

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

**UNIQUE BROADBAND SYSTEMS, INC.**

Three and nine months ended May 31, 2015 and 2014

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# UNIQUE BROADBAND SYSTEMS, INC.

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

(In thousands, except per share amounts)

For the three and nine months ended May 31, 2015 and 2014

July 14, 2015

### 1. INTRODUCTION

This management's discussion and analysis ("MD&A") of financial condition and result of operations of Unique Broadband Systems, Inc. ("UBS" or "the Company") is supplementary to, and should be read in conjunction with, the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2015 and 2014.

The Company's unaudited condensed consolidated interim financial statements and the notes thereto have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, other than in the normal course of business and at amounts different from those in the financial statements.

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

### 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective under International Financial Reporting Standards ("IFRS"), and determined that the following may have an impact on the Company:

The IASB published IFRS 9, "*Financial Instruments*" ("*IFRS 9*"), which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, substantially overhauls accounting requirements related to hedging and introduces a new credit loss impairment model. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of determining the impact on its financial statements.

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### 3. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

More specifically, UBS faces risks and uncertainties in connection with the outcome of litigation described under the section entitled "Provisions and contingencies - Contingencies". In particular, there can be no assurance that UBS will be able to recover any of the amounts awarded it in the litigation.

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

Therefore, future events and results may vary significantly from what the Company currently foresees. Readers are cautioned that the forward-looking statements and information made by the Company in this MD&A are stated as of the date of this MD&A, are subject to change after that date, 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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## 4. OVERVIEW

### Significant current events

#### (a) CCAA proceedings and Special Meeting of Shareholders

On July 5, 2011, UBS and UBS Wireless commenced proceedings under of the *Companies' Creditors Arrangement Act* ("CCAA"). The court made an order staying all proceedings against UBS and its directors, and Duff & Phelps Canada Limited (the "Monitor") was appointed as the Monitor of UBS.

UBS has now successfully determined all of the claims of its creditors within the CCAA proceedings.

By Order of the Court made on February 26, 2015 (the "February 26 Order"), the Court extended the stay of proceedings in respect of UBS to May 15, 2015 and directed that the proceedings were to be terminated upon the satisfaction of certain conditions by UBS by way of filing a certificate (the "Termination Certificate") by the Monitor.

In accordance with the February 26 Order, UBS paid approved claims totaling approximately \$1,042 on April 27, 2015.

The February 26 Order directed the Company to call a meeting of shareholders, which was held on May 4, 2015. During the meeting, shareholders elected Henry J. Kloepper, Daniel S. Marks and Riadh Zine to the board of directors of UBS, replacing Victor Wells, Kenneth Taylor, and Robert J. Morrison (who had previously replaced Robert Ulicki who resigned on December 31, 2014).

Subsequently, the new board appointed Henry J. Kloepper Chairman of the Board and Interim Chief Financial Officer ("CFO"), and Daniel S. Marks was appointed Interim Chief Executive Officer ("CEO") of the Company, replacing Grant McCutcheon who resigned from his position as CEO on May 4, 2015.

The February 26 Order also authorized and directed the Company to pay the professional fees and expenses of the Monitor and its counsel, and the Company's counsel, rendered in connection with the CCAA proceedings. The stay of proceedings has now expired but the fee payment condition has not been satisfied due to certain unresolved fee issues. The Termination Certificate has not yet been filed.

Further information with respect to the CCAA proceedings, including all court orders in their entirety, can be found on the Monitor's website at [www.duffandphelps.com](http://www.duffandphelps.com) (see restructuring cases).

#### (b) Settlement with former director Douglas Reeson

On February 26, 2015, the Company settled all claims brought by former director, Mr. Douglas Reeson ("Mr. Reeson"), which resulted in the reversal of a contingent payment approved by the previous directors in 2009 in the amount of \$465, and accrued interest of \$80.

Accrued board fees of \$11 were reversed during the quarter ended February 28, 2015.

The parties reached a settlement regarding the \$116 advanced to a professional firm on Mr. Reeson's behalf during fiscal 2010 by the former board of directors. \$15 was paid to UBS by Mr. Reeson on February 27, 2015 and \$35 was paid on April 30, 2015. \$10 was designated as a prepayment to be applied against expenses from the Company's former legal counsel and the balance of \$56 was expensed to restructuring recovery during the quarter ended February 28, 2015.

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## **The Company**

Unique Broadband Systems, Inc. is a publicly listed Canadian company, trading on the NEX under the symbol UBS.H.

The UBS head office is located in Toronto, Ontario and currently has one employee.

### Going concern

The going concern basis of presentation assumes that UBS will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about UBS' use of the going concern assumption because, as at May 31, 2015, the Company remains under the CCAA (refer to the section entitled "Provisions and contingencies"). UBS may need to raise cash and/or monetize assets, and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt UBS' use of the going concern assumption.

Notwithstanding the above, the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2015 and 2014 have been prepared on a going concern basis and do not include any adjustments to the carrying values and classification 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.

## **Strategy**

UBS' operating strategy is to advance the CCAA claims process as efficiently as possible, preserve its cash, and monitor its investment in ONEnergy Inc. ("ONEnergy"), while exploring opportunities to maximize shareholder value.

## **Investment in ONEnergy**

### **(a) Carrying value of ONEnergy**

As at August 31, 2014, the Company held 12,434 multiple voting shares ("MVS") and 15,291 subordinate voting shares ("SVS") in ONEnergy.

At ONEnergy's Annual and Special Meeting of Shareholders held on May 19, 2015, shareholders approved, among other things, a capital reorganization designating subordinate voting shares to common shares, exchanging multiple voting shares on a one-for-one basis into common shares, and then consolidating common shares at a ratio of up to ten to one. The capital reorganization resulted in a change in UBS holdings to 2,773 common shares as at May 28, 2015 and May 31, 2015, representing an 11.5% economic and voting interest of ONEnergy.

The value of the Company's shares of ONEnergy, based on the bid prices of its common shares (TSXV: OEG) as at May 31, 2015, of \$0.95, was \$2,635 (August 31, 2014 – MVS (TSXV: OEG) \$0.085 and SVS (TSXV: OEG.A) \$0.08 - \$2,281). The Company accounts for its investment using the fair value method, and this asset is classified as Available For Sale ("AFS").

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**(b) ONEnergy's Claim seeking recovery of damages from former officers and directors**

The board of directors and management team of ONEnergy continue to vigorously pursue claims against certain of ONEnergy's former directors and officers in connection with the payment of approximately \$15.7-million of "restructuring awards," paid to the directors and officers from the net proceeds of approximately \$64-million realized by ONEnergy on the sale of its spectrum license in 2009. Settlement discussions continue.

On February 2, 2015, the Court scheduled a 6-week trial beginning November 9, 2015.

**5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2015 and 2014 include the accounts of UBS' wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Management's discussion and analysis of operating results and financial condition are made with reference to the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended May 31, 2015 and 2014, which have been prepared in accordance with IFRS. The Company's significant accounting policies are summarized in detail in note 2 of the Company's consolidated annual financial statements for the year ended August 31, 2014.

**7. RESULTS OF OPERATIONS**

Highlights of the results for the three months ended May 31, 2015 include the following:

- In accordance with the February 26 Order, on April 27, 2015, UBS paid \$1,042 in approved claims.
- UBS recorded loss before comprehensive income of \$263, compared to income before comprehensive loss of \$4,168 for the third quarter of fiscal 2014.
- Fair value of ONEnergy shares held by UBS increased by \$598 during the quarter ended May 31, 2015 to \$2,635 (August 31, 2014 - \$2,281).
- As at May 31, 2015, UBS held cash and short-term investments totaling \$245, compared to \$2,042 as at August 31, 2014. The decrease was due primarily to the settlement of approved CCAA claims.

**Operating expenses**

	Three months ended May 31,		Nine months ended May 31,	
	2015	2014	2015	2014
Compensation	\$ 42	\$ 41	\$ 124	\$ 126
General and administrative	281	(1,355)	634	(971)
Restructuring recovery	(57)	(2,849)	(538)	(2,841)
Total operating expense (recovery)	\$ 266	\$ (4,163)	\$ 220	\$ (3,686)

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## Compensation

Compensation expense includes wages, salaries and benefits.

During the three and nine months ended May 31, 2015, the Company expensed \$42 and \$124 in compensation respectively (May 31, 2014 - \$41 and \$126 respectively).

## General and administrative

General and administrative expenses include costs associated with the CCAA claims process, professional fees, board of director fees, general occupancy and other administrative overheads for the Company. A summary of the key components of general and administrative expenses is set out below:

	Three months ended May 31,		Nine months ended May 31,	
	2015	2014	2015	2014
CCAA expense (recovery)	\$ 184	\$ (1,416)	\$ 396	\$ (1,174)
CCAA extinguished expenses	(153)	-	(153)	-
Recovery of legal expenses from insurance provider	-	-	-	(27)
Professional fees	246	52	373	203
Office and general	4	9	18	27
Total general and administrative expenses	\$ 281	\$ (1,355)	\$ 634	\$ (971)

### CCAA expense (recovery)

CCAA expense (recovery) mainly includes the fees of the Monitor and its corporate legal counsel, the Company's CCAA legal counsel, and costs arising from the CCAA claims process.

During the three and nine months ended May 31, 2015, the Company recorded \$184 and \$396 in CCAA expenses respectively, partially offset by \$153 in recoveries, net of HST, recorded during the third quarter of 2015. The recoveries arose from stayed accounts payable that were extinguished, per the terms of the August 4, 2011 Court Order.

During the three and nine months ended May 31, 2014, the Company recorded CCAA expenses totaling \$34 and \$276 respectively, offset by estimated cost recoveries of \$1,390, on a substantial indemnity scale, for the trial between UBS and the Jolian Parties which was completed on March 1, 2013, and \$60 for the Appeal and Cross-Appeal heard on June 17, 2014, both of which were recorded during the third quarter of 2014 (refer to the section entitled "Provisions and contingencies – Contingencies – Jolian claims").

### Recovery of legal expenses from insurance provider

During the quarter ended May 31, 2014, the Company recovered \$27 from its insurance provider, in connection with costs arising from defending the claims brought by Mr. Alex Dolgonos, 2064818 Ontario Inc., 6138241 Canada Inc. and DOL Technologies Inc. (the "Dolgonos Parties"), and continues to seek further recovery from its insurance provider.

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### Professional fees

Professional fees include mainly corporate legal, audit, accounting, filing fees, annual and special meeting costs, and insurance.

Higher costs during the three months ended May 31, 2015 were due mainly to costs totaling \$176 arising from the Special Meeting of Shareholders, held in accordance with the February 26 Order on May 4, 2015.

### **Restructuring recovery**

Restructuring recovery includes reversals of costs associated with the accrued restructuring awards approved by the Company's board of directors in 2009.

	Three months ended May 31,		Nine months ended May 31,	
	2015	2014	2015	2014
Restructuring recovery	\$ 57	\$ 2,849	\$ 538	\$ 2,841

The Company recorded \$nil and \$8 respectively in accrued interest on the accrued restructuring awards during the three and nine months ended May 31, 2015 (2014 - \$4 and \$12 respectively).

During the three months ended May 31, 2015, UBS reversed \$57 in accrued restructuring awards due to related parties, representing the HST portion of the \$500 settlement with the Dolgonos Parties which was paid on April 27, 2015, pursuant to the February 26 Order.

On February 26, 2015, the Company settled all claims brought by Mr. Reeson, which resulted in an expense of \$56 for legal costs, fully offset by the reversal of a contingent award approved by the previous directors in 2009 in the amount of \$465, and accrued interest of \$80, to restructuring recovery during the quarter ended February 28, 2015 (refer to the section entitled "Provisions and contingencies – Contingencies – Reeson claims").

During the three and nine months ended May 31, 2014, UBS reversed Jolian's enhanced severance accrual totaling \$2,853 during the third quarter of fiscal 2014, pursuant to the decision of the appeal and cross-appeal released on July 10, 2014 (refer to the section entitled "Provisions and contingencies – Contingencies – Jolian claims").

### **Interest and financing charges**

For the three and nine months ended May 31, 2015, interest income of \$3 and \$20 respectively was recognized (May 31, 2014 – \$5 and \$20 respectively).

### **Income taxes**

As at May 31, 2015, the Company had \$16,475 in non-capital income tax losses with expiry dates between 2027 and 2034, SRED pool carryforwards of \$11,545, capital loss carryforwards of \$23,400, and non-tax deductible reserves of \$1,475.

## Income (loss) and comprehensive income (loss)

The loss before comprehensive income amounted to \$263 and \$200, or \$0.003 and \$0.002 per share (basic and diluted) respectively for the three and nine months ended May 31, 2015 (three and nine months ended May 31, 2014 – income before comprehensive income of \$4,168 and \$3,706 or \$0.041 and \$0.036 per share (basic and diluted) respectively).

The income and comprehensive income for the three and nine months ended May 31, 2015 amounted to \$335 and \$154 or \$0.003 and \$0.001 per share respectively (basic and diluted) (three and nine months ended May 31, 2014 – \$3,523 and \$2,506 or \$0.034 and \$0.024 per share respectively).

## 8. QUARTERLY FINANCIAL RESULTS

The table below sets out financial information for the past eight quarters:

	Fiscal 2015			Fiscal 2014			Fiscal 2013	
	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating and restructuring (expense) / recovery before interest	(266)	227 <sup>(1)</sup>	(181)	(502)	4,163 <sup>(2)</sup>	(235)	(242)	(338)
Interest income	3	5	12	5	5	7	8	9
Income/(loss) before comprehensive income (loss)	(263)	232	(169)	(497)	4,168	(228)	(234)	(329)
Fair value adjustment in ONEnergy <sup>(3)</sup>	598	248	(492)	708	(645)	(832)	277	-
Income/(loss) and comprehensive income/(loss) for the period	\$ 335	\$ 480	\$ (661)	\$ 211	\$ 3,523	\$ (1,060)	\$ 43	\$ (329)
Income (loss) per share from operations – basic and diluted	\$(0.003)	\$0.002	\$(0.001)	\$(0.005)	\$ 0.041	\$(0.002)	\$(0.002)	\$(0.003)
Comprehensive income (loss) per share – basic and diluted	\$ 0.006	\$0.002	\$(0.005)	\$ 0.007	\$(0.007)	\$(0.008)	\$ 0.002	-
<b>Income (loss) per share</b>								
Basic and diluted	\$ 0.003	\$0.004	\$(0.006)	\$ 0.002	\$ 0.034	\$(0.010)	-	\$(0.003)

<sup>(1)</sup> Refer to the section entitled “Provisions and contingencies – Contingencies – Reeson claims”.

<sup>(2)</sup> Refer to the section entitled “Provisions and contingencies – Contingencies – Jolian claims”.

<sup>(3)</sup> The Company accounts for its investment in ONEnergy using the fair value method.

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## **9. LIQUIDITY AND CAPITAL RESOURCES**

UBS held cash and short-term investments of \$245 as at May 31, 2015, compared to \$2,042 as at August 31, 2014. Cash and cash equivalents, totaling \$92 (August 31, 2014 - \$338) consist of all bank balances and, from time to time, highly liquid short-term guaranteed investment certificates and bankers' acceptances with original maturities of less than 90 days. Short-term investments, totaling \$153 (August 31, 2014 - \$1,704), included 90-day cashable guaranteed investment certificates ("GICs") with original maturities of one year from the purchase date. The GICs currently bear interest at an effective interest rate of 1.35% and are fully redeemable at any time by the Company, at its discretion.

Cash used in operating activities for the three and nine months ended May 31, 2015 was \$1,194 and \$1,810 respectively, compared to \$85 and \$742 respectively for the three and nine months ended May 31, 2014. The variances were due primarily to the payment of approved CCAA claims, pursuant to the February 26 Order.

There were no financing activities for the three or nine months ended May 31, 2015 or 2014.

Cash provided by investing activities totaled \$1,059 and \$1,564 for the three and nine months ended May 31, 2015, respectively, due to the redemption of GICs. \$5 in interest was received on redemption during the first quarter of fiscal 2015, and \$9 was received on redemption during the third quarter of fiscal 2015.

UBS has incurred operating losses and negative cash flows from operations in recent years. UBS may need to raise cash and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt about UBS' use of the going concern assumption (refer to the section entitled "Overview – The company – Going concern"). 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.

## **10. SHARE CAPITAL**

As at May 31, 2015 and August 31, 2014, UBS had 102,748 common shares and no Class-A non-voting shares issued and outstanding.

In determining diluted loss per share for the three and nine months ended May 31, 2015 and 2014, the weighted average number of shares outstanding was not increased for stock options outstanding as no options were in the money.

As at July 14, 2015, there were no changes to the number of issued and outstanding shares.

## **11. STOCK BASED COMPENSATION**

During the three and nine months ended May 31, 2015, no stock options were granted and 3,000 stock options were recognized as expired (May 31, 2014 no stock options were granted and 3,200 stock options expired).

As at May 31, 2015, no stock options were issued or outstanding.

## 12. RELATED PARTY TRANSACTIONS

### (a) Accrued restructuring liabilities due to related parties

The following table summarizes the accrued restructuring liabilities due to related parties:

	Accrued restructuring liabilities due to related parties							
	Balance as at September 1, 2013	Interest accrued fiscal 2014 <sup>(4)</sup>	Jolian Parties enhanced severance reversal 2014	Balance as at August 31, 2014	Interest accrued fiscal 2015 <sup>(4)</sup>	Awards and interest reversed fiscal 2015	Settlements paid Fiscal 2015	Balance as at May 31, 2015
Jolian Parties <sup>(1)</sup>	\$ 2,853	\$ -	\$ (2,853)	\$ -	\$ -	\$ -	\$ -	\$ -
Dolgonos Parties <sup>(2)</sup>	500	-	-	500	-	-	(500)	-
Mr. Reeson <sup>(3)</sup>	521	16	-	537	8	(545)	-	-
<b>Total</b>	<b>\$ 3,874</b>	<b>\$ 16</b>	<b>\$ (2,853)</b>	<b>\$ 1,037</b>	<b>\$ 8</b>	<b>\$ (545)</b>	<b>\$ (500)</b>	<b>\$ -</b>

<sup>(1)</sup> During fiscal 2014, UBS was granted leave to appeal the judgment of the Honourable Madam Justice Mesbur released on May 21, 2013, in which she found that, pursuant to its management services agreement with UBS (the "Jolian MSA"), Jolian was entitled to an enhanced severance as a result of the termination of its contract with UBS, which the Company estimated to be approximately \$2,853. The appeal was heard on June 17, 2014 and the Court of Appeal of Ontario released its decision on July 10, 2014, granting the Company's appeal. The Court of Appeal upheld the Trial Judge's findings that Mr. McGoey breached his fiduciary duties owed to the Company and shareholders and held that under the correct interpretation of the Jolian MSA, Jolian is not entitled to receive any enhanced severance as a result of Mr. McGoey's wrongful conduct, as it constituted "cause" under the Jolian MSA. The enhanced severance accrual was reversed during fiscal 2014.

<sup>(2)</sup> Refer to the section entitled "Provisions and contingencies – Contingencies – Dolgonos Parties claims".

<sup>(3)</sup> Refer to the section entitled "Provisions and contingencies – Contingencies – Reeson claim".

<sup>(4)</sup> The interest on accrued restructuring liabilities due to related parties was charged to restructuring charges (recovery).

Details of the accrued restructuring awards granted in fiscal 2009, as at May 31, 2015, are as follows:

UBS	Accrued restructuring liabilities due to related parties							
	Equity accrual	Bonus accrual	Accrued interest	Awards paid	Accrued claims	Awards, interest and accrued claims declined / reversed	Claims paid	Balance as at May 31, 2015
Jolian Parties	\$ 600	\$1,200	\$ 199	\$ -	\$ 2,853	\$ (4,852)	\$ -	\$ -
Dolgonos Parties	330	1,200	125	-	500	(1,655)	(500)	-
Mr. Reeson	465	-	80	-	-	(545)	-	-
Former UBS directors and CFO – settled	915	1,000	54	(199)	-	(1,770)	-	-
<b>TOTAL</b>	<b>\$ 2,310</b>	<b>\$3,400</b>	<b>\$ 458</b>	<b>\$ (199)</b>	<b>\$ 3,353</b>	<b>\$ (8,822)</b>	<b>\$ (500)</b>	<b>\$ -</b>

The Company was successful in reversing \$8,822 of accrued restructuring liabilities due to related parties, and related claims, in connection with the original awards granted in fiscal 2009.

The Dolgonos Parties settlement claim of \$500 was paid on April 27, 2015, in accordance with the February 26 Order.

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**(b) CEO termination clause**

In accordance with the former CEO's employment contract, and as a result of a deemed change of control during fiscal 2012, \$200 was paid by UBS on April 27, 2015, in accordance with the February 26 Order.

**(c) Compensation of key management personnel**

The Company's key management personnel includes members of the executive team and the board of directors of the Company and its wholly owned subsidiaries.

Key management compensation for the three and nine months ended May 31, 2015 totaled \$250 and \$340 respectively (May 31, 2014 - \$49 and \$146) which includes \$24 and \$74 respectively payable to directors (May 31, 2014 - \$26 and \$79).

**13. PROVISIONS AND CONTINGENCIES****(a) Provisions**Leased premises

On May 24, 2011, UBS settled the action that was brought against UBS in respect of certain repairs to premises under a lease entered into by UBS in 1999. The remaining balance of \$150, originally stayed under CCAA, was paid by UBS on April 27, 2015, in accordance with the February 26 Order.

**(b) Contingencies****(i) Jolian claims**

The Company has been successful in defending, at trial and on appeal, all claims brought by the Jolian Parties in respect of certain contingent awards approved by the previous directors in 2009 and claims for enhanced severance. The Superior Court of Ontario released its decision on May 21, 2013 and the Ontario Court of Appeal on July 10, 2014.

The Company was awarded costs for both the Jolian Trial heard in February and March 2013 and the appeal and cross-appeal heard on June 17, 2014. Costs of the appeal were set at \$60 and costs of the Jolian Trial were determined on a substantial indemnity scale to be \$1,324. Costs were recorded as a receivable owed by the Jolian Parties and offset to general and administrative expense during fiscal 2014.

The Jolian Parties' claim for indemnification was disallowed during the Jolian Trial, which decision was upheld on appeal, and the Jolian Parties were ordered to repay UBS the \$200 legal retainer advanced to their counsel in the nature of indemnification.

Accordingly, the total owed to UBS by the Jolian Parties is \$1,584. The Company is seeking recovery of the cost awards and disgorgement and has recorded the amounts in accounts receivable and other receivables.

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(ii) Reeson claims

On February 26, 2015, the Company settled all claims brought by former director, Mr. Douglas Reeson, which resulted in the reversal of a contingent award approved by the previous directors in 2009 in the amount of \$465, and accrued interest of \$80, to restructuring recovery.

Accrued board fees of \$11 were reversed during the quarter ended February 28, 2015 to general and administrative expenses.

The parties reached a settlement regarding the \$116 advanced to a professional firm on Mr. Reeson's behalf during fiscal 2010 by the former board of directors. \$15 was paid to UBS by Mr. Reeson on February 27, 2015, \$35 was paid on April 30, 2015, \$10 was designated as a prepayment to be applied against expenses from the Company's former legal counsel, and the balance of \$56 was expensed to restructuring recovery during the quarter ended February 28, 2015.

(iii) Dolgonos Parties claims

On July 6, 2012, the Dolgonos Parties claims of approximately \$8,000 were settled for a claim of \$500, which was paid by UBS on April 27, 2015, in accordance with the February 26 Order.

(iv) CCAA

On July 5, 2011, the Ontario Superior Court made an Order under the CCAA and a subsequent Order on August 4, 2011 which, amongst other things, provided for a comprehensive stay of proceedings against UBS.

UBS has now successfully determined all of the claims of its creditors within the CCAA proceedings.

The February 26 Order extended the stay of proceedings in respect of UBS to May 15, 2015 and directed that the proceedings were to be terminated upon the satisfaction of certain conditions by UBS by way of filing the Termination Certificate by the Monitor.

In accordance with the February 26 Order, UBS paid approved claims totaling approximately \$1,042 on April 27, 2015.

The February 26 Order directed the Company to call a meeting of shareholders, which was held on May 4, 2015. During the meeting, shareholders elected Henry J. Kloepper, Daniel S. Marks and Riadh Zine to the board of directors of UBS, replacing Robert J. Morrison, Kenneth Taylor and Victor Wells.

Subsequently, the new board appointed Henry J. Kloepper Chairman of the Board and Interim Chief Financial Officer ("CFO"), and Daniel S. Marks was appointed Interim Chief Executive Officer ("CEO") of the Company, replacing Grant McCutcheon who resigned from his position as CEO on May 4, 2015.

The February 26 Order also authorized and directed the Company to pay the professional fees and expense of the Monitor and its counsel, and the Company's counsel, rendered in connection with the CCAA proceedings. The stay of proceedings has now expired but the fee payment condition has not been satisfied due to certain unresolved fee issues. The Termination Certificate has not yet been filed.

Further information with respect to the CCAA proceedings, including all court orders in their entirety, can be found on the Monitor's website at [www.duffandphelps.com](http://www.duffandphelps.com) (see restructuring cases).

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(v) In the normal course of its operations, the Company may be subject to other litigation and claims.

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

## 14. OPERATING RISKS AND UNCERTAINTIES

### Management of capital

The Company determines capital to include shareholders' equity. While the Company remains under CCAA, the Company's overall strategy with respect to management of capital is to hold low-risk highly-liquid cash accounts and short-term investments.

The Company currently does not use other sources of financing that require fixed payments of interest and principal due to the lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company invests its capital in short-term investments to obtain adequate cash returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

### Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee, under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

#### 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 obligations. The Company's maximum exposure to credit risk, at the end of the reporting period under its financial instruments, is summarized as follows:

Accounts and other receivables	May 31, 2015	August 31, 2014
Currently due	\$ 24	\$ 1,404
Past due by greater than 90 days and not impaired	1,584	200
	\$ 1,608	\$ 1,604

#### Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at May 31, 2015 and August 31, 2014.

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### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in the section entitled “Operating risks and uncertainties – Management of capital”, in normal circumstances.

The Company’s financial liabilities are comprised of its accounts payable, accrued liabilities, and accrued restructuring liabilities due to related parties, the contractual maturities of which are not determinable because it depends on the outcome of the CCAA claims process.

### Other price risk

The Company is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair value of the investment.

## **15. 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).

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# UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

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## Board of Directors and Officers

Henry J. Kloepper (Chairman of the Board and  
Interim Chief Financial Officer)

Daniel S. Marks (Interim Chief Executive Officer)

Riadh Zine

## Auditors

Grant Thornton LLP  
19<sup>th</sup> Floor, South Tower  
Royal Bank Plaza  
200 Bay Street  
Toronto, Ontario  
M5J 2P9

## Shareholder inquiries

UBS Investor Relations  
PO Box 10, Station Main  
Keswick, Ontario  
L4P 3E1  
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 NEX under the  
symbol UBS.H.