to general and administration expenses in the year ended August 31, 2010 amounted to \$523 (2009 - \$587). During fiscal 2009 the deferred bonuses owing at August 31, 2008 of \$680 were paid. No options or SAR units were granted to Mr. McGoey or Jolian during fiscal 2010 and 1,477 options expired (2009 - 2,100 options were granted).

On July 5, 2010, the former Board of Directors, including Mr. McGoey, was removed from office by shareholders at a special meeting, which resulted in Jolian alleging a Company Default pursuant to the Jolian Management Services Agreement with UBS ("Jolian MSA") and a subsequent claim for, amongst other things, payment for termination of services and the outstanding accrued restructuring liability to Jolian. Details of the litigation against UBS commenced by Jolian on July 12, 2010 are set out in note 18.

⁽²⁾ DOL Technologies Inc. ("DOL") is a company controlled by Mr. Dolgonos, the former Chief Technology Consultant of UBS. Fees charged to general and administration expenses in the year ended August 31, 2010 amounted to \$396 (2009 - \$487). During fiscal 2009 the deferred bonuses owing at August 31, 2008 of \$392 were paid. In August 2009, 11,351 Class A non-voting shares held by a company controlled by Mr. Dolgonos were converted to common shares on a one-for-one basis at the request of the holder of the shares. No options or SAR units were granted to Mr. Dolgonos or DOL during fiscal 2010 (2009 - 1,000 options were granted).

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

15. Related party transactions (continued):

On July 5, 2010, the former Board of Directors was removed from office by shareholders at a special meeting and a new Board of Directors was elected, which resulted in DOL alleging that its agreement with UBS ("Technology Agreement") had been terminated for "Good Reason following Change-in-Control" and a subsequent claim for, amongst other things, payment for termination of services and the outstanding accrued restructuring liability to DOL. Details of the litigation against UBS commenced by DOL on July 12, 2010 are set out in note 18.

- ⁽³⁾ The interest on accrued restructuring liabilities payable by UBS is charged to restructuring charges.
- ⁽⁴⁾ During the fourth quarter of fiscal 2010, a former director of UBS, Mr. Minaki, relinquished all rights to the accrued restructuring award granted to him by the former Board of Directors resulting in a reversal of \$473, including accrued interest, to restructuring charges.
- ⁽⁵⁾ Payment of the accrued restructuring liabilities by Look was contingent on receipt by Look of the full consideration of \$80,000 due from Inukshuk. In addition to the amounts paid by Look noted above, at August 31, 2009, Look had accrued \$7,412 in respect of accrued restructuring liabilities due to other Look related parties, including former Look directors, First Fiscal Management Ltd., the former Chief Financial Officer and former senior managers, that it paid during the first quarter of 2010.
- ⁽⁶⁾ The accrued restructuring liabilities payable by UBS at August 31, 2010 are payable upon, among other things, adequate cash resources being received by UBS.
- ⁽⁷⁾ These amounts, among others, are included in the claims filed against UBS by Jolian and DOL on July 12, 2010 (note 18). Counterclaims filed by UBS against Jolian, Mr. McGoey and certain former directors and against DOL, Mr. Dolgonos, Mr. McGoey and certain former directors are detailed in note 18.

Payment of the accrued restructuring awards was contingent on receipt by Look of the full consideration of \$80,000 due from Inukshuk. In addition, in the case of UBS, payment is contingent upon, among other things, adequate cash resources being received by UBS. If the Inukshuk transaction did not close, the accrued restructuring liabilities would not have been paid and all rights to these contingent payments, and the options and SARs relinquished during fiscal 2009 noted below, would have remained relinquished (see notes 3 and 4).

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

15. Related party transactions (continued):

Details of the accrued restructuring awards in Look and UBS are set out below:

LOOK	SAR units relinquished	Options relinquished	Accrued restructuring liabilities				
			Equity accrual	Bonus accrual	Balance 2009	Paid 2010	Balance 2010
Julian / McGoey	14,769	335	\$ 3,166	\$ 2,400	\$ 5,566	\$ 5,566	\$ -
DOL / Dolgonos	7,384	-	1,551	2,400	3,951	3,951	-
Former UBS directors and management	300	927	235	60	295	295	-
Total	22,453	1,262	\$ 4,952	\$ 4,860	\$ 9,812	\$ 9,812	\$ -

UBS	SAR units relinquished	Equity accrual	Accrued restructuring liabilities				
			Bonus accrual	Balance 2009	Accrued interest	Awards declined	Balance 2010
Julian / McGoey	3,000	\$ 600	\$ 1,200	\$ 1,800	\$ 43	\$ -	\$ 1,843
DOL / Dolgonos	3,000	330	1,200	1,530	36	-	1,566
Former UBS directors and management	4,800	1,380	1,000	2,380	53	473	1,960
Total	10,800	\$ 2,310	\$ 3,400	\$ 5,710	\$ 132	\$ 473	\$ 5,369

(f) General security interest:

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

(g) Indemnity Agreements:

The former Board of Directors resolved that the Indemnitees were entitled to retain legal counsel pursuant to their Indemnity Agreements and as a result \$144 was expensed during fiscal 2010 pursuant to the Indemnity Agreements and \$564 has been advanced by UBS to various legal firms for future services (note 7).

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

15. Related party transactions (continued):

(h) Special shareholders meeting:

It was stated in the Concerned Shareholders' circular prepared in connection with the July 5, 2010 special meeting of shareholders that the costs incurred in the preparation and mailing of the circular and the solicitation will be borne by the Concerned Shareholders who would seek reimbursement from UBS of its out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with the meeting. In this regard, UBS has paid \$259 to service providers engaged by the Concerned Shareholders and UBS has accrued \$274 which is payable to the Concerned Shareholders, some of whom are directors of UBS.

16. Income taxes

Total income tax recovery varies from the amounts that would be computed by applying the statutory income tax rate of 32% (2009 - 33.17%) to loss before income taxes for the following reasons:

	2010	2009 ⁽¹⁾
Effective income tax recovery on income (loss) from continuing operations before income taxes	\$ (1,838)	\$ 12,573
Decrease (increase) results from:		
Permanent differences	2,783	(6,613)
Change in valuation allowance	(2,912)	13,625
Change in enacted tax rates	1,967	(1,091)
Benefit of additional ECE pool as a result of sale of the Spectrum and broadcast licence	-	(17,078)
Expiration of non-capital losses	-	7,401
Recognition of future tax on tax reorganization	-	(6,146)
Benefit as a result of Ontario Harmonization	-	(2,850)
Other	-	179
	\$ -	\$ -

⁽¹⁾ The 2009 comparative includes Look.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

16. Income taxes (continued):

The income tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities at August 31, 2010 and 2009 are presented below:

	2010	2009 ⁽¹⁾
Future income tax assets:		
Non-capital and capital income tax losses carried forward and eligible capital expenditures	\$ 6,534	\$ 111,370
Property and equipment - differences in net book value and undepreciated capital cost	-	3,130
Future deductions relating to scientific research and development	1,873	2,940
Future deductions related to financing charges and other provisions	1,392	189
Tax reorganization plan assets	-	6,146
	9,799	123,775
Less valuation allowance	(9,799)	(123,775)
	\$ -	\$ -

⁽¹⁾The 2009 comparative includes Look.

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the year in which the temporary differences are deductible. Management considers the scheduled reversals of future income tax liabilities, the character of the income tax asset and the tax planning strategies in making this assessment. To the extent that management believes that the realization of future income tax assets does not meet the more likely than not realization criterion, a valuation allowance is recorded against the future tax assets.

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

2014	\$ 7,963
2015	1,001
2027	2,215
2028	424
2029	1,626
2030	1,631
	\$14,860

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

16. Income taxes (continued):

At August 31, 2010, following certain amendments to prior tax returns to maximize UBS' tax attributes, UBS had \$14,860 in non-capital income tax losses with expiry dates between 2014 and 2030, allowable gross capital losses of \$22,555 with an unlimited expiration period and investment tax credits available for carry forward totalling approximately \$3,092.

In December 2007, Look implemented a reorganization plan (the "Plan") by transferring certain assets to an entity that is 100% controlled by Look. The purpose of the Plan is to utilize certain of Look's non-capital losses, which would have otherwise expired, to reduce future taxable income.

Subsequent to the Plan, Look had sufficient tax loss carry forwards to offset the entire income recognized on the sale of the web hosting and domain name business and on the sale of the Internet business (note 14 and 17).

The sale of the spectrum and broadcast licence to Inukshuk (note 3) is not expected to result in any tax payable and, as a result, Look's non-capital income tax loss carry forwards are expected to remain unchanged. As a result of the sale of the spectrum and broadcast licences and the restructuring of the business, the cumulative eligible capital expenditure 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:

2010	\$ 184,303
2014	12,588
2015	55
2026	403
2028	13,539
2029	156,306
2030	5,553
	<hr/>
	\$ 372,747

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

17. Discontinued operations:

A summary of the net income (loss) from discontinued operations is as follows:

	2010	2009
Gain from sale of web hosting and domain name business	\$ 78	\$ 4,200
Gross margin from web hosting and domain name sales	-	331
Income from web hosting and domain name business	78	4,531
Non-controlling interest	(38)	-
Danish litigation	-	(300)
Settlement of third party claim	(150)	-
Income (loss) from discontinued operations	\$ (110)	\$ 4,231

- (a) During fiscal 2009, Look sold its web hosting and domain name business (note 14), resulting in a profit on the sale and the reclassification of gross margin from this business to discontinued operations. During the year ended August 31, 2010, the Company recorded an adjustment of \$40, net of non-controlling interest, related to the sale of the web hosting and domain name business.
- (b) In accordance with the Purchase and Sale Agreement in respect of the acquisition of UBS' Danish subsidiary, UBS reimbursed the expenses incurred by the former owner of the Danish subsidiary in connection with the settlement of a claim filed against the former owner in the Danish courts (note 18).
- (c) Pursuant to the settlement of the claim between an investment dealer and two shareholders of UBS and the related third party claim filed by the investment dealer against UBS, UBS has provided \$150 representing its agreed contribution to the settlement (note 22).

The consolidated balance sheets include the following amounts related to discontinued operations:

	2010	2009
Accrued liabilities and provisions	\$ 297	\$525

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

18. 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 included the following:

- (i) Craig Wireless paid \$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 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) Statements of Claim and Defences and Counterclaims pursuant to termination of services agreements:

- (i) Claim by Jolian Investments Ltd. ("Jolian"):

On July 5, 2010, at a special meeting of shareholders requisitioned by a group of concerned shareholders, Robert Ulicki, Grant McCutcheon and Henry Eaton were elected to the Board of Directors of UBS to replace the slate of three directors put forward by UBS, which included Mr. McGoey. After the conclusion of the meeting, the new board presented Mr. McGoey with a letter confirming certain immediate requests of him as the CEO. Later that day counsel to Jolian wrote UBS enclosing notice from Mr. McGoey and Jolian that, in their view, a "company default" and "termination without cause" of the Jolian MSA had occurred demanding payment of \$8,610, being three times the aggregate of (i) Jolian's annual base fee; (ii) the greater of five measures of performance incentives; and (iii) annualized expenses. Also included in the payment demanded was the outstanding Contingent Restructuring Liability of \$1,800.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

18. Contingencies (continued):

On July 12, 2010, Jolian, following the notice of termination served on UBS on July 5, 2010, served a statement of claim on UBS. This claim was subsequently amended to include applicable taxes on the amounts claimed on July 18, 2010. Among other things, Mr. McGoey seeks \$7,410 in immediate termination payment, under the terms of the Jolian MSA and \$1,800 in respect of outstanding contingent restructuring awards. This is in addition to the \$8,300 in total compensation awarded to Mr. McGoey, and a company under his control, by UBS and Look in 2009.

Mr. McGoey is seeking a declaration from the Ontario Superior Court of Justice that there was a “company default” and “termination without cause” under the Jolian MSA. This claim is in large part due to shareholders not electing Mr. McGoey as a director of UBS at the special meeting of shareholders held on July 5, 2010.

In addition, Mr. McGoey makes a number of other allegations, including that a deferred bonus award of \$1,200, which was awarded to him on August 28, 2009, and a share appreciation rights cancellation payment of \$600 (together with accrued interest) will be additionally due and owing to him.

UBS has filed a Defence and Counterclaim against Jolian, Mr. McGoey and certain other former directors as set out below.

(ii) Claim by DOL Technologies Inc. (“DOL”):

After the conclusion of the special meeting of shareholders held on July 5, 2010, DOL gave written notice to UBS that it was terminating the Technology Agreement for good reason as a result of a change in control of UBS. The letter demanded payment of \$7,600, being three times the aggregate of (i) DOL’s annual base fee; (ii) the greater of four measures of performance incentives; and (iii) reimbursable expenses due and owing at the time of termination. Also included in the payment demanded was the outstanding Contingent Restructuring Liability of \$1,530.

On July 12, 2010, DOL, following the notice of termination served on UBS on July 5, 2010, served a statement of claim on UBS. Among other things, Mr. Dolgonos seeks \$6,015 in immediate termination payment, under the terms of the Technology Agreement and \$1,530 in respect of outstanding contingent restructuring awards. This is in addition to the \$6,100 in total compensation awarded to Mr. Dolgonos, and a company under his control, by UBS and Look in 2009.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

18. Contingencies (continued):

Mr. Dolgonos is seeking a declaration from the Ontario Superior Court of Justice that he was terminated for “good reason following a change-in-control” under the Technology Agreement.

In addition, Mr. Dolgonos makes a number of other allegations, including that a deferred bonus award of \$1,200, which was awarded to him on August 28, 2009, and a share appreciation rights cancellation payment of \$330, (together with accrued interest) will be additionally due and owing to him.

UBS has filed a Defence and Counterclaim against DOL, Mr. Dolgonos, Mr. McGoey and certain other former directors as set out below.

(iii) UBS Defences and Counterclaims to Jolian and DOL claims:

UBS has defended Messrs McGoey and Dolgonos’ claims and denies any amounts are owing to them. The Defences and Counterclaims filed by UBS on August 18, 2010, state, among other things, that:

- the Contingent Restructuring Awards were granted without any legal or factual justification;
- the Contingent Restructuring Awards are unjust, unfair and unreasonable and not in the best interests of UBS;
- the Contingent Restructuring Awards were granted by the former directors in breach of their statutory and fiduciary duties;
- the exercise of shareholders’ fundamental right to replace a director does not give rise to a Termination Payment to Mr. McGoey;
- there was no “good reason following a change-in-control” that purports to give rise to a Termination Payment to Mr. Dolgonos;
- the Termination Payments are excessive, unjust, unfair and unconscionable and not in the best interests of UBS;
- the Termination Payments are not supportable nor justifiable in law; and
- the terms of the Services Agreements that purport to give rise to the Termination Payments were agreed to by the former directors in breach of their statutory and fiduciary duties.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

18. Contingencies (continued):

In addition, the Defences and Counterclaims include counterclaims against Messrs. McGoey and Dolgonos and certain former directors of UBS. Among other things, UBS is now seeking:

- a declaration that Mr. McGoey and certain former directors exercised their powers in a manner that was oppressive and/or unfairly prejudicial to and/or unfairly disregarded the interests of UBS;
- a declaration that Messrs. McGoey, Dolgonos and certain former directors failed to act honestly and in good faith with a view to the best interests of UBS;
- a declaration that the Termination Payments of \$7,410 and \$6,015 claimed by Messrs. McGoey and Dolgonos under their respective service agreements are null, void and unenforceable, or alternatively, damages in those amounts;
- a declaration that the \$1,800 and \$1,530 in Contingent Restructuring Awards awarded, but not paid, by UBS to Messrs. McGoey and Dolgonos, respectively, are null, void and unenforceable, or alternatively, damages in those amounts;
- a declaration that the Contingent Restructuring Awards awarded, but not paid, by UBS to certain former directors are null, void and unenforceable, or alternatively, damages in the amount of the Contingent Restructuring Awards awarded to them;
- a declaration that, if any or all of the Contingent Restructuring Award awarded by Look Communications Inc. was validly payable, the \$5,650 Look Contingent Restructuring Award paid to Mr. McGoey and the \$3,950 Look Contingent Restructuring Award paid to Mr. Dolgonos, are payable to UBS;
- a declaration that “indemnity payments” paid to the law firms representing certain directors and officers were taken unlawfully, without authority and contrary to their respective indemnity agreements, UBS’ by-laws and the *Business Corporations Act* (Ontario), and an order that the “indemnity payments” be immediately returned to UBS;
- damages in the amount of \$3,000 in respect of the former UBS Board decision to redeem for cash the Debentures issued by Look; and
- punitive damages in the amount of \$5,000.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

18. Contingencies (continued):

(iv) Jolian and Mr. McGoey's defence to UBS Counterclaims:

On October 28, 2010, Jolian and Mr. McGoey served UBS with statements of defence against UBS' counterclaims against Jolian et al and DOL et al in respect of the litigation commenced by Jolian and DOL in July 2010. Among other things, Mr McGoey claims that:

- he brought significant value to UBS and to Look;
- he provided full and fair value to UBS in exchange for the compensation and consideration he received;
- without his contributions to UBS since 2002 and to Look since 2004, UBS and Look would not have survived;
- the concerned shareholder group's actions in respect of the 2010 POA and the triggering of the Termination Payments have badly hurt UBS;
- the Jolian MSA is valid and enforceable;
- the contingent restructuring awards approved by the former Board of Directors were in the best interests of UBS, were properly authorized and were necessary, reasonable and fair to UBS; and
- Jolian earned and was lawfully entitled to the contingent restructuring award it received from Look.

(v) DOL and Mr. Dolgonos' defence to UBS Counterclaims:

On November 5, 2010, DOL and Mr. Dolgonos' served UBS with statements of defence against UBS' counterclaims against DOL et al in respect of the litigation commenced by DOL in July 2010. Among other things, Mr. Dolgonos claims that:

- he brought significant value to UBS and to Look;
- he always acted in the best interests of UBS and Look;
- he always preserved and protected the assets of UBS from unnecessary and/or wasteful dissipation;
- he always put UBS' interests before his own financial interests;
- the DOL Technology Agreement is valid and enforceable; and
- the contingent restructuring awards approved by the former Board of Directors of UBS and Look were in the best interests of UBS and Look, were properly authorized and were necessary, reasonable and fair to UBS and Look.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

18. Contingencies (continued):

While UBS intends to vigorously defend the claims filed by Messrs. McGoey and Dolgonos and pursue its counterclaims against these parties and certain former directors, none of the claims, counterclaims and defenses made by the parties to the foregoing litigation have been proven before a court of law. Further, there can be no assurance that any of UBS' counterclaims and/or defences will be proven before a court. An award of damages against UBS and the ongoing costs of litigation could, independently or collectively, have a material adverse effect on the financial condition and solvency of UBS.

- (d) On May 17, 2005, a proceeding was brought against UBS alleging damages of approximately \$700 for repairs to premises under a lease. UBS has filed a third party claim against a sub-tenant for indemnification of any damages to the subleased premises. Management believes it has a good defence and intends to vigorously defend its position.
- (e) Certain claims have been filed against UBS in connection with UBS Technologies A/S (formerly ProTeleVision Technologies A/S), its Danish subsidiary that was petitioned into bankruptcy in early 2003. The remaining claim for approximately \$450, which is based on an alleged guarantee by UBS related to a subcontracting agreement for the manufacture of electronic products, was dismissed by the Danish courts in October 2008 with costs awarded to UBS. The decision is being appealed by the plaintiff and the case will now be heard in the Danish Supreme Court.
- (f) On June 8, 2005, an investment dealer filed a third party claim against UBS resulting from litigation against that investment dealer by two shareholders of UBS. The claim against the investment dealer, for \$42,000, was for negligence and breach of contract pertaining to a secondary sale of UBS shares in 2000, on behalf of the two shareholders. The third party claim against UBS alleged that UBS indemnified the investment dealer against claims on the performance of the investment dealer with respect to this secondary sale of UBS shares.

On October 1, 2010, the parties to the main action and the third party claim settled all the claims, which included a contribution to the settlement from UBS in the amount of \$150.

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

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

19. Supplemental cash flow information:

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

	2010	2009
Accounts receivable	\$ (553)	\$ (35)
Inventory	40	12
Prepaid expenses and deposits	(2,736)	146
Accounts payable, accrued liabilities and provisions	(4,094)	(338)
Accrued restructuring liabilities	(1,451)	2,314
Accrued restructuring liabilities due to related parties	(17,565)	22,934
Restricted cash	380	60
Deferred revenue	2,400	216
	<hr/>	<hr/>
	\$ (23,579)	\$ 25,309

- (b) Interest paid and received:

	2010	2009
Interest paid	\$ 101	\$ 203
Interest received	136	79

20. Capital risk management:

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

As of August 31, 2010, UBS' capital structure includes cash and cash equivalents, accounts receivable and other receivables and equity consisting of share capital, contributed surplus and deficit. UBS is not subject to externally-imposed capital requirements. UBS's overall strategy with respect to capital risk management is to hold low-risk highly-liquid cash and cash equivalents.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

21. Financial risk management:

(a) Overview:

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

(b) Credit risk:

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

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

(c) Liquidity risk:

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

UBS has incurred operating losses and negative cash flows from operations in recent years and at August 31, 2010, UBS had a working capital deficiency of \$3,986. Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions to Look's shareholders and the outcomes of certain recent litigation (note 18). UBS will need to raise cash and/or monetize assets and/or receive cash distributions from Look and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments giving rise to doubt about UBS' use of the going concern assumption (note 1).

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

21. Financial risk management (continued):

(d) Market risk:

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

UBS is subject to interest rate risk on its cash and cash equivalents and restricted cash (note 6). UBS estimates that for each 1% change in the interest rate earned on its cash holdings at August 31, 2010, interest income will increase or decrease by approximately \$43 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, 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 has been carried at amortized cost, which approximates fair value; and
- (iii) Prior to their redemption and conversion, the liability component of the convertible debentures was carried at amortized cost, which approximated fair value.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

21. Financial risk management (continued):

(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) Prior to their redemption and conversion, the liability component of the convertible debentures was carried at amortized cost, which approximated fair value (note 11).

The Company has not classified any assets as available-for-sale or held-to-maturity during the years ended August 31, 2010 and 2009. The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash and cash equivalents and restricted cash. The Company does not have Level 2 or Level 3 inputs.

22. Subsequent events:

(a) Third party claim by investment dealer:

On June 8, 2005, an investment dealer filed a third party claim against UBS resulting from litigation against that investment dealer by two shareholders of UBS. The claim against the investment dealer, for \$42,000, was for negligence and breach of contract pertaining to a secondary sale of UBS shares in 2000, on behalf of the two shareholders. The third party claim against UBS alleged that UBS indemnified the investment dealer against claims on the performance of the investment dealer with respect to this secondary sale of UBS shares. On October 1, 2010, the parties to the main action and the third party claim settled all the claims, which included a contribution to the settlement from UBS in the amount of \$150.

(b) Director Resignation:

On October 29, 2010, Look announced that Robert Ulicki had resigned as a director of Look. Mr. Ulicki joined Look's board of directors on July 21, 2010 and has been actively involved in the orderly transition to the new board of directors of Look. With the transition now complete, Mr. Ulicki informed Look that he felt it was an opportune time for him to resign. Mr. Ulicki remains a director of UBS.

UNIQUE BROADBAND SYSTEMS, INC.

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

Years ended August 31, 2010 and 2009

22. Subsequent events (continued):

(c) Cancellation of Share Appreciation Rights Plan:

On November 24, 2010 UBS' Board of Directors cancelled the UBS SAR Plan (note 13).

(d) Amendment to Look MSA:

As a result of the sale of its spectrum and broadcast licence and the resulting restructuring of its business, Look no longer requires the same level of CEO Services and Other Services from UBS, particularly as that relates to annual business planning and budgeting, human resources, engineering, updating of broadcast and information technology, the management of regulatory requirements, and managing Look's fixed and variable costs to maximize Look's profits.

Accordingly, on December 3, 2010, Look and UBS agreed that, with effect from January 1, 2011, Look will no longer maintain the prepaid annual fee of \$2,400 on a monthly basis and that this amount will be drawn down at approximately \$145 per month over the remaining term of the Look MSA, being January 1, 2011 through May 19, 2012, in lieu of the annual fee that would otherwise be payable to UBS under the Look MSA. UBS will continue to provide services to Look, where still applicable pursuant to the Look MSA, and all other terms and conditions of the Look MSA will remain in effect until May 19, 2012. The cash flow impact of this amendment is a reduction of approximately \$900 in fees from Look to UBS over the remaining term of the Look MSA (note 15).

UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

Board of Directors

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

Officers

Grant McCutcheon
Chief Executive Officer

Malcolm Buxton-Forman
Chief Financial Officer

Auditors

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

Shareholder inquiries

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Transfer agent

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Common shares

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