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

UNIQUE BROADBAND SYSTEMS, INC.

Three and nine months ended May 31, 2014 and 2013

July 28, 2014

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, 2014 and 2013.

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:

IFRS 9, *"Financial instruments"* ("IFRS 9"), as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, "Financial instruments: Recognition and measurement" (IAS 39) and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but "Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures", issued in December 2011, moved the mandatory effective date to January 1, 2015. Other phases of the project address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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 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.

4. OVERVIEW

Significant current events

Ontario Court of Appeal Decision

The Company has previously reported that:

(i) certain, but not all, of the claims brought by former director and Chief Executive Officer Mr. Gerald McGoey ("McGoey") and his personal service company Jolian Investments Ltd. ("Jolian"), (together referred to as the "Jolian Parties"), in the aggregate approximate amount of $9,500, were disallowed in connection with the Company's ongoing *Companies' Creditors Arrangement Act* ("CCAA") proceedings,
(ii) UBS was granted leave to appeal the judgment of the Honourable Madam Justice Mesbur in which she found that, pursuant to its 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 Jolian calculated to be an amount in excess of $4,000, and
(iii) the Jolian Parties brought a cross-appeal in respect of Justice Mesbur's decision disallowing their claim for payment in respect of the cancellation of Jolian's share appreciation rights and a deferred bonus, and indemnification of legal fees and expenses.

The appeal and cross-appeal were heard on June 17, 2014.

On July 10, 2014, the Court of Appeal released its decision granting the Company's appeal and dismissing the Jolian Parties' cross-appeal. The Court of Appeal upheld the Trial Judge's findings that 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 McGoey's wrongful conduct, which resulted in a reversal of $2,853 to restructuring expense.

The Jolian Parties have been ordered to disgorge $200 that was advanced to the Jolian Parties before McGoey was removed from the Company's board by shareholders and to pay the costs of the trial and the appeal, which the Company estimates to be approximately $1,450 on a substantial indemnity scale.

Change to NEX listed company

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 May 9, 2011, the Exchange issued a bulletin reclassifying UBS to Tier 2 and subsequently placed the Company on notice to transfer to the NEX board of the TSX Venture Exchange ("NEX"), subject to the Company making a submission by June 26, 2014 that it meets all Tier 2 Continued Listing Requirements.

On June 14, 2014, the Company submitted a request for an extension of the transfer to the NEX until December 31, 2014 to allow for the completion of the CCAA claims process and time to seek a qualifying transaction to be approved by shareholders, but this request was denied.

In accordance with TSX Venture Policy 2.5, UBS has not maintained the requirements for a TSX Venture Tier 2 company. Therefore, effective Friday, June 27, 2014, the Company's listing was transferred to NEX and its Tier classification changed from Tier 2 to NEX. As of June 27, 2014, the Company is subject to restrictions on share issuances and certain types of payments as set out in the NEX policies.

The trading symbol for the Company's shares changed from UBS to UBS.H. There is no change in the Company's name or CUSIP number and no consolidation of capital. The symbol extensions differentiate NEX symbols from Tier 1 or Tier 2 symbols within the TSX Venture market.

The Company

Unique Broadband Systems, Inc. is a publicly listed Canadian company, trading on the NEX under the symbol UBS.H (refer to the section "Overview – Significant current events – Change to NEX listed company").

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.

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, 2014, there is uncertainty regarding the outcome of certain litigation and the Company remains under the protection of 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, 2014 and 2013 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.

CCAA proceedings

On July 5, 2011, UBS and UBS Wireless commenced proceedings under CCAA. The court has made an order staying all proceedings against UBS and its directors until September 7, 2014, and Duff & Phelps Canada Limited (the "Monitor") has been appointed as the Monitor of UBS. Further information with respect to the CCAA proceedings can be found on the Monitor's website at www.duffandphelps.com.

Strategy

UBS' operating strategy is to advance the CCAA claims process as expeditiously as possible, preserve its cash, and monitor its investment in ONEnergy Inc. ("ONEnergy").

Investment in ONEnergy

(a) Carrying value of ONEnergy

As at August 31, 2012, the Company held 24,864 multiple voting shares and 29,921 subordinate voting shares, or a 39.2% economic interest and a 37.6% voting interest in ONEnergy and accounted for its investment using the equity method of accounting.

On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares of ONEnergy for $0.14 per share, or $3,788, generating a gain of $447 and reducing its fully diluted equity interest in ONEnergy to 18.8%. Effective February 20, 2013, the Company accounts for its investment in ONEnergy using the fair value method. This asset is classified as Available For Sale ("AFS").

On July 9, 2013, ONEnergy completed a change-of-business transaction and concurrent private placement, which further reduced the Company's holdings in ONEnergy to a 13.1% economic interest and a 12.4% voting interest.

The Company's share of ONEnergy's market capitalization, based on the bid prices of its 12,434 multiple voting shares (TSXV: OEG) and 15,291 subordinate voting shares (TSXV: OEG.A), as at May 31, 2014, of $0.065 and $0.05 respectively, was $1,573 (August 31, 2013 - $0.10 and $0.10 respectively - $2,773).

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

Investment in ONEnergy as at August 31, 2012	$ 7,011
Cumulative equity interest in ONEnergy's losses, September 1, 2012 to February 19, 2013	(245)
Partial disposition of ONEnergy shares	(3,341)
Fair value adjustment in ONEnergy, February 19, 2013	(652)
Investment in ONEnergy as at February 20, 2013 and August 31, 2013	**$ 2,773**
Fair value adjustment in ONEnergy, first quarter fiscal 2014	277
Fair value adjustment in ONEnergy, second quarter fiscal 2014	(832)
Fair value adjustment in ONEnergy, third quarter fiscal 2014	(645)
Investment in ONEnergy as at May 31, 2014	**$ 1,573**

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

Claim seeking recovery of damages from former officers and directors

On July 6, 2011, ONEnergy (the "Corporation") issued a Statement of Claim (the "Claim") in the Ontario Superior Court of Justice (the "Court") against certain former directors and senior officers of ONEnergy, and their personal service companies. The claim sought recovery of approximately $20,000, which was paid in 2009 from the net proceeds of approximately $64,000 realized by ONEnergy on the sale of its spectrum license which closed September 11, 2009. Approximately $15,700 was paid to the directors and officers named in the Claim (or their personal service companies), which included a payment of $5,566 to the Jolian Parties.

These payments were not formally disclosed to the market until the Corporation released its 2009 Management Information Circular (the "2009 MIC") on January 19, 2010. The 2009 MIC referred to the payments that were made as Contingent Restructuring Awards (the "CRAs"). The CRAs had two components: a bonus and a payment made to compensate for the decision of the directors and management to cancel options and share appreciation rights (“SAR”). The compensation paid for the cancellation of options and SAR was based on a non-market share value of $0.40 when the share price traded at substantially lower prices. Shareholders protested the payments and inquiries were initiated by the Authorité des Marches Financiers and the Toronto Stock Exchange.

In June of 2010, the former directors and officers authorized the advance of $1,550 to law firms to fund the legal costs they expected to incur defending anticipated shareholder litigation and regulatory proceedings. The Claim also seeks recoveries of these advances.

The former officers and directors named in the Claim resigned from their positions at the Corporation effective July 21, 2010. None of the factual allegations in the Claim has been proven before the Court. The Corporation did not claim against Louis Mitrovich, one of the former directors, because it reached a settlement with him. Mr. Mitrovich paid the Corporation $100 and approximately $78 from the share of advances paid to Mr. Mitrovich’s counsel.

Applications for advances

The former officers and directors named in the Claim brought applications and motions seeking further advances of their legal fees and expenses from ONEnergy in order to defend themselves against the Claim. On September 28, 2012, the Court dismissed these proceedings, except with respect to Mr. Dolgonos. The Court required ONEnergy to pay advances to Mr. Dolgonos only, because the Court did not accept that ONEnergy had sufficient evidence at that time to demonstrate that Mr. Dolgonos was an officer or that he participated in the decisions to make the payments that the Claim seeks to recover. The defendants, except Mr. Dolgonos, appealed to the Ontario Court of Appeal. Their appeals were dismissed on July 4, 2013. They were required to pay $58 to ONEnergy toward the costs of the appeal, which amounts were paid. The defendants Mr. Cytrynbaum, First Fiscal Management Ltd., Mr. McGoey and Jolian Investments Limited sought leave to appeal to the Supreme Court of Canada. On February 13, 2014 the Supreme Court of Canada denied leave to appeal, bringing the proceedings for further advances to an end.

Status of the Claim

The defendants delivered Statements of Defense in the spring of 2013. The defendants, other than Mr. Dolgonos and DOL Technologies Inc., also issued Third Party Claims against Stikeman Elliott LLP and one of its lawyers (collectively, “Stikeman Elliott”). Stikeman Elliott delivered Statements of Defense to the third party claims. The parties exchanged Affidavits of Documents in late 2013 and early 2014. Examinations for discovery began in February 2014 and are effectively completed. The Court has directed the parties to be prepared for a trial in 2014.

Claim against McMillan LLP

ONEnergy also issued a Statement of Claim against McMillan LLP on August 20, 2012 (the “McMillan Claim”). The McMillan Claim seeks recovery of the advances paid in June of 2010 in the amount of $1,550, which were paid to McMillan LLP and other law firms before the former directors and officers resigned on July 21, 2010. ONEnergy has received a defense from McMillan LLP and is working to schedule examinations for discovery to take place before the end of July 2014. Dates for the examinations have not yet been set.

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2014 and 2013 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, 2014 and 2013, 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, 2013.

7. RESULTS OF OPERATIONS

Highlights of the results for the three months ended May 31, 2014 include the following:

- Pursuant to the Ontario Court of Appeal decision released on July 10, 2014, granting the Company's appeal and dismissing the Jolian Parties' cross-appeal, during the quarter ended May 31, 2014:
  - the Company reversed Jolian's accrued enhanced severance of $2,853.
  - the Ontario Court of Appeal awarded costs to UBS for both the trial between the Jolian Parties and UBS which completed on March 1, 2013 and the appeal and cross-appeal heard on June 17, 2014. Costs, estimated to be $1,450 on a substantial indemnity scale, were recorded as a receivable owed by the Jolian Parties and offset to general and administrative expense (recovery).
- UBS recorded income before comprehensive income of $4,168, compared to a loss before comprehensive loss of $787 for the comparative quarter of fiscal 2013.
- Fair value of ONEnergy shares currently held by UBS decreased by $645 to $1,573, due to a decrease in ONEnergy's bid prices as at May 31, 2014 to $0.065 and $0.05 per multiple voting share and subordinate voting share respectively, compared to the respective bid prices as at August 31, 2013 of $0.10 and $0.10.
- As at May 31, 2014, UBS held cash and short-term investments totaling $2,129, compared to cash of $2,869 as at August 31, 2013. The decrease was due primarily to the settlement of accounts payable.

Operating expenses (recoveries)

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
Compensation	**$ 41**	$ 67	**$ 126**	$ 195
General and administrative	**(1,355)**	410	**(971)**	2,382
Restructuring	**(2,849)**	320	**(2,841)**	357
Total operating expenses (recoveries)	**$ (4,163)**	$ 797	**$ (3,686)**	$ 2,934

Compensation

Compensation expense includes wages, salaries, benefits, and termination payments.

During the three and nine months ended May 31, 2014, the Company expensed $41 and $126 respectively in compensation (May 31, 2013 - $67 and $195 respectively). The decrease was due mainly to the reduction of staffing to one employee.

General and administrative expense (recovery)

General and administrative expense (recovery) includes 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 is set out below:

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
CCAA expense (recovery)	**$ (1,416)**	$ 287	**$ (1,174)**	$ 2,080
General corporate legal advice	**-**	2	**-**	18
Recovery of legal expenses from insurance provider	**-**	-	**(27)**	-
Professional fees	**52**	113	**203**	257
Office and general	**9**	8	**27**	27
Total general and administrative	**$ (1,355)**	$ 410	**$ (971)**	$ 2,382

CCAA expense (recovery)

CCAA expenses mainly include 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, 2014, the Company recorded 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 "Overview – Significant current events – Ontario Court of Appeal Decision").

CCAA expenses for the three and nine months ended May 31, 2013, totaling $287 and $2,080 respectively, resulted mainly from the timing of the CCAA claims advancement, and specifically costs arising from the trial between UBS and the Jolian Parties which was completed on March 1, 2013.

Recovery of legal expenses from insurance provider

During the quarter ended February 28, 2014, the Company recovered $27 from its insurance provider, in connection with costs arising from defending the claims brought by DOL, and continues to seek further recoveries from its insurance provider.

Professional fees

Professional fees include mainly corporate legal, audit, accounting, filing fees, and insurance.

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.

During the three and nine months ended May 31, 2014, professional fees decreased by $61 or 54%, and $54 or 21% respectively over the three and nine months ended May 31, 2013. Higher costs during fiscal 2013 pertained mainly to the partial disposition of ONEnergy shares.

Restructuring expense (recovery)

Restructuring expenses include adjustments and accrued interest on the accrued restructuring awards approved by the then directors in 2009, and enhanced severance accruals.

During the three and nine months ended May 31, 2014, UBS expensed $4 and $12 in accrued interest on the awards due to related parties respectively and 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 "Overview – Significant current events – Ontario Court of Appeal Decision").

During the three months ended May 31, 2013, UBS expensed $17 in accrued interest on the awards due to related parties, reversed the Jolian Parties' bonus and SAR cancellation claims and interest totaling $1,999, reversed the Jolian Parties' accrued legal fees of $551, and accrued an estimated claim for enhanced severance of $2,853 (refer to the section entitled "Provisions and contingencies – Contingencies – Jolian claims").

Interest and financing charges

For the three and nine months ended May 31, 2014, interest income of $5 and $20 respectively was recognized (May 31, 2013 – $10 and $15 respectively).

Income taxes

As at May 31, 2014, UBS had $16,192 in non-capital income tax losses with expiry dates between 2015 and 2033, SRED pool carryforwards of $11,545, capital loss carryforwards of $23,400, and non-tax deductible reserves of $4,311.

Income (loss) and comprehensive income (loss)

The income before comprehensive income for the three and nine months ended May 31, 2014 amounted to $4,168 and $3,706, or $0.041 and $0.037 per share (basic and diluted) respectively, and the income and comprehensive income totaled $3,523 and $2,506, or $0.034 and $0.024 per share (basic and diluted) respectively.

The comparative loss before comprehensive loss for the three and nine months ended May 31, 2013 amounted to $787 and $2,717, or $0.008 and $0.027 per share (basic and diluted) respectively, and the loss and comprehensive loss totaled $787 and $3,369, or $0.008 and $0.033 per share (basic and diluted) respectively.

8. QUARTERLY FINANCIAL RESULTS

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

	Fiscal 2014			Fiscal 2013				Fiscal 2012
	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31
Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating and restructuring expenses/(recoveries) before interest, equity interest in ONEnergy's losses, and gain on sale of ONEnergy shares	(4,163)[1]	235	242	338	797	1,454	683	(717)
Interest income/(loss)	5	7	8	9	10	2	3	(1)
Equity interest in ONEnergy's losses	-	-	-	-	-	(123)	(122)	(535)
Gain on sale of ONEnergy shares[2]	-	-	-	-	-	447	-	-
Income/(loss) before comprehensive income (loss)	4,168	(228)	(234)	(329)	(787)	(1,128)	(802)	181
Fair value adjustment in ONEnergy[2]	(645)	(832)	277	-	-	(652)	-	-
Income/(loss) and comprehensive income/(loss) for the period	$ 3,523	$ (1,060)	$ 43	$ (329)	$ (787)	$ (1,780)	$ (802)	$ 181
Income (loss) per share from operations – basic and diluted	$ 0.041	$(0.002)	$(0.002)	$(0.003)	$(0.008)	$(0.011)	$(0.008)	$0.001
Comprehensive income (loss) per share – basic and diluted	$ (0.007)	$(0.008)	$ 0.002	-	-	$(0.006)	-	-
Income (loss) per share								
Basic and diluted	$ 0.034	$(0.010)	-	$(0.003)	$(0.008)	$(0.017)	$(0.008)	$0.001

(1) Refer to the section entitled "Overview – Significant current events – Ontario Court of Appeal Decision".

(2) On February 19, 2013, UBS sold 12,430 multiple voting shares and 14,630 subordinate voting shares in ONEnergy for $0.14 per share and, effective February 20, 2013, accounts for ONEnergy using the fair value method.

9. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and short-term investments of $2,129 as at May 31, 2014, compared to cash and cash equivalents of $2,869 as at August 31, 2013. Cash and cash equivalents, totaling $1,827 (August 31, 2013 - $2,869) 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 $302 (August 31, 2013 - $nil), include 30-day cashable guaranteed investment certificates ("GIC") with original maturities of less than 365 days. The GIC certificate currently bears interest at an interest rate of 1.25% and is 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, 2014 was $84 and $740 respectively, compared to $1,578 and $2,464 for the three and nine months ended May 31, 2013 respectively. The higher cash flow during fiscal 2013 was due primarily to costs associated with the advancement of the CCAA claims process, and included the trial between UBS and the Jolian Parties which was completed on March 1, 2013.

There were no financing activities for the three and nine months ended May 31, 2014 or 2013.

Cash used in investing activities totaled $302 for the nine months ended May 31, 2014, due to the purchase of a GIC during the first quarter of fiscal 2014. The certificate currently bears interest at an interest rate of 1.25% and is fully redeemable at any time by the Company, at its discretion.

Cash provided by investing activities during the nine months ended May 31, 2013 amounted to $989, due to cash received on the partial disposition of ONEnergy shares of $3,788 during the second quarter of fiscal 2013 (refer to the section entitled “Investment in ONEnergy – Carrying value in ONEnergy”), the purchase of GIC’s totaling $2,789 and earned interest of $10. GIC certificates earned interest at an annual rate of $1.25% and were fully redeemable after 30 days.

UBS has incurred operating losses and negative cash flows from operations in recent years and, as at May 31, 2014, there is uncertainty regarding the outcome of certain recent litigation (refer to the sections entitled “Overview – Significant current events – Ontario Court of Appeal Decision” and “Provisions and contingencies - Contingencies”). 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”).

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.

10. SHARE CAPITAL

As at May 31, 2014 and August 31, 2013, 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, 2014 and 2013, the weighted average number of shares outstanding was not increased for stock options outstanding as no options were in the money.

As at July 28, 2014, there were no changes to the number of issued and outstanding shares.

11. STOCK BASED COMPENSATION

During the nine months ended May 31, 2014, no stock options were granted and 3,200 stock options expired. During the year ended August 31, 2013 – no stock options were granted and 1,086 stock options expired. As at May 31, 2014, there were 3,000 stock options outstanding (August 31, 2013 - 6,200 stock options outstanding).

12. RELATED PARTY TRANSACTIONS

(a) Accrued restructuring liabilities due to related parties

UBS recorded related party transactions as follows:

	Accrued restructuring liabilities due to related parties							
	Balance as at August 31, 2012	Interest accrued fiscal 2013[4]	Awards and interest reversed fiscal 2013	Jolian enhanced severance accrual fiscal 2013	Balance as at August 31, 2013	Interest accrued fiscal 2014[4]	Jolian enhanced severance reversed fiscal 2014	Balance as at May 31, 2014
Jolian Parties[1]	$ 1,957	$ 42	$ (1,999)	$ 2,853	$ 2,853	$ -	$ (2,853)	$ -
Dolgonos Parties[2]	500	-	-	-	500	-	-	500
Reeson[3]	505	16	-	-	521	12	-	533
Total	**$ 2,962**	**$ 58**	**$ (1,999)**	**$ 2,853**	**$ 3,874**	**$ 12**	**$ (2,853)**	**$ 1,033**

(1) Refer to the sections entitled "Overview – Significant current events – Ontario Court of Appeal Decision" and "Provisions and contingencies – Contingencies – Jolian claims".

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

(3) This amount was approved in 2009 by the then directors (refer to the section entitled "Provisions and contingencies – Contingencies – Reeson claim"), and will ultimately be determined in the CCAA claims proceedings.

(4) The interest on accrued restructuring liabilities due to related parties was charged to restructuring expense.

Details of the accrued restructuring awards granted in fiscal 2009, as at May 31, 2014, are set out below. Certain of these amounts remain subject to final determination in the ongoing CCAA Claims proceedings.

		Accrued restructuring liabilities due to related parties						
UBS	**SAR units relinquished**	**Equity accrual**	**Bonus accrual**	**Accrued interest**	**Awards paid**	**Accrued claims**	**Awards and accrued claims declined / reversed**	**Balance as at May 31, 2014**
Jolian Parties	3,000	$ 600	$1,200	$ 199	$ -	$ 2,853	$ (4,852)	$ -
Dolgonos Parties	3,000	330	1,200	125	-	500	(1,655)	500
D. Reeson	1,650	465	-	68	-	-	-	533
Former UBS directors and CFO – settled	3,150	915	1,000	54	199	-	(1,770)	-
TOTAL	**10,800**	**$ 2,310**	**$3,400**	**$ 442**	**$ 199**	**$ 3,353**	**$ (8,277)**	**$ 1,033**

The Company has been successful in reversing $8,277 of accrued restructuring liabilities due to related parties in connection with the original awards granted in fiscal 2009 and related claims.

(b) 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.

(c) Compensation of key management personnel

The Company's key management personnel include 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, 2014 totaled $49 and $146 respectively (May 31, 2013 – $100 and $236 respectively) which includes $26 and $79 respectively paid to directors (May 31, 2013 – $56 and $109 respectively).

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. 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

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 MSA 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 totaling 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 found that the former UBS board, including Gerald McGoey, failed to consider the interests of shareholders and breached their fiduciary duties.

Based on these findings, Her Honour (i) disallowed the Jolian Parties' claim for payment in respect of the cancellation of Jolian's share appreciation rights; (ii) disallowed the Jolian Parties' claim for payment of a deferred bonus; (iii) disallowed the Jolian Parties' claim for indemnification; and (iv) ordered the Jolian Parties to repay UBS the $200 previously advanced to them in the nature of indemnification.

Notwithstanding Madam Justice Mesbur's findings of wrongdoing on the part of the Jolian Parties, including breach of fiduciary duty, she found that, pursuant to the Jolian MSA, Jolian was entitled to an "enhanced severance" as a result of the termination of its contract with UBS. The Company's initial estimate of this amount, having regard to her Honour's decision, was approximately $2,853. Jolian's revised proof of claim was in excess of $4,000.

On October 31, 2013, the Company was granted leave to appeal the Judgment of the Honourable Madam Justice Mesbur, in which she found that, pursuant the Jolian MSA, Jolian was entitled to an "enhanced severance".

The Jolian Parties subsequently brought a cross-appeal as to certain decisions of the Honourable Madam Justice Mesbur. The appeal and cross-appeal were heard on June 17, 2014.

On July 10, 2014, the Court of Appeal released its decision granting the Company's appeal and dismissing the Jolian Parties' cross-appeal. The Court of Appeal upheld the Trial Judge's findings that 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 McGoey's wrongful conduct, which resulted in a reversal of $2,853 to restructuring expense.

The Jolian parties have been ordered to disgorge $200 that was advanced to the Jolian parties before McGoey was removed from the Company's board by shareholders and to pay the costs of the trial and the appeal, which the Company estimates to be approximately $1,450 on a substantial indemnity scale.

Reeson claims

Former director, Mr. Douglas 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.

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 in the CCAA proceedings.

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.

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

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

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 on 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.

<u>Credit risk</u>

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, 2014**	**August 31, 2013**
Currently due	**$1,469**	$ 17
Past due by 90 days or less and not impaired	**-**	200
Past due by greater than 90 days and not impaired	**200**	-
	$1,669	**$ 217**

<u>Interest rate risk</u>

The Company had no significant exposure to interest rate risk through its financial instruments as at May 31, 2014 and August 31, 2013.

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.

UNIQUE BROADBAND SYSTEMS, INC.
Shareholder Information

Board of Directors

Kenneth Taylor
Robert Ulicki (Chairman of the Board)
Victor Wells (Acting Chief Financial Officer)

Officer

Grant McCutcheon
Chief Executive Officer

Auditors

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Common shares

The common shares of the Company are listed on the NEX under the symbol UBS.H.