

**Uniserve Communications Corporation
Management's Discussion and Analysis
May 31, 2008**

October 30, 2008

Overview

The following discussion of results contains information relevant to the operations of Uniserve Communications Corporation ("the Company", "Uniserve", or "UCC") as at the date of issuance of these statements. Unless otherwise stated, information is current to October 30, 2008, and all amounts are stated in Canadian dollars and results have been recorded and presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). For additional financial details, please refer to the complete audited annual financial statements as at May 31, 2008.

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 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. The Parasun business was sold in October 2008, see "Subsequent Events." Uniserve has continued the development of 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 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 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.

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EBITDA

The Company defines EBITDA as earnings before interest, foreign exchange, income taxes, amortization of capital and intangible assets, stock-based compensation, write-down of goodwill and intangible assets, variable compensation and other non-cash financing related charges.

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.

	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Net income (loss)	(2,752,951)	(1,151,266)	(194,646)	(1,103,453)	(1,804,379)	38,579	117,716	234,738
Variable compensation expense	232,472	86,949	122,299	200,117	60,000	-	-	-
Amortization expense ⁽¹⁾	667,505	1,174,000	352,199	1,138,865	461,163	317,551	313,841	315,464
Write-down of intangible assets and goodwill	1,017,572	-	-	-	-	-	-	-
Foreign exchange gain	(722,677)	-	-	-	-	-	-	-
Loss on settlement of note payable	149,057	-	-	-	-	-	-	-
Accretion to face value of subordinated debt and preferred shares	712,787	-	-	-	-	-	-	-
Interest expense	458,808	855,954	698,119	882,487	629,136	193,625	223,042	118,861
Income tax expense (recovery)	(813,527)	(132,300)	90,000	90,000	(23,066)	-	-	-
Stock option Amortization	(70,298)	35,149	35,149	-	467,399	-	-	-
EBITDA	(1,121,252)	868,486	1,103,120	1,208,016	(209,747)	549,755	654,599	669,063

⁽¹⁾ Includes amortization of property and equipment, intangible assets and deferred finance costs.

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The table below shows EBITDA on an annual basis.

	For the years ended May 31,		
	2008	2007	2006
	\$	\$	\$
EBITDA	2,058,370	1,663,670	2,156,768

The 2008 EBITDA of \$2,207,427 is \$543,757 (33.3%) higher than the prior year. This is mostly due to the acquisition of Parasun at the end of fiscal 2007 and an emphasis on controlling costs.

Annual financial highlights

The following selected Annual Information includes information from filed audited annual financial statements.

	For the years ended May 31,		
	2008	2007	2006
	\$	\$	\$
Income statement			
Revenues	33,570,473	23,297,449	18,204,986
Loss before income taxes	(5,968,143)	(1,436,394)	(748,138)
Income tax recovery (expense)	765,827	23,066	(377,000)
Net loss	(5,202,316)	(1,413,328)	(1,125,138)
Net loss per share	-0.23	-0.06	-0.07
Balance sheet			
Current assets	4,103,676	10,716,756	1,319,612
Total assets	29,583,629	38,733,029	11,124,314
Current liabilities	13,917,933	18,120,050	7,678,739
Total liabilities	27,514,545	32,472,812	8,033,321
Long-term debt included in total liabilities (including current portion)	11,314,229	10,824,985	907,053
Amounts due to related parties included in total liabilities (including current portion)	1,893,458	1,813,944	1,688,715

Year Ending May 31, 2008

Revenue

Consolidated revenues of \$33,570,473 represent an increase of \$10,273,024 (44.1%) over the prior year. The increase is mainly attributable to the acquisitions of Parasun Technologies Inc. on May 24, 2007, Knowledge Based Telephony Systems Corp. on May 23, 2007 and the start-up on February 1, 2007 of Uniserve Professional Services ("UPS"), which is operated as a division of Uniserve. Over the year the Company continued to transition its revenue streams away from a dependence on the reselling of dial-up Internet access towards a more diversified and sustainable combination of revenue that includes revenue from its own proprietary products. Revenue was negatively impacted by the decrease in the value of the CDN\$ ranging from \$0.92 to \$1.10. The result was a significant reduction in the value of US\$ denominated revenue over the year. The acquisition of the principal competitor of our US business by an affiliate of a major US Bank

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resulted in a significant increase in competition in that market, resulting in a lower than anticipated rate of growth.

Cost of Sales

Consolidated cost of sales of \$13,856,917 increased by \$2,567,143 (22.7%) from the previous year. The increase is mainly attributable to the acquisition of Parasun, and KBT at the end of prior year and the inclusion of a full year of operations for UPS compared to the prior year when there was only four months of operations.

Gross margin

Consolidated gross margin of \$19,713,556 increased by \$7,705,881 (64.2%) from the previous year. The consolidated gross margin as a percentage of revenue was 58.7% compared to 51.5% last year. The increase in the total gross margin can be attributed to Parasun, KBT and UPS. The increase in gross margin as a percentage of revenue resulted from the growing base of higher margin products from Parasun, KBT and UPS.

Operations and service delivery costs

Operations and service delivery costs of \$16,707,657 increased by \$7,390,112 (79.3%) from the previous year. The increase in costs is higher than the increase in revenue mainly due to the higher subscriber contact centre expenses associated with Parasun. The higher operation and service delivery costs are partially offset by the higher gross margin this year.

Sales and marketing

Consolidated sales and marketing expenditures grew by 36.2% to \$1,589,366 from \$1,166,820 the previous year. The increase is due to the acquisition of Parasun at the end of fiscal 2007. The increase in sales and marketing expense of 36.2% compares favorably to the 44.1% increase in revenue this year.

Amortization of capital assets

Amortization expense for the year related to equipment and leasehold improvements increased by 125.0% to \$1,299,745 compared with \$577,782 for the previous year. The increase in the amortization is a result of the 2008 property and equipment purchases of \$1,316,260 and the amortization of the capital assets acquired in the KBT and Parasun acquisitions at the end of the prior year.

Amortization of intangible assets

Amortization expense for the year related to customer lists and intellectual property increased by 110.2% to \$1,745,098 compared with \$830,237 for the previous year. The increase in the amortization is a result of the approximately \$9,300,000 of intangible assets resulting mainly from the acquisitions of Parasun and KBT at the end of fiscal 2007.

Write-down of goodwill and intangible assets

The total write-down of goodwill and intangible assets was \$1,017,572, comprised mainly of the write-down in the carrying value of KBT's customer list and intellectual property of \$863,866 and of goodwill relating to the acquisition of KBT of \$153,706. After these write-downs the carrying value of the intangible assets and goodwill associated with KBT is nil.

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Deferred product development costs

During the year \$1,100,893 was expended primarily as part of the Company's investment in its private social networking software application and related products and services. "Kinzin.com", is a private social network for families, designed to enhance family communications, and create an archive for family culture. The site offers family event calendars, private photo and video galleries, and a place to record family stories and milestones. The Company believes it is appropriate to defer the costs and amortize them against future revenue streams from these applications, which will include premium subscription fees, ad revenue and merchandizing revenues.

Interest and bank charges

Interest and bank charges totaled \$2,895,368 for the year, up from \$1,038,664 the previous year. The increase was mainly due to the US\$10,000,000 subordinated debt that was used to partially fund the Parasun and KBT acquisitions. In addition, there is \$180,026 related to dividends on the preferred shares which are recorded as interest expense as the preferred shares are shown as debt on the balance sheet and investment banker fees of \$113,229. The balance of the interest expense is for interest on the due from related parties, the revolving credit facility and capital leases. All of the debt, except for the preferred shares was paid down in conjunction with the sale of Parasun, see "Subsequent Events".

Income taxes

The current income tax expense for the year is \$606,291 compared to \$102,013 in the previous year. The increase is due mainly to the acquisition of Parasun. The future income tax recovery for the year is \$1,372,118 compared to \$125,079 in the previous year. The increase is mainly due to the amortization of the Parasun intangible assets, and the amortization and write-down of the KBT intangible assets.

Summary of Unaudited Quarterly Results

	Quarter ending							
	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	8,159,570	8,266,102	8,263,828	8,880,973	5,895,419	5,816,651	5,717,142	5,868,237
Net income (loss) before taxes	(3,566,478)	(1,283,566)	(104,646)	(1,013,453)	(1,804,379)	38,597	117,716	2,347,383
Net income (loss)	(2,752,951)	(1,151,266)	(194,646)	(1,103,453)	(1,804,379)	38,597	177,716	234,738
Net income (loss) per share	(0.12)	(0.05)	(0.01)	(0.05)	(0.09)	0.01	0.01	0.01

Parasun and KBT were acquired at the end of fiscal 2007. As a result of these acquisitions the quarterly revenue increased significantly in the first quarter of fiscal 2008.

Fourth Quarter Ending May 31, 2008

Revenue

Fourth quarter consolidated revenues were \$8,159,570, an increase of \$2,264,151 (38.4%) from the previous year. The increase is due to the acquisition of Parasun and KBT at the end of fiscal 2007.

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Gross margin

Gross margin for the quarter was \$4,663,915, an increase of \$1,952,100 (72.0%) from the previous year. Gross margin as a percentage of sales was 57.2% of revenues, compared to 46.0% for the same period last year. The increase in total gross margin is due to the acquisition of Parasun and KBT at the end of fiscal 2007. The increase in the gross margin % is due mostly to the higher gross margins of Parasun.

Operations and service delivery costs

Consolidated operations and service delivery costs were \$4,980,409 compared to \$3,235,341 in the same quarter the previous year, an increase of \$1,745,068 (53.9%). The increase is higher due to the acquisition of Parasun and KBT at the end of fiscal 2007.

Sales and marketing

Consolidated sales and marketing expenditures were \$379,382 for the quarter, as compared to \$269,169 for the same period last year an increase of \$110,213 (40.9%). The increase is mainly due to the acquisition of Parasun at the end of fiscal 2007.

Amortization

Amortization expense for the quarter was \$1,756,581, an increase of \$1,295,418 (280.9%) over the same period last year. The increase in the amortization is a result of the approximately \$9,320,000 of intangible assets acquired in the acquisitions of Parasun and KBT at the end of fiscal 2007. In addition, the total reported amortization expense includes write-downs of the carrying value of customer lists and intellectual properties totaling \$863,866 and the write-down of the goodwill in the amount of \$153,706 relating to the acquisition of KBT.

Interest and bank charges

Interest and bank charges for the quarter were \$458,808 compared with \$348,931 for the same period last year. The amount for the current quarter is lower than expected due to a year end adjustment to the interest charges on the subordinated debt and the long-term debt.

Liquidity and capital resources

As of May 31, 2008 the Company has a working capital deficit of \$9,814,257 compared to a deficit of \$7,403,294 in the prior year.

The Company's current assets decreased to \$4,103,676 compared to \$10,716,756 the previous year. The majority of the decrease was due to the cash balance decreasing from \$5,711,271 at the end of last year to \$201,118 this year. The majority of the decrease in cash was due to the \$3,000,000 repayment of the promissory notes and the payment of \$3,638,734 that was due to the vendors of Parasun and KBT that were acquired at the end of fiscal 2007. These decreases were partially offset by the issuance of additional preferred and common shares in the amount of \$1,120,000 and \$527,277 respectively. In addition the Company established a revolving credit facility of \$1,500,000 during the year.

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The Company's current liabilities decreased to \$13,917,933 compared to \$18,120,050 the prior year. The majority of the decrease is due to repayment of the note payable and the repayment of the amounts due to vendors. This was partially offset by the revolving credit facility of \$1,500,000 and an increase in accounts payable of approximately \$1,500,000 and the addition of \$524,794 in capital leases.

Subsequent to year end, the Company completed the sale of Parasun. In conjunction with the sale, the subordinated debt, the due to related parties, revolving credit facility and capital leases were all paid out, resulting in a significant improvement in the liquidity of the Company. After the sale the only current debt outstanding is a bank demand loan which has a balance of \$198,035 as at May 31, 2008 and the only long term debt outstanding is the preferred shares which have a balance of \$3,008,229 as at May 31, 2008.

The Company believes that with its current working capital, in addition to its line of credit facility, cash flow from operations, and its ability to obtain financing from related parties and existing shareholders, it will have sufficient resources to carry on operations in the short term and in the long term to pursue its business plan.

Contractual obligations and commitments

The Company starting in the prior year 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.

The Company leases office space and equipment under non-cancelable operating leases expiring in various years through 2016 and also leases office furniture and computer hardware and software under non-cancelable capital leases. Minimum commitments under non-cancelable leases as at May 31, 2008 are as follows:

	2009	2010	2011	2012	2013 and Beyond	Total
	\$	\$	\$	\$	\$	\$
Supplier commitments	316,690	60,100	-	-	-	376,790
Operating leases (excluding Parasun premises)	465,629	318,863	219,634	85,289	-	1,089,415
Operating lease - Parasun premises	264,154	275,000	275,000	275,000	1,322,916	2,412,070

The operating lease for the rental premises are in the name of Parasun. After the sale of Parasun, Uniserve has agreed to split the costs associated with the rental premises.

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Related Party Transactions

	2008	2007
	\$	\$
\$1,000,000 loan payable to a director and shareholder of the Company, payable on demand, bearing interest at 15% per annum payable monthly, secured by a general security agreement granting first charge subject to permitted encumbrances over all assets of the Company (notes 6(a), 6(b))	912,055	1,000,000
\$650,000 loan payable to a director and shareholder of the Company, payable on demand, bearing interest at 18% per annum payable monthly, secured by a general security agreement granting first charge subject to permitted encumbrances over all assets of the Company (note 6(b))	581,403	650,000
\$400,000 loan payable to a company controlled by a director and shareholder of the Company, payable on demand, bearing interest at 18% per annum payable monthly, secured by a general security agreement granting first charge subject to permitted encumbrances over all assets of the Company (note 6(b))	400,000	-
\$750,000 promissory note payable to a director and shareholder of the Company maturing November 19, 2007 bearing interest at 13% per annum. Monthly principal repayments are \$26,087 to maturity with a final payment of \$32,968 on November 19, 2007	-	163,944
	1,893,458	1,813,944

The Company was charged \$100,000 in loan extension fees in the year ended May 31, 2008 (2007 - \$nil). These fees were outstanding as at May 31, 2008 (2007 - \$nil) and were included in accounts payable and accrued liabilities.

As at May 31, 2008 accumulated interest in arrears of \$141,603, \$113,520, and \$18,345 was included in accounts payable and accrued liabilities for the \$1,000,000, \$650,000 and \$400,000 loans respectively.

On October 7, 2008, subsequent to the balance sheet date, the \$1,000,000, the \$650,000 and the \$400,000 loans plus accrued interest amounts of \$190,493, \$151,141, \$43,938 respectively, were paid in conjunction with the sale of Parasun to IBBS, see "Subsequent Events".

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During the year ended May 31, 2007, the Company incurred costs associated with issuing 350,000 share purchase warrants to a director and shareholder for the extension of the expiry date of certain loan facilities. Each warrant entitled the holder to purchase one common share at an exercise price of \$0.40; the fair value of these warrants was \$66,500. These warrants expired on March 9, 2008.

One of the Company's subsidiaries entered into a lease agreement, commencing June 1, 2008 with a private company controlled by a director and shareholder.

Related party transactions are in the normal course of operations and are recorded at amounts established and agreed between the related parties.

Outstanding share data

As of May 31, 2008 the Company had 24,430,865 common shares outstanding, compared with 22,924,367 at the end of the previous year. During the year the Company issued 1,506,498 units in a private placement with each unit consisting of one common share and a warrant to acquire ½ a common share at an exercise price of \$0.45 for a two year period for proceeds of \$527,277.

As of May 31, 2008, the Company has 1,792,500 stock options outstanding at exercise prices of \$0.50 to \$0.65 of which 1,195,000 are exercisable as of May 31, 2008.

As of May 31, 2007 the Company had issued 3,500,000 warrants upon negotiation of the loans associated with the Parasun transaction, 350,000 warrants in connection with the renegotiation of certain loans and issued 415,000 units in a private placement to assist with the financing requirements of the professional services business, with each unit consisting of one common share and a warrant to acquire ½ a common share at an exercise price of \$0.75 for a period of 18 months.

As at May 31, 2008 there are 5,018,251 warrants outstanding with exercise prices ranging from \$0.45 to \$0.70 expiring from 2008 to 2012. Subsequent to the year end 415,000 warrants expired.

On June 28, 2007 the Company closed the second tranche of its Series A Preferred Share offering and issued 60,000 Preferred Shares. On August 28, 2007 the Company closed the 3rd tranche of its Series A Preferred Share offering and issued 25,000 shares. On November 27, 2007 the Company closed the 4th tranche of its Series A Preferred Share offering and issued 25,000 shares. On December 5, 2007 the Company closed the 5th tranche of its Series A Preferred Share offering and issued 2,000 shares.

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Subsequent to the balance sheet date on July 9, 2008 the Company issued 200,000 units consisting of one common share and a warrant to acquire ½ a common share at an exercise price of \$0.35 for a two year period for proceeds of \$70,000.

As of October 30, 2008 the number of common shares outstanding is 24,630,865.

As of October 30, 2008 there has been no further change in the number of stock options issued.

Subsequent events

On October 7, 2008, the Company completed the sale of its wholly owned subsidiary, Parasun to IBBS, for cash consideration of US\$20,000,000 in exchange for all of the issued and outstanding shares of Parasun. Of the purchase price, US\$2,500,000 US is to be held in escrow for a period of 1 year to satisfy any indemnification claims for any deficiencies in the representations and warranties and for any taxes owing up to the date of sale.

In conjunction with the sale, the long-term debt of US\$10,000,000 including an early payment fee of \$400,000 plus the accrued interest was repaid. Amounts due to related parties totaling \$1,893,458, capital lease obligations totaling \$524,794 and amounts due to vendors of businesses acquired totaling \$440,562 as at May 31, 2008 were also paid out in conjunction with the sale. In addition, the balance outstanding on the revolving line of credit was repaid.

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Subsequent events (continued)

As at May 31, 2008 the financial results associated with Parasun are as follows:

	2008	2008	2008
	Parasun	Uniserve Excluding Parasun	Uniserve Consolidated
Revenues	10,381,894	23,188,579	33,570,473
Gross margin	7,798,371	11,915,185	19,713,556
Expenses	8,000,659	13,628,933	21,629,592
Operating loss	(202,288)	(1,713,748)	(1,916,036)
Other income (loss)	(301,451)	(3,750,656)	(4,052,107)
Loss before income taxes	(503,739)	(5,464,404)	(5,968,143)
Income taxes	658,023	107,804	765,827
Net loss and comprehensive loss for the year	154,284	(5,356,600)	(5,202,316)
Current assets	2,589,967	1,513,709	4,103,676
Future income tax asset	-	225,661	225,661
Property and equipment	1,066,440	2,152,137	3,218,577
Intangible and other assets	9,436,915	2,378,909	11,815,824
Goodwill	4,932,807	5,287,084	10,219,891
Total assets	18,026,129	11,557,500	29,583,629
Current liabilities	2,354,247	11,563,686	13,917,933
Long-term debt	0	11,314,229	11,314,229
Future income tax liability	2,274,048	8,335	2,282,383
Total liabilities	4,628,295	22,886,250	27,514,545
Shareholders' equity	13,397,834	(11,328,750)	2,069,084
Total liabilities and shareholders' equity	18,026,129	11,557,500	29,583,629

Management report on internal controls over financial reporting

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and maintenance of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

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As required by Multilateral Instrument 52-109, the Company is required to evaluate the effectiveness of its disclosure controls and procedures as of the end of the year ended May 31, 2008 under the supervision and with the participation of the Chief Executive Officer and the Acting Chief Financial Officer. Based upon, and as of the date of this evaluation, the Chief Executive Officer and the Acting Chief Financial Officer concluded that our disclosure controls and procedures were not effective, as the Company did not maintain a sufficient complement of personnel with an appropriate level of knowledge, experience and training in the application of Canadian GAAP and in internal control over financial reporting commensurate with the Company's financial reporting requirements. In addition, there are weaknesses in the Company's information systems including weak access and program change controls and an undefined disaster recovery plan. In fiscal 2009 the Company will obtain additional finance resources and additional information systems resources to address these weaknesses. In light of these weaknesses, the Company performed additional analysis and other post-closing procedures to ensure our consolidated financial statements are prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Management of the Company, including our Chief Executive Officer and Acting Chief Financial Officer, do not expect that our disclosure controls and procedures of our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Uniserve have been detected.

Critical accounting estimates

This Management's Discussion and Analysis of the Company's financial condition and results of operations is based on its consolidated financial statements, which are prepared in accordance with Canadian generally accepted accounting principals. The Company's significant accounting policies are described in Note 2 to its consolidated financial statements. The preparation of these financial statements requires that certain estimates and judgments be made that affect the reported assets, liabilities, revenues and expenses. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Areas requiring the use of estimates include allowance for doubtful account of trade receivables, the rates of depreciation for software and equipment and amortization for intangible assets, the assumptions used in the determination of the fair value of stock-based compensation, the determination of the valuation allowance for future income tax assets and the net future cash flows attributed to intangible assets and goodwill for purposes of the allocation of purchase prices for acquisitions and determining impairment. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Company's operating environment changes. The Company considers the following to be its most critical accounting estimates:

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Impairment of long-lived assets

The carrying value of Long-lived assets, which include software and equipment, customer lists and intellectual property are periodically reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. This requires the Company to forecast future cash flows to be derived from the utilization of these assets based upon assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Taxes

Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. There are various tax returns which could be subject to audits in the future, the results of which could change the current and future tax positions of the Company. Further, there is uncertainty related to the amounts of deductions and tax pools realized in both acquired enterprises and the Company that could impact on the Company's tax position when clarified. Changes in circumstances and assumptions and clarifications of uncertain deductions and tax pools may require changes to the valuation allowances associated with the Company's future tax assets. The Company believes that adequate allowance have been provided for in the consolidated financial statements.

Purchase price allocation and goodwill impairment

The Company has closed a number of acquisitions historically which requires the allocation of the purchase price to the assets and liabilities acquired based on their fair value with the excess allocated to goodwill. The determination of fair value requires significant assumptions about future business conditions, technological developments, future cash flows and discount rates. Changes in assumptions effect the allocation between tangible assets, intangible assets and goodwill. Furthermore, the Company performs an annual impairment test requiring the determination of the fair value of the reporting units to which goodwill relates and comparing the fair value to the carrying value. Significant unanticipated changes to these assumptions could require a provision for impairment.

Future accounting policies

The following accounting pronouncements have been released but have not yet been adopted by the Company.

(i) Capital disclosures:

In October 2006, the Accounting Standards Board (AcSB) issued Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires disclosure of: an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically June 1, 2008 for the Company. The Company is currently assessing the impact of the new standard.

(ii) Financial instruments - disclosures:

In October 2006, the CICA issued Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation, which supersedes Sections 3861, Financial Instruments - Presentations and Disclosures. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Section 3862 requires disclosures, by class of financial instrument that enables users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable.

This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically on June 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

(iii) Financial instruments - presentation:

In October 2006, the AcSB approved Section 3863, Financial Instruments - Presentation, which replaces Section 3861, Financial Instruments - Disclosure and Presentation. The existing requirements on presentation of financial instruments have been carried forward unchanged to Section 3863, Financial Instruments - Presentation.

This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically June 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

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(iv) International Financial Reporting Standards:

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact on the transition to IFRS on the Company's financial statements is not yet determinable.

(v) Goodwill and Intangible Assets:

In 2008, the CICA issued Handbook Section 3064 ("CICA 3064"), "Goodwill and Intangible Assets". CICA 3064 replaces Section 3062 "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing June 1, 2009. The Company is currently assessing the impact of the new standard.

Risks and uncertainties

UCC has identified the following significant business risks that affect its ability to continue the execution of its business plan. Accordingly, in evaluating the Securities of the Company, the following risks factors should be considered:

- (a) The Internet access, telephone services and web hosting markets are highly competitive and the competitive landscape includes companies of a much greater size than Uniserve. The Company may not be able to compete successfully against current or future competitors, many of who have greater financial resources.
- (b) The Company is pursuing growth by acquisition. There are risks associated with this acquisition strategy. These risks include:
 - (i) Possible difficulties in assimilating the acquired operations, personnel and costs related to restructuring;
 - (ii) Possible distraction of management's attention and disruption to ongoing business;
 - (iii) Possible difficulties to successfully incorporate acquired assets into the Company's business;
 - (iv) Possible difficulties in maintaining uniform standards, controls, procedures, and policies which could confuse subscribers or otherwise adversely affect the business's image or operations; and
 - (v) Possible changes in management or operations from a transaction may impair relations with employees and subscribers.

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- (c) Any future transaction could require:
 - (i) The issue of additional equity securities, which would dilute current shareholder interest in the Company, and/or
 - (ii) Additional debt, which could affect liquidity of the Company. The resulting expenses or amortization of goodwill could reduce net income or increase net losses from operations.
- (d) The company depends on continued use of the Internet and telephone networks by subscribers and continued subscriber access by means provided by the Company.
- (e) The market for Internet access, telephone and other related services is characterized by rapidly changing technology, industry standards, subscriber needs, and new service and product introductions. Such changes may render the company's existing technologies obsolete or less desirable. Offering new services may require significant amounts of capital, which the Company may or may not be able to raise on acceptable, or any, terms. Economies of scale in the industry may change significantly with advances in technology.
- (f) Additional capital may be required. The Company must continue to develop its services to compete and meet the increasing demands for service quality, availability, and competitive pricing. Significant funds may be required for purposes such as:
 - (i) Funding growth and increases in operating expenses to accommodate a larger organization;
 - (ii) Developing and introducing new products or services;
 - (iii) Funding acquisition or amalgamation related costs; and
 - (iv) Otherwise respond to unanticipated developments or competitive pressures.
- (g) If the company does not have sufficient cash resources in reserve, from operations, or a credit facility to meet the above-noted requirements, it will be necessary to seek alternative sources of financing. The Company may not be able to raise needed cash on acceptable terms or at all. A financing may be completed on terms that are dilutive to shareholders.
- (h) The business depends on its network infrastructure capacity. Future success depends on the capacity, reliability and security of the network infrastructure of the Company including both owned equipment and services from third party network providers.
- (i) Network security breaches and inappropriate use by Internet users. Future success depends on the security of the Company's networks and those of its third party service providers.

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- (j) Attracting and retaining key personnel. Future success depends on the continued efforts of the senior management team and its technical, marketing, finance and sales personnel.
- (k) Principal shareholders and management can exercise significant influence. The Company's largest shareholder controls approximately 19% of the Company's shares. As a result, this shareholder may exercise significant influence over most matters requiring shareholder approval, including the selection of directors and the approval of significant corporate matters, such as amalgamations or change of- control transactions.
- (l) Developments in regulations, laws, and tariffs. Internet access and telephone service providers are regulated by the Canadian Radio Television and Telecommunications Commission and other related government agencies, in addition to having to conform to regulations applicable to businesses generally. Internet-related regulatory policies are continuing to develop, and it is possible that the industry could be further regulated in the future.

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 USS'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. For further information – refer to the Risks and Uncertainties section at the end of this report. 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", "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.