

Uniserve Communications Corporation

Management's Discussion and Analysis February 29, 2008

April 28, 2008

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Included herein is a "Caution Concerning Forward-Looking Statements" section which should be read in conjunction with this report.

The following should also be read in conjunction with Management's Discussion and Analysis for the year ended May 31, 2007 and the Consolidated Financial Statements and the notes thereto and the unaudited interim Consolidated Financial Statements of the current quarter.

Additional information on the Company's products and services is available at the Company's website at www.uniserve.com and in the Company's public filings at www.sedar.com.

About the Business

Uniserve operates under three distinct brands. Uniserve as a retail communications services provider delivers voice and data services to over 85,000 retail consumers and small businesses across Canada. Under the Parasun banner, the Company delivers voice and data services to over 180,000 high-speed consumers through partnerships with over 200 cable system operators primarily in the USA, and, over the past year, Uniserve has been developing a social networking application under the Kinzin.com banner (currently in a public "beta" test) and has had, since October 2007, over 1 million people use their applications. "Kinzin.com", is a private social network for families, designed to enhance family communications, and create an archive for family culture. The site offers applications that allow close friends and family to share private information in a convenient and entertaining way.

Non-GAAP Financial Measures

The Company's continuous disclosure documents may provide discussion and analysis of non-GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP and therefore may not be comparable to similar measures disclosed by other companies. The Company utilizes these measures in making operating

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decisions and assessing its performance. Certain investors, analysts and others, utilize these measures in assessing the Company's financial performance and as an indicator of its ability to service debt. These non-GAAP financial measures have not been presented as an alternative to net income or any other measure of performance required by Canadian GAAP.

This following describes the Company's use of non-GAAP financial measures and provides a reconciliation of the non-GAAP financial measures to the most comparable Canadian GAAP financial measures.

EBITDA

The Company defines EBITDA as earnings before interest, taxes, amortization (including amortization of stock-based compensation) and variable compensation.

EBITDA, among other measures, is used by the Company to assess the operating performance of our ongoing businesses without the effects of amortization expense and other items. Variable compensation is excluded as it is a performance amount based on EBITDA. The amortization of the Company's stock option plan is also excluded as it is a non-cash expense and does not impact the Company's ability to service its debt.

The Company believes that certain investors and analysts use EBITDA to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry. EBITDA allows the Company to compare its operating performance on a consistent basis. The most comparable Canadian GAAP financial measure is net income (loss). The table below reconciles net income (loss) to EBITDA on a consolidated basis.

Amounts in CDN\$	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 Q4
Net income (loss) ⁽¹⁾	\$(1,151,266)	\$(194,646)	\$(1,103,453)	\$(1,804,379)	\$38,597	\$117,716	\$234,738	\$(413,210)
Variable compensation expense	86,949	122,299	200,117	60,000	-	-	-	60,000
Amortization expense	1,174,000	352,199	1,138,865	461,163	317,551	313,841	315,464	485,415
Interest expense	855,954	698,119	882,487 ⁽²⁾	629,136	193,625	223,042	118,861	225,477
Income tax expense (recovery)	(132,300)	90,000	90,000	(23,066)	-	-	-	377,000
Stock Option Amortization	35,149	35,149	-	467,399	-	-	-	-
EBITDA	\$868,486	\$1,103,120	\$1,208,016	\$(209,747)	\$549,773	\$654,599	\$669,063	\$734,682

(1) Includes gain on US\$ denominated debt of \$96,780 in Q1 2008, \$616,025 in Q2 2008 and \$156,000 in Q3 2008.

(2) Includes non-cash option expense relating to the transaction financing of \$258,082 and one-time bridge loan financing expense of \$120,000.

Summary of Unaudited Quarterly Results

Amounts in CDN\$	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 Q4
Revenues	\$8,266,102	\$8,263,828	\$8,880,973	\$5,895,419	\$5,816,651	\$5,717,142	\$5,868,237	\$5,941,956
Net income (loss) before taxes	(1,283,566)	(104,646)	(1,013,453)	(1,804,379)	38,597	117,716	234,738	(41,924)
Net income (loss)	(1,151,266)	(194,646)	(1,103,453)	(1,804,379)	38,597	117,716	234,738	(413,210)
Net income (loss) per share	\$(0.05)	\$(0.01)	\$(0.05)	\$(0.09)	\$0.00	\$0.01	\$0.01	\$(0.02)

Third Quarter Ending February 29, 2008

Revenue

Third quarter consolidated revenues were \$8,266,102, an increase of \$2,449,451 (42.1%) over the same period the previous year. The revenue increase is attributable to the incorporation of revenues from the acquisition of Parasun Technologies Inc. ("Parasun") and Knowledge Based Telephony Systems Corp. ("KBT") at the end of the fourth quarter for the year ended May 31, 2007. Revenue for Parasun and KBT for Q3 was \$2,851,528.

The revenue for Q3 is only \$2,274 higher than Q2. The dial revenue for the current quarter declined by approximately \$129,000 compared to Q2. This decrease was more than offset by the increase in the wholesale business.

Gross Margin

Gross margin for the current quarter was \$4,913,710 compared to \$2,986,100 for the previous year. Gross margin in the current quarter was 59.4% compared to 51.3% for the prior year. The increase in the gross margin was due mostly to a credit of approximately \$418,000 in telecommunication costs that was recorded in the current period.

Operations and Service Delivery Costs

Operations and service delivery costs were \$3,871,600 compared to \$2,215,170 in the same quarter the previous year, an increase of \$1,656,430 or 74.8%. Of this increase \$1,497,366 is for Parasun and KBT. Operations and service delivery costs as a percentage of revenue was 46.8% compared to 38.1% over the same period last year. This is due to the higher operations and service delivery costs in the operations of Parasun and KBT. Cost savings are expected to be realized as the combined companies continue to merge common internal functions.

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Sales and Marketing

Sales and marketing expenditures were \$411,921 for the quarter, as compared to \$221,157 for the same period last year an increase of 86.3%. The increase is due to the acquisition of Parasun and KBT at the end of fiscal 2007.

Amortization

Amortization expense for the quarter was \$1,209,749; amortization expense for the same period in the previous year was \$317,551. The increase is due to the inclusion of the amortization expense for the acquired companies and the amortization of the intellectual property and customer lists of the acquired companies. Stock option amortization expense for the quarter was \$35,149.

Interest and Bank Charges

Interest and bank charges for the quarter were \$855,954 compared with \$188,297 for the same period last year. The increase is attributable to the addition of the debt that was incurred to complete the purchase of Parasun and KBT. In Q3 the Company agreed to pay \$50,000 per month for six months commencing December 2007 as part of a temporary relaxation of the financial covenants with its principal lender. The Company's newly acquired business was adversely affected by the rapid appreciation of the Canadian dollar versus the US dollar and there were unanticipated post transaction closing costs that negatively impacted the company's financial ratio. As of February 29, 2008, the Company is in compliance with the debt covenants.

Earnings per Share

Net loss for Q3 is \$0.05 per share compared to a net income of \$0.00 for the same period last year. Net loss for current year to date is \$0.10 per share compared to a net income of \$0.02 for the prior year.

Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since May 31, 2007. A discussion of risks affecting the Company and its business is set forth in the Company's May 31, 2007 MD&A under the Introduction to the Business – Known Events, Trends, Risks and Uncertainties in Management's Discussion and Analysis.

Financial Position

Total Assets

Total assets at February 29, 2008 were \$31,138,842 compared to \$38,733,029 at May 31, 2007. Following is a discussion of significant changes in the consolidated balance sheet since May 31, 2007.

Current Assets

Current assets decreased by \$5,775,000 due to decreases in cash of \$5,560,000 and investment tax credits receivable of \$582,000 and an increase in accounts receivable of \$232,000 and prepaid expenses of \$128,000. Cash decreased significantly as \$3,971,000 of the amounts due to vendors of businesses acquired were paid and the balance of the \$3,000,000 promissory note was repaid.

Equipment and Software

Equipment and software decreased by \$288,000 as current year amortization exceeded current year capital expenditures.

Intangible and other assets and Goodwill

Intangible and other assets decreased by \$1,898,000 due to the amortization of the intangible and other assets and a reallocation of the purchase price from intangible and other assets to goodwill. Goodwill increased by \$367,000 due to the purchase price reallocation.

Current Liabilities

Current liabilities, excluding the current portion of long term debt, decreased by \$5,855,000 due to decreases in due to vendors of businesses acquired of \$3,971,000, income taxes payable of \$312,000, deferred revenue of \$132,000, bank indebtedness and notes payable of \$1,693,000, and due to related parties of \$164,000. These decreases were partially offset by an increase of \$483,000 in accounts payable and accrued liabilities.

The due to related party amount consists of two loans payable to a director and shareholder of the Company for \$1,000,000 and \$650,000 for a total of \$1,650,000 as at February 29, 2008.

Long-Term Debt

Total long-term debt decreased by \$65,000 due primarily to debt repayments, partially offset by an increase in the debt portion of preferred shares of \$430,000 and a bank

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demand loan of \$216,000. The current portion of the long term debt is \$66,000 at February 29, 2008.

Share Capital

As of February 29, 2008, the Company had 22,924,367 common shares outstanding (May 31, 2007 – 22,924,367).

On February 28, 2008, the Company received \$500,000 for 1,428,572 units of common shares to be issued. The proceeds have been recorded as contributed surplus as at February 29, 2008 and upon issuance will be reclassified to share capital.

As of February 29, 2008, the Company has 1,792,500 stock options outstanding with exercise prices of \$0.50 to \$0.65, of which 1,395,000 are exercisable as of February 29, 2008. No additional options have been issued as of April 28, 2008.

On May 31, 2007, the Company announced the offering by way of private placement of \$5,000,000 in Series A Convertible Preferred Shares. These Preferred Shares are convertible to common shares at \$0.75 in year one, \$0.80 in year two, \$0.90 in year three, \$1.05 in year four and \$1.25 in year five and carry a cumulative dividend rate of 8%. The Company can, at its option, force conversion, if, at any time during the term, the common shares of the Company trade at 200% of the conversion price then in effect for a period of 30 days. The Preferred Shares are redeemable at the option of the holder on or after the fifth anniversary of the date of issue.

The first tranche of 316,500 Preferred Shares was issued on May 24, 2007 for proceeds of \$3,165,000. On June 28, 2007, the Company issued a second tranche of 60,000 Preferred Shares for gross proceeds of \$600,000. On August 28, 2007, the Company issued a third tranche of 25,000 Preferred Shares for gross proceeds of \$250,000. On November 27, 2007, the Company issued a fourth tranche of 25,000 Preferred Shares for gross proceeds of \$250,000. On December 5, 2007, the Company issued a fifth tranche of 2,000 Preferred Shares for gross proceeds of \$20,000.

As the Company may be required to redeem the preferred shares for cash, they have been classified as long-term debt with the value of the conversion right included in other equity instruments. Of the total \$4,285,000 received from the issuance of the preferred shares \$2,701,441 was allocated to long-term debt and \$1,583,559 was allocated to the conversion right. The carrying value of the amount allocated to long-term debt is being accreted to the face value of the preferred shares over a five year period. As at February 29, 2008 the debt portion of the preferred shares is \$2,425,206 and the equity portion is \$1,859,794.

Liquidity and Capital Resources

As of February 29, 2008 the Company had a working capital deficiency of \$7,389,596 (May 31, 2007 – deficiency of \$7,403,294). The Company's working capital deficiency increased from \$7,248,641 at the end of Q2 due to the Q3 operating loss. This was partially offset by the \$500,000 raised from the common stock to be issued and \$20,000

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from the issuance of preferred shares. The short-term notes payable of \$1,650,000 are due to a related party.

The Company had positive cash flow from operations but incurred net losses primarily from the amortization of customer lists and other intangible assets and interest expense on the debt.

The Company has made some adjustments to its operating model in order to reduce operating costs and will continue to do so until such time that the Company generates sufficient cash flow from operations to meet its obligations as they become due.

On March 18, 2008 the Company announced a private placement of up to 3,000,000 units of the Company at \$0.35 per unit for gross proceeds of \$1,050,000 (see “Contractual Obligation and Commitments”).

Contractual Obligations and Commitments

During the previous year and throughout the first three quarters the Company renegotiated supplier agreements resulting in shorter term obligations. In addition, more of the Company’s services fall under tariffs set and regulated by the CRTC (Canadian Radio and Telecommunications Commission), reducing the need for long term contracts for pricing and provision of these services. Further, the Company has amalgamated a number of contracts amongst its service providers to take advantage of its purchasing power in the marketplace. These matters have increased the Company’s flexibility in managing its margins in future periods.

Outstanding commitments are as follows, as at May 31, 2007.

Year ending May 31	2008	2009	2010	2011	2012 and Beyond	Total
Related party debt repayments	1,813,944	-	-	-	-	\$1,813,944
Long term debt repayments	-	-	US\$750,000	US\$750,000	US\$8,500,000	US\$10,000,000
Supplier commitments	1,631,300	14,400	-	-	-	\$1,645,700
Operating leases	1,192,000	817,000	792,000	712,000	608,000	\$4,121,000

On March 18, 2008, the Company announced the offering by way of private placement of up to 3,000,000 units of common shares at \$0.35 per unit. Each unit consists of one common share and one-half share purchase share warrant. Each full warrant will be exercisable into common shares at \$0.45 for a period of two years.

On February 28, 2008, the Company received \$500,000 for 1,428,572 units of common shares to be issued. The proceeds have been recorded as contributed surplus as at February 29, 2008 and upon issuance will be reclassified to share capital.

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Subsequent to February 29, 2008 the Company received \$527,275 for 1,506,500 units of common shares to be issued.

Subsequent to February 29, 2008 Parasun entered into a lease agreement for new office premises for a period of eight years commencing July 1, 2008. The Company plans to relocate its head office and consolidate its BC operations in New Westminster in the new leased premises.

Update to Critical Accounting Policies and Estimates

The Management's Discussion and Analysis ("MD&A") for the Company's fiscal year ended May 31, 2007 outlined critical accounting policies including key estimates and assumptions that management has made under these policies and how they affect the amounts reported in the Consolidated Financial Statements. The MD&A also describes significant accounting policies where alternatives exist. The unaudited interim Consolidated Financial Statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

Caution Concerning Forward Looking Statements ^(1,2)

Certain statements contained in this MD&A constitute forward-looking statements. In addition, other oral or written statements which constitute forward-looking statements may be made from time to time by or on behalf of Uniserve Communications Corporation. These forward-looking statements relate to the future financial condition, results of operations, or business of UCC. These statements may be based on current expectations and estimates about the markets in which UCC operates and management's beliefs and assumptions regarding these markets. These statements are subject to risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking statements contained in this MD&A may differ materially from actual results or events. Forward-looking statements contained in this MD&A represent UCC's expectations and intentions as of the date hereof. UCC disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

In particular, forward-looking statements do not reflect the potential impact of any mergers, acquisitions, divestitures, or other business combinations, or other transactions that may be announced. Investors are cautioned against attributing undue certainty to forward-looking statements.

¹ In some cases, forward-looking statements may be identified by words such as "anticipate", "could", "expect", "seek", "may", "intend", "will", and similar expressions.

² Securities laws encourage companies to disclose forward-looking information so that investors can get a better understanding of the company's future prospects and make informed investment decisions.