
**Supplement to Thirteenth Report
to Court of Duff & Phelps Canada
Restructuring Inc. as CCAA
Monitor of Unique Broadband
Systems, Inc. and UBS Wireless
Services Inc.**

February 13, 2013

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Court File No.: CV-11-9283-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, C.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF
UNIQUE BROADBAND SYSTEMS, INC.**

**SUPPLEMENT TO THIRTEENTH REPORT OF DUFF & PHELPS CANADA
RESTRUCTURING INC.
AS CCAA MONITOR OF
UNIQUE BROADBAND SYSTEMS, INC.
AND UBS WIRELESS SERVICES INC.**

February 13, 2013

1.0 Introduction

1. This report ("Supplementary Report") supplements the Thirteenth Report to Court dated February 8, 2013 ("Thirteenth Report") filed by Duff & Phelps Canada Restructuring Inc. as Monitor in these proceedings.

1.1 Definitions

1. Unless otherwise stated, capitalized terms included in this Supplementary Report have the meaning provided to them in the Thirteenth Report.

1.2 Purposes of this Supplementary Report

1. The purposes of this Supplementary Report are to:
 - a) Summarize the Monitor's comments concerning a plan that Niketo seeks to file with the Court; and
 - b) Provide the Monitor's comments on materials filed by Niketo concerning the Sale Process.

2.0 Chronology

1. On January 22, 2013, Niketo brought a motion seeking Court approval to file a plan ("First Plan"), convene a meeting of the Company's creditors to vote on the First Plan and stay the Sale Process.
2. On February 3, 2013, the Court dismissed Niketo's motion with a brief endorsement stating "due to the absence of a shareholders vote". Detailed reasons were released on February 12, 2013.
3. At 6:24 pm on Saturday February 9, 2013 Niketo served a draft notice of cross-motion enclosing two different plans that it sought Court approval to file. The two plans are: the Shareholder Option Plan and Simple Plan (each as defined in Niketo's materials).
4. At 1:24 pm on Monday February 11, 2013, Niketo served its notice of cross-motion. The notice of cross-motion and corresponding materials revised the version served on February 9, 2013.
5. During a conference call at 4:30 pm on February 11, 2013 with Mr. Justice Wilton-Siegel and counsel representing the Company, the Monitor, Niketo and DOL, Niketo advised that it would be proceeding with the Shareholder Option Plan. Niketo advised that it would further revise its materials and would include a backstop sale agreement regarding the purchase by it of the Look Shares, as well as a form of Court order.
6. Following the conference call, counsel representing the Monitor, the Company and Niketo discussed the Shareholder Option Plan. Niketo advised later that evening that it would now be seeking Court approval to file the Simple Plan.
7. Given the fluidity of the situation, the Company and the Monitor identified and discussed with Niketo's counsel various concerns with the concepts underlying the Simple Plan. The Simple Plan was finalized after these comments were provided to Niketo's counsel.
8. Niketo's cross-motion with respect to the Simple Plan and Niketo's responding materials to the Company's motion seeking approval of the Purchaser's offer were served at 4:58 pm on February 12, 2013. The cross-motion materials were incomplete as they did not include the agreement governing the Loan (defined below) and the accompanying general security agreement. Those documents were provided at 7:53 pm. Further documentation may be forthcoming of which the Monitor is unaware.

3.0 Simple Plan

3.1 Attributes

1. A summary of the Simple Plan is as follows:

- Niketo is the sponsor of the Simple Plan.
- Niketo seeks to file the Simple Plan as an assignee of the claim of Heenan Blaikie LLP in the amount of \$6,149; this claim was admitted in the claims process approved by Court order dated August 4, 2011.
- Sanctioning of the Simple Plan does not conclude the CCAA proceedings. The Simple Plan's primary attribute is to provide a mechanism to fund the Company to fully pay Affected Creditors (as defined below) and to continue to litigate or attempt to settle the disputed claims of Jolian and Douglas Reeson (the Jolian and Reeson claims are referred to as the "Disputed Claims"). A further plan of arrangement may be required to successfully conclude the CCAA proceedings. The litigation with Jolian (scheduled to commence the week of February 18, 2013) would continue in the CCAA proceedings.
- Niketo is to provide up to \$6 million to the Company in three tranches, with the majority of it by way of a senior secured loan ("Loan"). The portion of the loan advanced to fully pay Affected Creditors would be unsecured (approximately \$804,000 as detailed in the table below). The Board of Directors of the Company ("Board") would be replaced with a new five member Board, including the two independent directors of the present Board (Vic Wells and Ken Taylor), two directors to be appointed within two weeks of the Simple Plan implementation date and a nominee of NWT Uranium Corp., Niketo's parent company.
- Further attributes of the Loan are as follows:
 - Tranche "A" is to be unsecured and is to be used to pay the Affected Claims;
 - Tranche "B" is to be up to \$2.5 million and is to be used for working capital purposes, including expenses related to the litigation of the Disputed Claims;
 - Tranche "C" is to be for the remaining balance of the \$6 million facility and is to be used only for "the settlement of Disputed Claims and shall be advanced on [sic] the completion of settlement(s) of Disputed Claims on terms satisfactory to the Lender, acting reasonably"; and
 - Tranche's "B" and "C" are to be secured against all assets of UBS, including the Ownership Interest; it is repayable in two years.

- The Simple Plan contemplates one class of affected creditors, being “all Creditors with Affected Claims”. Affected Claims is defined as “all Proven Claims¹” including:

Creditor	Amount of Claim (\$)
DOL (comprised of three claims ²)	500,000
Stellarbridge Management Group	150,000
Peter Minaki ³	92,861
Gorrissen Federspiel	32,117
Goldman Sloan Nash & Haber LLP	22,398
Niketo (by assignment)	6,149
	803,525

- The treatment of the Disputed Claims would depend on the determination of those claims by the Court or a settlement of the claims.
- The Simple Plan is to be subject to a vote by the Affected Creditors and by UBS’s shareholders. Creditors with Unaffected Claims, including Jolian and Mr. Reeson, are not entitled to vote on the Simple Plan. To the extent that Messrs. McGoey and Reeson are shareholders of the Company, they appear to be entitled to vote on the Simple Plan⁴.
- The Company is to pay for the costs of the shareholder meeting from monies advanced by Niketo. In the event that the Plan is successful, the cost of the meeting would be funded from the Tranche B debt. If the Plan is unsuccessful, these costs are to be promptly repaid through the sale of Look’s shares owned by UBS. As a condition to providing funding for the shareholder meeting, John Zorbas, a nominee of Niketo, is required to be appointed to the Board⁵.

¹ Defined as all Claims as finally determined in accordance with the claims procedure order or settled by the Companies at the relevant time.

² Refers to the claims filed by 2064818 Ontario Inc., DOL Technologies Inc. and Mr. Dolgonos.

³ Pursuant to a letter dated January 28, 2013, Niketo’s counsel advised the Company that this claim would be treated as an approved claim and paid in full under the First Plan. The Simple Plan does not contain a reference to Mr. Minaki. The treatment of the claim is uncertain. The total above assumes that Mr. Minaki’s claim is to be treated as an Affected Claim.

⁴ The Monitor is unaware of their shareholdings.

⁵ The timing of this appointment is unclear, i.e. upon Simple Plan implementation or immediately.

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- The Simple Plan provides for releases of any current or former director, officer, employee and advisor of UBS, subject to indemnification and other rights to continue for the benefit of DOL, as referenced in Section 3.7 of the Simple Plan.
 - The Simple Plan does not result in any change to the Company's share capital – there would not be any dilution to the other shareholders of UBS on the Simple Plan implementation date.
 - If the Simple Plan is not approved by the creditors and shareholders or sanctioned by the Court, Niketo will purchase the Look Shares for \$0.15 per share pursuant to a Backstop Arrangement (“Backstop”)⁶. A condition of the Backstop is that the Board be replaced with a new five member Board, including the two independent directors of the present Board (Vic Wells and Ken Taylor), Mr. Zorbas and two new directors. The Backstop provides Mr. Zorbas with “a veto power only with regard to any decision as to who will be an added Director”.

3.2 Monitor Comments

1. The Monitor’s comments on the Simple Plan are as follows:

- The Monitor has been advised that the Board has considered the Simple Plan and intends to seek approval of the Look Shares to the Purchaser. The Board opposes approval of the Simple Plan.
- The Simple Plan does not conclude the CCAA process. The Monitor understood this to be a primary objective of the First Plan. The Company will continue to incur the costs of the CCAA proceedings under the direction of a new Board.
- The Simple Plan is essentially a debtor-in-possession (“DIP”) loan coupled with a reconstitution of the Board. The loan is fully secured except for the portion of the loan advanced to pay the Affected Claims. The unsecured loan will rank *pari passu* with the Disputed Claims. It is unclear that a Plan is required to effect what amounts to a DIP loan.
- Niketo’s materials state that the purpose of the Loan underlying the Simple Plan is to fund the Company such that the Ownership Interest would remain intact. The effect of the Simple Plan, if it proceeds, is to prevent the sale of the Look Shares which the Company’s Board determined was in the best interest of the Company and its stakeholders. Niketo is seeking to have its judgment replace that of the Board.

⁶ The Backstop would apply if the Purchaser does not extend the closing of the Transaction to a date after Court sanction of the Simple Plan. The Monitor has been advised by counsel representing the Company that the Purchaser will not extend closing of the Transaction beyond February 14, 2013, as contemplated in the APA.

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- The form of “Meeting Order” provided by Niketo requires the Company to bear the cost of a shareholder meeting. As detailed above, if the Simple Plan is sanctioned and implemented, the costs would be funded under tranche “B” of the loan (secured). If the Simple Plan is not implemented, the cost would be funded by a sale of Look shares.
 - While it is true that the share capital of the Company is not impacted by the implementation of the Simple Plan, the Monitor is left to speculate as to the Company’s intentions regarding the Company. In this regard, there appears to be one of two potential outcomes:
 - If Niketo places a business into the Company, the impact is likely to be a significant dilution of the existing shareholders, or
 - If the Company is unable to repay the Loan, Niketo is likely to enforce its security.
 - Either of the above situations would leave little or no value for existing shareholders. Niketo has not responded to repeated questions regarding its intentions/business plan for the Company.
 - The terms of the Loan require UBS to receive Niketo’s approval for any transaction or to make a shareholder distribution. As was the case with the First Plan, the Loan appears to provide Niketo with *de facto* control over UBS.
 - Niketo submitted an offer in the Sale Process. Niketo’s offer was rejected on December 17, 2012⁷. Niketo then sought Court approval to file the First Plan, which included recourse against the Ownership Interest. Court approval to file the First Plan was denied.
 - Niketo was an unsuccessful bidder in the Sale Process. The Simple Plan, together with the Backstop, can be viewed as a further bid for the Look Shares. The integrity of the Sale Process would be compromised by allowing the Simple Plan to proceed.
 - As a result of DOL’s Court-approved settlement with the Company on July 5, 2012, DOL is required to “to fully support decisions made by the reconstituted UBS board consisting of Mr. Ulicki, Mr. Wells and Mr. Taylor, including, *inter alia*, any decisions made by the reconstituted UBS board with respect to the CCAA proceedings”. Accordingly, it remains the Monitor’s view that DOL is required to support the Board’s decision to proceed with the sale of the Look Shares and to oppose approval of the Simple Plan. DOL is the largest Affected Creditor.

⁷ Subsequently, Niketo issued a press release stating its intention to make an offer to Look’s shareholders to purchase up to 49.9% of Look’s shares for \$0.12 per share. That offer was withdrawn.

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- The Monitor has requested that Messrs. Wells and Taylor confirm their intentions if the Court approves the filing of the Simple Plan. The Monitor has been advised that neither is prepared to commit to sit on the new Board at this time. The Simple Plan is silent on the mechanism to appoint new directors if one or both of Messrs. Wells or Taylor resign. The composition of the Board is unclear in such circumstances. Niketo did not seek confirmation from Messrs. Wells and Taylor that they are prepared to continue to be directors.
 - Pursuant to the Backstop, Mr. Zorbas has a veto on the appointment of any director.

4.0 Sale Process

1. Niketo filed affidavits of Mr. Zorbas and Robert F. Wilson, a principal of Borderline Capital Partners, at 4:58 pm on February 12, 2013. The affidavits were filed in response to the Company's motion seeking Court approval of the Transaction. The Company's materials were served on January 22, 2013.
2. Neither the Company, nor the Monitor nor any other stakeholder has had an opportunity to examine the affiants.
3. The affidavits of Messrs. Zorbas and Wilson contain many instances of hearsay (and instances of double or triple hearsay); they raise concerns about the integrity of the Sale Process. The affidavits contain inaccuracies and mischaracterizations as to what transpired during the Sale Process. For example, there are references to conversations between Mr. Smith and Mr. Kofman that never occurred.
4. The affidavit of Mr. Zorbas also includes a valuation of Look's shares. No evidence is provided with respect to Mr. Zorbas's credentials to provide an opinion of value.
5. Mr. Zorbas values Look's shares as high as \$0.317 per share. In doing so, he concludes that "the price for half of the block of shares sold by UBS under the guidance of the Monitor is far below their true value based on the assets that are available to Look".
6. Mr. Zorbas's views with respect to the value of Look's shares are inconsistent with the offer submitted by Niketo in the Sale Process. Niketo's offer was for significantly less value than the Purchaser's offer.
7. The Sale Process was carried out in accordance with the terms approved by this Court. It is the Monitor's view that the offers submitted in the Sale Process are a better indication of value than the opinion provided by Mr. Zorbas.
8. Given the inability to examine Messrs. Zorbas and Wilson due to the timing of the filing of their affidavits, the Monitor is of the view that this evidence should not be considered.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court dismiss Niketo's cross motion.

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All of which is respectfully submitted,



Duff + Phelps Canada Restructuring Inc.

**DUFF & PHELPS CANADA RESTRUCTURING INC.
IN ITS CAPACITY AS COURT APPOINTED CCAA MONITOR OF
UNIQUE BROADBAND SYSTEMS, INC.
AND UBS WIRELESS SERVICES INC.
AND NOT IN ITS PERSONAL CAPACITY**