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

UNIQUE BROADBAND SYSTEMS, INC.

For the three and nine months ended May 31, 2013 and 2012

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, 2013 and 2012

July 26, 2013

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, 2013 and 2012.

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. 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, safety, and environmental developments, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) other risk factors related to the Company's historic business, and (x) risk factors related to the Company's future operations.

More specifically, UBS faces risks and uncertainties in connection with the ongoing litigation described under the section entitled "Provisions and contingencies - Contingencies". In particular, there can be no assurance that UBS will not be found liable for payments to certain parties in the course of this litigation nor can there be any assurance that UBS will be able to recover any of the amounts sought in its counterclaims. An award of damages against UBS and the ongoing costs of this litigation could, independently or collectively, have a material adverse effect on the financial condition and solvency of UBS. For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see the sections entitled "Overview – Significant current events" and "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.

3. OVERVIEW

Significant current events

(a) CCAA proceedings

On July 5, 2011, UBS announced that it and UBS Wireless had commenced proceedings under the CCAA. On March 11, 2013, the court made an order staying all proceedings against UBS and its directors until July 31, 2013. A motion will be heard at the end of July, 2013 requesting a further stay until October 31, 2013. Further information with respect to the CCAA proceedings can be found on the Monitor's website at www.duffandphelps.com.

(b) Sale of ONEnergy shares

On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares of ONEnergy Inc. ("ONEnergy"), formerly Look Communications Inc. ("Look"). Upon determination that the Company no longer has significant influence over ONEnergy, effective February 20, 2013, the Company accounts for its investment in ONEnergy using the fair value method (refer to the section entitled "ONEnergy investment").

(c) Resignation of Chief Financial Officer

On July 9, C. Fraser Elliott resigned from his position as Chief Financial Officer ("CFO").

The Company

Unique Broadband Systems, Inc. is a publicly listed Canadian company, trading on the TSX Venture Exchange under the symbol UBS.

On July 6, 2011, UBS received notice from the TSX Venture Exchange (the "Exchange") that, in accordance with its Continued Listing Requirements outlined in Exchange Policy 2.5, UBS no longer meets the tests related to having a significant interest in a business or primary asset used to carry on business. Effective July 7, 2011, the Exchange issued a bulletin reclassifying UBS to Tier 2 and subsequently placed the Corporation on notice to transfer to NEX, subject to the Company making a submission that it meets all Tier 2 Continued Listing Requirements. The reclassification has not yet been made.

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

On July 13, 2012, the court made an order which postponed the requirement of UBS to hold shareholder meetings until the completion of the CCAA proceeding.

Strategy

UBS' operating strategy is to:

(i) advance the CCAA claims process as expeditiously as possible;
(ii) preserve its cash; and
(ii) monitor its investment in ONEnergy.

ONEnergy investment

(a) Change of Look's business to ONEnergy Inc.

On July 9, 2013, Look completed a change-of-business transaction and concurrent private placement, and changed its name to ONEnergy Inc.

(b) Carrying value in ONEnergy

On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares in ONEnergy, to 2092390 Ontario Inc., for $0.14 per share, or $3,788, generating a gain of $447. This transaction reduced the Company's holdings in ONEnergy, resulting in the Company reassessing the determination of significant influence on ONEnergy. The Company's investment in ONEnergy, as at May 31, 2013, of 12,435 multiple voting shares and 15,291 subordinate voting shares, represented a 19.8% economic interest and an 18.8% voting interest (August 31, 2012 – 24,864 multiple voting shares and 29,921 subordinate voting shares, or a 39.2% economic interest and a 37.6% voting interest).

Up to February 19, 2013 the Company accounted for its investment in ONEnergy using the equity method of accounting. Pursuant to the sale of shares, management concluded that the Company no longer had significant influence over ONEnergy and now accounts for its investment using the fair value method. This asset is classified as Available For Sale ("AFS").

The Company's share of ONEnergy's market capitalization, based on the bid prices of its multiple voting shares (TSXV: OEG) and subordinate voting shares (TSXV: OEG.A), as at February 20, 2013 and May 31, 2013, of $0.10 and $0.10 respectively, was $2,773.

The Company's carrying value of its investment in ONEnergy is summarized as follows:

Investment in ONEnergy as at September 1, 2011	$ 11,405
Return of capital	(2,739)
Cumulative equity interest in ONEnergy's losses for the year ended August 31, 2012	(1,655)
Investment in ONEnergy as at August 31, 2012	**$ 7,011**
Cumulative equity interest in ONEnergy's losses from September 1, 2012 to February 19, 2013	(245)
Partial disposition of ONEnergy shares	(3,341)
Fair value adjustment in ONEnergy	(652)
Investment in ONEnergy as at February 20, 2013 and May 31, 2013	**$ 2,773**

An analysis of UBS' equity interest in the post-acquisition income and losses of ONEnergy, up to February 19, 2013, is as follows:

Cumulative equity interest in ONEnergy's losses, as at September 1, 2011	$ (524)
Equity interest in ONEnergy's losses for fiscal 2012	(1,655)
Equity interest in ONEnergy's losses for the first quarter of fiscal 2013	(122)
Equity interest in ONEnergy's losses for the period December 1, 2012 to February 19, 2013	(123)
Cumulative equity interest in ONEnergy's losses, as at February 19, 2013	**$ (2,424)**

(c) Return of capital from ONEnergy

On March 13, 2012, ONEnergy paid $6,985 to the holders of its multiple voting shares and subordinate voting shares as a return of capital equivalent to $0.05 for each outstanding multiple voting share and subordinate voting share. UBS received $2,739 of ONEnergy's return of capital.

(d) ONEnergy's Statement of Claim in connection with the payment of restructuring awards

On July 6, 2011, ONEnergy issued a Statement of Claim (the "Claim") in the Ontario Superior Court of Justice (the "Court") against certain former directors and certain former officers of ONEnergy in connection with the payment of approximately $20,000 of "restructuring awards" paid in 2009 (the "Sale Awards"), of which approximately $15,700 was paid to the directors and senior officers named in the Claim (or their personal holding companies, as applicable) from the net proceeds of approximately $64,000 realized by ONEnergy on the sale of its spectrum licence in 2009. The former officers and directors named in the Claim collectively resigned effective July 21, 2010. None of the allegations in the Claim have been proven before the Court.

The Court denied the advances sought by Messrs. McGoey, Cytrynbaum, Redman, Smith, Colbran and the personal service companies (the "Applicants"), but held that Mr. Dolgonos (but not his personal service company) is entitled to advances for his defense of the claims made against him. The Court's reasons state in part:

> "Look has established a strong prima facie case that the individual Applicants, excluding Dolgonos, acted mala fides, in their own self interests and not with a view to the interest of Look in respect of the Board's approval of the equity cancellation payments based on a value of $0.40 a share and in relation to the payment of retainers by Look to lawyers acting for the Applicants personally. Accordingly, Look has met its onus. I am not prepared to approve interim advancement to the individual Applicants (except Dolgonos) of their legal fees and expenses in respect of the Action."

The Court emphasized that the findings made in the applications were not binding on the trial judge.

ONEnergy has sought reimbursement of its costs of responding to the applications and motions.

On October 23, 2012, the Applicants served Notices of Appeal on this decision.

The defendants have delivered statements of defense. Messrs, McGoey, Cytrynbaum, Smith and Colbran, the personal service companies Jolian and First Fiscal subsequently issued third party claims against Stikeman Elliott LLP. These claims seek contribution and indemnity for the amounts claimed by ONEnergy and damages for professional negligence and negligent misrepresentation.

Stikeman Elliott and McCarthy have not yet delivered defenses to the third party claims.

The Ontario Court of Appeal heard the appeal from the September 28, 2012 decision of the Ontario superior court which dismissed the applications for the advance of defense costs which had been made by each of the defendants except for Dolgonos.

On July 4, 2013 the Ontario Court of Appeal issued its reasons dismissing each of the appeals. The Court of appeal stated in part:

> For the reasons that follow, I would dismiss the appeal. In summary, I conclude that s. 124(4) [of the CBCA] does apply to claims of advancement in suits brought by Look. The statute imposes a judicial filter on advance funding and the strong *prima facie* test for determining whether advancement should be denied is apt. That test comports with the statutory requirement for court approval but also is sufficiently stringent to ensure that advance funding is ordinarily available to those claiming it unless there is strong evidence of bad faith. In my view, there was ample evidence to support the application judge's finding that Look's evidence overcame the presumption of good faith and that Look was likely to succeed at trial...In my view, the applications judge made no palpable and overriding error in finding that the Board's valuation of Look's shares had no relationship to the actual market value and was not based on legal advice. This finding supported his conclusion that Look had made out a strong *prima facie* case of bad faith...
>
> In my view, it was open to the application judge to conclude that when all the circumstances are taken into account, the retainer payments were part of a pattern of self-interested behaviour that supported the finding of a strong *prima facie* case of bad faith.

The defendants may seek leave to appeal this decision to the Supreme Court of Canada.

The new management team of ONEnergy continues to pursue its claims against the former directors and former officers named in the Claim (as well as their personal holding companies, as applicable) for payments, which ONEnergy believes were not in ONEnergy's, or its shareholders' best interests.

4. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2013 and 2012 include the accounts of UBS' wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

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, 2013, UBS has a working capital deficiency of $1,312 (August 31, 2012 - $2,181).

Furthermore, there is uncertainty regarding the outcome of certain litigation (refer to the section entitled "Provisions and contingencies"). UBS will 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, 2013 and 2012 have been prepared on a going concern basis and do not include any adjustments to the carrying values and classifications of assets and liabilities and reported revenue and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

Investment in ONEnergy

As at May 31, 2013, UBS Wireless held 12,435 Multiple Voting Shares and 15,291 Subordinate Voting Shares in ONEnergy (August 31, 2012 – 24,864 Multiple Voting Shares and 29,921 Subordinate Voting Shares). Effective February 20, 2013, the Company accounts for its investment in ONEnergy using the fair value method (refer to the section entitled "Overview – Significant current events – Sale of ONEnergy shares").

5. 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, 2013 and 2012, 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, 2012.

6. RESULTS OF OPERATIONS

Highlights of the results for the three months ended May 31, 2013 include the following:

- Operating expenses before restructuring charges totalled $477, a 32.2% reduction over the $704 recorded during the comparative quarter in fiscal 2012, due mainly to lower legal costs.
- An "enhanced severance" estimated by management at $2,853, and $17 in accrued interest on bonuses and awards, was recorded during the quarter, partially offset by the reversal of $1,999 of accrued restructuring liabilities due to related parties, and $551 of restructuring legal accruals, pursuant to Madam Justice Mesbur's decision (refer to the section entitled "Provisions and contingencies – Contingencies – Jolian claims").
- UBS recorded a loss for the period of $787, compared to a loss of $774 for the three months ended May 31, 2012. The variance resulted from, among other things, the adjustments to restructuring charges recorded in the quarter ended May 31, 2013, and the expiration of the Management Services Agreement with ONEnergy ("ONE MSA") on May 19, 2012.
- As at May 31, 2013, UBS held cash and cash equivalents of $160, and short-term investments of $2,799, compared to cash and cash equivalents of $1,635 as at August 31, 2012. The increase was due primarily to cash received from the sale of ONEnergy shares, and the timing of accounts payable.

Revenue from ONE MSA fees

Pursuant to the ONE MSA, which expired on May 19, 2012, the base fee for the three and nine months ended May 31, 2012 amounted to $377 and $1,244 respectively (refer to the section entitled "Related party transactions – Management Service Agreement with ONEnergy").

Operating expenses

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	**May 31, 2013**	May 31, 2012
Compensation	**$ 67**	$ 110	**$ 195**	$ 545
General and administrative	**410**	594	**2,382**	1,702
Restructuring charges	**320**	30	**357**	91
Total operating expenses	**$ 797**	$ 734	**$ 2,934**	$ 2,338

Compensation

During the three and nine months ended May 31, 2013, the Company expensed $67 and $195 respectively in compensation (2012 - $110 and $545 respectively), which included $39 and $116 in key management compensation respectively (2012 - $63 and $400 respectively).

General and administrative

General and administrative expenses include general occupancy, professional fees, 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		Nine months ended	
	May 31, 2013	May 31, 2012	**May 31, 2013**	May 31, 2012
Professional fees	**$ 402**	$ 584	**$ 2,355**	$ 1,669
Office and general	**8**	10	**27**	33
Total general and administrative expenses	**$ 410**	$ 594	**$ 2,382**	$ 1,702

For the three months ended May 31, 2013, general and administrative expenses totaled $410, a decrease of $184 or 31.0% over the three months ended May 31, 2012. For the nine months ended May 31, 2013, general and administrative expenses totaled $2,382, an increase of $680 or 40.0% over the nine months ended May 31, 2012. The variances during fiscal 2013 were due primarily to costs associated with advancing the CCAA claims process.

Restructuring charges

Restructuring charges include adjustments and interest on the restructuring awards approved by the directors in 2009, and legal adjustments relating to indemnification.

During the three months ended May 31, 2013, UBS expensed $17 in accrued interest on the awards due to related parties. Jolian Investments Ltd. ("Jolian") and Mr. McGoey ("McGoey"), (together referred to as the "Jolian Parties"), filed various proofs of claim against UBS in the CCAA proceedings of approximately $9,500 which UBS rejected. This was the subject of an appeal in the Ontario Superior Court and on May 21, 2013 Madam Justice Mesbur's Reasons were released. Based on her Honour's findings, the Company reversed the Jolian Parties' bonus and SAR cancellation claims and interest totaling $1,999 and accrued a claim for "enhanced severance". The Company's initial estimate of the enhanced severance claim, based on her Honour's decision, is $2,853. UBS is seeking leave to appeal this finding, and the outcome of the appeal process will determine the validity and quantum of the claim (refer to the section entitled "Provisions and contingencies – Contingencies – Jolian claims").

Interest and financing charges

For the three and nine months ended May 31, 2013, interest income of $10 and $15, respectively, was recognized (May 31, 2012 – $6 and $9 respectively).

Income taxes

As at May 31, 2013, UBS had $22,202 in non-capital income tax losses with expiry dates between 2014 and 2032, SRED pool carryforwards of $11,545, capital loss carryforwards of $22,555, and non-tax deductible reserves of $3,408.

Loss and comprehensive loss

The loss and comprehensive loss for the three and nine months ended May 31, 2013 amounted to $787 and $3,369 respectively, or $0.008 and $0.033 per share (basic and diluted) respectively, compared with the loss and comprehensive loss of $774 and $2,205 respectively, or $0.008 and $0.021 per share respectively (basic and diluted), for the three and nine months ended May 31, 2012.

7. QUARTERLY FINANCIAL RESULTS

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

	Fiscal 2013			Fiscal 2012				Fiscal 2011
	May 31	**Feb 28**	**Nov 30**	**Aug 31**	**May 31**	**Feb 29**	**Nov 30**	**Aug 31**
Revenue[1]	$ -	$ -	$ -	$ -	$ 377	$ 434	$ 433	$ 434
Operating and restructuring expenses/(recovery) before interest and equity interest in ONEnergy	797	1,454	683	(717)	734	1,281	323	262
Interest income/(loss)	10	2	3	(1)	6	1	2	5
Equity interest in ONEnergy's losses	-	(123)	(122)	(535)	(423)	(399)	(298)	(14)
Fair value adjustment in ONEnergy[2]	-	(652)	-	-	-	-	-	-
Gain on sale of ONEnergy shares[2]	-	447	-	-	-	-	-	-
Income/(loss) from continuing operations	(787)	(1,780)	(802)	181	(774)	(1,245)	(186)	163
Loss from discontinued operations[3]	-	-	-	-	-	-	-	(150)
Income/(loss) for the period	(787)	(1,780)	(802)	181	(774)	(1,245)	(186)	13
Continuing operations								
Basic and diluted income(loss) per share	(0.008)	(0.017)	(0.008)	0.001	(0.007)	(0.012)	(0.002)	0.002
Discontinued operations								
Basic and diluted loss per share	-	-	-	-	-	-	-	(0.001)
Income (loss) per share								
Basic and diluted	(0.008)	(0.017)	(0.008)	0.001	(0.007)	(0.012)	(0.002)	0.001

(1) Revenue includes earnings pursuant to the ONE MSA which expired on May 19, 2012.
(2) On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares in ONEnergy to 2092390 Ontario Inc. for $0.14 per share and, effective February 20, 2013, accounts for ONEnergy using the fair value method.
(3) During the second quarter of fiscal 2004, UBS' divestiture of its Engineering and Manufacturing Business resulted in the reclassification of that business as "Discontinued operations" and, accordingly, all associated expenses are included in discontinued operations.

8. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and short-term investments of $2,959, as at May 31, 2013, compared with cash and cash equivalents of $1,635 as at August 31, 2012. Cash and cash equivalents, totaling $160, 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 $2,799, included 30-day cashable guaranteed investment certificates ("GIC") with original maturities of less than 365 days. The certificates currently bear interest at an interest rate of prime minus 1.75% 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, 2013 was $1,578 and $2,464 respectively, compared to $737 and $1,140 respectively for the three and nine months ended May 31, 2012. The variance during the three and nine months ended May 31, 2013 over May 31, 2012 was due primarily to higher costs associated with the advancement of the CCAA claims process during fiscal 2013, and the timing of payment of accounts payable and accrued liabilities.

There were no financing activities for the three and nine months ended May 31, 2013 or 2012.

Cash provided by investing activities totaled $989 for the nine month periods ended May 31, 2013, due to cash received pursuant to the sale of ONEnergy shares totaling $3,788 (refer to the section entitled "ONEnergy investment – Carrying value in ONEnergy"), the investment of $2,789 into short-term investments, and accrued interest on investments for the quarter totaling $10. Cash provided by investing activities for the nine months ended May 31, 2012 totaling $2,739, related to the return of capital paid by ONEnergy of $0.05 for each multiple voting share and subordinate voting share held.

UBS has incurred operating losses and negative cash flows from operations in recent years and, as at May 31, 2013, UBS had a working capital deficiency of $1,312 (August 31, 2012 - $2,181). Furthermore, there is uncertainty regarding the outcome of certain recent litigation (refer to the section entitled "Provisions and contingencies - Contingencies"). UBS will 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 "Basis of presentation and going concern").

UBS' approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due.

9. SHARE CAPITAL

As at May 31, 2013 and August 31, 2012, 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, 2013 and 2012, the weighted average number of shares outstanding was not increased for stock options outstanding as no options were in the money.

As at July 26, 2013, there were no changes to the number of issued and outstanding shares.

10. STOCK BASED COMPENSATION

During the three and nine months ended May 31, 2013 no stock options were granted or expired (2012 – no stock options were granted; 300 and 2,300 expired respectively). As at May 31, 2013 and August 31, 2012, there were 7,286 options outstanding.

11. RELATED PARTY TRANSACTIONS

(a) Management Service Agreement with ONEnergy

Under the original terms of the ONE MSA, ONEnergy had been required to pay an annual fee of $2,400 to UBS and, in September 2007, advanced a prepaid annual fee of $2,400. Effective January 1, 2011, UBS expensed the deferred revenue, at approximately $145 per month, over the remaining term of the ONE MSA, which expired on May 19, 2012.

(b) Related party accrued restructuring liabilities

UBS recorded related party transactions as follows:

	Accrued Restructuring Liabilities							
	Balance as at August 31, 2011	**Interest accrued fiscal 2012[3]**	**Awards and interest reversed fiscal 2012[2]**	**Balance as at August 31, 2012**	**Interest accrued fiscal 2013[3]**	**Awards and interest reversed fiscal 2013[1]**	**Enhanced severance 2013[1]**	**Balance as at May 31, 2013**
Jolian Investments Ltd. / McGoey[1]	$ 1,899	$ 58	$ -	$ 1,957	$ 42	$ (1,999)	$ 2,853	$ 2,853
DOL Technologies Inc. / Dolgonos[2] – Settled	1,614	41	(1,155)	500	-	-	-	500[2]
Former UBS director - Douglas Reeson	490	15	-	505	12	-	-	517[4]
Total	**$ 4,003**	**$ 114**	**$ (1,155)**	**$ 2,962**	**$ 54**	**$ (1,999)**	**$ 2,853**	**$ 3,870**

(1) Jolian is a company controlled by Mr. McGoey, the former chairman of the board of directors and former CEO of UBS.
Pursuant to Madam Justice Mesbur's decision, the Company reversed bonus and SAR cancellation awards and interest totaling $1,999. Her Honour also found Jolian was entitled to an "enhanced severance" claim and the Company has accrued an initial estimate of $2,853. The Company is seeking leave to appeal this finding, and the outcome of the appeal process will determine the validity and quantum of the claim (refer to the section entitled "Provisions and contingencies – Contingencies – Jolian claims claims").

(2) DOL is a company controlled by Mr. Dolgonos, the former Chief Technology Consultant of UBS.
On July 6, 2012, UBS reached a settlement agreement with the Dolgonos Parties, which resulted in, among other things, a $1,030 reversal of the restructuring award and $125 in accrued interest, totaling $1,155, to restructuring charges. The remaining balance of $500 will be settled under the CCAA claims process.

(3) The interest on accrued restructuring liabilities due to related parties is charged to restructuring charges.

(4) This amount was approved in 2009 by the directors and is currently the subject of dispute in the CCAA claims proceedings (refer to the section entitled "Provisions and contingencies – Contingencies – Reeson claim").

Details of the accrued restructuring awards granted in fiscal 2009, as at May 31, 2013, are set out below:

UBS	SAR units relinquished	Accrued restructuring liabilities						
		Equity accrual	Bonus accrual	Accrued interest	Awards declined / reversed	Awards paid	Accrued claims[1]	Balance as at May 31, 2013
Jolian / McGoey	3,000	$ 600	$1,200	$ 199	$ 1,999	$ -	$ 2,853	$ 2,853
DOL / Dolgonos	3,000	330	1,200	125	1,155	-	-	500
Director – D. Reeson	1,650	465	-	52	-	-	-	517
Former UBS directors and CFO – settled	3,150	915	1,000	54	1,770	199	-	-
TOTAL	**10,800**	**$ 2,310**	**$3,400**	**$ 430**	**$ 4,924**	**$ 199**	**$ 2,853**	**$ 3,870**

[1] The Company is seeking leave to appeal this accrued claim, and the outcome of the appeal process will determine the validity and quantum of the claim (refer to the section entitled “Provisions and contingencies – Contingencies – Jolian claims”).

(c) Rent of Milton premises

During the three months ended November 30, 2012, UBS subleased a portion of ONEnergy’s premises in Milton for $2 (three and nine months ended May 31, 2012 - $6 and $18 respectively). The sublease was terminated on September 30, 2012.

(d) CEO termination clause

On January 3, 2012, 2064818 Ontario Inc., which is a corporation controlled by Mr. Dolgonos, acquired additional shares with the effect of increasing the indirect holdings of UBS over which Mr. Dolgonos exercised control and direction to greater than 20%. This triggered a “deemed” termination clause in the current CEO’s employment agreement, triggering a lump sum payment of $200 in lieu of notice of termination and has been recorded in accrued liabilities.

12. PROVISIONS AND CONTINGENCIES

(a) Provisions

<u>Leased premises</u>

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. Under the terms of the settlement, $150 remains payable by UBS, and is subject to the claims process to be determined under CCAA.

(b) Contingencies

(i) Jolian claims

On July 12, 2010, Jolian served a statement of claim on UBS seeking approximately $8,610 plus applicable taxes and interest in respect of the Jolian management services agreement with UBS and certain contingent payments approved by the previous directors in 2009. Subsequent to UBS commencing proceedings in the CCAA, the Jolian Parties submitted three proofs of claim against UBS totalling approximately $9,500 plus indemnity in respect of professional fees incurred in pursuing their claims (the "Jolian Claims"). These claims were disputed in the CCAA proceedings and a process was put in place to determine the validity and quantum of the Jolian Claims.

An appeal in the Ontario Superior Court of Justice of the denial of the Jolian Claims against UBS was completed on March 1, 2013. On May 21, 2013, the Honourable Madam Justice Mesbur released Reasons for Decision, finding that the former UBS board, including McGoey, failed to consider the interests of shareholders and breached their fiduciary duties owing to the Company. Based on these findings, Her Honour:

- disallowed the Jolian Parties' claim for payment in respect of the cancellation of the Company's share appreciation rights plan, resulting in a reversal of $600 plus $66 in accrued interest;
- disallowed the Jolian Parties' claim for payment of a deferred bonus, resulting in a reversal of $1,200 plus $133 in accrued interest;
- disallowed the Jolian Parties' claim for indemnification, resulting in a reversal of $551 to restructuring charges; and
- ordered the Jolian Parties to repay UBS the monies previously advanced to them in the nature of indemnification, totaling $200.

Notwithstanding Madam Justice Mesbur's findings of wrongdoing on the part of the Jolian Parties, including breach of fiduciary duty, she also found that Jolian was entitled to an "enhanced severance" claim and asked that Jolian file a revised proof of claim in respect of this. The Company's initial estimate of this amount, having regard to her Honour's decision, is approximately $2,853. Jolian's revised proof of claim is in excess of $4,000. The Company is seeking leave to appeal this finding, and the outcome of the appeal process will determine the validity and quantum of the claim.

(ii) Reeson claims

Former director, Mr. Reeson, served a statement of claim on UBS seeking approximately $465 plus interest in respect of the contingent award approved and allocated to him by the previous directors of UBS during fiscal 2009 (the "Reeson Claims").

Subsequent to the commencement of the CCAA claims process, the Monitor received proofs of claims from Mr. Reeson, totaling $585.

The Reeson Claims continue to be disputed and will be determined in the CCAA claims proceedings.

(iii) Dolgonos Parties claims

On July 6, 2012, the Dolgonos Parties claims of approximately $8,000 were settled for a claim of $500, the payment of which will be determined under the CCAA proceedings. All other claims and actions were dismissed, withdrawn and fully released, and the $100 advanced to counsel for DOL, in June, 2010, was expensed in the fourth quarter of fiscal 2012.

(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 and that all disputed claims are to be determined in the CCAA proceedings. At the end of July, 2013, a motion will be heard requesting an extension on the stay of proceedings under CCAA until October 31, 2013.

Reference is made to the website of the Court Appointed Monitor supervising the CCAA proceedings www.duffandphelps.com (see “restructuring cases”).

(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.

13. 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, foreign currency risk and commodity 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, 2013	August 31, 2012
Currently due	$ 340	$ 33
Past due by 90 days or less and not impaired	2	19
Past due by greater than 90 days and not impaired	30	151
	$ 372	**$ 203**

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, accrued restructuring liabilities, accrued restructuring liabilities due to related parties, and provisions, the contractual maturities of which are not determinable because it depends on the outcome of the CCAA claims process.

Interest rate risk

The Company had no significant exposure, as at May 31, 2013 and August 31, 2012, to interest rate risk through its financial instruments.

14. ADDITIONAL INFORMATION

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

UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

Board of Directors

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Robert Ulicki (Chairman of the Board)
Victor Wells

Officer

Grant McCutcheon
Chief Executive Officer

Auditors

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Common shares

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