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

UNIQUE BROADBAND SYSTEMS, INC.

Years ended August 31, 2014 and 2013

December 18, 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 consolidated financial statements for the fiscal years ended August 31, 2014 and 2013.

The Company's consolidated 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. 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.

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. 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 ("Mr. 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 (the "Mesbur Decision") released on May 21, 2013, 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 the Company calculated to be approximately $2,853, and
(iii) the Jolian Parties brought a cross-appeal in respect of the Mesbur 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 and the Court of Appeal of Ontario released its decision on July 10, 2014, granting the Company's appeal and dismissing the Jolian Parties' cross-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 Court of Appeal upheld the disgorgement order totaling $200 for funds that were advanced to the Jolian Parties before Mr. McGoey was removed from the Company's board by shareholders, ordered the Jolian Parties to pay the costs of the trial held between the Jolian Parties and UBS which completed on March 1, 2013 (the "Jolian Trial") as determined by the trial judge, and to pay costs of the appeal totaling $60.

Decision on Costs

On December 8, 2014, the trial Judge, Madame Justice Mesbur, released her decision on costs of the Jolian Trial, having received submissions from all parties. Her Honour concluded that Mr. McGoey and Jolian Investments Limited are jointly and severally liable to pay UBS' costs on a substantial indemnity scale amounting to $995 for fees, $177 for disbursements, plus HST on those amounts totaling $152, for a total of $1,324.

The Company is seeking recovery of the cost awards and disgorgement order totaling $1,584.

Change to NEX listed company

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.

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 August 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 consolidated financial statements for the years ended August 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 February 27, 2015, 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 August 31, 2014, of $0.085 and $0.08 respectively, was $2,281 (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 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, fiscal 2014	(492)
Investment in ONEnergy as at August 31, 2014	**$ 2,281**

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

<u>Claim seeking recovery of damages from former officers and directors</u>

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. The parties participated in a mediation on July 30 and 31, 2014 with the Honorable George Adams Q.C. The mediation did not result in a settlement. A pre-trial was to have taken place on September 4, 2014. As the judge was not available, the pre-trial was rescheduled for October 1, 2014. The court set a schedule for the parties to complete preparation for trial by the end of December 2014. The objective is to return before the court in January 2015 to have trial dates set.

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. McMillan participated in the mediation with Mr. Adams and the other defendants in ONEnergy's action against its former officers and directors. The mediation did not result in a settlement.

5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the years ended August 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 consolidated financial statements and notes thereto for the years ended August 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, 2014, and include:

(a) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute deferred tax assets and liabilities are measured at future anticipated tax rates which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

With certain exceptions, deferred tax assets and liabilities are provided on all qualifying temporary differences at the end of the reporting period between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(b) Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

(c) Significant accounting judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The Company's consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant management estimation is required in determining accrued liabilities and accrued restructuring liabilities due to related parties.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Factors considered in the assessment of the likelihood and value of the realizable deferred tax assets include the Company's forecast of the amount and timing of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred tax assets and the remaining period of loss carry-forwards. Significant judgment is also required in assessing the collectability of accounts receivable and other receivables. Factors considered in assessment of collectability included the ability of the counterparty to pay and the actions available to the Company to enforce collection.

7. SELECTED ANNUAL INFORMATION

	Fiscal 2014	Fiscal 2013	Fiscal 2012
Service and sales revenue[1]	**$ -**	$ -	$ 1,244
Operating expense (recovery)	**(347)**	2,360	2,662
Restructuring expense (recovery)	**(2,837)**	912	(1,041)
Interest income	**25**	24	8
Gain on sale of ONEnergy shares[2]	**-**	447	-
Equity interest in ONEnergy losses[2]	**-**	(245)	(1,655)
Income (loss) before comprehensive income (loss)	**3,209**	(3,046)	(2,024)
Fair value adjustment in ONEnergy[2]	**(492)**	(652)	-
Income (loss) and comprehensive income (loss) for the year	**$ 2,717**	$ (3,698)	$ (2,024)
Income (loss) per share			
Basic and diluted	**$ 0.026**	$ (0.036)	$ (0.020)
Total assets	**6,269**	6,212	9,574
Total liabilities	**2,370**	5,030	4,694

[1] Revenue was pursuant to the Management Services Agreement with ONEnergy which expired on May 19, 2012.
[2] Refer to the section entitled “Overview - Investment in ONEnergy Inc. – Carrying value in ONEnergy”.

8. RESULTS OF OPERATIONS

Highlights of the results for the year ended August 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:
  - the Company reversed Jolian’s accrued enhanced severance of $2,853.
  - the Ontario Court of Appeal awarded costs to UBS 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 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 (recovery).
- UBS recorded income before comprehensive income for the year ended August 31, 2014 of $3,209, compared to a loss before comprehensive loss of $3,046 for the year ended August 31, 2013.
- Fair value of ONEnergy shares currently held by UBS decreased by $492 to $2,281, due to a decrease in ONEnergy’s bid prices as at August 31, 2014 to $0.085 and $0.08 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 August 31, 2014, UBS held cash and short-term investments totaling $2,042, compared to cash of $2,869 as at August 31, 2013. The decrease was due primarily to the settlement of accounts payable.

Operating expense (recovery)

	Year ended August 31, 2014	Year ended August 31, 2013
Compensation	**$ 165**	$ 242
General and administrative	**(512)**	2,118
Total operating expense (recovery)	**$ (347)**	$ 2,360

Compensation

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

During the year ended August 31, 2014, the Company expensed $165 in compensation (2013 - $242). 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:

	Year ended August 31, 2014	Year ended August 31, 2013
CCAA expenses	**$ 443**	$ 2,305
Cost recovery	**(1,237)**	-
Reversal of legal accruals	**-**	(551)
Recovery of legal expenses from insurance provider	**(27)**	(5)
Professional fees	**271**	334
Office and general	**38**	35
Total general and administrative expenses	**$ (512)**	$ 2,118

<u>CCAA expenses</u>

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 advancement of the CCAA claims process.

During the year ended August 31, 2014, CCAA expenses decreased by 80.8% to $443 over expenses totaling $2,305 during fiscal 2013. Higher costs during fiscal 2013 resulted mainly from the timing of the CCAA claims advancement, and costs arising from the trial between UBS and the Jolian Parties which was completed on March 1, 2013.

<u>Cost recovery</u>

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, UBS was awarded costs for both the trial between the Jolian Parties and UBS during fiscal 2013 and the appeal and cross-appeal heard on June 17, 2014. Costs totaling $1,232 on a substantial indemnity scale, exclusive of HST, were recorded as a receivable owed by the Jolian Parties and offset to general and administrative expense (recovery) (refer to the section entitled "Overview – Significant current events –Decision on Costs"). An additional $5 was recorded during fiscal 2014 pursuant to a cost order of His Honour Justice Sharpe.

Reversal of legal accruals

Pursuant to the Mesbur Decision, which disallowed the Jolian Parties' claim for indemnification, during fiscal 2013, the Company reversed $511 of legal accruals from accrued liabilities to general and administrative.

Recovery of legal expenses from insurance provider

During fiscal 2014, the Company recovered $27 from its insurance provider (2013 - $5), 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 year ended August 31, 2014, professional fees decreased by $63 or 18.9% over the year ended August 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.

	Year ended August 31, 2014	**Year ended August 31, 2013**
Reversal of accrued restructuring liabilities due to related parties	**$ -**	$ (1,800)
Interest reversal	**-**	(199)
Interest expense	**16**	58
Jolian Parties enhanced severance accrual (reversal)	**(2,853)**	2,853
Total restructuring charges (recovery)	**$ (2,837)**	$ 912

During the year ended August 31, 2014, UBS expensed $16 in accrued interest on the awards due to related parties (2013 - $58), and reversed the Jolian Parties enhanced severance accrual totaling $2,853, which was disallowed in the decision of the appeal and cross-appeal released on July 10, 2014. The enhanced severance was originally accrued during fiscal 2013, pursuant to the Mesbur Decision. The Mesbur Decision also disallowed the Jolian Parties' bonus and SAR cancellation claims and interest totaling $1,999, and these were reversed during fiscal 2013 (refer to the section entitled "Overview – Significant current events – Ontario Court of Appeal Decision").

Interest and financing charges

For the year ended August 31, 2014, interest income of $25 was recognized (2013 – $24).

Income taxes

As at August 31, 2014, UBS had $17,476 in non-capital income tax losses with expiry dates between 2015 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 income before comprehensive income for the year ended August 31, 2014 amounted to $3,232, or $0.033 per share (basic and diluted), and the income and comprehensive income totaled $2,740, or $0.027 per share (basic and diluted).

The comparative loss before comprehensive loss for the year ended August 31, 2013 amounted to $3,046, or $0.030 per share (basic and diluted), and the loss and comprehensive loss totaled $3,698, or $0.036 per share (basic and diluted).

9. QUARTERLY FINANCIAL RESULTS

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

	Fiscal 2014				Fiscal 2013			
	Aug 31	**May 31**	**Feb 28**	**Nov 30**	**Aug 31**	**May 31**	**Feb 28**	**Nov 30**
Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating and restructuring expenses/(recoveries) before interest, equity interest in ONEnergy's losses, and gain on sale of ONEnergy shares	502	(4,163)[1]	235	242	338	797	1,454	683
Interest income/(loss)	5	5	7	8	9	10	2	3
Equity interest in ONEnergy's losses	-	-	-	-	-	-	(123)	(122)
Gain on sale of ONEnergy shares[2]	-	-	-	-	-	-	447	-
Income/(loss) before comprehensive income (loss)	(497)	4,168	(228)	(234)	(329)	(787)	(1,128)	(802)
Fair value adjustment in ONEnergy[2]	708	(645)	(832)	277	-	-	(652)	-
Income/(loss) and comprehensive income/(loss) for the period	$ 211	$ 3,523	$ (1,060)	$ 43	$ (329)	$ (787)	$ (1,780)	$ (802)
Income (loss) per share from operations – basic and diluted	$(0.005)	$ 0.041	$(0.002)	$(0.002)	$(0.003)	$(0.008)	$(0.011)	$(0.008)
Comprehensive income (loss) per share – basic and diluted	$ 0.007	$ (0.007)	$(0.008)	$ 0.002	-	-	$(0.006)	-
Income (loss) per share								
Basic and diluted	$ 0.002	$ 0.034	$(0.010)	-	$(0.003)	$(0.008)	$(0.017)	$(0.008)

(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.

10. LIQUIDITY AND CAPITAL RESOURCES

UBS held cash and short-term investments of $2,042 as at August 31, 2014, compared to cash and cash equivalents of $2,869 as at August 31, 2013. Cash and cash equivalents, totaling $338 (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 $1,704 (August 31, 2013 - $nil), include 90-day cashable guaranteed investment certificates ("GICs") with original maturities of one year from the purchase date.

Cash used in operating activities for the year ended August 31, 2014 was $827, compared to $2,570 for the year ended August 31, 2013. The higher cash flow during fiscal 2013 was due primarily to costs associated with the advancement of the CCAA claims process, and the Jolian Trial.

There were no financing activities for the years ended August 31, 2014 or 2013.

Cash used in investing activities totaled $1,704 for the year ended August 31, 2014, due to the purchase of GICs during the fiscal year totaling $1,700 and interest received on short-term investments of $4. The effective interest rate of held certificates is 1.33% and all are fully redeemable at any time by the Company, at its discretion.

Cash provided by investing activities during the year ended August 31, 2013 amounted to $3,804, 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"), and interest received on short-term investments of $16.

UBS has incurred operating losses and negative cash flows from operations in recent years and, as at August 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.

11. SHARE CAPITAL

As at August 31, 2014 and 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 years ended August 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 December 18, 2014, there were no changes to the number of issued and outstanding shares.

12. STOCK BASED COMPENSATION

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

13. 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 reversal fiscal 2014	Balance as at August 31, 2014
Jolian Parties[1]	$ 1,957	$ 42	$ (1,999)	$ 2,853	$ 2,853	$ -	$ (2,853)	$ -
Dolgonos Parties[2]	500	-	-	-	500	-	-	500
Mr. Reeson[3]	505	16	-	-	521	16	-	537
Total	**$ 2,962**	**$ 58**	**$ (1,999)**	**$ 2,853**	**$ 3,874**	**$ 16**	**$ (2,853)**	**$ 1,037**

(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 (recovery).

Details of the accrued restructuring awards granted in fiscal 2009, as at August 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 August 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
Mr. Reeson	1,650	465	-	72	-	-	-	537
Former UBS directors and CFO – settled	3,150	915	1,000	54	(199)	-	(1,770)	-
TOTAL	**10,800**	**$ 2,310**	**$ 3,400**	**$ 450**	**$ (199)**	**$ 3,353**	**$ (8,277)**	**$ 1,037**

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

(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 year ended August 31, 2014 totaled $189 (2013 - $288) which included $105 paid to directors (2013 - $135).

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 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.

The Jolian Trial was completed on March 1, 2013. On May 21, 2013, the Honourable Madam Justice Mesbur found that the former UBS board, including Mr. McGoey, failed to consider the interests of shareholders and breached their fiduciary duties.

Based on these findings, Her Honour disallowed the Jolian Parties' claims for (i) payment in respect of the cancellation of Jolian’s share appreciation rights, (ii) payment of a deferred bonus; and (iii) indemnification, and 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, 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 was approximately $2,853.

An appeal and cross-appeal were heard on June 17, 2014 and the Court of Appeal of Ontario released its decision on July 10, 2014, granting the Company's appeal and dismissing the Jolian Parties' cross-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. Therefore the Company has reversed $2,853 to restructuring expense (recovery).

The Ontario Court of Appeal awarded costs to UBS 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 trial were determined on a substantial indemnity scale to be $1,324 (refer to the section entitled "Overview – Significant current events –Decision on Costs"). Costs were recorded as a receivable owed by the Jolian Parties and offset to general and administrative expense (recovery).

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.

Reeson claims

Former director, Mr. Douglas Reeson ("Mr. Reeson"), served a statement of claim on UBS 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.

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	August 31, 2014	August 31, 2013
Currently due	**$1,404**	$ 17
Past due by 90 days or less and not impaired	**-**	200
Past due by greater than 90 days and not impaired	**200**	-
	$1,604	**$ 217**

Interest rate risk

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