

**Uniserve Communications Corporation
Management's Discussion and Analysis
November 30, 2008**

January 28, 2009

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 January 28, 2009, and all amounts are stated in Canadian dollars and results have been recorded and presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The following should also be read in conjunction with Management's Discussion and Analysis for the year ended May 31, 2008 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 as a retail communications services provider delivers voice and data services to over 70,000 retail consumers and small businesses across Canada. Under the Parasun banner, the Company delivered 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 "Sale of Parasun." Uniserve has continued the development of a social networking application under the Kinzin.com banner (currently in a public "beta" test) and since October 2007, has had nearly 2 million people use their applications. "Kinzin.com", is a private social network for families, classrooms and sports team designed to enhance communications, and create an archive for private groups.

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.

The 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. Stock-based compensation 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.

	2009	2009	2008	2008	2008	2008	2007	2007
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net income (loss)	3,922,926	(1,960,037)	(2,752,951)	(1,151,266)	(194,646)	(1,103,453)	(1,804,379)	38,579
Variable compensation expense ⁽¹⁾	584,483	190,508	232,472	86,949	122,299	200,117	60,000	-
Amortization expense ⁽²⁾	654,972	695,582	667,505	1,174,000	352,199	1,138,865	461,163	317,551
Write-down of intangible assets and goodwill	309,197	-	1,017,572	-	-	-	-	-
Foreign exchange (gain) loss	180,765	558,966	(722,677)	-	-	-	-	-
Gain on sale of Parasun	(8,301,251)	-	-	-	-	-	-	-
Loss on repayment of debt	1,421,000	-	149,057	-	-	-	-	-
Accretion to face value of subordinated debt and preferred shares	181,298	181,298	712,787	-	-	-	-	-
Interest expense ⁽³⁾	1,162,544	793,955	458,808	855,954	698,119	882,487	629,136	193,625
Income tax expense (recovery)	3,265	22,800	(813,527)	(132,300)	90,000	90,000	(23,066)	-
Stock-based compensation	-	2,937	(70,298)	35,149	35,149	-	467,399	-
EBITDA	119,199	486,009	(1,121,252)	868,486	1,103,120	1,208,016	(209,747)	549,755

(1) Includes \$500,000 payment to William Spratt, President & CEO in order to meet the severance obligations of his employment agreement. The terms of his employment agreement were amended in conjunction with the sale of Parasun on October 7, 2008, see "Sale of Parasun". Mr. Spratt currently provides his services as President and CEO on a monthly basis.

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

(3) Q1 2008 includes non-cash option expense relating to the transaction financing of \$258,082 and one-time bridge loan financing expense of \$120,000.

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Summary of Unaudited Quarterly Results

	Quarter ending							
	2009	2009	2008	2008	2008	2008	2007	2007
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	5,759,248	7,713,812	8,159,570	8,266,102	8,263,828	8,880,973	5,895,419	5,816,651
Net income (loss) before taxes	3,926,191	(1,937,237)	(3,566,478)	(1,283,566)	(104,646)	(1,103,453)	(1,804,379)	38,597
Net income (loss)	3,922,926	(1,960,037)	(2,752,951)	(1,151,266)	(194,646)	(1,103,453)	(1,804,379)	38,597
Net income (loss) per share	0.16	(0.08)	(0.12)	(0.05)	(0.01)	(0.05)	(0.09)	0.01

Second Quarter Ending November 30, 2008

Revenue

Second quarter consolidated revenues were \$5,759,248, a decrease of \$2,504,580 (30.3%) from the previous year. The decrease is due mainly to the disposition of the Parasun business on October 7, 2008. In addition, there was a decline in the retail connectivity and KBT telephony business due to increased competition.

Gross margin

Gross margin for the quarter was \$3,073,243, compared to \$4,665,999, a decrease of \$1,592,756 (34.1%) from the previous year. Gross margin as a percentage of sales was 53.4% of revenues, compared to 56.5% for the same period last year. The decrease in the total gross margin is in line with the decline in revenue due to the sale of Parasun.

Operations and service delivery costs

Consolidated operations and service delivery costs were \$3,400,226 compared to \$3,927,677 in the same quarter the previous year, a decrease of \$527,451 (13.4%). The decrease is less than the decline in revenue due to the operating expenses that the Company still has after the sale of Parasun. As a result the Company has reduced the number of staff in 2009 Q3 in order to align the operations with the remaining revenue. In addition, the current quarter includes a one-time payment of \$500,000 to the President & CEO for the termination of his employment contract and the associated severance obligations. The payment was made in conjunction with the sale of Parasun on October 7, 2008. Mr. Spratt is currently providing his services as the President & CEO on a monthly basis. The Company continues to review its expenditures.

Sales and marketing

Consolidated sales and marketing expenditures were \$138,301 for the quarter, as compared to \$373,526 for the same period last year a decrease of \$235,225 (63.0%). The majority of the decrease is due to the sale of Parasun in October 2008 as most of the Company's sales and marketing expenses were focused on the Parasun business.

Amortization of property and equipment

Amortization of property and equipment for the quarter was \$360,929 compared to \$313,620 for the same period last year.

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Amortization of intangible assets

Amortization of intangible assets for the quarter was \$222,230 compared to (\$1,852) in the same quarter the previous year. The prior year figure was lower due to a one time adjustment.

Write-off of goodwill

During the quarter the remaining goodwill relating to the acquisition of KBT in the amount of \$309,197 was written off.

Interest and bank charges

Interest and bank charges for the quarter were \$1,162,544 compared with \$698,119 for the same period last year. The interest rate on the sub-ordinated debt was only 12% last year, compared to 18% in the current year. In addition, the Company used the revolving line in the current year until it was repaid in conjunction with the sale of Parasun in October 2008. In the prior year the Company did not use the revolving line as it had sufficient cash on hand.

Liquidity and capital resources

As of November 30, 2008 the Company has a working capital deficit of \$3,218,213 compared to a deficit of \$9,814,257 as of May 31, 2008. On October 7, 2008, the Company completed the sale of Parasun. In conjunction with the sale, the subordinated debt, the due to related parties, and the revolving credit facility were all paid out, resulting in a significant improvement in the liquidity of the Company.

The Company's current assets increased to \$4,914,996 compared to \$4,103,676 as at the year end. The increase is due to the amounts held in escrow of \$3,092,500 (US\$2,500,000) as a result of the sale of Parasun. This increase was partially offset by a decrease in accounts receivable and prepaid expenses and future income tax assets as a result of the sale of Parasun.

The Company's current liabilities decreased to \$8,133,209 compared to \$13,917,933 as of May 31, 2008. The decrease is due to the repayment of the revolving line of credit, due to related parties and capital leases and the payment of the amounts due to the vendors of the Parasun business.

After the sale the only current debt outstanding is a bank demand loan which has a balance of \$160,444 as at November 30, 2008 and the only long-term debt outstanding is the preferred shares which have a balance of \$3,167,825 as at November 30, 2008.

The Company believes that with its current working capital, 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.

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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 leases Parasun premises	264,154	275,000	275,000	275,000	1,322,916	2,412,070

The operating lease for the rental premises is 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

	Nov. 30, 2008	May 31, 2008
	\$	\$
\$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	-	912,055
\$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	-	581,403
\$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	-	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	-	-
	-	1,893,458

The Company was charged \$100,000 in loan extension fees in the year ended May 31, 2008. These fees were paid in conjunction with the sale of Parasun to IBBS, see "Sale of Parasun".

On October 7, 2008, the \$1,000,000, the \$650,000 and the \$400,000 loans plus accrued interest amounts of \$189,954, \$149,088, and \$43,792 respectively, were paid in conjunction with the sale of Parasun to IBBS, see "Sale of Parasun".

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.

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Outstanding share data

As of November 30, 2008 the Company had 24,630,865 common shares outstanding, compared with 24,430,865 at May 31, 2008. On April 24, 2008 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 of a common share for proceeds of \$527,277.

On April 24, 2008 a total of 753,251 warrants were issued as part of the private placement of 1,506,498 units, with an exercise price of \$0.45, expiring on April 24, 2010. On July 9, 2008, the Company issued an additional 200,000 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 \$70,000.

During the first quarter, 100,000 warrants were issued as part of the July 9, 2008 private placement. During the second quarter 415,000 warrants expired. As at November 30, 2008 there are 4,703,251 warrants outstanding with exercise prices ranging from \$0.45 to \$0.70 expiring from 2009 to 2012.

As of May 31, 2008 and November 30, 2008 there were 428,500 Series A Preferred Shares outstanding. As at November 30, 2008 the dividends on the Series A Convertible Preferred Shares are in arrears in the amount of \$314,233 (May 31, 2008 - \$142,833).

During the current quarter no stock options were issued and 100,000 stock options expired. As of November 30, 2008, the Company has 1,237,500 stock options outstanding at exercise prices of \$0.50 to \$0.65 of which 1,237,500 are exercisable as of November 30, 2008.

As of January 28, 2009 the number of common shares outstanding is 24,630,865.

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Sale of Parasun

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. In addition to the purchase price IBBS paid \$US500,000 as a management contract termination fee. 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 subordinated debt of US\$10,000,000 including an early payment fee of US\$400,000 plus the accrued interest was repaid. The subordinated debt was carried on the books at an amount lower than the face value due to the warrants issued to the subordinated debt holder being recorded as other equity. Consequently, the repayment of the face value of the subordinated debt resulted in a loss on repayment of debt of \$1,421,000. Amounts due to related parties totaling \$1,888,383 and the revolving line of credit balance of \$1,500,000 were also repaid.

The sale resulted in a gain on sale of \$8,301,250 before income taxes. The Company has sufficient tax losses to fully offset this gain; therefore no income tax expense has been recorded for the sale. The allocation of the purchase price and the gain on sale as at November 30, 2008 is preliminary and may change as IBBS completes its final valuation of the fair values of the assets and liabilities acquired, completes a review of working capital adjustments and the expiration of the 1 year escrow period.

For the six months ended November 30, 2008, the financial results associated with Parasun are as follows:

	November 30, 2008	November 30, 2008 Uniserve Excluding Parasun	November 30, 2008 Uniserve Consolidated
Revenues	3,485,106	9,987,954	13,473,060
Gross margin	2,617,731	4,798,697	7,416,428
Expenses	2,401,495	6,538,206	8,939,701
Operating income (loss)	216,236	(1,739,509)	(1,523,273)
Other income (expenses)	24,682	3,487,544	3,512,226
Income (loss) before income taxes	240,918	1,748,035	1,988,953
Income taxes	(120,000)	93,936	(26,064)
Net income (loss) and comprehensive income (loss) for the period	120,918	1,841,971	1,962,889

Update to Critical Accounting Policies and Estimates

The Management's Discussion and Analysis ("MD&A") for the Company's fiscal year ended May 31, 2008 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 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.