

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

**UNIQUE BROADBAND
SYSTEMS, INC.**

Years ended August 31, 2010 and 2009

UNIQUE BROADBAND SYSTEMS, INC.

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

(In thousands, except per share amounts)

For the years ended August 31, 2010 and 2009

December 8, 2010

1. INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") relates to the consolidated financial condition of Unique Broadband Systems, Inc. (the "Company") at August 31, 2010 and the consolidated results of operations for years ended August 31, 2010 and 2009. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2010 and the financial statements and MD&A of Look Communications Inc. ("Look") as at and for the year ended August 31, 2010.

The Company's annual audited consolidated financial statements and the notes thereto 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 information. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Look is currently evaluating its future operations and strategies and will seek approval from its Board of Directors and shareholders, as required.

Unless specifically stated, the references to "UBS" include the legal entity Unique Broadband Systems, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless"), and references to the "Company" means UBS and Look.

This MD&A has been approved by a new Board of Directors elected at a special meeting of shareholders on July 5, 2010 (see the section entitled "Overview - Significant Current Events").

2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements and information concerning expected future events, the future performance of the Company, its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to our objectives and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements and information are based on current expectations.

The Company cautions that all forward-looking statements and information are inherently uncertain and actual future results, conditions, actions or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company's control.

New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or the effect that they may have on the Company. Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments, (iv) business integrations and internal reorganizations, (v) process risks, (vi) health, safety, and environmental developments, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) other risk factors related to the Company's historic business, and (x) risk factors related to the Company's future operations.

More specifically, UBS faces risks and uncertainties in connection with the ongoing litigation described under the section entitled "Contingencies". In particular, there can be no assurance that UBS will not be found liable for payments to certain parties in the course of this litigation nor can there be any assurance that UBS will be able to recover any of the amounts sought in its counterclaims. An award of damages against UBS and the ongoing costs of this litigation could, independently or collectively, have a material adverse effect on the financial condition and solvency of UBS.

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

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

3. OVERVIEW

Significant Current Events

(a) New Directors at UBS and Look

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 Gerald McGoey, Louis Mitrovich and Douglas Reeson. Robert Ulicki was appointed Chairman of the Board and Grant McCutcheon was appointed Chief Executive Officer of UBS.

On July 21, 2010, 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 Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), effective July 21, 2010, Grant McCutcheon serves as Look's CEO and acting CFO.

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.

On October 29, 2010, Robert Ulicki resigned as a director of Look. Mr. Ulicki has been actively involved in the orderly transition to the new board of directors of Look and with the transition now complete, Mr. Ulicki informed Look that it was an opportune time for him to resign. Mr. Ulicki remains a director of UBS.

(b) UBS Litigation Pursuant to Termination of Services Agreements

- (i) On July 12, 2010, Jolian Investments Ltd. ("Jolian"), a company controlled by Mr. McGoey, the former CEO and Chairman of UBS, following the notice of termination served on UBS on July 5, 2010, served a statement of claim on UBS. Among other things, Mr. McGoey seeks \$7,410 in immediate termination payment ("Termination Payment"), under the terms of the Jolian Management Services Agreement with UBS ("Jolian MSA") entered into with UBS, and \$1,800 in respect of outstanding contingent restructuring awards.
- (ii) On July 12, 2010, DOL Technologies Inc. ("DOL"), a company controlled by Mr. Dolgonos, the former Chief Technology Consultant of UBS, 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 ("Termination Payment"), under the terms of the Technology and Strategic Marketing Agreement ("Technology Agreement") entered into with UBS, and \$1,530 in respect of outstanding contingent restructuring awards.

(iii) On August 18, 2010, UBS filed its defences and counterclaims against Messrs. McGoey's and Dolgonos' claims and denies any amounts are owing to them due to, among other things, the following:

- the exercise of shareholders' fundamental rights to replace a director should not give rise to a Termination Payment to Mr. McGoey;
- there was no "good reason following a change-in-control" that gives rise to a Termination Payment to Mr. Dolgonos; and
- the contingent restructuring awards were granted by the former Board of Directors in breach of its statutory and fiduciary duties.

In addition, the defences and counterclaims include counterclaims against Messrs. McGoey and Dolgonos and certain former directors of UBS. Among other things, UBS is 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 and 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, if any or all of the contingent restructuring awards approved by Look were validly payable, the \$5,650 Look contingent restructuring award paid to Jolian and the \$3,950 Look contingent restructuring award paid to DOL, were payable to UBS;
- damages in the amount of \$3,000 in respect of the decision by the former UBS Board of Directors to redeem for cash the Debentures; and
- punitive damages in the amount of \$5,000.

(iv) 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 claiming, among other things, that Mr. McGoey brought significant value to UBS and Look and that he provided full and fair value to UBS in exchange for the compensation and consideration he received.

(v) On November 5, 2010, DOL and Mr. Dolgonos served UBS with a statement of defence against UBS' counterclaims against DOL et al in respect of the litigation commenced by DOL in July 2010 claiming, among other things, that Mr. Dolgonos brought significant value to UBS and Look and that he always acted in the best interests of UBS and never put his personal interests ahead of UBS.

None of the claims, counterclaims and defences made by the parties to the foregoing litigation have been proven before a court of law and there can be no assurance that any of UBS' counterclaims and/or defences will be proven before a court (see the section entitled "Contingencies").

(c) Cancellation of Share Appreciation Rights ("SAR") Plan ("SAR Plan"):

On November 24, 2010 UBS' Board of Directors cancelled the SAR Plan.

(d) Management Services Agreement with Look

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

On April 22, 2010, Look's former Board of Directors notified UBS that it will not be recommending the MSA on May 19, 2010 such that the Look MSA will expire at the end of its current term being May 19, 2012 or such earlier date that is mutually agreed to by Look and UBS. As a result of 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 (see the section entitled "Overview – Significant Current Events – Sale of 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 (see the section entitled "Related Party Transactions").

(e) 2010 Plan of Arrangement

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:

- (i) 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;
- (ii) an orderly sale of Look’s remaining property (not including its cash and tax attributes); and
- (iii) 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 and were charged to restructuring charges.

(f) Sale of Spectrum and Broadcast Licence

On September 11, 2009, following the receipt of regulatory approval of the transaction by Industry Canada and pursuant to 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 Canadian Radio-Television and Telecommunications Commission (“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.

(g) Convertible 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 7% secured convertible debentures ("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 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 on May 25, 2010 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.

(h) Restructuring

As a result of the sale of Look's spectrum and broadcast licence to Inukshuk and the resulting restructuring of its business, the Company has recorded 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 as 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 | (175) | - | (175) |
| Balance at August 31, 2010 | \$ 664 | \$ 32 | \$ 696 |

| | 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 as 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 the section entitled "Related Party Transactions".

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 terminated its service to all its remaining 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:

- i) Tax Attributes – Approximately \$373,000 in tax attributes, of which approximately \$184,000 expires in December 2010 (see the section entitled “Overview – Significant Current Events – Income Taxes”); and
- ii) Milton Property – Look’s network operating centre and infrastructure in Milton, Ontario listed with Colliers International.

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.

(i) Income Taxes

As a result of the sale of the spectrum and broadcast licence 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:

| Year of expiry | Amount |
|-----------------------|------------------|
| 2010 | \$184,303 |
| 2014 | 12,588 |
| 2015 | 55 |
| 2026 | 403 |
| 2028 | 13,539 |
| 2029 | 156,306 |
| 2030 | 5,553 |
| Total | \$372,747 |

Look engaged BMO Capital Markets in November 2009 to assist with the monetization of its tax attributes and an extensive effort was made to conclude a transaction with efforts largely ending by the spring of 2010. Renewed efforts this summer and fall to conclude a monetization transaction have not been successful.

Look will continue to pursue opportunities to realize value from its tax attributes; however, it is unlikely any value will be obtained for the \$184,303 of non-capital income tax losses that expire at the end of December 2010. Look's remaining tax attributes of approximately \$188,444 may be utilized by Look in its future operations, or may be utilized by a potential acquirer to offset income, provided certain tests are satisfied.

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.

(j) Indemnity Agreements

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.

Prior to the resignation of Look's former Board of Directors, Look advanced \$1,550 to various professional firms in accordance with the indemnification agreements with its former directors, officers, and consultants.

Our Company

UBS is a publicly listed Canadian company that, effective May 25, 2010, has a 39.2% fully diluted equity interest in Look and other financial assets.

In 2003, UBS transitioned from a technology company that designed, developed and manufactured broadband wireless equipment to a holding company when it acquired a 51.8% controlling interest in Look and sold its manufacturing business. 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 39.2% economic interest and a 37.6% voting interest in Look.

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

Our Strategy

UBS' operating strategy is to:

- (i) maximize the value of its investment in Look;
- (ii) defend the claims filed by Messrs. McGoey and Dolgonos; and
- (iii) recover any of the amounts sought in the counterclaims against Jolian and McGoey et al and DOL and Dolgonos et al.

Should Look distribute available cash to its shareholders, UBS will assess its options with respect to distributing its available cash to UBS shareholders or reinvesting available cash in new opportunities in the event of protracted litigation or other restrictions on distributing cash to UBS shareholders.

Look is seeking to preserve its capital, maximize value on its remaining assets and assess available options for maximizing returns to shareholders. Look continues to pursue opportunities to sell its remaining two material non-cash assets (tax attributes and a building) as discussed in the section entitled "Overview – Significant Current Events – Restructuring" during which time Look will invest its existing cash in short-term highly liquid investments, the income from which will be tax sheltered.

Look is mindful of the issues raised by shareholders in the Concerned Shareholders information circular mailed in connection with the Special Meeting of UBS shareholders held on July 5, 2010. Accordingly, UBS understands that Look's management and Board of Directors are undertaking a thorough investigation into the facts and circumstances surrounding the contingent restructuring awards paid to directors, officers, consultants and senior management, representing \$17,224 of the net proceeds of \$64,000 realized on the sale by Look of its spectrum and broadcast licence to Inukshuk.

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.

| Investment in Look | 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 as at August 31, 2010 | \$ 12,564 |

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

| Equity interest in Look | |
|--|---------------|
| 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 |

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 consolidated 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 |
| | \$ 33,243 | \$ 69,663 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Total current liabilities | \$ 1,190 | \$ 26,144 |
| Liability component of convertible debentures | - | 3,291 |
| Total liabilities | 1,190 | 29,435 |
| 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 | 32,053 | 40,228 |
| | \$ 33,243 | \$ 69,663 |

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.

4. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Continuing Operations

The consolidated financial statements for fiscal 2010 include the accounts of UBS' wholly owned subsidiary, UBS Wireless, for the years ended August 31, 2010 and 2009, and its 51% controlled subsidiary, Look, for the nine months up to May 25, 2010 and the year ended August 31, 2009. From May 26, 2010, UBS accounted for its interest in Look 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 that 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.

Discontinued Operations

During the second quarter of fiscal 2004, UBS' divestiture of its Engineering and Manufacturing Business resulted in the reclassification of that business as "Discontinued Operations". Accordingly, all revenues and costs associated with that business and the divestiture have been reclassified from September 1, 2003 as "Discontinued Operations" in the Consolidated Statement of Operations and Deficit and the Consolidated Cash Flow Statement. During the first quarter of fiscal 2009, Look sold its web hosting and domain name business. As a result, the Company has included from this business the gross margin and the gain on the sale in discontinued operations.

Basis of Presentation and Going Concern

The consolidated financial statements for fiscal 2010 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 (see the section entitled "Contingencies"). 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 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.

5. SIGNIFICANT ACCOUNTING POLICIES

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

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

UBS has identified the accounting policies in note 2 to its 2010 annual audited consolidated financial statements as critical to the understanding of its business operations. Where deemed significant, the impact and any associated risks related to these policies on its business operations are discussed throughout this MD&A.

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

The Company's critical accounting policies are noted below:

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 the 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.

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.

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.

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% |

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.

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.

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:

- a) fees received from subscribers in connection with Broadcast, Internet, and Other services provided by Look and sales and installations of equipment, and
- b) 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.

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.

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.

Stock Option Incentive Plan

UBS has a stock option incentive plan and 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.

Share Appreciation Rights Plan

UBS had a Share Appreciation Rights (“SAR”) Plan (“SAR Plan”). 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.

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. The re-measurement of held-for-trading financial assets and liabilities on adoption to fair value did not have a material impact on the consolidated financial statements.

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.

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.

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.

Recent Accounting Pronouncements

(a) 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.

(b) 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. 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.

6. KEY PERFORMANCE INDICATORS

Look has measured the success of its operations using a number of key performance indicators including:

Subscriber Counts

Look determines the number of subscribers of its services based on active subscribers at reporting dates. When subscribers are deactivated either voluntarily or involuntarily for non-payment, they are considered to be deactivations in the period the services are discontinued.

Look reports subscribers in three categories: Broadcast Service, Internet Service, and Other Service. Broadcast Service includes customers subscribing to the provision of digital television services. Internet Service includes Dial-Up and High Speed wireline and wireless Internet access. Other Service includes hosting and co-location. Look has historically monitored the number of subscribers of its services as an indicator of future revenue to be used in fiscal planning (see the section entitled “Overview – Significant Current Events – Sale of Spectrum and Broadcast Licence”).

Subscriber Churn

Subscriber churn is calculated on a monthly basis. For any particular month, subscriber churn represents the number of subscribers deactivated in the month divided by the aggregate number of subscribers at the beginning of the month. When used or reported for a period greater than one month, subscriber churn represents the monthly average of the subscriber churn for each of the months in the period. Look has historically used subscriber churn as a measure of its success in retaining its subscriber base. The churned subscribers resulting from the sale of the web hosting and domain name business and the sale of the Internet business are excluded from the Other Service and Internet churn calculations respectively (see the section entitled “Overview – Significant Current Events – Sale of Spectrum and Broadcast Licence”).

Service Revenue

Service revenue is total revenue less revenue received from the sale and installation of equipment. The sale of such equipment does not materially affect Look's operating income as Look generally sells equipment to its subscribers at a price approximating its cost to facilitate competitive pricing. Accordingly, Look believes that service revenue is a more meaningful metric to examine fluctuations in gross margin.

Average Revenue per User (ARPU)

ARPU is calculated on a monthly basis. For any particular month, ARPU represents monthly network revenue divided by the average number of subscribers during the month. ARPU, when used in connection with a particular type of subscriber, represents monthly service revenue generated from these subscribers divided by the average number of these subscribers during the month. When used or reported for a period greater than one month, ARPU represents the monthly average of the ARPU calculations for each of the months in the period. Look believes that ARPU helps indicate whether Look has been successful in attracting and retaining higher value subscribers.

Carrier Charges and Cost of Sales

Carrier charges and cost of sales include the costs of programming for Broadcast Service, distribution costs for programming to transmitter sites, data distribution on common carriers (telephone companies) for Internet Service, Other Service, customer premise equipment, and installation costs. Programming costs include the service fees paid to networks and other distributors to obtain the video and audio signals for distribution to subscribers. While most of the cost of data distribution and Other Service vary with the number of subscribers, programming costs vary with both the number of channels carried and the number of subscribers receiving those channels.

Gross Margin Percentage

Look calculates gross margin percentage by dividing gross margin, excluding equipment and installations, by service revenue. Service revenue is used in the calculation, instead of total revenue, because service revenue excludes the impact of the sale and installation of equipment, which is generally sold at a price that approximates cost. As a result, gross margin percentage better reflects Look's core service activities.

7. SELECTED ANNUAL INFORMATION

| | 2010 ⁽¹⁾ | 2009 ⁽²⁾ | 2008 ⁽²⁾ |
|--|---------------------|---------------------|---------------------|
| Service and sales revenue | \$ 1,073 | \$ 12,518 | \$ 16,884 |
| Carrier charges and cost of sales | 425 | 7,295 | 9,085 |
| Gross margin from continuing operations | 648 | 5,223 | 7,799 |
| Operating expenses and restructuring charges before amortization of property and equipment, amortization of deferred charges, and impairment of property and equipment | 8,260 | 39,800 | 14,081 |
| Accretion on liability component of convertible debentures, interest and finance charges, interest income, and gain on sale of other property and equipment | (187) | (242) | (109) |
| Gain on sale of spectrum and broadcast licence, gain on sale of Internet business, and loss on settlement of Bell litigation | (61) | (78,279) | - |
| Amortization of property and equipment, amortization of deferred charges, and impairment of property and equipment | 198 | 5,556 | 5,171 |
| Equity interest in Look's losses and dilution loss due to change in shareholding in Look | 1,259 | - | - |
| Income (loss) for the year from continuing operations | (9,317) | 37,904 | (11,562) |
| Non-controlling interest | 3,425 | (21,399) | 2,471 |
| Income (loss) for the year from continuing operations | (5,892) | 16,505 | (9,091) |
| Income (loss) for the year from discontinued operations | (110) | 4,231 | 1,600 |
| Income (loss) and comprehensive income (loss) for the year | (6,002) | 20,736 | (7,491) |
| Continuing operations | | | |
| Basic income (loss) per share | (0.06) | 0.16 | (0.09) |
| Diluted income per share | (0.06) | 0.16 | (0.09) |
| Discontinued operations | | | |
| Basic income (loss) per share | 0.00 | 0.04 | 0.02 |
| Diluted income (loss) per share | 0.00 | 0.04 | 0.02 |
| Income (loss) per share | | | |
| Basic | (0.06) | 0.20 | (0.07) |
| Diluted | (0.06) | 0.20 | (0.07) |
| Total assets | 17,557 | 70,516 | 14,113 |
| Total liabilities | 8,929 | 33,722 | 20,389 |

⁽¹⁾ Selected annual information for fiscal 2010 includes Look on a consolidated basis at 51% up to May 25, 2010 and Look at 39.2% using the equity method from May 26, 2010 to August 31, 2010.

⁽²⁾ Selected annual information for fiscal years 2009 and 2008 includes Look on a consolidated basis at 51%.

Fiscal 2010 Relative to Fiscal 2009

- Service revenue for the year ended August 31, 2010 was \$434, a decrease of 96.5% over fiscal 2009 as a result of Look's sale of 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. The remaining \$639 pertained to Look MSA fees for the period May 26 to August 31, 2010.
- Operating expenses before amortizations and impairment for the year ended August 31, 2010 were \$8,260. Excluding restructuring charges of \$2,555 (2009 - \$26,194), there was a decrease of \$7,901 over the prior year. The decrease was driven by improved efficiencies and an overall downsizing of the operations including headcount reductions.
- Loss from discontinued operations for the year ended August 31, 2010 was \$110, primarily as a result of the settlement of the litigation with an investment dealer (see the section entitled "Contingencies").
- The total number of Look's full-time equivalent employees was five at August 31, 2010 versus 63 at August 31, 2009.

Fiscal 2009 Relative to Fiscal 2008

- Revenue for the year ended August 31, 2009 was \$12,518, a decrease of 25.9% over fiscal 2008.
- The decline in revenue was essentially caused by a 26.8% or \$2,334 decrease in Broadcast Service revenue coupled with a 25% or \$1,956 decrease in Internet Service revenue due primarily to a declining subscriber base as a result of aggressive product bundling by our competitors.
- Operating expenses before amortizations and impairment for the year ended August 31, 2009 were \$39,800. Excluding restructuring charges of \$26,194, there was a decrease of \$475 over the prior year.
- Income from discontinued operations for the year ended August 31, 2009 was \$4,231, primarily as a result of the gain on the sale of the web hosting and domain name business.
- The total number of Look's full-time equivalent employees was 63 at August 31, 2009 versus 70 at August 31, 2008. At December 4, 2009 Look's total number of full-time equivalent employees was approximately ten.

8. RESULTS OF OPERATIONS

Highlights of the results for the years ended August 31, 2010 and 2009 include the following:

- As of November 15, 2009, Look no longer provided service to any subscribers and, as a result, had no subscribers at August 31, 2010 compared to 8,108 subscribers at August 31, 2009.
- For the year ended August 31, 2010, service revenue from continuing operations was \$434 compared to \$12,383 for the year ended August 31, 2009. Gross margin from continuing operations decreased from 42.2% to 2.1% during the year primarily as a result of the sale of the Internet business effective August 20, 2009 and the termination of Look's Broadcast Service business effective November 15, 2009.
- At August 31, 2010, UBS held cash and cash equivalents of \$4,332 compared to \$3,135 at August 31, 2009. The increase in cash is due mainly to the redemption of UBS' \$3,000 Debenture on May 25, 2010.

- As of December 31, 2009, Look had decommissioned its wireless network across the Provinces of Ontario and Quebec. As part of the restructuring process (see the section entitled “Overview – Significant Current Events”), Look has terminated all leases and restored all sites related to the broadcast and Internet businesses and does not expect any significant ongoing commitments related to this process. Additional restructuring charges are likely to be incurred by UBS related to, among other things, legal fees, indemnities and interest on accrued restructuring liabilities.

Continuing Operations

Service and Sales Revenue

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 (see the section “Significant Accounting Policies – Revenue Recognition” for the new policy on revenue recognition) are as follows:

| | 2010 | | | 2009 | | |
|---|-----------------|-----------------------------------|----------------|------------------|-----------------------------------|----------------|
| | Revenue | Carrier Charges and Cost of Sales | Gross Margin % | Revenue | Carrier Charges and Cost of Sales | Gross Margin % |
| Service | | | | | | |
| Broadcast service | \$ 434 | \$ 425 | 2.1% | \$ 6,377 | \$ 4,035 | 36.7% |
| Internet service | – | – | – | 5,869 | 3,085 | 47.4% |
| Other service | – | – | – | 137 | 41 | 70.1% |
| Total service | \$ 434 | \$ 425 | 2.1% | \$ 12,383 | \$ 7,161 | 42.2% |
| Sales and installations | – | – | | 135 | 134 | |
| Total subscriber service and sales | \$ 434 | \$ 425 | | \$ 12,518 | \$ 7,295 | |
| Look MSA fees | 639 | – | | – | – | |
| Total | \$ 1,073 | \$ 425 | | \$ 12,518 | \$ 7,295 | |

Total Revenue and Gross Margin

Total revenue from continuing operations for the year ended August 31, 2010 was \$1,073 (2009 - \$12,518). The decrease relative to the same period in fiscal 2009 was due primarily to the sale of the Internet business effective August 20, 2009 and the termination of Look’s Broadcast Service business effective November 15, 2009. Gross margin for the year ended August 31, 2010 on services revenue declined to 2.1% (2009 – 42.2%).

Broadcast Service

During the year ended August 31, 2010, revenue from the continuing operation of the Broadcast Service business was \$434 (2009 - \$6,377) due primarily to Look’s restructuring plan and the termination of Look’s Broadcast Service business effective November 15, 2009. As a result of the aforementioned termination, there were no broadcast subscribers at August 31, 2010.

Internet Service

There was no revenue or gross margin from Internet Service for the year ended August 31, 2010 (2009 - \$5,869) as a result of the sale of the Internet business effective August 20, 2009. As a result of the sale, there were no Internet subscribers at August 31, 2010.

Other Service

No Other Service revenue was recognized during the year ended August 31, 2010 (2009 - \$137).

Sales and Installation

There was no revenue derived from Sales and Installations for the year ended August 31, 2010 (2009 - \$135) as a result of the sale of Look's Internet business and the termination of the Broadcast service business during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010 respectively.

Look MSA Fees

Pursuant to the Look MSA, Look pays UBS a base fee of \$200 per month for services provided by UBS, which was previously eliminated on consolidation. However, with the change in UBS' shareholding in Look effective May 25, 2010, UBS will include the base fee as part of Service and Sales Revenue from May 26, 2010 as it now accounts for the investment in Look using the equity method. The base fee for the period May 26 to August 31, 2010 amounted to \$639.

Operating Expenses

| | 2010 | 2009 |
|---|----------|-----------|
| Customer care | 231 | 1,279 |
| Engineering and operations | 615 | 2,786 |
| General and administration | 4,859 | 9,541 |
| Restructuring charges | 2,555 | 26,194 |
| Total before amortization and impairment of property and equipment and deferred charges | 8,260 | 39,800 |
| Amortization and impairment of property and equipment and deferred charges | 198 | 5,556 |
| Total operating expenses | \$ 8,458 | \$ 45,356 |

Customer Care

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

For the year ended August 31, 2010, there was \$231 of customer care expenses compared to \$1,279 for the year ended August 31, 2009. The decrease resulted primarily from the sale of the Internet business effective August 20, 2009 and the termination of the Look's Broadcast Service business effective November 15, 2009.

Engineering and Operations

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

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

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

For the year ended August 31, 2010, engineering and operations expenses declined to \$615 compared to \$2,786 for the year ended August 31, 2009.

General and Administration

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

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

| | 2010 | 2009 |
|---|----------|----------|
| Compensation and benefits | \$ 2,232 | \$ 3,893 |
| Professional fees ⁽ⁱ⁾ | 1,919 | 4,166 |
| Office and general | 708 | 1,482 |
| Total general and administrative expenses | \$ 4,859 | \$ 9,541 |

⁽ⁱ⁾ Certain professional fees directly related to the sale of the spectrum and broadcast licence were included in the net gain on the transaction in fiscal 2009 and certain professional fees related to the 2010 POA were included in Restructuring Charges in fiscal 2010.

For the year ended August 31, 2010, general and administration expenses were \$4,859 compared to \$9,541 for the year ended August 31, 2009. The decrease in general and administrative expenses for the year was due primarily to the restructuring undertaken by Look (see the section entitled "Overview - Significant Current Events - Restructuring").

Restructuring Charges

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.

Amortization and Impairment of Property and Equipment and Deferred Charges

For the year ended August 31, 2010, amortization of property and equipment was \$198 (2009 - \$2,986) and no amortization of deferred financing charges was recognized (2009 - \$28).

During the third quarter of fiscal 2009, Look completed a transaction with Inukshuk for the sale of its spectrum and broadcast licence. 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 resulted in a nil net book value for these assets.

Interest and Financing Charges

| | 2010 | 2009 |
|--|----------|----------|
| Accretion on liability component of convertible debentures | \$ (232) | \$ (120) |
| Interest and finance charges | (101) | (203) |
| Interest income | 136 | 79 |
| Total | \$ (197) | \$ (244) |

For the year ended August 31, 2010, \$232 (2009 – \$120) was recorded as the accretion on the liability component of the Debentures (see the section entitled “Overview – Significant Current Events – Convertible Debentures”) and \$101 (2009 – \$203) was recorded in interest expense related primarily to mortgage financing (see the section entitled “Liquidity and Capital Resources”). The interest and financing charges were partially offset by \$136 (2009 – \$79) in interest income recognized on liquid assets. The increase in interest income was driven primarily by an increase in the principal amount of cash and cash equivalents and short-term investments held by Look and was partially offset by a lower overall rate of interest earned.

Non-Controlling Interest

Non-controlling interest in the consolidated balance sheets of the Company 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) of the Company's audited financial statements for the year ended August 31, 2010 and 2009, 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.

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 (see the section entitled “Basis of Presentation and Going Concern”).

Discontinued Operations

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

| | 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 |

During fiscal 2009, Look sold its web hosting and domain name business 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.

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 (see the section entitled "Contingencies").

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 (see the section entitled "Contingencies").

Income (Loss) and Comprehensive Income (Loss)

The loss and comprehensive loss for the year ended August 31, 2010 amounted to \$6,002 or \$0.06 per share (basic and diluted), compared with income and comprehensive income of \$20,736 or \$0.20 per share on a fully diluted basis for the year ended August 31, 2009.

9. QUARTERLY FINANCIAL RESULTS

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

| | 2010 | | | | 2009 | | | |
|---|---------|---------|---------|---------|-----------------------|--------------------------------|---------|---------|
| | Aug 31 | May 31 | Feb 28 | Nov 30 | Aug 31 ⁽³⁾ | May 31 Restated ⁽³⁾ | Feb 28 | Nov 30 |
| Revenue ⁽¹⁾ | \$ 600 | \$ 39 | \$ - | \$ 434 | \$2,507 | \$3,096 | \$3,327 | \$3,588 |
| Carrier charges and cost of sales ⁽¹⁾ | - | - | - | 425 | 1,071 | 2,470 | 1,814 | 1,940 |
| Gross margin ⁽¹⁾ | 600 | 39 | - | 9 | 1,436 | 626 | 1,513 | 1,648 |
| Operating expenses and restructuring charges before amortizations and impairment | 1,947 | 2,052 | 1,709 | 2,552 | 28,181 ⁽²⁾ | 3,918 | 4,270 | 3,431 |
| Interest, taxes, depreciation, amortization, impairment, gain on disposition of spectrum and broadcast licence, gain on sale of Internet business, loss on settlement of litigation, and gain/loss on disposition of property and equipment | 744 | (79) | (460) | (651) | 1,724 | 72,899 ⁽²⁾ | (943) | (1,199) |
| Equity interest in Look's losses and dilution loss due to change in shareholding in Look | (543) | (716) | - | - | - | - | - | - |
| Income (loss) from continuing operations before non-controlling interest | (1,146) | (2,808) | (2,169) | (3,194) | (25,021) | 69,607 | (3,700) | (2,982) |
| Non-controlling interest | - | 975 | 931 | 1,519 | 9,002 | (30,466) | 65 | - |
| Income (loss) from continuing operations | (1,146) | (1,833) | (1,238) | (1,675) | (16,019) | 39,141 | (3,635) | (2,982) |
| Income (loss) from discontinued operations ⁽¹⁾ | (150) | - | - | 40 | (300) | - | - | 4,531 |
| Income (loss) for the period ⁽¹⁾ | (1,296) | (1,833) | (1,238) | (1,635) | (16,319) | 39,141 | (3,635) | 1,549 |
| Continuing Operations | | | | | | | | |
| Basic income(loss) per share | (0.01) | (0.02) | (0.01) | (0.02) | (0.16) | 0.38 | (0.04) | (0.03) |
| Diluted income per share | (0.01) | (0.02) | (0.01) | (0.02) | (0.16) | 0.36 | (0.04) | (0.03) |
| Discontinued Operations | | | | | | | | |
| Basic income per share | - | - | - | - | - | - | - | 0.04 |
| Diluted income per share | - | - | - | - | - | - | - | 0.04 |
| Income (loss) per share | | | | | | | | |
| Basic | (0.01) | (0.02) | (0.01) | (0.02) | (0.16) | 0.38 | (0.04) | 0.01 |
| Diluted | (0.01) | (0.02) | (0.01) | (0.02) | (0.16) | 0.36 | (0.04) | 0.01 |

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

⁽²⁾ During the third quarter of fiscal 2009, as a result of Look's sale of its spectrum and broadcast licence to Inukshuk for consideration of \$80,000, the Company recorded a gain of \$78,243 from the sale, an impairment of its property and equipment in the amount of \$2,542, a charge of \$5,817 related to the settlement of its Bell litigation, a gain of \$4,000 on the settlement of litigation with Inukshuk et al, and recorded a final one-time charge of \$725 to carrier charges and cost of sales pursuant to the settlement of the litigation with Border Broadcasters Inc. ("Border Broadcasters") et al. (see the section entitled "Contingencies").

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

Results of Operations for the Fourth Quarter ended August 31, 2010

- During the fourth quarter of fiscal 2010 the assets and operations of UBS remained largely unchanged from the third quarter of fiscal 2010 with liquid cash remaining largely in cash accounts and bankers acceptances.
- During June and July, 2010, the former Boards of Directors of UBS and Look approved advances to various professional firms as retainers for future services for the then directors, officers, and consultants (UBS - \$570; Look - \$1,550) (see the section entitled "Related Party Transactions").
- Look continues in its efforts to monetize the remaining property and equipment, namely the Milton facility (see the section entitled "Overview – Significant Current Events – Restructuring").
- Following the appointment of the new directors of UBS, the Board and management has commenced, among other things, a thorough investigation into the facts and circumstances surrounding the contingent restructuring awards approved by the former Board of Directors.
- Jolian and DOL commenced litigation against UBS resulting in counterclaims being filed by UBS (see the sections entitled "Related Party Transactions" and "Contingencies").

10. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and cash equivalents of \$4,332 at August 31, 2010 compared with cash and cash equivalents of \$3,135 at August 31, 2009. The Company's cash and cash equivalents at August 31, 2009 was \$17,389, of which Look's cash and cash equivalents were \$14,254. Cash and cash equivalents consist of all bank balances and, from time to time, highly liquid short-term guaranteed investment certificates and bankers' acceptances with original maturities of less than 90 days. The increase in UBS' cash is due primarily to the redemption of UBS' \$3,000 Debenture by Look on May 25, 2010. The change in cash and cash equivalents is summarized as follows:

| Cash flows provided by (used in): | 2010 | 2009 |
|--|-------------|-------------|
| Operating activities – continuing operations | \$ (31,178) | \$ (4,563) |
| Operating activities – discontinued operations | (72) | 34 |
| Cash flows used in operating activities | (31,250) | (4,529) |
| Financing activities | (2,115) | - |
| Investing activities – continuing operations | 20,308 | 13,310 |
| Investing activities – discontinued operations | - | 3,440 |
| Cash flows provided by investing activities | 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 used in continuing operating activities for the year ended August 31, 2010 was \$31,178 compared to \$4,563 for the comparative period in fiscal 2009. The change was due primarily to the payment of accrued restructuring liabilities by Look, the loss incurred by the Company during the year and the settlement of accounts payable and accrued liabilities and provisions.

Cash used in financing activities during the year ended August 31, 2010 was \$2,115 and was due primarily to the settlement and discharge of the mortgage of \$1,800.

Cash provided by investing activities of the continuing operations for the year ended August 31, 2010, was \$20,308 compared to \$13,310 for the comparative period in fiscal 2009, when the initial payment for the sale of the spectrum and broadcast licence was made by Inukshuk. The cash provided during the year ended August 31, 2010 resulted primarily from the final \$50,000 of consideration from the sale of the spectrum and broadcast licence to Inukshuk, offset partially by Look's purchase of \$27,500 in short-term investments.

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

On April 22, 2010, Look's former Board of Directors notified UBS that it will not be recommending the MSA on May 19, 2010 such that the Look MSA will expire at the end of its current term being May 19, 2012 or such earlier date that is mutually agreed to by UBS and Look. 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 (see the section entitled "Overview – Significant Current Events – Sale of 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 (see the section entitled "Related Party Transactions").

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 (see the section entitled "Contingencies"). UBS will need to raise cash 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 (see section entitled "Basis of Presentation and Going Concern").

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. In order to meet liquidity requirements, UBS' priority is, among other things, to ensure that cash is distributed from Look to all shareholders, including UBS, as quickly as possible.

11. SHARE CAPITAL

As at August 31, 2010 and August 31, 2009, UBS had 102,748 Common Shares issued and outstanding. As at August 31, 2010, there were options outstanding to acquire 12,616 Common Shares of UBS (August 31, 2009 – 15,891).

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.

As at December 8, 2010, there were no changes to the issued and outstanding shares or the options outstanding to acquire Common Shares.

12. STOCK BASED COMPENSATION

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 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.

13. RELATED PARTY TRANSACTIONS

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

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

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.

On April 22, 2010, Look's former Board of Directors notified UBS that it will not be recommending 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 (see the section entitled "Overview – Significant Current Events – Sale of 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 (see the section entitled “Results of Operations – Continuing Operations – Service and Sales Revenue”).

(b) The Company recorded the following related party transactions in the year ended August 31, 2010:

| | Accrued Restructuring Liabilities | | | | Balance at May 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 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 the section entitled “Contingencies”.

⁽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).

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 the Technology Agreement had been terminated for “Good Reason following Change of 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 the section entitled “Contingencies”.

- (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 (see the section entitled "Contingencies"). 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 the section entitled "Contingencies".

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.

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 |
| Jolian / 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 | Accrued restructuring liabilities | | | | | |
|--|---------------------------|-----------------------------------|------------------|-----------------|---------------------|--------------------|-----------------|
| | | Equity accrual | Bonus accrual | Balance 2009 | Accrued interest | Awards declined | Balance 2010 |
| Jolian / 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 |

(c) 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).

(d) 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.

(e) 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.

(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 (see the sections entitled "Overview – Significant Current Events – Restructuring" and "Contingencies").

(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.

14. OPERATING RISKS AND UNCERTAINTIES

Capital Risk Management

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

As of 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.

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 (see the section entitled "Contingencies").

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.

(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. 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 is carried at amortized cost which approximates fair value; and
- (iii) Prior to their redemption and conversion, the liability component of the Debentures was carried at amortized cost, which approximated fair value (see the section entitled "Overview – Significant Current Events – Convertible Debentures").

(f) Classification of Financial Instruments:

- (i) Short-term investments, accounts receivable and other receivables, short-term receivable due from Inukshuk and restricted cash have been classified as financial assets held for trading and are measured at fair value;
- (ii) Accounts payable, accrued restructuring liabilities, accrued restructuring liabilities due to related parties and accrued liabilities and provisions have been classified as financial liabilities held for trading; and
- (iii) Long-term debt due within one year and the liability component of Debentures were other financial liabilities measured at amortized cost (see the section entitled "Overview – Significant Current Events – Convertible Debentures").

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

15. 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.

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.

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;

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- 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.

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.

(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;

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- 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.

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.

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- (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.

16. ADDITIONAL INFORMATION

Additional information regarding the Company's financial statements and corporate documents is available on SEDAR at www.sedar.com.