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

**UNIQUE BROADBAND SYSTEMS, INC.**

Unaudited three and six months ended February 28, 2009  
and February 29, 2008

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(In thousands of Canadian dollars, except shares, per share amounts and per subscriber amounts)

For the three and six months ended February 28, 2009 and February 29, 2008

April 28, 2009

#### **1. INTRODUCTION**

The following Management's Discussion and Analysis ("MD&A") relates to the unaudited consolidated financial condition of Unique Broadband Systems, Inc. (the "Company") at February 28, 2009 and the consolidated results of operations for the three and six months ended February 28, 2009 and February 29, 2008. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for fiscal 2008 ended on August 31, 2008 and the Company's 2008 MD&A and the audited consolidated financial statements of Look Communications Inc. ("Look") for fiscal 2008 ended August 31, 2008 and Look's 2008 MD&A.

These interim unaudited consolidated financial statements have been prepared by management, on a going concern basis, in accordance with Canadian generally accepted accounting principles (Canadian "GAAP") with respect to the preparation of interim financial information. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the Company's use of the going concern assumption because it has incurred significant operating losses and negative cash flows from operations in recent years and has a working capital deficiency of \$13,225 (August 31, 2008 - \$13,429).

The Company will need to raise cash by July 2009 in order to meet the needs of its existing operations. This requirement and timing for capital may be adversely impacted by, amongst other things, a lack of available financing through traditional banking sources, the outcome of the contingencies, a faster rate of decline in subscribers than experienced during fiscal 2008, negative pressure on average revenue per user and an unfavorable outcome to the Plan of Arrangement announced by Look on December 1, 2008 (see the section entitled "Overview – Significant Current Events"). In order to alleviate this cash requirement, the Company will continue to seek any and all ways to obtain financing through, amongst other things, partnering arrangements, debt and equity partners, the sale of certain subscribers, arrangements involving some or all of Look's spectrum and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these consolidated financial statements (see the sections entitled "Liquidity and Capital Resources", "Commitments and Contingencies" and "Operating Risks and Uncertainties – Economic Dependence"). There is no certainty that these and other strategies will be sufficient to permit the Company to continue beyond July 2009.

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

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

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

This MD&A includes forward-looking statements and information concerning the future performance of the Company, its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to our objectives and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements and information are based on current expectations. The Company cautions that all forward-looking statements and information are inherently uncertain and actual results may differ materially from the assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future performance will be affected by a number of factors including economic conditions, technological change, regulatory change, 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 related to all aspects of the wireless communications, broadcast television, and Internet services industries. These risks and uncertainties include, but are not restricted to: (i) the continued operation of the Company as a going concern, (ii) the ability of the Company to raise adequate and suitable financing or obtain infrastructure assistance, (iii) the outcome of litigation, (iv) changes in spectrum allocation, (v) other risk factors related to the Company's business and (vi) other risk factors related to the Company's industry. 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", "Liquidity and Capital Resources", and "Operating Risks and Uncertainties" below.

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

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### 3. OVERVIEW

#### Significant Current Events

(a) Plan of Arrangement

On December 1, 2008, Look announced that it would apply to the Ontario Superior Court of Justice for an Interim Order under the Canada Business Corporations Act (Section 192) permitting it to hold a special meeting of shareholders to approve a plan to permit the orderly sale of some or all, in whole or in part, of its assets. The Ontario Superior Court of Justice granted the Interim Order permitting Look to hold the aforementioned special meeting on January 14, 2009.

At the meeting, Look's shareholders were asked to approve (by 66 2/3% of the votes cast in person or by proxy) both the sales process and the arrangement, as set forth in the Plan of Arrangement, to permit the orderly sale of some or all, in whole or in part, of Look's assets to maximize shareholder value.

Look's assets include:

- 1) Spectrum – Approximately 100 MHz of contiguous licensed spectrum in Ontario and Québec covering approximately 18 million people (1.8 billion MHz/Pops);
- 2) Broadcast License – A Canadian Radio-television and Telecommunications Commission ("CRTC") mobile broadcast license which has been renewed by the CRTC to August 2011;
- 3) Subscribers – Approximately 30,000 broadcast and Internet subscribers;
- 4) Network – A network consisting of two network operating centers (Toronto, Ontario and Montreal, Québec), 26 one-way broadcast sites and 10 two-way broadcast sites; and
- 5) Tax Attributes – Approximately \$300 million in tax attributes.

At the special meeting, shareholders overwhelmingly approved, by approximately 94%, the aforementioned sales process and the arrangement resolutions, as set forth in the Plan of Arrangement. On January 21, 2009, the Ontario Superior Court of Justice granted the Sales Process Order permitting Look to commence a sales process for some or all, in whole or in part, of its assets. The Court also appointed Grant Thornton Limited to work with Look's Board of Directors and act as Monitor to conduct and manage the sales process.

On February 17, 2009, Look announced that the deadline for the delivery of bids to Grant Thornton Limited had passed and that the bids received were under evaluation.

Look has disclosed all publicly-available documents related to its intent to sell some or all, in whole or in part, of its assets on its website: [www.look.ca/en/maximizingshareholdervalue](http://www.look.ca/en/maximizingshareholdervalue).

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(b) Sale of Web Hosting and Domain Name Business

On October 17, 2008, Look executed an Asset Purchase Agreement (the "Agreement") for the sale of its web hosting and domain name business. The Agreement, which closed on November 1, 2008, requires the following:

- 1) Consideration in the amount of approximately \$3,800 payable to Look, subject to potential post-closing adjustments, and;
- 2) A 40-month Shared Hosting Marketing and Licensing Agreement whereby the EasyHosting brand will be jointly promoted and the revenue generated therefrom will be shared.

Look recorded a gain on the sale of the business of \$4,200 and was relieved of its obligation to certain subscribers to provide future services which led to a decline of \$507 in unearned revenue. An amount payable for services provided to Look of \$331 was offset against consideration to be received from the sale. At February 28, 2009 Look had collected net cash of \$3,440 related to the execution of the Agreement and had \$47 of restricted cash on the balance sheet which has been collected from subscribers after the closing of the sale.

(c) WiMAX Test Network

On November 3, 2008 Look and Motorola announced that they had commenced a Worldwide Inter-operability for Microwave Access ("WiMAX") IEEE 802.16e Wave2 trial in Milton, Ontario, using Motorola, Inc.'s latest WiMAX equipment. Look's WiMAX system utilizes the latest in 4G (Fourth Generation) technologies, offering a wide variety of mobile services such as high quality Broadcast Television, High Speed Internet and VoIP.

To date, WiMAX has been deployed in more than 100 countries around the globe with great success. In Canada, Look is one of the first to offer a completely mobile WiMAX trial network capable of delivering an experience and speeds equivalent to land-based DSL and cable internet connections. No existing 3G cellular network in Canada can match this consumer experience.

Current WiMAX devices include, amongst others, mobile handhelds, computer hardware including PCMCIA cards and USB dongles, and laptop computers with embedded WiMAX chips. This breadth of devices allows consumers to customize their mobile requirements whether they are at home, at the office, at the cottage or on the road.

Rather than being constrained by the geographic limitations of Wireless Fidelity ("WiFi"), WiMAX allows operators to blanket an entire city or region to offer completely seamless connectivity.

Look can demonstrate this disruptive technology using a state of the art WiMAX demonstration vehicle located at its head office in Milton, Ontario. Passengers can view high quality television with an interactive guide, view video on demand (VOD), place voice calls, browse the internet, and achieve internet speeds capable of 6 Megabits per second while traveling at highway speeds.

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Other devices such as handhelds and WiMAX embedded laptops are also available for demonstration.

Look believes that WiMAX will give consumers an unparalleled experience that is currently not offered by any mobile or cellular operator in Canada. Look's unique combination of its mobile broadcast license, along with its approximately 100 MHz of spectrum in the 2.6 to 2.7GHz band, allows Mobile WiMAX to become a reality in Canada today.

(d) Corporate Reorganization Plan

In December 2007, Look implemented the reorganization plan (the "Plan") approved on October 10, 2007, by transferring certain assets of Look to a 100 per cent controlled entity. The purpose of the Plan is to utilize certain of Look's non-capital losses which would have otherwise expired, to reduce future taxable income.

### **Our Company**

UBS (TSX Venture: UBS) is a publicly listed Canadian company that has a 51.8% equity interest, on a fully diluted basis, in Look (TSX Venture: LOK and LOK.A) and other assets. With licensed spectrum and broadcast licenses held through its subsidiary Look, the Company is a Canadian digital television broadcaster and broadband wireless service provider.

In October 2003, UBS sold its engineering and manufacturing business ("E&M Business") to a new private company owned by a group of former UBS engineers. As a result of this divestiture, the Company reclassified its prior period results for the E&M Business as "Discontinued Operations" in its financial statements. This sale completed UBS' restructuring plan, designed to reduce costs, conserve cash and focus the resources of UBS on its investment in Look.

Look's mission has been to be an M3 - Mobile Multi Media – communications, entertainment and information service provider in Ontario and Québec. Look currently delivers a full range of communications services including high-speed and dial-up Internet access, digital television distribution, and superior customer service to both the business and residential markets. Look provides its digital television distribution and wireless Internet services using its approximately 100 MHz of Multipoint Distribution System ("MDS") spectrum in the 2.5 to 2.7 GHz frequency band covering approximately 18 million people (1.8 billion MHz/Pops) in the provinces of Ontario and Québec. Look's shares are listed on the TSX Venture Exchange under the symbols "LOK" for Multiple Voting Shares and "LOK.A" for Subordinate Voting Shares.

The UBS head office is located in Milton, Ontario and UBS currently has eight employees. Look's registered office is located in Toronto, Ontario and its main operations are in Montreal, Québec and Milton, Ontario. As at February 28, 2009, Look had 66 full-time and part-time employees.

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## **Our Strategy**

On December 8, 2004, Look and UBS announced that they had signed a Memorandum of Understanding whereby they plan to jointly launch hand-held mobile video services in Ontario and Québec. A mobile television demonstration network was completed in Milton, Ontario in April 2006 and is fully operational. On November 3, 2008, Look announced that it had launched its Mobile Multi Media WiMAX trial in Milton, Ontario (See the section entitled “Overview – Significant Current Events – WiMAX Test Network”). The commercial launch of the M<sup>3</sup> network is, however, dependent upon Look obtaining adequate financing arrangements with financial partners and other suppliers for the development and build-out of the network and various subscriber devices.

An M<sup>3</sup> platform brings together communications, entertainment and information, delivered to the consumer’s hand rather than to a geographically defined location – the home or the office. It is designed to give consumers personalization and mobility in voice, television, data, and Internet, and it allows these applications to be further delineated into specific services such as text messaging, pictures, video, conferencing, and caller identification. Mobile video is fast becoming a reality in a number of countries, most notably in Korea and Japan, as well as across Europe and the United States.

The Company will seek to optimize profitability within Ontario and Québec from its existing operations while implementing its strategy designed to maximize cash flow and return on the Company’s existing assets.

The key elements of the Company’s existing strategy are as follows:

1. Maximize shareholder value through the Plan of Arrangement (See the section entitled “Overview – Significant Current Events – Plan of Arrangement”);
2. Continue to seek any and all opportunities to obtain financing (See the section entitled “Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business”);
3. Resolve the dispute with Bell Canada to continue servicing existing subscribers (see the section entitled “Commitments and Contingencies”); and
4. Continue to re-negotiate supplier contracts and focus on efficiency improvements.

The Company’s ability to achieve its strategy is dependent upon a number of factors including, amongst others, those discussed in the section entitled “Caution Regarding Forward-Looking Statements”.

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

##### **Continuing Operations**

Effective November 30, 2003, UBS received final approval from the CRTC to acquire control of Look, which it did at the end of December 2003. Look, on a fully diluted basis, is currently a 51.8%-owned subsidiary of UBS and is consolidated for financial reporting purposes. UBS' share ownership in Look will fluctuate as convertible debentures previously issued by Look are converted into multiple and subordinate voting shares and interest obligations in connection with these convertible debentures are settled in subordinate voting shares.

If all debentures are converted, UBS will have the ability to control at least 51% of Look by the conversion of its debentures. As the Company has the ability to maintain control by converting these securities at any time, UBS continues to consolidate its interest in Look.

##### **Discontinued Operations**

During the second quarter of fiscal 2004, UBS' divestiture of its E&M 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, Look has and will continue to restate its comparative numbers in respect of this business to present the contribution from this segment of its business in discontinued operations.

##### **Consolidated Financial Statements**

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

These consolidated financial statements have been prepared by management, on a going concern basis, in accordance with Canadian generally accepted accounting principles. 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.

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

## 5. RECENT WIRELESS INDUSTRY TRENDS

### The Canadian Market

The Canadian wireless market is dominated by three incumbents who collectively provide service to approximately 96 per cent of Canadian subscribers. A number of other industry players have indicated an interest in entering the Canadian wireless market, suggesting that they see a potential for considerable market growth. Industry and business analysts suggest this will happen, with new products and innovations helping to drive demand. Demand is also expected to be fuelled by a growing mobile workforce. [source: The wireless wars, Erik Heinrich, Canadian Business, September 5, 2007; Quebecor, MTS form wireless alliance to battle giants. Bid for fourth network, Paul Vieira and Peter Nowak, Financial Post (National Post), May 11, 2007; MTS courts partners in bid to go national, Catherine McLean, Globe and Mail, June 13, 2007]

### 2008 Spectrum Auction

The Canadian Advanced Wireless Services (“AWS”) auction commenced on May 27, 2008 with twenty-seven qualified participants and concluded after 331 rounds on July 21, 2008 with gross proceeds of \$4.26 billion, far in excess of analyst expectations, indicating significant interest in mobile spectrum from both new entrants and incumbents as can be seen from the following chart (in millions of dollars except \$/MHz/POP):

\$'millions	Advanced Wireless Services						PCS	L-Band	Total	MHz/POP (millions)
	Open	New Entrants Set Aside			Open		Open	Open		
Block	A	B	C	D	E	F	G	I		
Size	20MHz	20MHz	10MHz	10MHz	10MHz	20MHz	10MHz	5MHz	105MHz	
Rogers	\$952				\$0	\$47	\$0	\$0	\$999	600
Telus	\$32				\$162	\$686	\$0	\$0	\$880	484
Bell	\$15				\$311	\$414	\$0	\$1	\$741	397
<b>Total Incumbents</b>	<b>\$999</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$473</b>	<b>\$1,147</b>	<b>\$0</b>	<b>\$1</b>	<b>\$2,620</b>	
Videotron	\$0	\$228	\$115	\$207	\$5	\$0	\$0	\$0	\$555	381
Globalive	\$0	\$279	\$89	\$52	\$20	\$0	\$1	\$1	\$442	334
DAVE	\$0	\$0	\$161	\$82	\$0	\$0	\$0	\$0	\$243	174
Shaw	\$0	\$134	\$14	\$25	\$17	\$0	\$0	\$0	\$190	188
MTS	\$0	\$39	\$0	\$0	\$0	\$0	\$1	\$1	\$41	39
Others	\$0	\$48	\$26	\$15	\$2	\$0	\$73	\$0	\$164	
<b>Total New Entrants</b>	<b>\$0</b>	<b>\$728</b>	<b>\$405</b>	<b>\$381</b>	<b>\$44</b>	<b>\$0</b>	<b>\$75</b>	<b>\$2</b>	<b>\$1,635</b>	
<b>Total</b>	<b>\$999</b>	<b>\$728</b>	<b>\$405</b>	<b>\$381</b>	<b>\$517</b>	<b>\$1,147</b>	<b>\$75</b>	<b>\$3</b>	<b>\$4,255</b>	
<b>\$/MHz/POP</b>	<b>\$1.67</b>	<b>\$1.21</b>	<b>\$1.35</b>	<b>\$1.27</b>	<b>\$1.72</b>	<b>\$1.91</b>	<b>\$0.25</b>	<b>\$0.02</b>	<b>\$1.35</b>	

The overall \$/MHz/POP of \$1.55 for AWS (90 MHz of spectrum) is significantly higher than the total opening reserve bid at \$0.19/MHz/POP, and exceeds the 2001 Personal Communications Services (“PCS”) auction (\$1.29/MHz/POP) by approximately 20%. Consistent with the 2001 PCS auction, spectrum in Look’s service areas was the most expensive where eight of the top ten high bids were for licenses in Ontario and Québec:

Rank	Block	Service Area	High Bid (in millions)	Size (MHz)	Price/MHz/POP
1	F	Toronto	\$314	20	\$2.79
2	B	Southern Ontario	\$279	20	\$1.58
3	A	Toronto	\$235	20	\$2.08
4	F	Montreal	\$234	20	\$3.09
5	A	Montreal	\$192	20	\$2.54
6	B	Southern Québec	\$168	20	\$1.63
7	C	Southern Ontario	\$131	10	\$1.49
8	E	Montreal	\$128	10	\$3.38
9	A	Vancouver	\$117	20	\$2.53
10	F	Vancouver	\$117	20	\$2.53

## 6. OVERVIEW OF GOVERNMENT REGULATION AND REGULATORY DEVELOPMENTS

### Industry Canada

The awarding of spectrum and licenses for data services in Canada are under the jurisdiction of Industry Canada (or the “Department”), a department of the Government of Canada. Industry Canada is responsible for telecommunications policy in Canada and has specific jurisdiction under the Radio Communication Act (Canada) to establish radio licensing policy and award radio licenses for radio frequencies that are required to operate wireless communications systems.

In May 2004, Industry Canada issued a discussion paper on the re-farming of the Multipoint Communications System (MCS) and Multipoint Distribution System (MDS) spectrum in the 2500 – 2690 MHz band. The purpose of the paper was to solicit input from Look and others who are interested in the future uses of this band for both digital broadcasting and broadband wireless access. At approximately the same time, the Federal Communications Commission (“FCC”) in the United States issued a Report and Order that substantially restructured this band in the United States. Look responded to the Industry Canada discussion paper and recommended that Canada adopt a policy that would provide alignment with the United States spectrum allocations and uses.

On March 30, 2006, Industry Canada published Gazette Notice DGTP-002-06 – Policy Provisions for the Band 2500 – 2690 MHz to Facilitate Mobile Services. In the notice, Industry Canada reconfirmed its allocation of mobile services to the band and stated that it would harmonize the spectrum with the United States band plan at some future date. In the period up to August 2011, Look may continue to operate its video and Internet services. Look may, at any time, also apply to Industry Canada for permission to use two-way mobile broadband services in the band. This will require Industry Canada to implement the new band plan and Look would have to return 31 MHz of spectrum (2657 – 2686 and 2688 – 2690 MHz) to Industry Canada. The new policy clearly confirms Look’s position as an MDS Broadcaster and provides additional options for the future development of Look, if it so chooses.

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In June 2007, Industry Canada released a new Spectrum Policy Framework, the policy foundation for the management of spectrum. It provided the following overview of spectrum:

“The radio frequency spectrum is a unique resource from which all aspects of society benefit. It provides access for Canadians to a range of private, commercial, consumer, defence, national security, scientific and public safety applications. The radio frequency spectrum is divided into different bands which are used by a variety of communications services including - broadcasting, cellular, satellite, public safety, and two-way radio. It is the only resource that can support practical wireless communications in every day situations. The Department recognizes that there are a number of factors, such as rapidly evolving technology, changing market demands, globalization, and an increased focus on public safety and security, which need to be taken into account in an effective spectrum management program.”

The Framework was based upon “the importance of relying on market forces in spectrum management, to the maximum extent feasible”, a principle that the Company endorses.

### **Consultation on Transition to Broadband Radio Service (BRS) in the Band 2500-2690 MHz**

On March 6, 2009, Industry Canada released the long-anticipated Notice No. DGRB-005-09 – Consultation on Transition to Broadband Radio Service (BRS) in the Band 2500-2690 MHz (the “Spectrum Consultation”). The Spectrum Consultation is seeking, amongst other things, consultation on the criteria to be used in the issuance of BRS licences to operators of qualified Multipoint Communication System (MCS) licences and Multipoint Distribution Service (MDS) authorizations. The Spectrum Consultation also introduced the Stakeholder Proposal Development (SPD) process which involves the facilitation of discussions with MCS and MDS incumbents with the goal of developing proposals to align the spectrum that would be retained by incumbents following the transition to BRS with a new internationally-compatible band plan applicable to BRS.

In the Spectrum Consultation, the Department has stated the following:

“At the World Radiocommunication Conference in 2000 (WRC-2000), the band 2500 to 2690 MHz was identified for IMT-2000 radio services (also known as third generation mobile or 3G services). The identification of this band by the [International Telecommunication Union] (the “ITU”) has created significant interest, as it is the only band identified by the ITU for next generation mobile services on a global basis. High-capacity mobile services may be offered in this band because of good radio propagation characteristics, the prospect of relatively low-cost equipment and the large spectrum blocks that can accommodate the latest broadband technologies. These factors make this spectrum unique and valuable.”

In addition, the Department is seeking comments on, amongst other things:

1. Whether the Department adopts a firm transition date of March 31, 2011 to BRS rather than renew MCS and MDS licences;
2. The options that should be applied to the Manitoba school boards and the commercial MCS licensee;

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3. Which component(s) (i.e. CRTC Decision, Industry Canada broadcasting certificate, and CRTC licence) should be required for licensed MDS in order to qualify for conversion to BRS in a given area;
  4. Whether CRTC licence-exempt systems that serve small, rural, and remote communities having small populations should be treated differently from the CRTC-licensed systems;
  5. Whether Tier 3 or Tier 4 licence areas are the most appropriate for the conversion of site-specific MCS licences to BRS spectrum licences, where applicable, and for the conversion of MDS authorizations, including Industry Canada spectrum licences issued in the 2596-2690 MHz band; and
  6. Licence conditions proposed for voluntarily converted BRS licences.

Furthermore, the Department has confirmed, amongst other things, the following in the Spectrum Consultation:

1. Eligible MCS and MDS incumbents will be issued BRS licences for approximately two thirds of their current spectrum holdings;
2. The bands 2535-2568 MHz and 2657-2690 MHz, and all other available spectrum, would be made available through an auction;
3. Effective immediately, the Department has placed a moratorium on new applications for broadcasting certificates in the band 2500-2690 MHz;
4. The BRS licences issued through a conversion process will expire on March 31, 2021; and
5. A licensee may apply in writing to transfer its licence in whole or in part (divisibility), in both the bandwidth and geographic dimensions.

The Department has requested that all parties submit their comments to the Spectrum Consultation by June 15, 2009, with interested parties then having until July 17, 2009 to submit a reply to comments posted by other parties.

The Department has recognized that in order to give effect to the mobile allocation and 'flexible-use' licences (mobile, fixed, and broadcasting) in this band, that several additional issues need to be addressed in future consultations. These consultations will involve three major elements:

1. The policy framework;
2. The licensing framework; and
3. The band plan and relevant technical issues.

Look intends to participate fully in each of the SPD process, the current consultation, and all future consultations.

The Company is very pleased that the Department has outlined a position with respect to the 2500-2690 MHz band plan. Look's 92 MHz of MDS spectrum, equivalent to 61 MHz of BRS spectrum, represents BRS coverage of approximately 1.2 billion MHz/Pops across Ontario and Quebec and is the largest contiguous block of mobile spectrum owned by any individual operator in Canada. The identification of this band by the ITU as the only band designated for next generation mobile services on a global basis reaffirms Look's belief that its spectrum is a unique and valuable asset.

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## **Canadian Radio-television and Telecommunications Commission (CRTC)**

Canadian broadcast undertakings, including Look, are regulated by the CRTC pursuant to and in accordance with requirements of the Broadcast Act (Canada) (the "Act"). Under the Act, the CRTC regulates all broadcasters in Canada, including over-the-air broadcasters, MDS providers such as Look, cable TV operators and satellite TV operators. Look's license was extended in August 2004 for another seven years to 2011. Its coverage areas in Ontario and Québec include the major metropolitan markets of Toronto, Montreal, Hamilton, Trois-Rivières, Ottawa, and many other cities from London to Québec City.

As a follow-up announcement to the Industry Canada Notice published on March 30, 2006, on April 12, 2006 the CRTC confirmed in its Notice 2006-47 entitled "Regulatory Framework for Mobile Television Broadcasting Services" that Mobile TV services can be offered by Look under its existing license. The CRTC went on to request comments on its proposed exemption from regulation relating to any broadcasting to any mobile devices.

## **7. SIGNIFICANT ACCOUNTING POLICIES**

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

The Company has identified the accounting policies and estimates in note 2 to its 2008 annual audited consolidated financial statements and note 1 and 2 to its interim unaudited consolidated financial statements for the three and six months ended February 28, 2009 and February 29, 2008 as critical to the understanding of its business operations. Where deemed significant, the impact and any associated risks related to these policies on its business operations are discussed throughout this MD&A.

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

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the potential impacts of this changeover are currently being assessed and, accordingly, a plan is being developed.

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## Changes in Accounting Policies

### (i) Financial Instruments – Presentation and Disclosures

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which supersedes Section 3861, Financial Instruments - Disclosure and Presentation. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed.

Section 3862 requires disclosures, by class of financial instrument that enables users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value.

In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. Section 3863, Financial Instruments - Presentation, carries forward the existing requirements on presentation of financial instruments.

These new standards were adopted by the Company on September 1, 2008 and did not have a material impact on the classification and valuation of the Company's financial instruments. These new disclosures are included in note 16 to the interim unaudited consolidated financial statements for the three and six months ended February 28, 2009 and February 29, 2008.

### (ii) Capital Disclosures

In December 2006, the AcSB issued Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. The Company adopted this standard on September 1, 2008 and the resulting disclosures are included in note 15 to the interim unaudited consolidated financial statements for the three and six months ended February 28, 2009 and February 29, 2008.

### (iii) Inventory

In June 2007, the AcSB issued Section 3031, Inventories, which replaces Section 3030, Inventories. The standard revises guidance on the determination of cost, recognition and subsequent measurement and disclosures of inventory. The Company adopted this standard on September 1, 2008 without a material impact to its financial statements.

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## **8. KEY PERFORMANCE INDICATORS**

The Company measures the success of its strategies using a number of key performance indicators as outlined below:

### **Subscriber Counts**

The Company 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.

The Company reports subscribers in three categories: Broadcast Services, Internet Services, and Other Services. Broadcast Services include customers subscribing to the provision of digital television services. Internet Services include Dial-Up and High Speed wireline and wireless Internet access. Other Services include hosting and co-location. The Company monitors 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 Web Hosting and Domain Name Business").

### **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. The Company uses 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 are excluded from the Other Services churn calculation (See the section entitled "Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business").

### **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 the Company's operating income as the Company generally sells equipment to its subscribers at a price approximating its cost to facilitate competitive pricing. Accordingly, the Company 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. The Company believes that ARPU helps indicate whether the Company has been successful in attracting and retaining higher value subscribers.

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### **Carrier Charges and Cost of Sales**

Carrier charges and cost of sales include the costs of programming for Broadcast Services, distribution costs for programming to transmitter sites, data distribution on common carriers (telephone companies) for Internet Services, Other Services, 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 Services 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**

The Company 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 the Company's core service activities.

### **Cost of Acquisition per Subscriber (COA)**

COA, which is also often referred to in the wireless communications industry as "subscriber acquisition cost" or "cost per gross addition", is calculated by dividing total sales and marketing operating expenses for the period by the total number of gross subscriber activations. Subscriber activations include Broadcast Services, Internet Services, web-hosting, and co-location activations. The Company feels that COA is indicative of its ability to efficiently attract new customers.

### **Earnings Before Interest Expenses, Income Taxes, Depreciation, and Amortization (EBITDA)**

EBITDA is defined by the Company as earnings from continuing operations before net interest expenses, income taxes, depreciation, amortization, and gain/loss on disposition of property and equipment. EBITDA is a common measure used in the communications industry to assist in understanding and comparing operating results and is often referred to by our peers and competitors as operating profit or OIBDA (operating income before depreciation and amortization). Management views EBITDA as an important measure of operating performance of the Company; however, since EBITDA does not have any standardized meaning prescribed by Canadian GAAP and is unlikely to be comparable to similar measures presented by other issuers, it may not be considered in isolation of GAAP measures such as (1) loss and comprehensive loss, as an indicator of operating performance or (2) cash flows from operating, investing, and financing activities, as a measure of liquidity. We believe, however, that it is an important measure as it allows us to assess our ongoing business without the impact of depreciation or amortization expenses as well as non-operating factors. It is intended to indicate the Company's ability to incur or service debt and invest in property and equipment.

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## 9. RESULTS OF OPERATIONS

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

- For the three months ended February 28, 2009, service revenue from continuing operations was \$3,284 compared to \$4,286 for the three months ended February 29, 2008. For the six months ended February 28, 2009, service revenue from continuing operations was \$6,821 compared to \$8,738 for the same period one year prior. Gross margin from continuing operations decreased from 47.5% to 46.3% during the respective six month periods partly as a result of certain components of cost of sales that are fixed in nature.
- Overall ARPU increased by \$3.67 or 9.9% to \$40.57 during the three months ended February 28, 2009 relative to the same period in fiscal 2008.
- Look's subscriber base was 25,863 at February 28, 2009 compared to 40,471 at August 31, 2008. The decrease in subscribers resulted primarily from the sale of the web hosting and domain name business (See the section entitled "Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business").
- For the three and six months ended February 28, 2009, EBITDA was negative \$2,757 and negative \$4,540 respectively compared to EBITDA of negative \$1,432 and negative \$2,917 for the comparable periods ended February 29, 2008. (See the section entitled "Earnings Before Interest Expenses, Income Taxes, Depreciation, and Amortization ("EBITDA")" for a reconciliation of EBITDA to loss from continuing operations).

### Continuing Operations

The loss from continuing operations for the three and six months ended February 28, 2009 was \$3,635 and \$6,617 or \$0.04 and \$0.06 per common share respectively, compared with the loss from continuing operations of \$1,567 and \$3,151 or \$0.02 and \$0.03 respectively for the three and six months ended February 29, 2008. This was mainly as a result of the Company absorbing all of Look's losses from continuing operations in fiscal 2009 (refer to the subsection on non-controlling interest below for more details).

Summaries of revenue, carrier charges and cost of sales, and gross margin percentage from continuing operations by major segment are set out in the following tables:

	Three months ended February 28, 2009			Three months ended February 29, 2008		
	Revenue	Carrier Charges and Cost of Sales	Gross Margin	Revenue	Carrier Charges and Cost of Sales	Gross Margin
<b>Service</b>						
Broadcast Services	\$1,649	\$ 953	42.2%	\$2,258	\$1,373	39.2%
Internet Services	1,594	805	49.5%	2,003	902	55.0%
Other Services	41	11	73.2%	25	14	44.0%
<b>Total Service</b>	<b>3,284</b>	<b>1,769</b>	<b>46.1%</b>	<b>4,286</b>	<b>2,289</b>	<b>46.6%</b>
Sales and Installations	43	45		71	60	
<b>Total Service and Sales from Continuing Operations</b>	<b>\$3,327</b>	<b>\$1,814</b>		<b>\$4,357</b>	<b>\$2,349</b>	

	Six months ended February 28, 2009			Six months ended February 29, 2008		
	Revenue	Carrier Charges and Cost of Sales	Gross Margin	Revenue	Carrier Charges and Cost of Sales	Gross Margin
<b>Service</b>						
Broadcast Services	\$3,445	\$2,011	41.6%	\$4,614	\$2,744	40.5%
Internet Services	3,296	1,628	50.6%	4,075	1,817	55.4%
Other Services	80	21	73.8%	49	29	40.8%
<b>Total Service</b>	<b>6,821</b>	<b>3,660</b>	<b>46.3%</b>	<b>8,738</b>	<b>4,590</b>	<b>47.5%</b>
Sales and Installations	94	94		146	125	
<b>Total Service and Sales from Continuing Operations</b>	<b>\$6,915</b>	<b>\$3,754</b>		<b>\$8,884</b>	<b>\$4,715</b>	

### Total Revenue and Gross Margin

Total revenue from continuing operations for the three months ended February 28, 2009 of \$3,327 was \$1,030 or 23.6% lower than the comparable period in fiscal 2008. Total revenue from continuing operations for the six months ended February 28, 2009 of \$6,915 was \$1,969 or 22.2% lower than the comparable period in fiscal 2008. This was due primarily to the net loss of Broadcast Services and Dial-Up subscribers.

Gross margin for the six months ended February 28, 2009 declined to 46.3% (2008 – 47.5%). This was due primarily to certain components of cost of sales that were fixed in nature and was partly offset by, amongst other things, the cost savings obtained through certain supplier contracts.

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### **Broadcast Services Revenue and Gross Margin**

The decrease in Broadcast Services revenue for the three and six months ended February 28, 2009 of \$609 or 27.0% and \$1,169 or 25.3% respectively over the same periods in fiscal 2008 was the result of a lower subscriber base. This was due largely to the very aggressive competition in this sector and a low level of marketing activity for new subscribers by Look. Gross margin for the six months ended February 28, 2009 increased to 41.6% (2008 – 40.5%) due primarily to certain non-recurring broadcast adjustments which were partially offset by general increases in the cost of programming services.

### **Internet Services Revenue and Gross Margin**

Internet Services revenue for the three and six months ended February 28, 2009 declined by \$409 or 20.4% and \$779 or 19.1% respectively over the comparable periods ended one year prior due primarily to a decrease in the number of Dial-Up subscribers. Of the revenue from Internet Services, revenue from Dial-Up accounted for \$475 and \$1,001 respectively for the three and six month periods ended February 28, 2009 (2008 - \$693 and \$1,436). Revenue from High Speed for the comparable periods was \$1,119 and \$2,295 (2008 - \$1,310 and \$2,639). The decrease in Internet Services revenue resulted from the continued migration of Dial-Up subscribers to High Speed products and the loss of High Speed bundled subscribers who discontinued service as a result of the aggressive product bundling implemented by Look's competitors.

Internet Services gross margin for the six months ended February 28, 2009 declined to 50.6% (2008 – 55.4%) primarily as a result of the fixed nature of certain components of cost of sales which were partially offset by Look's active management of supplier contracts.

### **Other Services Revenue and Gross Margin**

Revenue from the continuing operation of Other Services including, amongst other things, co-location and administrative services, increased by \$16 or 64.0% and \$31 or 63.3% respectively for the three and six months ended February 28, 2009 over the comparable periods in fiscal 2008.

### **Sales and Installation Revenue**

Revenue derived from Sales and Installations for the three and six months ended February 28, 2009 decreased by \$28 or 39.4% and \$52 or 35.6% respectively. This decline was the result of, amongst other things, a general reduction in new installations during the first two quarters of fiscal 2009 relative to the same quarters one year prior.

## Subscriber Statistics

	Three months ended			Six months ended		
	February 28, 2009	February 29, 2008	% Change	February 28, 2009	February 29, 2008	% Change
<b>Broadcast Services</b>						
Gross additions	211	833	(74.7%)	562	1,929	(70.9%)
Net reductions	(718)	(717)	(0.1%)	(1,479)	(1,560)	5.2%
Total subscribers	10,253	13,796	(25.7%)	10,253	13,796	(25.7%)
ARPU	\$51.88	\$53.49	(3.0%)	\$52.21	\$52.62	(0.8%)
Churn	2.9%	3.6%	0.7%	3.1%	3.9%	0.8%
<b>Internet Services</b>						
<b>High Speed Services</b>						
Gross additions	218	402	(45.8%)	495	973	(49.1%)
Net reductions	(339)	(381)	11.0%	(668)	(1,176)	43.2%
Total subscribers	7,311	8,874	(17.6%)	7,311	8,874	(17.6%)
ARPU	\$49.90	\$48.17	3.6%	\$50.01	\$47.22	5.9%
Churn	2.5%	2.9%	0.4%	2.5%	3.8%	1.3%
<b>Dial-Up Services</b>						
Gross additions	114	246	(53.7%)	233	582	(60.0%)
Net reductions	(867)	(1,067)	18.7%	(1,829)	(3,300)	44.6%
Total subscribers	8,293	11,926	(30.5%)	8,293	11,926	(30.5%)
ARPU	\$18.12	\$18.46	(1.8%)	\$18.17	\$18.19	(0.1%)
Churn	3.7%	3.5%	(0.2%)	3.7%	4.7%	1.0%
<b>Total Internet Services</b>						
Gross additions	332	648	(48.8%)	728	1,555	(53.2%)
Net reductions	(1,206)	(1,448)	16.7%	(2,497)	(4,476)	44.2%
Total subscribers	15,604	20,800	(25.0%)	15,604	20,800	(25.0%)
ARPU	\$32.76	\$30.95	5.8%	\$32.63	\$30.23	7.9%
Churn	3.1%	3.2%	0.1%	3.2%	4.3%	1.1%
<b>Other Services</b>						
Gross additions	3	684	(99.6%)	278	1,328	(79.1%)
Net increases(reductions)	2	(108)	101.9%	(10,632)	(186)	(5,616.1%)
Total subscribers	6	11,012	(99.9%)	6	11,012	(99.9%)
ARPU	\$317.45	\$20.34	1,460.7%	\$223.24	\$20.72	977.4%
Churn	8.3%	2.4%	(5.9%)	4.9%	2.3%	(2.6%)
<b>Grand Total</b>						
Gross additions	546	2,165	(74.8%)	1,568	4,812	(67.4%)
Net reductions	(1,922)	(2,273)	15.4%	(14,608)	(6,222)	(134.8%)
Total subscribers	25,863	45,608	(43.3%)	25,863	45,608	(43.3%)
ARPU	\$40.57	\$36.90	9.9%	\$38.62	\$36.39	6.1%
Churn	3.0%	3.1%	0.1%	2.9%	3.7%	0.8%

See the section entitled "Key Performance Indicators" for an explanation of how the above statistics are calculated and utilized by the Company.

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### **Total Subscribers and ARPU**

The decrease in subscribers for the three months ended February 28, 2009 of 1,922, or 6.9%, was driven primarily by the continuing decline of our residential Dial-Up subscribers, the loss of video subscribers, and the loss of some High Speed subscribers due to the aggressive product bundling by Look's competitors. Look has also minimized the use of marketing campaigns that have historically proven to be very expensive and ineffective.

For the three and six months ended February 28, 2009, total ARPU was \$40.57 and \$38.62 respectively (2008 - \$36.90 and \$36.39) representing increases of 9.9% and 6.1%.

### **Broadcast Subscribers and ARPU**

Broadcast subscribers totalled 10,253 at February 28, 2009 representing a decrease of 718 or 6.5% for the quarter. Of the 10,253 subscribers, 3,516 represented subscribers in multiple-unit dwellings and 6,737 were subscribers in single family homes. The number of subscribers continued to decline during the three and six months ended February 28, 2009 as a result of a low level of sales and marketing activities by Look and aggressive bundling campaigns by the competition. ARPU for the six months ended February 28, 2009, remained largely consistent at \$52.21 (2008 – \$52.62).

For the six months ended February 28, 2009, Broadcast Services subscriber churn was an average of 3.1% compared with 3.9% for the same period one year prior.

### **Internet Subscribers and ARPU**

Internet subscribers totalled 15,604 at February 28, 2009 representing a decrease of 1,206 or 7.2% for the quarter. The decrease was primarily in the residential Dial-Up subscriber base which lost 867 subscribers in the quarter reflecting a continuous customer migration to higher speed products.

ARPU on Internet Services was \$32.63 for the six months ended February 28, 2009 (2008 - \$30.23) as a result of an increase in High Speed ARPU to \$50.01 (2008 - \$47.22) and a relative shift of subscribers to higher value services.

### **Other Services Subscribers and ARPU**

Other Services subscribers totalled six at February 28, 2009 representing an increase of two or approximately 50% for the quarter. Look also recorded sales of 4,235 domain names during the six months ended February 28, 2009 prior to the sale of the web hosting and domain name business (see the section entitled "Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business") (2008 – 14,259).

ARPU on Other Services for the three and six months ended February 28, 2009 averaged \$317.45 and \$223.24 respectively (2008 - \$20.34 and \$20.72). The increase in ARPU was attributable primarily to the higher-value product mix of co-location subscribers that remained once the web hosting and domain name business was sold.

## Operating Expenses

	Three months ended February 28, 2009	Percentage of service revenue	Three months ended February 29, 2008	Percentage of service revenue
Marketing and sales	\$ -	0.0%	\$ 1	~0.0%
Customer care	327	10.0%	369	8.6%
Engineering and operations	699	21.3%	741	17.3%
General and administration	3,244	98.8%	2,329	54.3%
Total before amortization and deferred charges	4,270	130.1%	3,440	80.2%
Amortization and deferred charges	893	27.2%	1,342	31.3%
Total operating expenses	\$5,163	157.3%	\$4,782	111.5%

	Six months ended February 28, 2009	Percentage of service revenue	Six months ended February 29, 2008	Percentage of service revenue
Marketing and sales	\$ 1	~0.0%	\$ 19	0.2%
Customer care	672	9.9%	771	8.8%
Engineering and operations	1,398	20.5%	1,474	16.9%
General and administration	5,630	82.5%	4,822	55.2%
Total before amortization and deferred charges	7,701	112.9%	7,086	81.1%
Amortization and deferred charges	2,049	30.0%	2,617	29.9%
Total operating expenses	\$9,750	142.9%	\$ 9,703	111.0%

## Marketing and Sales

Marketing and Sales expenses include the costs of media and other advertising fees for direct sales agencies, direct marketing costs, and costs of producing and distributing product media.

For the three and six months ended February 28, 2009, Look has focused on retention of its high-value Subscribers resulting in the cost of acquisition per subscriber ("COA") of \$0.55 and \$0.70 respectively compared with \$0.46 and \$3.95 for the three and six months ended February 29, 2008.

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## **Customer Care**

Customer care expenses are primarily salaries and benefits associated with the operation of the call center for both technical and service support.

For the three months ended February 28, 2009, customer care expenses declined by \$42, or 11.4%, to \$327 or 10.0% of service revenue compared to \$369 or 8.6% of service revenue for the three months ended February 29, 2008. For the six months ended February 28, 2009, customer care expenses declined by \$99, or 12.8%, to \$672 or 9.9% of service revenue compared to \$771 or 8.8% of service revenue for the six months ended February 29, 2008.

As a percentage of revenue, customer care expenses increased slightly for the three and six months ended February 28, 2009 reflecting certain fixed components of maintaining a customer focus in Look's call centre operations relative to a declining service revenue base.

## **Engineering and Operations**

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

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

For the three and six month periods ended February 28, 2009, engineering and operations expenses declined to \$699 or 21.3% and \$1,398 or 20.5% of service revenue, compared to \$741 or 17.3% and \$1,474 or 16.9% of service revenue for the three and six months ended February 29, 2008.

The six-month reductions compared to the same quarters in fiscal 2008, totalling \$76, resulted primarily from efficiencies attained in servicing Look's existing subscriber base and the continued focus on cost management.

## **General and Administration**

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

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

	Three months ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Compensation and benefits	\$ 985	\$ 947	\$ 1,939	\$ 2,097
Professional fees	1,848	900	2,857	1,727
Office and general	411	482	834	998
Total general and administrative expenses	\$ 3,244	\$ 2,329	\$ 5,630	\$ 4,822

For the three and six months ended February 28, 2009, general and administration expenses were \$3,244 or 98.8% and \$5,630 or 82.5% respectively of service revenue, compared to \$2,329 or 54.3% and \$4,822 or 55.2% respectively of service revenue for the three and six months ended February 29, 2008. The increase in general and administrative expenses was driven mainly by an increase in professional fees related to, amongst other things, Look's Plan of Arrangement (see the section entitled "Overview – Significant Current Events – Plan of Arrangement") and the action that Look is pursuing against Bell Canada (see the section entitled "Commitments and Contingencies").

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

For the three and six months ended February 28, 2009, amortization of property and equipment was \$884 and \$2,031 respectively (2008 - \$1,328 and \$2,590) and amortization of deferred financing charges totalled \$9 and \$18 respectively (2008 - \$14 and \$27).

#### Interest and Financing Charges

	Three months ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Accretion on liability component of convertible debentures	\$ (28)	\$ (39)	\$ (58)	\$ (78)
Interest and finance charges	(49)	(50)	(100)	(100)
Interest income	27	76	63	174
Total	\$ (50)	\$ (13)	\$ (95)	\$ (4)

For the six months ended February 28, 2009, \$58 (2008 – \$78) was recorded as the accretion on the liability component of the convertible debentures and \$100 (2008 – \$100) was recorded in interest expense on mortgage financing, supplier-financed credit facilities, other liabilities, capital lease obligations, and financing fees. The interest and financing charges were partially offset by \$63 (2008 – \$174) in interest income recognized on liquid assets. The decrease in interest income was driven primarily by a reduction in the principal amount of cash and by a lower overall rate of interest earned.

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## Non-controlling interest

Non-controlling interest in the consolidated balance sheets of the Company represents the non-controlling interest in the equity of Look and the non-controlling interest's equity component of convertible debentures in Look. Reported losses by Look are allocated to the non-controlling interest at 49% but are limited to the extent of any remaining non-controlling interest in the equity of Look. During the third quarter of fiscal 2008, the non-controlling interest in Look's equity was eliminated and the Company absorbed almost all of the losses incurred by Look in the third and fourth quarters, resulting in an increase of \$1,717 in the reported loss from continuing operations in fiscal 2008. Since the non-controlling interest in the equity of Look has been eliminated, subject to any further increases in the non-controlling interest in Look resulting from, amongst other things, conversions by Look's debenture holders and payment by Look of interest in subordinate voting shares, all future losses of Look will be fully absorbed by the Company. Subsequent earnings, if any, recorded by Look, will be allocated entirely to the Company's interest until such previously fully absorbed losses are recovered. In the first quarter of fiscal 2009, as a result of the sale of its web hosting and domain name business, Look made a profit of \$1,799, which was allocated in its entirety to the Company's interest in Look. In the second quarter of fiscal 2009, the Company absorbed virtually all of Look's losses due to the elimination of the non-controlling interest in Look's equity.

## Discontinued Operations

During the first quarter of fiscal 2009, Look sold its web hosting and domain name business (see the section entitled "Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business"). As a result, Look has and will continue to restate its comparative numbers. There were no transactions related to the sale of the E&M Business in either of the three or six month periods in fiscal 2008 and 2009.

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

	Three months ended February 28, 2009			Three months ended February 29, 2008		
	Revenue	Carrier Charges and Cost of Sales	Gross Margin	Revenue	Carrier Charges and Cost of Sales	Gross Margin
Total Service and Sales from Discontinued Operations	\$ -	\$ -	N/A	\$888	\$313	64.8%

	Six months ended February 28, 2009			Six months ended February 29, 2008		
	Revenue	Carrier Charges and Cost of Sales	Gross Margin	Revenue	Carrier Charges and Cost of Sales	Gross Margin
Total Service and Sales from Discontinued Operations	\$520	\$189	63.7%	\$1,780	\$638	64.2%

Revenue from the discontinued operation of Other Services for the six months ended February 28, 2009 decreased by \$1,260 or 70.8% due to the sale of the web hosting and domain name business during the first quarter of fiscal 2009. Gross margin on the discontinued services decreased slightly for the same period to 63.7% (2008 – 64.2%).

The income and comprehensive income from discontinued operations for the six months ended February 28, 2009 amounted to \$4,531 or \$0.04 per share compared with income and comprehensive income from discontinued operations of \$1,142 or \$0.01 per share for the six months ended February 29, 2008.

#### **Loss and Comprehensive Loss from Continuing Operations**

The loss and comprehensive loss from continuing operations for the three and six months ended February 28, 2009 amounted to \$3,635 or \$0.04 per share and \$6,617 or \$0.06 per share compared with a loss and comprehensive loss from continuing operations of \$1,567 or \$0.02 per share and \$3,151 or \$0.03 per share for the three and six months ended February 29, 2008.

#### **11. EARNINGS BEFORE INTEREST EXPENSES, INCOME TAXES, DEPRECIATION AND AMORTIZATION (“EBITDA”)**

As a result of the foregoing factors, EBITDA, as defined in the section above entitled “Key Performance Indicators”, for the three and six months ended February 28, 2009 was negative \$2,757 and \$4,540 respectively versus negative \$1,432 and negative \$2,917 respectively for the three and six months ended February 29, 2008.

The following table reconciles the loss from continuing operations to EBITDA, as defined in section 8, for the respective periods as determined under GAAP:

	Three months ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Loss from continuing operations	\$ (3,635)	\$ (1,567)	\$ (6,617)	\$ (3,151)
Non-controlling interest, continuing operations	(65)	(1,212)	(65)	(2,379)
Amortization of property and equipment	884	1,328	2,031	2,590
Accretion on liability component of convertible debentures	28	39	58	78
Amortization of deferred charges	9	14	18	27
Net interest and financing charges	22	(26)	37	(74)
Loss on disposition of property and equipment	-	(8)	(2)	(8)
<b>EBITDA*</b>	<b>\$ (2,757)</b>	<b>\$ (1,432)</b>	<b>\$ (4,540)</b>	<b>\$ (2,917)</b>

\*Management views EBITDA as an important measure of operating performance of the Company; however, since EBITDA does not have any standardized meaning prescribed by Canadian GAAP, it may not be considered in isolation of GAAP measures such as (1) income (loss) and comprehensive income (loss), as an indicator of operating performance or (2) cash flows from operating, investing, and financing activities as a measure of liquidity. We believe, however, that it is an important measure as it allows us to assess our ongoing business without the impact of depreciation or amortization expenses as well as non-operating factors. It is intended to indicate our ability to incur or service debt and invest in property and equipment while allowing us to compare our business to our peers and competitors. This measure is not a defined term under Canadian GAAP and might not be comparable to similar measures presented by other issuers.

## 12. QUARTERLY FINANCIAL RESULTS

The key quarterly results for the last eight quarters set out in the table below have been reclassified as a result of the sale by Look of its web hosting and domain name business during the first quarter of fiscal 2009, as:

Fiscal Year Quarter ended	2007		2008				2009	
	May 31	Aug 31	Nov 30	Feb 29	May 31	Aug 31	Nov 30	Feb 28
Service and sales revenue <sup>1</sup>	\$5,049	\$4,732	\$4,527	\$4,357	\$4,095	\$3,904	\$3,588	\$3,327
Gross Margin <sup>1</sup>	2,614	2,537	2,366	2,349	2,280	2,092	1,940	1,513
Operating expenses before amortization and impairment	(3,862)	(3,782)	(3,646)	(3,440)	(3,105)	(3,890)	(3,431)	(4,270)
<b>Continuing Operations</b>								
Income/(Loss) for the period <sup>1</sup>	(1,415)	73	(1,584)	(1,567)	(2,487)	(3,460)	(2,982)	(3,635)
Non controlling interest <sup>1</sup>	(1,208)	(3,874)	(1,167)	(1,212)	(189)	101	-	(65)
Net interest, income taxes, depreciation, amortizations, and impairment	1,196	2,214 <sup>2</sup>	1,266	1,347	1,386	1,281	1,199	943
EBITDA <sup>1</sup>	(1,427)	(1,587)	(1,485)	(1,432)	(1,290)	(2078)	(1,783)	(2,757)
<b>Discontinued Operations</b>								
Income for the period <sup>1</sup>	308	291	289	293	508	517	4,531 <sup>3</sup>	-
Loss per share <sup>4</sup> – continuing operations	(0.01)	0.00	(0.01)	(0.01)	(0.02)	(0.03)	(0.02)	(0.04)
Income (loss) per share <sup>4</sup> – discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00
Income (loss) per share <sup>4</sup> – total	(0.01)	0.00	(0.01)	(0.01)	(0.02)	(0.03)	0.02	(0.04)

<sup>1</sup> Revenue, carrier charges and cost of sales, gross margin, and income (loss) for the period include items from continuing operations only. Revenue, carrier charges and cost of sales and gross margins from discontinued operations are restated due to the sale by Look of its web hosting and domain name business during the first quarter of fiscal 2009 (See the section entitled "Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business").

<sup>2</sup> During the fourth quarter of Fiscal 2007, the Company recorded an impairment of its property and equipment in the amount of \$1,037.

<sup>3</sup> The gain from the sale of the web hosting and domain name business of \$4,200 is included in discontinued operations.

<sup>4</sup> Loss per share is basic and diluted.

Dial-Up revenue has declined significantly over the past year. For the six months ended February 29, 2008, Dial-Up revenue was \$1,436 and represented 16.4% of total service revenue from continuing operations of Look. For the six months ended February 28, 2009, Dial-Up revenue had declined to \$1,001 or 14.7% of total service revenue from continuing operations. Look is able to offer alternatives such as wireless access products and DSL to subscribers in Ontario and Québec and is therefore able to retain some subscribers wishing to migrate to high speed Internet access. Look, however, is not able to offer any alternative high speed products in Western Canada where Look has lost a significant number of migrating subscribers. Broadcast revenue for the six months ended February 28, 2009 has declined by \$1,169 or 25.3% relative to the same period in fiscal 2008 and now represents 50.5% of service revenue (2008 – 52.8% of service revenue) primarily as a result of a 25.7% decline in the subscriber base.

In order to align operating costs with declining subscriber numbers, all departments have been impacted by internal restructurings that have occurred from time to time over the past five years. Full-time equivalent employees have been reduced from 299 at August 31, 2003 to 66 at February 28, 2009 which, together with renegotiated contracts, reduced sales and marketing, and efficiency improvements, are the key drivers of the reduction in operating expenses.

Income from discontinued operations represents the revenue less carrier charges and cost of sales from the web hosting and domain name business prior to its sale in the first quarter of fiscal 2009 (see the sections entitled "Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business" and "Results of Operations").

### 13. LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of \$4,873 at February 28, 2009 compared with cash and cash equivalents of \$5,168 at August 31, 2008. Cash and cash equivalents consists of all bank balances and, from time to time, highly liquid short-term guaranteed investment certificates with original maturities of less than 90 days. Cash equivalents at February 28, 2009 amounted to \$544 (August 31, 2007 - \$1,454).

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

Cash flows provided by (used in):	Three months ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Operating activities – continuing operations	\$ (2,124)	\$ (1,685)	\$ (4,200)	\$ (2,702)
Operating activities – discontinued operations	(12)	569	495	(588)
Cash flows used in operating activities	(2,136)	(1,116)	(3,705)	(3,290)
Cash flows from (used in) financing activities	1	(6)	1	(14)
Cash flows from (used in) investing activities	1,451	(25)	3,409	(25)
Decrease in cash and cash equivalents	\$ (684)	\$ (1,147)	\$ (295)	\$ (3,329)

Cash used in continuing operations for the three and six months ended February 28, 2009 was \$2,124 and \$4,200 respectively, compared to \$1,685 and \$2,702 respectively for the comparative periods in fiscal 2008. This was largely due to changes in operating working capital, the payments to Bell Canada (see the section entitled "Commitments and Contingencies") and negative EBITDA. The cash provided by discontinued operations pertained to the sale of the web hosting and domain name business. The cash used in discontinued operations in the first quarter of fiscal 2008 related mainly to the settlement of the Danish claim.

For the three months ended February 28, 2009, \$1,451 of cash was provided by investing activities. This resulted mainly from the receipt of \$1,290 of proceeds from the sale of the web hosting and domain name business (see the section entitled "Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business"), and the decrease in restricted cash related to the discontinued operations of \$146. This compares with cash used in investing activities of \$25 for the three and six month periods ended February 29, 2008 consisting mainly of the acquisition of property and equipment.

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As at February 28, 2009, the Company had contractual obligations that require future payments as follows:

	Total	2009	2010	2011	2012	2013	Thereafter
Mortgage payable	\$1,800	1,800	-	-	-	-	-
Operating leases	\$1,661	255	503	415	359	129	-

The mortgage payable bears interest at 10.5% per annum and matures on August 21, 2009. The mortgage is collateralized by a general security agreement over the assets at Look's Milton, Ontario premises, and a first legal charge over the land and building of Look.

On May 19, 2004, UBS and Look entered into an agreement 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 agreement, Look is required to pay UBS an annual fee of \$2,400. UBS received, in September 2007, in advance, an annual fee of \$2,400. On a 12-month rolling basis, Look has maintained this fee. Look may, from time to time, recognize the performance of UBS in the form of cash bonus payments, direct grant of treasury shares of Look, or options for the purchase of subordinate voting shares from treasury. All options shall conform to Look's stock option plan. Look shall also reimburse UBS for certain expenses and disbursements incurred in respect of the agreement and the services provided by UBS.

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

The environment in which the Company operates is characterized by continuing turmoil in the capital markets and continuing uncertainty in the telecommunications landscape in Canada, caused by, amongst other things, the AWS spectrum auction which is likely to result in the introduction of new competitors, the Industry Canada Consultation on Transition to Broadband Radio Service (see the section entitled "Overview of Government Regulation and Regulatory Developments - Consultation on Transition to Broadband Radio Service (BRS) in the Band 2500-2690 MHz"), and the rapid technological changes underway. The Company expects that, as its subscriber base continues to churn, the fixed component of the costs associated with producing its various services will represent an ever increasing portion of its total costs. The Company expects that it will need to raise cash in order to meet the needs of its existing operations beyond July 2009.

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This requirement and timing for capital may be adversely impacted by, amongst other things, a lack of available financing through traditional banking sources, the outcome of the contingencies (see the section entitled “Commitments and Contingencies”), a faster rate of decline in subscribers than experienced during fiscal 2008, negative pressure on ARPU, and an unfavorable outcome to the Plan of Arrangement announced by the Company on December 1, 2008 (see the section entitled “Overview – Significant Current Events”). In order to alleviate this cash requirement, the Company will continue to seek any and all ways to obtain financing through, amongst other things, partnering arrangements, debt and equity partners, the sale of certain subscribers, arrangements involving some or all of Looks spectrum and rights offerings to existing shareholders. Significant external funds will, however, be required to rollout the M<sup>3</sup> network to achieve Look’s mission of being an M<sup>3</sup> information, communication and entertainment service provider throughout the Windsor to Québec City corridor.

In order to maximize the value of Look’s assets and, in turn, the value of the Company to its shareholders, Look has undertaken a process with the intent of selling some or all, in whole or in part, of its assets (see the section entitled “Overview – Significant Current Events – Plan of Arrangement”).

The Company’s working capital deficiency at February 28, 2009 was \$13,225 compared with \$13,429 at August 31, 2008. The change in working capital deficiency is related to, amongst other things, the increase in cash related to the sale of the web hosting and domain name business and the corresponding relief of the unearned web hosting revenue and accounts payable (see the section entitled “Overview – Significant Current Events – Sale of Web Hosting and Domain Name Business”) which were partially offset by the negative EBITDA in fiscal 2009.

The foregoing includes forward looking information that is subject to risks and uncertainties described under the “Operating Risks and Uncertainties” section below. No assurance can be given that the Company will be able to achieve these results or raise capital given the existing market conditions in both Canada and the United States and the continuing restriction on foreign ownership.

#### **14. SHARE CAPITAL**

As at February 28, 2009 and February 29, 2008, UBS had issued 91,442,522 Common Shares and 11,305,332 Class A Non-Voting Shares for total issued shares of 102,747,854. As at February 28, 2009 there were options outstanding to acquire 16,224,000 Common Shares of UBS (August 31, 2008 - 15,974,000). There were no changes to the issued shares of the Company at April 28, 2009 but the options outstanding to acquire common shares at that date reduced by 250,000 to 15,974,000.

During the three and six months ended February 28, 2009, UBS recorded stock-based compensation expense of \$22 and \$80 respectively (February 29, 2008 – Nil and Nil respectively) related to options issued to employees and \$42 and \$49 respectively (February 29, 2008 – Nil and \$225 respectively) related to options issued to non-employees, which has been recorded in contributed surplus.

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## 15. COMMITMENTS AND CONTINGENCIES

### (a) Commitments:

- (i) Pursuant to CRTC regulation, Look is required to make annual contributions to the Canadian Television Fund ("CTF"), which is a cable industry fund designed to foster the production of Canadian television programming. Contributions to the CTF are based on a formula, including gross broadcast revenue and the number of subscribers. Look may elect to spend a portion of the above amount for local television programming and may also elect to contribute a portion to another CRTC-approved independent production fund. Look estimates that its total contributions to the CTF and CRTC for 2009 will amount to approximately \$350.

### (b) Contingencies:

- (i) Claim for damages against Inukshuk et al.:

On January 16, 2003, UBS Wireless entered into a signed Right of Use Agreement (the "Agreement") with Inukshuk Internet Inc. ("Inukshuk"), a subsidiary of Microcell Telecommunications Inc. ("Microcell"), which would allow UBS to use the Multipoint Communications Systems ("MCS") spectrum licenses held by Inukshuk within certain license service areas. In addition, the Agreement gave UBS Wireless the right to match any binding, written irrevocable offer that Inukshuk was prepared to accept for the remaining MCS spectrum licensed to Inukshuk.

On November 19, 2003, Allstream Inc., Inukshuk and a USA company, NR Communications, LLC announced a joint venture for the use and development of 60 MHz of MCS spectrum. This MCS spectrum is part of the 98 MHz of spectrum licensed to Inukshuk, which is the subject matter of the Agreement.

On April 21, 2004, after attempting unsuccessfully to resolve issues related to the Agreement, UBS commenced legal action against Allstream Inc. (now MTS Allstream Inc.), Microcell Telecommunications Inc., Microcell Solutions Inc. and Inukshuk (wholly-owned subsidiaries of Microcell and now of Rogers Communications Inc. ("Rogers"), following its acquisition of Microcell in September 2004) (collectively the "Defendants"). The damages claimed are for, amongst other things, specific performance, breach of contract, breach of confidence and breach of fiduciary duty. Damages totalling \$160,000 and disgorgement of profits are claimed against each of the defendants as a result of their actions involving the Inukshuk spectrum. Statements of defence have been filed by the Defendants.

On September 16, 2005, Rogers and Bell Canada announced an agreement to jointly build and manage a Canada-wide wireless broadband network using the Inukshuk spectrum. Pursuant to this agreement, Rogers and Bell Canada were to transfer, amongst other things, the Inukshuk spectrum in the 2.5 GHz frequency range to the Inukshuk Wireless Partnership (the "Inukshuk Partnership").

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On March 30, 2006, Industry Canada confirmed in a letter to Rogers and Bell Canada that barring unforeseen circumstances approval would be given to transfer the MCS licenses from Inukshuk to the Inukshuk Partnership.

During fiscal 2007, UBS Wireless commenced proceedings to bring a motion to add the Inukshuk Partnership as a defendant to the original lawsuit. This motion was withdrawn and on August 22, 2007 UBS Wireless filed a statement of claim against the Inukshuk Partnership.

The statement of claim seeks, amongst other things, a mandatory order requiring the Partnership to return to Fido Solutions Inc. ("Fido", formerly Microcell Telecommunications Inc.) any and all rights or licenses to use or exploit the MCS spectrum and such other, interim, interlocutory or final relief as may be necessary to enable Fido to comply with any order requiring the specific performance of certain obligations to UBS Wireless.

On April 3 and 4, 2008, the Ontario Superior Court of Justice heard a motion brought by the Inukshuk Partnership, with Fido intervening in support, to dismiss the action against the Inukshuk Partnership filed by UBS Wireless on August 22, 2007. On May 1, 2008, the Ontario Superior Court of Justice dismissed this claim requiring the Inukshuk Partnership to return the MCS spectrum to the Rogers subsidiary if the Courts find in favour of UBS Wireless' claim in the 2004 litigation. UBS Wireless has appealed this decision by the Ontario Superior Court of Justice and a decision by the Appeal Court is pending.

The assets and rights pursuant to the Agreement are significant to the Company's shareholders and as such UBS intends to vigorously pursue its rights.

(ii) Bell Canada:

In response to Bell Canada's April 10, 2007 "Notice of Intent to Disconnect" Look's services, on April 27, 2007, Look filed a statement of claim with the Ontario Superior Court of Justice against Bell Canada. Look claims damages in the aggregate amount of \$25,000 plus interest, costs, and any applicable taxes for, amongst other things, Bell Canada's breach of contract, misrepresentation, and unlawful interference with economic relations. Look is also seeking \$10,000 in aggravated and/or punitive damages.

On May 8, 2007, Look filed a notice of motion seeking Interim and Interlocutory Injunctions (the "Injunctions") preventing Bell Canada from terminating, reducing, restricting, or in any way interfering with the telecommunications services provided by Bell Canada to Look pending the final determination of the motion or until such other time as the Court may direct. The Injunctions were heard by the Ontario Superior Court of Justice on July 23, 2007 and granted on July 31, 2007. In light of the Injunctions granted, Look believes it will be able to carry on business in the normal course of operations.

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The major Terms and Conditions of the Injunctions are as follows:

1. Look will pay Bell Canada \$360 per month from May 1, 2007;
2. Look may not encumber or transfer its spectrum license without the consent of the Court; and
3. Bell Canada will pay Look's costs of the Injunctions.

Look is fully complying with the Terms and Conditions set forth by the Ontario Superior Court of Justice. Look will expeditiously continue to vigorously pursue its aforementioned statement of claim against Bell Canada.

On July 5, 2007, Bell Canada filed its statement of defence and counterclaim against Look claiming, amongst other things, damages for trade payables in the amount of \$13,689, damages in the amount of \$2,300 for credit notes improperly issued by Bell Canada, and \$1,000 in aggravated and/or punitive damages.

On March 18, 2008 Look was granted an Order from the Ontario Superior Court of Justice compelling Bell Canada to, amongst other things, deliver its Affidavit of Documents to Look by no later than October 1, 2008 (the "deadline"). Despite agreeing to a Court-imposed timetable on August 13, 2007 to exchange an Affidavit of Documents with Look by November 16, 2007, Bell Canada has failed to adhere to its obligations before the Ontario Superior Court of Justice prompting the action initiated by Look.

As such, Look obtained an Order from the Honourable Justice Spence that granted the following:

1. The Defendant, Bell Canada, deliver its sworn Affidavit of Documents by no later than the deadline;
2. Bell Canada is to continue reporting to the Ontario Superior Court of Justice on a monthly basis as to its progress in preparing its Affidavit of Documents, and that Bell Canada will provide Look with a written report in advance of this monthly attendance outlining:
  - (a) The number of people who are reviewing the Bell Canada documents; and
  - (b) The number of documents reviewed during the month and the number of documents remaining to review; and
3. In the event that Bell Canada fails to deliver its Affidavit of Documents by the deadline, or if, in advance of the deadline, it is shown that the efforts Bell Canada is making will not likely allow it to meet the deadline, Look may seek an order to reduce the \$360 per month payment to Bell Canada, or seek an order for such other relief as the Court may permit, after July 1, 2008 based on the reports from Bell Canada to that date and any other relevant material.

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The legal outcome of the claims described herein may result in the obligation recognized as of February 28, 2009 being materially different, either positively or negatively, than the amount ultimately settled.

The hearing date for these actions has yet to be determined and the outcome of these actions cannot be predicted at this time.

These claims are significant to the Company's shareholders. In the Company's opinion, Bell Canada's counterclaim is without merit and Look intends to vigorously pursue its rights.

(iii) Craig Wireless International Inc.:

On February 19, 2004, Craig Wireless International Inc. ("Craig Wireless") filed a statement of claim against the Company before the Ontario Superior Court of Justice. In its action, Craig Wireless seeks numerous sanctions against the Company and other parties.

On May 4, 2004, the Company obtained an order from the Ontario Superior Court of Justice dismissing with prejudice the motion brought by Craig Wireless for, amongst other things, an injunction that would prevent UBS from voting its shares of Look and converting into common shares its convertible debentures pursuant to Look's February 2004 rights offering. At the same time, Craig Wireless also withdrew its challenge to the CRTC approval of UBS acquiring a controlling interest in Look.

Craig Wireless is still pursuing its claim that Look conducted its affairs in a manner that was oppressive and unfairly prejudicial to Craig Wireless and requests damages in the aggregate amount of \$12,000.

On October 27, 2006, the Ontario Superior Court of Justice heard a motion brought by Craig Wireless to amend its claim so as to add additional defendants. The Court denied Craig Wireless' motion on January 24, 2007 and awarded costs in favour of the Company.

Statements of defence were filed by UBS and Look in October 2008 and on April 3, 2009, UBS and Look filed amended statements of defence in response to Craig Wireless' amended statement of claim filed on February 23, 2009.

The Company believes that the entire claim is unfounded and intends to vigorously defend itself. Accordingly, no accrual has been recorded in the accounts for this claim.

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(iv) Border Broadcasters Inc. et al.:

On December 27, 2007, Border Broadcasters Inc. et al. ("Border Broadcasters") served a statement of claim against Look filed before the Federal Court. In its action, Border Broadcasters is seeking, amongst other things:

- (a) Payment of royalties due in the amount of \$4,500 for the retransmission of distant television signals pursuant to:
  - (i) The Statement of Royalties to be Collected for the Retransmission of Distant Radio and Television Signals in Canada in 1998 through to 2003 as certified by the Copyright Board of Canada, and
  - (ii) The Interim Tariffs for the Retransmission of Distant Radio and Television Signals in Canada for the period commencing January 1, 2004.
- (b) Pre-judgment interest on unpaid royalties in the amount of \$2,500.

Look believes that all debts, including any royalties due up to and including February 11, 2002, were extinguished by virtue of the Plan of Implementation approved by the Court under the Plan of Arrangement effective February 11, 2002.

Look intends to vigorously defend itself and the outcome of this action cannot be predicted at this time.

- (v) Refer to the 2008 annual financial statements for the contingencies related to other litigation involving the Company.

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

## **16. TRANSACTIONS WITH RELATED PARTIES**

- (a) Management Services Agreement with Jolian Investments Ltd.:

Management service fees pursuant to the management service agreement between UBS and Jolian Investments Ltd., which is controlled by the Chairman and CEO of the Company, charged to general and administration expenses amounted to \$151 and \$301 for the three and six months ended February 28, 2009 respectively (February 29, 2008 - \$143 and \$285 respectively). As at February 28, 2009, amounts included in accrued liabilities and provisions related to the management service agreement totalled \$697 (August 31, 2008 - \$680).

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(b) Consulting Agreement with DOL Technologies Inc.:

Consulting fees pursuant to the consulting agreement between UBS and DOL Technologies Inc., which is controlled by Mr. Dolgonos, charged to general and administration expenses amounted to \$125 and \$250 for the three and six months ended February 28, 2009 respectively (February 29, 2008 - \$119 and \$238 respectively). As at February 28, 2009, amounts included in accrued liabilities and provisions related to Mr Dolgonos' consulting services totalled \$503 (August 31, 2008 - \$492).

## **17. OPERATING RISKS AND UNCERTAINTIES**

### **Capital risk management**

The Company manages its capital to maximize value to shareholders and other stakeholders. The Company's capital structure includes cash and cash equivalents, long-term debt, convertible debentures, and equity consisting of share capital, contributed surplus, and deficit.

The Company manages, to the extent of its abilities, its capital structure to enable the continued operation of its business. The Company will need to raise cash by July 2009 order to meet the needs of its existing operations (see note 1 for a discussion of the requirement and timing of the need for capital). The Company will consider the appropriateness of all sources of capital including, but not limited to, new share issuances, the issue of debt, equity, or hybrid instruments along with other activities considered appropriate under the circumstances.

The Company is not subject to externally-imposed capital requirements and the Company's overall strategy with respect to capital risk management has not changed significantly from the year ended August 31, 2008.

### **Financial risk management**

(a) Overview:

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

(b) Credit risk:

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

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The Company's exposure to credit risk with its subscribers is influenced mainly by the individual characteristics of each subscriber. All of the Company's subscribers are located in Canada and are either residential or commercial in nature. No individual subscriber's trade receivable poses a significant credit risk to the Company.

The Company establishes an allowance for doubtful accounts that represents its estimate of likely losses with respect to its trade receivables. This allowance is established based on historic trends and other information available to the Company.

As at February 28, 2009, Look had total past due accounts receivable of \$210 and an allowance for doubtful accounts of \$119 (August 31, 2008 - \$264 and \$147 respectively).

(c) Liquidity risk:

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

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

The mortgage payable bears interest at the rate of 10.5% per annum and matures on August 21, 2009.

The Company has incurred significant operating losses and negative cash flows from operations in recent years and has a working capital deficiency of \$13,225 (August 31, 2008 - \$13,429).

The Company will need to raise cash by July 2009 in order to meet the needs of its existing operations and there is, significant doubt about the Company's use of the going concern assumption (see note 1).

As at February 28, 2009, the Company had financial assets held for trading of \$5,639 and financial liabilities of \$19,438 (August 31, 2008 - \$5,984 and \$19,652 respectively). The Company manages its liquidity risk by monitoring forecasted and actual gross margin and cash flows from operations on an ongoing basis.

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(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments. The Company's products and services are available solely in Canada and substantially all of the Company's financial assets and liabilities originate in Canadian dollars. The Company is, however, exposed to currency risk for purchases that are denominated in foreign currencies. The Company believes this risk is minimal and has not entered into any currency hedging transactions.

The Company is subject to interest rate risk on its cash and cash equivalents and restricted cash (see notes 4 and 17). The Company estimates that for each 1% decline in the interest rate earned on its cash holdings, interest income will decline by approximately \$40 per annum.

The Company may also be subject to interest rate risk on its mortgage payable which bears interest at the rate of 10.5% per annum and matures on August 21, 2009. A 1% increase or decrease in the interest rate charged on the mortgage is expected to impact net income, either positively or negatively respectively, by \$18 per annum.

Look's convertible secured debentures bear interest at a rate of 7% per annum and will mature on December 30, 2013. The interest on the debentures has historically been paid in shares.

### **Going Concern**

The Company's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations, the successful implementation of the Company's business strategy, the availability of financing alternatives, an acceptable outcome to the Plan of Arrangement, and an acceptable outcome to the Company's contingencies (See the sections entitled "Caution Regarding Forward-Looking Statements", "Introduction", "Liquidity and Capital Resources", "Operating Risks and Uncertainties – Economic Dependence", "Commitments and Contingencies" and "Overview – Significant Current Events – Plan of Arrangement"). The outcome of these matters cannot be predicted at this time and there is no certainty that these and other strategies will be sufficient to permit the Company to continue beyond July 2009. The interim unaudited consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the 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.

### **Economic Dependence**

Look purchases a significant portion of its telecommunications services from Bell Canada. These telecommunications services are not available from other service providers and, as a result, the provision of many of Look's service offerings to its subscribers and the revenue generated therefrom are dependent upon Bell Canada continuing to provide its network services to Look (refer to the "Commitments and Contingencies" section).

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## **Financing Risks**

The Company's M<sup>3</sup> mission is dependent on raising sufficient capital or partnering with other service providers who can provide the necessary infrastructure and the capital requirements to design and develop the network in Toronto, Montreal and Ottawa first and then the corridor from Windsor to Québec City.

Given the existing market conditions in both Canada and the United States and the continuing restriction on foreign ownership, there is no guarantee that the Company will be able to obtain financing arrangements that are acceptable to the Company and therefore, there is no assurance that the network as outlined in the Company's strategy will be built.

Refer also to the comments in the "Liquidity and Capital Resources" section for a review of the Company's short-term financing requirements and risks and the section entitled "Overview – Significant Current Events – Plan of Arrangement".

## **Subscriber Retention**

Look's ability to retain its profitable subscriber base is, in part, responsible for determining its long-term success. Look attempts to ensure retention of profitable subscribers by maintaining its infrastructure and technical and subscriber support capabilities. Look has also implemented targeted retention strategies designed to reduce the rate of subscriber attrition. However, it is easy for Look's subscribers to switch to competing Internet and television distribution service providers. Any significant loss of profitable subscribers due to, amongst other things, continuously-advancing technology and aggressive competition in the telecommunications industry, will adversely affect Look's business, financial condition, and results of operations in the future.

## **Subscriber Acquisition**

Look's revenue depends on its ability to attract and retain new subscribers. However, the very strong competitive environment in which Look operates could adversely affect Look's business, financial condition, and results of operations in the future.

## **Regulatory Risks**

As discussed in the section entitled "Overview of Government Regulation and Regulatory Developments", the Company's operations are subject to government regulation that could, and frequently do, impact the business. The Company continually monitors these developments and comments directly on those policies that affect it.

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## **Technology Risks**

The Company is pursuing a new strategy that will transition its network to M<sup>3</sup> technology. The development and implementation of any new technology brings with it inherent uncertainties and risks related to the features included, the timing of implementation, and the cost and availability of equipment.

This implementation will rely, in part, on new and unproven technology. The Company cannot be certain that this new service can be implemented in the time frame and within the investment capital required to generate an appropriate risk related return for investors.

## **18. ADDITIONAL INFORMATION**

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