

Interim Unaudited Consolidated Financial Statements

**UNIQUE BROADBAND SYSTEMS, INC.**

Three and nine months ended May 31, 2009 and 2008

## **Unique Broadband Systems, Inc.**

**8250 Lawson Road**

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### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim unaudited consolidated financial statements of the Company for the interim period ending May 31, 2009 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# UNIQUE BROADBAND SYSTEMS, INC.

Interim Unaudited Consolidated Balance Sheets  
(In thousands of dollars)

As at

	May 31 2009	August 31 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 21,341	\$ 5,168
Accounts receivable	177	326
Short-term receivable (note 17)	20,000	-
Inventory	52	52
Prepaid expenses and deposits	342	511
	<u>41,912</u>	<u>6,057</u>
Long-term receivable (note 17)	30,000	-
Restricted cash (note 4)	502	490
Property and equipment (note 17)	2,054	7,503
Deferred charges	-	63
	<u>\$ 74,468</u>	<u>\$ 14,113</u>
<b>Liabilities and Shareholders' Equity/(Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 4,161	\$ 11,932
Accrued restructuring liabilities (note 17)	25,718	-
Accrued liabilities and provisions	5,023	5,004
Unearned revenue (note 17)	183	737
Long-term debt, due within one year	1,798	1,787
Current portion of liability component of convertible debentures (note 5)	34	26
	<u>36,917</u>	<u>19,486</u>
Liability component of convertible debentures (note 5)	919	903
Non-controlling interest (note 6)	21,083	422
Shareholders' equity/(deficit):		
Share capital (note 7)	58,139	58,139
Contributed surplus	3,335	2,643
Deficit	<u>(47,925)</u>	<u>(67,480)</u>
	15,549	(6,698)
Basis of presentation (note 1)		
Commitments and contingencies (note 13)		
Sale of business and assets (note 17)		
	<u>\$ 74,468</u>	<u>\$ 14,113</u>

See accompanying notes to interim unaudited consolidated financial statements.

# UNIQUE BROADBAND SYSTEMS, INC.

Interim Unaudited Consolidated Statements of Operations and Deficit  
(In thousands of dollars, except shares and per share amounts)  
Three and nine months ended May 31, 2009 and 2008

	Three months ended May 31		Nine months ended May 31	
	2009	2008	2009	2008
Service and sales revenue (note 10)	\$ 3,096	\$ 4,095	\$ 10,011	\$ 12,979
Carrier charges and cost of sales (note 10)	2,470	2,280	6,224	6,995
Gross margin	626	1,815	3,787	5,984
Expenses:				
Marketing and sales	-	-	1	19
Customer care	310	354	982	1,125
Engineering and operations	693	738	2,091	2,212
General and administration	2,497	2,013	8,127	6,835
Amortization of property and equipment	896	1,304	2,927	3,894
Impairment of property and equipment (note 17)	2,542	-	2,542	-
Amortization of deferred charges	10	13	28	40
	6,948	4,422	16,698	14,125
	(6,322)	(2,607)	(12,911)	(8,141)
Accretion on liability component of convertible debentures	(29)	(39)	(87)	(117)
Interest and finance charges	(53)	(91)	(153)	(191)
Interest income	3	59	66	233
Gain on settlement of Microcell et al litigation (note 17)	4,000	-	4,000	-
Gain on disposition of spectrum and broadcast licence (note 17)	78,243	-	78,243	-
Loss on settlement of Bell litigation (note 17)	(5,817)	-	(5,817)	-
Gain on disposal of other property and equipment	-	2	2	10
Restructuring liabilities (note 17)	(25,718)	-	(25,718)	-
Income (loss) from continuing operations before non-controlling interest	44,307	(2,676)	37,625	(8,206)
Non-controlling interest in continuing operations (note 6)	(20,666)	193	(20,601)	2,572
Income (loss) from continuing operations	23,641	(2,483)	17,024	(5,634)
Income from discontinued operations before non-controlling interest (notes 8 and 17)	-	546	4,531	1,688
Non-controlling interest in discontinued operations (note 6)	-	(42)	-	(602)
Income from discontinued operations	-	504	4,531	1,086
Income (loss) and comprehensive income (loss) for the period	23,641	(1,979)	21,555	(4,548)
Deficit, beginning of period	(69,566)	(62,453)	(67,480)	(59,884)
Deficit, end of period	\$ (45,925)	\$ (64,432)	\$ (45,925)	\$ (64,432)
Income (loss) per share from continuing operations:				
Basic	\$ 0.23	\$ (0.02)	\$ 0.17	\$ (0.05)
Diluted	\$ 0.22	\$ (0.02)	\$ 0.16	\$ (0.05)
Income per share from discontinued operations:				
Basic	\$ 0.00	\$ 0.00	\$ 0.04	\$ 0.01
Diluted	\$ 0.00	\$ 0.00	\$ 0.04	\$ 0.01
Income (loss) and comprehensive loss per share:				
Basic	\$ 0.23	\$ (0.02)	\$ 0.21	\$ (0.04)
Diluted	\$ 0.22	\$ (0.02)	\$ 0.20	\$ (0.04)
Weighted average number of shares outstanding (note 7):				
Basic (in thousands)	102,748	102,748	102,748	102,748
Diluted (in thousands)	108,172	102,748	104,556	102,748

See accompanying notes to interim unaudited consolidated financial statements.

# UNIQUE BROADBAND SYSTEMS, INC.

Interim Unaudited Consolidated Statements of Cash Flows  
(In thousands of dollars)

Three and nine months ended May 31, 2009 and 2008

	Three months ended May 31		Nine months ended May 31	
	2009	2008	2009	2008
<b>Cash flows from operating activities:</b>				
Income (loss) for the period from continuing operations	\$ 23,641	\$ (2,483)	\$ 17,024	\$ (5,634)
Items not affecting cash:				
Non-controlling interest	20,666	(193)	20,601	(2,572)
Amortization of property and equipment	896	1,304	2,927	3,894
Impairment of property and equipment	2,542	-	2,542	-
Amortization of deferred charges	10	13	28	40
Interest and finance charges	4	-	11	-
Amortization of stock-based compensation	417	92	687	422
Accretion on liability component of convertible debentures	29	39	87	117
Gain on sale of spectrum and broadcast licence	(78,243)	-	(78,243)	-
Loss on settlement of Bell litigation	5,817	-	5,817	-
Gain on disposition of other property and equipment	-	(2)	(2)	(10)
Change in non-cash operating working capital (note 9)	18,214	266	18,314	77
Cash flows used in continuing operations	(6,007)	(964)	(10,207)	(3,666)
Cash flows from (used in) discontinued operations	12	555	507	(33)
Cash flows used in operating activities	(5,995)	(409)	(9,700)	(3,699)
<b>Cash flows from financing activities:</b>				
Repayment of obligations under capital leases	-	-	-	(14)
Exercise of stock options	-	-	1	-
Cash flows from (used in) financing activities	-	-	1	(14)
<b>Cash flows from investing activities:</b>				
Purchase of property and equipment	(6)	(41)	(20)	(89)
Proceeds on disposition of property and equipment	-	2	2	10
Net proceeds on first instalment of sale of spectrum and broadcast licence (note 17)	30,000	-	30,000	-
Non-operating cash outlays on sale of spectrum and broadcast licence	(7,538)	-	(7,538)	-
Proceeds on sale of business (note 17)	-	-	3,440	-
Decrease in restricted cash	19	5	47	20
Discontinued operations – increase in restricted cash	(12)	-	(59)	-
Cash flows from (used in) investing activities	22,463	(34)	25,872	(59)
Increase (decrease) in cash and cash equivalents	16,468	(443)	16,173	(3,772)
Cash and cash equivalents, beginning of period	4,873	6,321	5,168	9,650
Cash and cash equivalents, end of period	\$ 21,341	\$ 5,878	\$ 21,341	\$ 5,878

Supplemental cash flow information (note 9).

See accompanying notes to interim unaudited consolidated financial statements.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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Unique Broadband Systems, Inc. (the "Company") is a publicly listed Canadian company that has a 51.8% fully diluted equity interest in Look Communications Inc. ("Look") and other assets. With its spectrum and broadcast licences through Look, the Company is a Canadian digital television broadcaster and broadband wireless service provider. References to "UBS" include Unique Broadband Systems, Inc. and its wholly owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless"). References to the Company include UBS and Look.

Look's mission has been to be an M<sup>3</sup> - 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 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.

On May 5, 2009 Look announced that it had entered into an agreement with Inukshuk Wireless Partnership ("Inukshuk") (through joint partners Rogers Communications ("Rogers") and Bell Canada ("Bell")) for the sale of its spectrum and broadcast licence (note 17). The Agreement of Purchase and Sale (the "Spectrum Agreement") allows Inukshuk to acquire Look's spectrum (2596 to 2686 MHz and 2689 to 2690 MHz inclusive) and broadcast licence for \$80,000 cash. Payment is scheduled to be the earlier of the transfer of the spectrum and broadcast licence following Regulatory approval or in a series of three instalments. The purchased spectrum will not be transferred unless and until full consideration is paid. If for any reason the full \$80,000 is not paid, or not paid according to the agreed-upon schedule, any payments made to Look are non-refundable and the spectrum would be retained by Look. The payment schedule is as follows:

1. A \$30,000 non-refundable payment was made May 14, 2009 following Court approval of the Agreement;
2. A \$20,000 non-refundable payment will be made no later than December 31, 2009; and
3. A \$30,000 final payment will be made no later than the earlier of regulatory approval of the transaction or May 14, 2012.

The sale of Look's spectrum was conditional upon Look settling its litigation with Bell and UBS settling its litigation with Microcell et al. and Inukshuk (notes 13 and 17).

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 1. Basis of presentation:

These interim unaudited consolidated financial statements have been prepared, on a going concern basis, in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") with respect to the preparation of financial statements. These interim unaudited consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended August 31, 2008.

## 2. Significant accounting policies:

### (a) Principles of consolidation:

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

In accordance with The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1600, Consolidated Financial Statements ("Section 1600"), when the losses applicable to the non-controlling interest in Look exceeded the non-controlling interest's carrying value in Look, which occurred during the third quarter of fiscal 2008, the excess and any further losses will be fully absorbed by the Company. Subsequent earnings, if any, recorded by Look, should be allocated entirely to the Company's interest until such previously fully absorbed losses are recovered (note 6).

### (b) Changes in accounting policies:

These interim unaudited consolidated financial statements follow the same accounting policies and methods of application as the 2008 audited financial statements except for the adoption of new accounting policies described below:

#### (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.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 2. Significant accounting policies (continued):

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.

### (ii) Capital disclosures:

In December 2006, the Accounting Standards Board ("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.

### (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.



# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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### 3. Investment in Look:

At May 31, 2009 UBS Wireless held 24,864,478 Multiple Voting Shares and 29,505,785 Subordinate Voting Shares in Look (August 31, 2008 – 24,864,478 Multiple Voting Shares and 29,084,973 Subordinate Voting Shares). In addition, UBS Wireless is the holder of a convertible debenture in the principal amount of \$3,000, which may be converted into 20,000,000 Multiple Voting Shares and 20,000,000 Subordinate Voting Shares. On a fully diluted basis, UBS Wireless holds 51.8% of Look.

### 4. Cash:

#### (a) Cash and cash equivalents:

Cash and cash equivalents consist of all bank balances and highly liquid short-term guaranteed investment certificates and banker's acceptances with original maturities of less than 90 days. At May 31, 2009, the Company held cash and cash equivalents of \$21,341 (August 31, 2008 - \$5,168), of which \$2,700 (August 31, 2008 - \$1,454) was held in guaranteed investment certificates and banker's acceptances.

#### (b) Restricted cash:

At May 31, 2009, the Company had \$502 of restricted cash, including \$59 which was collected from subscribers by Look after the closing of the sale described in note 17. The Company has pledged the remaining \$443 (August 31, 2008 - \$490) of restricted cash to its banks as collateral for the processing of credit card transactions. Of this amount, the Company holds \$350 (August 31, 2008 - \$350) in interest bearing certificates at 2%.

### 5. Convertible debentures:

The convertible secured debentures bear interest at a rate of 7% per annum and will mature on December 30, 2013. Look pays interest on the debentures semi-annually in arrears, on June 30 and December 30 of each year, which commenced on June 30, 2004. Look carries the debentures at amortized cost using an effective interest rate of 13.6%. The debentures are convertible at the option of the holder into Multiple Voting and Subordinate Voting Shares of Look at a conversion price of \$0.075 per each Multiple Voting and Subordinate Voting Share, representing 6,667 Multiple Voting Shares and 6,667 Subordinate Voting Shares per \$1 debenture. The convertible debentures are bifurcated into their debt and equity components. Look has the option to settle its obligation to pay interest and repay principal by issuing shares of Look. As at May 31, 2009, the outstanding face value, representing the non-controlling interest in Look's debentures, was \$1,160. The debentures are direct obligations of Look and rank *pari passu* with all other subordinated, secured obligations of Look.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

## 6. Non-controlling interest:

Non-controlling interest in the consolidated balance sheets of the Company represents the non-controlling interest in both the equity and equity component of convertible debentures in Look. Reported operating losses of Look are allocated to the non-controlling interest at 49% but are limited to the extent of any remaining non-controlling interest in the equity of Look. During the third quarter of fiscal 2008, the non-controlling interest in Look's equity was eliminated and, in accordance with the accounting treatment noted in section 2(a) above, the Company has absorbed losses incurred by Look in excess of the Company's 51% of Look's losses amounting to \$2,546 as at February 28, 2009. Since Look generated income in the quarter ended May 31, 2009, the Company will recover the full extent of the excess losses previously absorbed before allocating the remaining income for the quarter to the minority interest at 49%.

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

	May 31, 2009	August 31, 2008
Shares and equity	20,670	-
Equity component of convertible debentures	413	422
Non-controlling interest in Look	\$ 21,083	\$ 422

## 7. Share capital:

### (a) Issued and outstanding:

As at May 31, 2009 and August 31, 2008, the Company had 91,442,522 common shares and 11,305,322 Class A non-voting shares issued and outstanding. The number of fully diluted shares at May 31, 2009 amounted to 108,171,643 and at that date there were 8,954,000 options outstanding to purchase common shares that were not included in the calculation of diluted net income per share because to do so would have been anti-dilutive.

### (b) Stock option incentive plan:

UBS' stock option plan (the "Option Plan") provides for the granting of stock options to employees, directors and consultants of UBS. Under the Option Plan, up to 19,765,396 common shares may be issued from treasury. Options are granted at prices equal to or greater than the closing market price of the Company's shares on the business day immediately preceding the day on which an option is granted and in the absence of terms specifying otherwise, vest annually over a three-year period and are exercisable during a period not to exceed 10 years from such grant.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 7. Share capital (continued):

During the nine months ended May 31, 2009, 650,000 options expired and UBS granted 650,000 options to acquire shares of the Company at an exercise price of \$0.16 with vesting terms of one half on the date of grant, one quarter six months after the date of grant and the remainder 18 months after the date of grant. The options expire on November 20, 2013. The fair value for the options granted during the quarter was \$0.11, determined using the Black Scholes option pricing model with the following assumptions: an average risk-free interest rate of 3.4%, a dividend yield of nil, a volatility factor of the expected market price of UBS shares of 110% and an expected life of 3.5 years.

As a result of the disposition of Look's operating assets and the restructuring of Look's business and in accordance with the Option Plan, all outstanding options to purchase common shares of the Company, totalling 15,974,000, were vested as at May 31, 2009 (note 17).

During the three and nine months ended May 31, 2009, UBS recorded stock-based compensation expense related to options issued to employees of \$44 and \$124 respectively (May 31, 2008 – \$50 and \$50 respectively) and \$401 and \$451 respectively related to options issued to non-employees (May 31, 2008 – \$42 and \$267 respectively), which has been recorded in contributed surplus.

### (c) Share appreciation rights ("SAR") plan:

Effective May 31, 2009, the Board of Directors cancelled, and the SAR holders relinquished their rights to, 11,300,000 outstanding SARs as a result of the disposition of Look's operating assets and the restructuring of Look's business (note 17).

## 8. Discontinued operations:

During the quarter ended November 30, 2008, Look sold its web hosting and domain name business. As a result, Look segregated the results of operations in respect of this business commencing in the first quarter of fiscal 2008 to record the contribution from this segment of its business in discontinued operations. This contribution amounted to \$Nil and \$567 for the three and nine months ended May 31, 2009, respectively (May 31, 2008 - \$546 and \$1,688) (note 10). In addition, the gain on sale of the web hosting and domain name business amounted to \$4,200 and was included in discontinued operations.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

## 8. Discontinued operations (continued):

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

	May 31, 2009	August 31, 2008
Accrued liabilities from the sale of E&M Business	\$ 147	\$ 147
Restricted cash from web hosting and domain name business	59	-
	<u>\$ 206</u>	<u>\$ 147</u>

## 9. Consolidated statement of cash flows:

(a) The change in non-cash operating working capital in respect of continuing operations consists of the following:

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2009	2008	2009	2008
Accounts receivable	\$ 78	\$ 109	\$ 80	\$ 128
Inventory	3	3	-	(4)
Prepaid expenses and deposits	4	(66)	169	120
Accounts payable and accrued liabilities	(7,544)	270	(7,609)	(170)
Restructuring liabilities	25,718	-	25,718	-
Unearned revenue	(45)	(50)	(44)	3
	<u>\$ 18,214</u>	<u>\$ 266</u>	<u>\$ 18,314</u>	<u>\$ 77</u>

(b) Supplemental cash flow information:

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2009	2008	2009	2008
Interest paid	\$ 53	\$ 91	\$ 153	\$ 191
Interest received	3	59	66	233
	<u>\$ (50)</u>	<u>\$ (32)</u>	<u>\$ (87)</u>	<u>\$ 42</u>

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

## 10. Segment disclosure:

Until the completion of the sale of the spectrum and broadcast licence to Inukshuk, Look operates in a single segment as a wireless broadband carrier, delivering a full range of communications services, including wireless digital television distribution, and dial-up and high-speed Internet access.

The services and sales revenue and cost of sales from continuing operations are as follows:

Services	Three months ended May 31,			
	2009		2008	
	Revenue	Carrier charges and cost of sales <sup>1</sup>	Revenue	Carrier charges and cost of sales
Broadcast	\$1,536	\$1,650	\$2,090	\$1,343
Internet	1,499	785	1,929	898
Other	34	11	27	11
	3,069	2,446	4,046	2,252
Sales and installations	27	24	49	28
	\$3,096	\$2,470	\$4,095	\$2,280

Services	Nine months ended May 31,			
	2009		2008	
	Revenue	Carrier charges and cost of sales <sup>1</sup>	Revenue	Carrier charges and cost of sales
Broadcast	\$ 4,981	\$ 3,661	\$ 6,704	\$ 4,087
Internet	4,795	2,413	6,004	2,715
Other	114	32	76	40
	9,890	6,106	12,784	6,842
Sales and installations	121	118	195	153
	\$10,011	\$ 6,224	\$12,979	\$ 6,995

<sup>1</sup>During the quarter ended May 31, 2009, Look recorded a final one-time charge of \$725 pursuant to the expected settlement of litigation with Border Broadcasters Inc. et al. (note 13). The charge is included in Broadcast carrier charges and cost of sales.

All of the Company's revenue is generated in Canada and all of its assets are located in Canada. No one customer accounts for more than 10% of revenue or gross accounts receivable.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 10. Segment disclosure (continued):

During the first quarter of fiscal 2009, Look sold its web hosting and domain name business for consideration of approximately \$3,800 and during the third quarter of fiscal 2009, Look sold its spectrum and broadcast licence to Inukshuk (note 17).

During the three month period ended May 31, 2009, Look's hosting and domain name business did not generate any revenue or cost of sales. During the nine month period ended May 31, 2009, the hosting and domain name business generated \$520 of revenue and had associated costs of sales of \$189 resulting in gross margin of \$331 which is recorded as earnings from discontinued operations (three and nine month periods ended May 31, 2008 - \$850, \$304, and \$546, and \$2,629, \$941, and \$1,688 respectively).

## 11. Income taxes:

In December 2007, Look implemented the reorganization plan (the "Plan"), approved on October 10, 2007, by transferring certain assets of Look to a 100% 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.

Subsequent to the Plan, Look has sufficient tax loss carryforwards to offset the entire gain recognized on the sale of the web hosting and domain name business (note 17).

As at December 31, 2008, Look had the following federal non-capital income tax losses, which may be carried forward to reduce future years' taxable income. These losses will expire in the taxation years ending December 31 as follows:

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2010	\$ 184,302
2014	12,588
2015	55
2026	403
2028	13,539
	<hr/>
	\$ 210,887

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Look also holds approximately \$110,000 of cumulative eligible capital balances. The sale of the spectrum and broadcast licence to Inukshuk (note 17) is not expected to result in any tax payable. Subsequent to this transaction, Look's non-capital income tax loss carryforwards and its cumulative eligible capital balance are expected to remain unchanged.

UBS has sufficient tax loss carryforwards to offset the entire gain recognized on the settlement of the litigation with Microcell et al. and Inukshuk (note 17).

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 12. Economic dependence:

Look purchases a significant portion of its telecommunications services from Bell. 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 continuing to provide its network services to Look (note 13).

## 13. 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 Microcell et al.:

The claims by UBS Wireless against Microcell et al., commenced in April 2004, and the Inukshuk Wireless Partnership ("Inukshuk"), commenced in August 2007, were dismissed on May 15, 2009 for \$4,000 following a settlement with all the defendants. The settlement of this litigation by UBS Wireless was required by Rogers, a partner of Inukshuk, and requested by Look as a condition of the sale of Look's spectrum asset to Inukshuk. The defendants to UBS' actions all deny liability and the settlement is not an admission of any kind (note 17).

- (ii) Bell Canada:

The claim between Look and Bell was settled on May 15, 2009 (note 17).

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 13. Commitments and contingencies (continued):

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

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 without merit and intends to vigorously defend itself.

### (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 recorded a final one-time charge of \$725 in the quarter pursuant to the expected settlement of its litigation with Border Broadcasters.



# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 13. Commitments and contingencies (continued):

- (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.

## 14. Related party transactions:

- (a) Management service agreement with Jolian Investments Ltd.:

Management service fees pursuant to the management service agreement between UBS and Jolian Investments Ltd. ("Jolian"), which is controlled by the Chairman and CEO of the Company, charged to general and administration expenses amounted to \$144 and \$445 for the three and nine months ended May 31, 2009 respectively (May 31, 2008 - \$152 and \$437 respectively). As at May 31, 2009, there were no amounts due to Jolian in accrued liabilities and provisions (August 31, 2008 - \$680).

- (b) Consulting agreement with DOL Technologies Inc.:

Consulting fees pursuant to the consulting agreement between UBS and DOL Technologies Inc. ("DOL"), which is controlled by Mr. Dolgonos, charged to general and administration expenses amounted to \$120 and \$370 for the three and nine months ended May 31, 2009 respectively (May 31, 2008 - \$125 and \$363 respectively). As at May 31, 2009, there were no amounts due to DOL in accrued liabilities and provisions (August 31, 2008 - \$492).

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 15. 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, current and long-term receivables from Inukshuk (note 17), long-term debt, convertible debentures, and equity consisting of share capital, contributed surplus, and equity/deficit.

The Company is not subject to externally-imposed capital requirements and the Company's overall strategy with respect to capital risk management is to hold low-risk highly-liquid cash accounts pending the final \$50,000 of payments from Inukshuk (note 17).

## 16. 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.

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 May 31, 2009, Look had total past due accounts receivable of \$189 and an allowance for doubtful accounts of \$100 (August 31, 2008 - \$264 and \$147 respectively).

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 16. Financial risk management (continued):

### (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. At May 31, 2009, the Company has a working capital surplus of \$4,995 (August 31, 2008 – deficiency of \$13,429).

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. On July 17, 2009 Look renewed its mortgage, at a rate of 10% per annum, which will now mature on March 1, 2010.

As at May 31, 2009, the Company has financial assets held for trading of \$72,020 and financial liabilities of \$37,653 (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.

### (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 16). The Company estimates that for each 1% decline in the interest rate earned on its cash holdings, interest income will decline by approximately \$150 per annum.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

## 16. Financial risk management (continued):

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. On July 17, 2009 Look renewed its mortgage, at a rate of 10% per annum, which will now mature on March 1, 2010.

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.

### (e) Fair value of financial instruments:

The fair values of financial assets and financial liabilities are determined as follows:

- (i) For cash and cash equivalents, restricted cash, accounts receivable, short-term receivable, accounts payable, accrued restructuring liabilities, accrued liabilities and provisions and the long-term receivable, carrying amounts approximate fair value due to the short-term nature of the assets and liabilities;
- (ii) The long-term debt, due within one year is carried at amortized cost; and,
- (iii) The liability component of the convertible debentures is carried at amortized cost.

### (f) Financial instruments:

#### (i) Classification of financial instruments:

	May 31, 2009	August 31, 2008
Financial assets:		
Held for trading, measured at fair value:		
Cash and cash equivalents	\$ 21,341	\$ 5,168
Accounts receivable	177	326
Short-term receivable	20,000	-
Restricted cash	502	490
Long-term receivable	30,000	-
	<u>\$ 72,020</u>	<u>\$ 5,984</u>

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

## 16. Financial risk management (continued):

	May 31, 2009	August 31, 2008
Financial liabilities:		
Held for trading:		
Accounts payable	\$ 4,161	\$11,932
Accrued restructuring liabilities	25,718	-
Accrued liabilities and provisions	5,023	5,004
	<u>\$ 34,902</u>	<u>\$16,936</u>
Amortized cost:		
Long-term debt, due within one year	\$ 1,798	\$ 1,787
Liability component of convertible debentures	953	929
	<u>\$ 2,751</u>	<u>\$ 2,716</u>
	<u>\$ 37,653</u>	<u>\$19,652</u>

The Company had not classified any assets as available-for-sale or held-to-maturity during the three and nine month periods ended May 31, 2009.

(ii) Investment income and expense:

	Three months ended May 31, 2009		2008	
Interest income earned on financial assets held for trading:				
Cash and cash equivalents	\$	1	\$	55
Restricted cash		2		4
		<u>\$ 3</u>		<u>\$ 59</u>
Interest expense on financial liabilities:				
Long-term debt, due within one year	\$	(49)	\$	(91)
Liability component of convertible debentures		(29)		(39)
		<u>\$ (78)</u>		<u>\$ (130)</u>
	Nine months ended May 31, 2009		2008	
Interest income earned on financial assets held for trading:				
Cash and cash equivalents	\$	57	\$	223
Restricted cash		9		10
		<u>\$ 66</u>		<u>\$ 233</u>
Interest expense on financial liabilities:				
Long-term debt, due within one year	\$	(142)	\$	(191)
Liability component of convertible debentures		(87)		(117)
		<u>\$ (229)</u>		<u>\$ (308)</u>

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

## 16. Financial risk management (continued):

- (iii) Accounts receivable:

	May 31, 2009	August 31, 2008
Trade receivable	\$ 235	\$ 438
Allowance for doubtful accounts	(100)	(147)
	\$ 135	\$ 291

## 17. Sale of business and assets:

- (i) Sale of web hosting and domain name business

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

- (a) Consideration in the amount of approximately \$3,800 payable to Look, subject to potential post-closing adjustments; and
- (b) 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 May 31, 2009 Look had collected net cash of \$3,440.

- (ii) Sale of spectrum and broadcast license

On May 5, 2009 Look announced that it had entered into an agreement with Inukshuk (through joint partners Rogers and Bell) for the sale of its spectrum and broadcast licence. The Spectrum Agreement allows Inukshuk to acquire Look's spectrum (2596 to 2686 MHz and 2689 to 2690 MHz inclusive) and broadcast licence for \$80,000 cash. Payment is scheduled to be the earlier of the transfer of the spectrum and broadcast licence following regulatory approval or in a series of three instalments. The purchased spectrum will not be transferred unless and until full consideration is paid. If for any reason the full \$80,000 is not paid, or not paid according to the agreed-upon schedule, any payments made to Look are non-refundable and the spectrum would be retained by Look.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

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## 17. Sale of business and assets (continued):

The payment schedule is as follows:

- (a) A \$30,000 non-refundable payment was made May 14, 2009 following Court approval of the Agreement;
- (b) A \$20,000 non-refundable payment will be made no later than December 31, 2009; and
- (c) A \$30,000 final payment will be made no later than the earlier of regulatory approval of the transaction or May 14, 2012.

Look has been told by Inukshuk that Inukshuk intends to complete the Spectrum Agreement as soon as possible and, accordingly, Look has commenced the orderly restructuring of its operations.

A condition precedent to the Spectrum Agreement was the resolution of all litigation between Look and Bell, which, among other things, was resolved in the following manner:

- (a) Bell and Look providing each other with mutual full and final releases from any and all current litigation;
- (b) Look paying Bell \$16,000 as full and final settlement, to be paid contemporaneously with the initial \$30,000 non-refundable payment from Inukshuk as part of the Spectrum Agreement. The amount includes approximately \$10,000 in trade payables carried by Look plus an additional \$6,000 payment;
- (c) As Look restructures its operations, it will pay to Inukshuk all revenues collected from its DSL Internet subscribers on Bell's network for services provided during the restructuring period (90 days), net of all applicable taxes, in lieu of any and all future charges from Bell; and
- (d) All contracts between Bell and Look will end without penalty.

A further condition precedent to the Spectrum Agreement, required by Rogers, was that UBS was required to settle its litigation with Microcell et al. (a Rogers' subsidiary) and Inukshuk. At the request of Look, UBS agreed to settle the litigation. UBS provided the irrevocable release, and received \$4,000 from Rogers on May 14, 2009. The defendants to UBS' actions all deny liability and the settlement is not an admission of any kind.

# UNIQUE BROADBAND SYSTEMS, INC.

Notes to Interim Unaudited Consolidated Financial Statements (continued)  
(In thousands of dollars, except shares and per share amounts)

Three and nine months ended May 31, 2009 and 2008

## 17. Sale of business and assets (continued):

The gain on the sale of assets to Inukshuk has been calculated as follows:

Gross sale proceeds	\$80,000
Less:	
Intangible assets	35
Transaction costs	1,722
	<u>\$78,243</u>

As a result of the sale of the assets to Inukshuk and the resulting restructuring of the business, the Company has recorded restructuring charges of \$25,718, which include, among other things, site restoration charges, lease commitments, human resource restructuring and equity cancellation payments. All of Look's equity cancellation payments, covering the cancellation of all outstanding SAR units and options to purchase Look shares, amounting to approximately \$9,000, are contingent on Look receiving the second non-refundable instalment of \$20,000 from Inukshuk no later than December 31, 2009 as contemplated above. The equity cancellation payments in respect of the cancellation of UBS' SAR units, amounting to approximately \$2,000, are contingent upon adequate cash resources being available. In the event of a change of control, the equity cancellation payments for Look become payable within three business days following the effective date of the change of control.

Upon providing for the sale of the spectrum and broadcast license, Look completed a review of the carrying amount of its property and equipment. Look determined that certain network-related property and equipment was carried at an amount greater than its net recoverable amount and accordingly recorded a non-cash write-down of \$2,542.

On May 11, 2009, Look announced that it was continuing to pursue opportunities to maximize the value of its remaining three assets which include:

- (a) Subscribers – Approximately 25,000 broadcast and Internet subscribers
- (b) Network – A network consisting of two network operating centers (Toronto, Ontario and Montreal, Quebec), 26 one-way broadcast sites and 10 two-way broadcast sites; and
- (c) Tax Attributes – Approximately \$300,000 in tax attributes.

The potential sale of any remaining assets is not expected to be subject to either Court approval or approval of Look's shareholders. UBS is willing to consider, among other things, the sale of its interest in Look to facilitate the full value of Look's tax attributes. Such a transaction would require the approval of UBS shareholders.

Look has disclosed all publicly-available documents related to its Plan of Arrangement and disposition of assets on its website: [www.look.ca/en/maximizingshareholdervalue](http://www.look.ca/en/maximizingshareholdervalue).



# UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

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## Board of Directors

Gerald T. McGoey  
Peter Minaki  
Louis Mitrovich  
Douglas Reeson

## Officers

Gerald T. McGoey  
Chairman and Chief Executive Officer

Malcolm Buxton-Forman  
Chief Financial Officer

## Chief Technology Consultant

Alex Dolgonos

## Auditors

KPMG LLP  
Yonge Corporate Centre  
4100 Yonge Street, Suite 200  
Toronto, Ontario  
M2H 2H3

## Shareholder inquiries

UBS Investor Relations  
8250 Lawson Road  
Milton, Ontario  
L9T 5C6

email: [irinfo@uniquebroadband.com](mailto:irinfo@uniquebroadband.com)

## Transfer agent

Equity Transfer & Trust Company  
200 University Avenue, Suite 400  
Toronto, Ontario  
M5H 4H1  
Tel: (416) 361-0152  
Fax: (416) 361-0470

email: [irinfo@equitytransfer.com](mailto:irinfo@equitytransfer.com)

## Common shares

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