

**Uniserve Communications Corporation
Management's Discussion and Analysis
May 31, 2009**

September 25, 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 September 25, 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"). For additional financial details, please refer to the complete audited annual financial statements as at May 31, 2009.

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 Communications Corporation ("the Company") was incorporated on January 19, 1988 under the Company Act of British Columbia. The Company's principal business activity is the provision of Internet access and related communications services primarily in British Columbia, Alberta, Ontario and Quebec which represents a single operating segment. Uniserve as a retail communications services provider delivers voice and data services to over 50,000 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 "Discontinued Operations." 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, sports teams and other private groups, designed to enhance communications between group members, create an archive of group activities, and provide tools to create and publish group related memorabilia.

Going Concern

Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. As at May 31, 2009, the Company has a working capital deficiency of \$4,683,073 compared to a working capital deficiency of \$9,814,257 as at May 31, 2008. For the year ended May 31, 2009, the Company had a negative cash flow from continuing operations, but incurred significant net losses due to interest expense, foreign exchange, amortization of customer lists and other intangible assets, and accretion to face value of subordinated debt and preferred shares.

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Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Accordingly, the Company's ability to continue as a going concern, which means that it can realize its assets and discharge its liabilities in the normal course of business, is dependent in part upon the Company's ability to continue to generate sufficient cash flow from operations and to obtain additional equity or debt financing in the near term to continue to meet its obligations as they come due.

During the year conditions in the credit markets deteriorated substantially. These credit market conditions had a serious impact on the economy, which has contributed to a significant decline in the demand for and selling price of the products we sell. As a result of these conditions our share price has declined substantially. Current weak global economic conditions make access to the credit and capital markets difficult for us, which may compromise our ability to obtain suitable financing.

The Company may not generate sufficient funds from operations to meet all of its financial obligations and may need to generate funds from other sources to do so. To address our near term liquidity requirements, we have agreements with our key suppliers to provide us with additional time to generate cash and/or access appropriate sources of financing. There can be no assurance that these suppliers will continue to extend credit beyond their normal terms.

We have also taken a number of other steps to assist us in meeting our financial obligations, including deferring the payment of dividends on our Convertible Preferred Shares, Series A, reducing capital and discretionary spending, significantly reducing the size of our workforce and selling Parasun. We are also pursuing other potential asset sales. There can be no assurance that we will be able to complete further sufficient asset sales on a timely basis.

Our ability to meet our financial obligations depends on a number of factors, some of which are beyond our control. These include general global economic, credit and capital market conditions, and the demand for and selling price of our products. There is no assurance that the expected cash flows from operations in combination with asset sales and other steps being taken will allow us to meet our obligations as they become due.

Our existing financial obligations will constrain our capital spending and that may have an adverse effect on our operations. Our debt levels will also limit our ability to expand our operations or make other investments that would enhance our competitiveness.

Accordingly, there is some risk that the steps described above will not be successful in allowing us to meet our obligations, which may require us to sell core assets or raise debt or equity capital, which management believes would enable us to satisfy our obligations as they fall due. However, these actions may have a material adverse effect on our business and on the market prices of our equity securities.

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Recast Historical Statements of Operations and Deficit

Effective June 1, 2009 the Company has adopted a change in accounting policy pursuant to recent Canadian accounting pronouncements. The recast amounts reflect the retrospective application of the adoption of CICA Handbook Section 3064, Goodwill and Intangible Assets (Change in accounting policy for start-up costs).

In February 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. The new section also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. This new standard is effective for the Company's interim and annual consolidated financial statements commencing June 1, 2009 and has been adopted on a retrospective basis.

Prior to the adoption of Section 3064, Uniserve capitalized and amortized product development start-up costs on a straight-line basis over the life of the product. The impact of adopting this accounting standard, on a retrospective basis, is an increase of \$1,100,893 in the net loss and comprehensive loss for fiscal 2008, a decrease in intangible and other assets of \$2,160,857 as at May 31, 2008 and a decrease of \$1,059,964 in shareholders' equity at May 31, 2007,. This change reflects the expensing of product development start-up costs that were previously capitalized.

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.

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.

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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 loss, related to continuing operations, to EBITDA on a consolidated basis.

	2009	2009	2009	2009	2008	2008	2008	2008
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
					As restated ⁽³⁾	As restated ⁽³⁾	As restated ⁽³⁾	As restated ⁽³⁾
Net loss	(537,589)	(622,018)	(1,996,329)	(1,354,310)	(2,609,579)	(654,351)	(443,228)	(702,848)
Variable compensation expense	26,494	47,447	52,950	53,606	106,171	15,000	15,000	15,000
Amortization expense ⁽¹⁾	351,692	310,712	427,474	298,862	399,041	465,888	402,372	434,530
Write-down of intangible assets and goodwill	101,949	-	309,197	-	1,017,572	-	-	-
Write-down of property and equipment	41,318	-	-	-	-	-	-	-
Product development start-up costs	-	-	-	-	217,755	289,278	268,121	325,739
Foreign exchange loss (gain)	450,044	(87,497)	230,596	696,376	135,070	(182,231)	(725,928)	(118,516)
Loss on settlement of note payable	-	-	-	-	149,057	-	-	-
Accretion to face value of subordinated debt and preferred shares	(2,182)	79,798	79,798	79,798	306,787	-	-	-
Interest expense ⁽²⁾	333,690	301,684	366,389	380,202	(80,380)	390,488	402,693	634,988
Income tax expense (recovery)	(339,764)	-	(26,735)	(67,200)	175,791	(222,300)	-	-
Stock option amortization	1,032	-	-	2,937	(70,298)	35,149	35,149	-
EBITDA	426,684	30,126	(556,660)	90,271	(253,013)	136,921	(45,821)	588,893

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

(2) Amounts include accrued dividends on the convertible preferred shares. 2008 Q1 includes non-cash option expense relating to the transaction financing of \$258,082 and one-time bridge loan financing expense of \$120,000.

(3) CICA Handbook Section 3064 Goodwill and Intangible assets, requiring that start-up costs be expensed was adopted on June 1, 2009 and applied on a retrospective basis. The impact of adopting this standard, on a retrospective basis, is an increase of \$1,100,893 in the net loss for fiscal 2008, a decrease in intangible and other assets of \$2,160,857 as at May 31, 2008 and a decrease of \$1,059,964 in shareholders' equity at May 31, 2007.

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The table below shows EBITDA on an annual basis.

	2009	2008	2007
		As restated ⁽¹⁾	As restated ⁽¹⁾
	\$	\$	\$
EBITDA	(9,579)	426,980	1,675,759

- (1) CICA Handbook Section 3064 Goodwill and Intangible assets, requiring that start-up costs be expensed was adopted on June 1, 2009 and applied on a retrospective basis. The impact of adopting this standard, on a retrospective basis, is an increase of \$1,100,893 in the net loss for fiscal 2008, a decrease in intangible and other assets of \$2,160,857 as at May 31, 2008 and an increase of \$1,059,964 in the net loss for fiscal 2007.

The 2009 EBITDA from continuing operations of (\$9,579) is significantly lower than the prior year figure of \$426,980, a decrease of \$436,559 (102.2%) compared to the prior year. This is mostly due to a decline in revenue of the Company's core Internet services. The revenue has decreased due to increased competition from the large telecom service providers, who now have more freedom to pursue aggressive pricing strategies as a result of a CRTC decision to no longer regulate prices in major urban markets. The Company did reduce operating expenses to align with the reduced revenues; however the decline in revenue was higher than the decline in operating expenses resulting in a lower EBITDA.

Annual Financial Highlights

The following selected annual information includes information from filed audited annual financial statements, except where noted that the financial statements have been restated:

	2009	2008	2007
		As restated ⁽¹⁾	As restated ⁽¹⁾
	\$	\$	\$
Statement of operations			
Revenues from continuing	18,637,624	23,188,579	23,039,551
Loss before income taxes from from continuing operations	(4,943,945)	(4,456,515)	(2,494,583)
Income tax recovery	433,699	46,509	25,066
Net loss from continuing operations	(4,510,246)	(4,410,006)	(2,469,517)
Results from discontinued operations	4,418,501	(1,893,203)	(1,775)
Net loss	(91,745)	(6,303,209)	(2,471,292)
Net loss per share from continuing operations	(0.183)	(0.191)	(0.113)
Net loss per share	(0.004)	(0.273)	(0.113)
Balance sheet			
Current assets	3,944,732	1,513,709	7,423,642
Total assets	11,712,139	10,559,575	18,917,865
Current liabilities	8,627,805	11,599,893	14,770,401
Total liabilities	11,891,688	22,922,457	26,290,435
Long-term debt included in total liabilities (including current portion)	3,301,494	11,314,229	10,824,985
Amounts due to related parties included in total liabilities (including current portion)	-	1,893,458	1,813,944

- (1) CICA Handbook Section 3064 Goodwill and Intangible assets, requiring that start-up costs be expensed was adopted on June 1, 2009 and applied on a retrospective basis. The impact of adopting this standard, on a retrospective basis, is an increase of \$1,100,893 in the net loss for fiscal 2008, a decrease in intangible and other assets of \$2,160,857 as at May 31, 2008 and an increase of \$1,059,964 in the net loss for fiscal 2007.

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Year Ending May 31, 2009

Revenue

Consolidated revenues from continuing operations of \$18,637,624 represent a decrease of \$4,550,955 (19.6%) over the prior year. 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. However, due to the down turn in the economy the Company was not able to generate enough revenue from its new products in order to offset the decline in the Internet services revenue.

Cost of Sales

Consolidated cost of sales for continuing operations of \$9,594,476 decreased by \$1,678,918 (14.9%) from the previous year. The decrease is mainly attributable to a decrease in telecommunication service provider expenses resulting from a lower number of subscribers.

Gross margin

Consolidated gross margin of \$9,043,148 decreased by \$2,872,037 (24.1%) from the previous year. The consolidated gross margin as a percentage of revenue was 48.5% compared to 51.4% last year. The decrease in the total gross margin can be attributed to increased competition resulting in a lower number of subscribers. The decrease in gross margin as a percentage of revenue resulted from the Company not being able to reduce the cost of sales enough to match the decline in the revenue due to the telecommunication costs and labor costs being fixed in the short term.

Operations and service delivery costs

Operations and service delivery costs of \$8,962,754 decreased by \$3,087,372 (25.6%) from the previous year. The decrease in operations and service delivery costs are comparable to the decline in the revenue. The expenses were reduced by a rationalization of operating expenses to the reduced revenue and a significant reduction in staffing levels on account of the decline in revenue.

Sales and marketing

Consolidated sales and marketing expenditures decreased by 60.1% to \$270,470 from \$690,142 the previous year. The reduction is due to the Company's overall focus on reducing expenses to offset the decline in revenue. The Company did not spend a significant amount of money attracting new customers, focusing instead on its limited resources on retaining the existing customer base.

Amortization of capital assets

Amortization expense for the year related to equipment and leasehold improvements increased by 4.7% to \$834,015 compared with \$796,734 for the previous year.

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Amortization of intangible assets

Amortization expense for the year related to customer lists and intellectual property decreased by 38.7% to \$554,725 compared with \$905,098 for the previous year, mostly due to the write-down of intangible assets in the prior year and the additional write-downs in the current year.

Write-down of goodwill and intangible assets

The total write-down of goodwill and intangible assets was \$1,017,572 in the prior year relating to the write-down of intangible assets and goodwill of KBT. In the current year there was an additional write-down of \$309,197 in the carrying value of KBT'S goodwill and a write-down of UPS's customer list of \$101,949. After these write-downs the carrying value of the intangible assets and goodwill associated with both KBT and UPS is nil.

Interest and bank charges

Interest and bank charges totaled \$1,381,965 for the year, up \$34,176 (2.5%) from \$1,347,789 the previous year.

Income taxes

The current income tax recovery for the year is \$369,358 compared to an expense of \$362,985 in the previous year. The future income tax expense for the year is \$64,341 compared to a recovery of \$409,494 in the previous year.

Deferred product development costs

During the year an additional \$867,658 was expended in 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 site creates tools for group members to create and publish memorabilia relating to each private group. 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. The Company expects to start generating revenue from Kinzin in fiscal 2010 Q3.

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Summary of Unaudited Quarterly Results

	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
					As restated ⁽³⁾	As restated ⁽³⁾	As restated ⁽³⁾	As restated ⁽³⁾
Revenues ⁽¹⁾	4,222,164	4,427,506	4,849,213	5,138,741	5,539,728	5,710,571	5,702,660	6,235,620
Net loss ⁽¹⁾	(537,589)	(622,018)	(1,996,329)	(1,354,310)	(2,609,579)	(654,351)	(443,228)	(702,848)
Net loss per share ⁽¹⁾	(0.02)	(0.03)	(0.08)	(0.06)	(0.11)	(0.03)	(0.02)	(0.03)

- (1) Amounts are only for continuing operations as Parasun was sold in October 2008, see "Discontinued Operations".
- (2) Amounts include accrued dividends on the convertible preferred shares. 2008 Q1 includes non-cash option expense relating to the transaction financing of \$258,082 and one-time bridge loan financing expense of \$120,000.
- (3) CICA Handbook Section 3064 Goodwill and Intangible assets, requiring that start-up costs be expensed was adopted on June 1, 2009 and applied on a retrospective basis. The impact of adopting this standard, on a retrospective basis, is an increase of \$1,100,893 in the net loss for fiscal 2008, a decrease in intangible and other assets of \$2,160,857 as at May 31, 2008 and an increase of \$1,059,964 in the net loss for fiscal 2007.

Fourth Quarter Ending May 31, 2009

Revenue

Fourth quarter consolidated revenues were \$4,222,164, a decrease of \$1,317,564 (23.8%) from the previous year. The decrease in revenue is a result of increased competition and the down turn in the economy.

Gross margin

Gross margin for the quarter was \$1,939,344, a decrease of \$1,018,244 (34.4%) from the previous year. Gross margin as a percentage of sales was 45.9% of revenues, compared to 53.4% for the same period last year. The decrease in the gross margin % is due to increased competition which has negatively impacted the gross margins.

Operations and service delivery costs

Consolidated operations and service delivery costs were \$1,501,447 compared to \$3,386,931 in the same quarter the previous year, a decrease of \$1,885,159 (55.7%). This is due to the Company decreasing operations and service delivery expenditures to keep the costs in line with the decrease in revenue and to conserve working capital.

Sales and marketing

Consolidated sales and marketing expenditures were \$37,709 for the quarter, as compared to \$147,596 for the same period last year, a decrease of \$109,887 (74.5%). The decrease is mainly due to the Company's focus on reducing expenditures to offset the decline in revenue.

Amortization

Amortization expense for the quarter was \$351,692, a decrease of \$47,349 (11.9%) over the same period last year.

Interest and bank charges

Interest and bank charges for the quarter were \$333,690 compared with a credit of \$80,380 for the same period last year. The amount for the current quarter includes \$85,700 for accrued dividends and approximately \$150,000 for late charges on amounts due to telecommunication service providers. The credit in 2008 arose due to a one-time adjustment of interest charges.

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Liquidity and Capital Resources

As of May 31, 2009 the Company has a working capital deficit of \$4,683,073 compared to a working capital deficit of \$9,814,257 in the prior year.

The Company's current assets decreased to \$3,944,732 compared to \$4,103,676 in the previous year. Last year there was \$2,589,967 in current assets from discontinued operations relating to Parasun. This year there is \$2,729,250 held in escrow from the sale of Parasun. This year the inventory and accounts receivable are lower as the Company is trying to conserve its working capital.

The Company's current liabilities decreased to \$8,627,805 compared to \$13,917,933 for the prior year. The majority of the decrease is due to \$2,318,040 relating to the current liabilities for the discontinued operations of Parasun in 2008, which are nil in 2009, and the payment of the note payable, the amounts due to vendors and the revolving credit facility of \$1,500,000. These decreases were offset by an increase in accounts payable and accrued liabilities of approximately \$1,277,000 this year. The increase in accounts payable and accrued liabilities is mostly due to interest charges on the amounts overdue to the telecommunication providers, accrued dividends payable on the convertible preferred shares, and an accrual for a contingent liability relating to the sale of Parasun.

In October 2008, 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 \$122,345 as at May 31, 2009 and the only long-term debt outstanding is the preferred shares which have a balance of \$3,245,441 as at May 31, 2009. The convertible preferred shares are included in liabilities as the preferred shares are redeemable at the option of the holder on or after the fifth anniversary of the date of issue.

The Company believes that despite its current working capital deficit, it will be able to generate sufficient cash flow from operations, combined with 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 2017 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, 2009 are as follows:

	2010	2011	2012	2013	2014 and Beyond	Total
	\$	\$	\$	\$	\$	\$
Supplier commitments	32,100	-	-	-	-	32,100
Operating leases ⁽¹⁾	321,800	180,556	137,500	160,417	501,042	1,301,315
Capital leases	42,184	11,051	10,839	-	-	64,074

(1) The operating lease for the rental premises are in the name of Parasun. After the sale of Parasun, Uniserve agreed to split the costs associated with the rental premises on a 50/50 basis. The amounts shown above include 50% of the total cost of the shared lease premises with IBBS, the purchaser of Parasun.

Related Party Transactions

The Company was charged \$100,000 in loan extension fees in the year ended May 31, 2008. 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, 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 "Discontinued Operations".

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 and the previously recorded warrant value was charged to contributed surplus in the year ended May 31, 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.

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Discontinued Operations

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\$1,000,000 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 US\$1,500,000 is to be held in escrow for any taxes owing up to the date of sale. The Company has agreed to extend the date of the escrow funds held for taxes to March 31, 2010.

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 following is a summary of the consideration received and the book value of the assets and liabilities of Parasun. The sale resulted in a gain on disposition of \$7,373,356 before income taxes. The Company has sufficient tax losses available to fully offset this gain; therefore no income tax expense has been recorded for the sale transaction. The allocation of the purchase price and the gain on sale as at May 31, 2009 is preliminary and may change due to working capital adjustments and the expiration of the escrow periods.

	May 31, 2009	May 31, 2009
	USD \$	CDN \$
Consideration received		
Cash	17,500,000	19,533,500
Amounts held in escrow	2,500,000	2,790,500
Management contract termination fee	500,000	558,100
Purchase price adjustment	(350,000)	(390,670)
Working capital deficiency	(254,434)	(284,000)
Transaction costs		(997,756)
		21,209,674
Assets		
Cash		505,547
Non-cash current assets		2,777,262
Equipment		1,132,755
Other assets		46,780
Intellectual property		3,027,688
Customer list		4,238,763
Goodwill		5,597,810
		17,326,605
Liabilities		
Accounts payable and accrued liabilities		1,488,957
Deferred revenue		99,820
Due to former shareholders		440,652
Future tax liability		1,460,858
		3,490,287
Net book value		13,836,318
Gain on disposition		7,373,356

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Summarized financial information for the discontinued operations of Parasun are as follows:

	2009	2008
	\$	\$
Revenues	3,485,106	10,381,894
Gross margin	2,474,913	7,798,371
Expenses	3,330,222	8,288,385
Operating loss	(855,309)	(490,014)
Other expense	(2,646,667)	(2,122,507)
Gain on disposition	7,373,356	-
Profit (loss) before income taxes	3,871,380	(2,612,521)
Income tax recovery	547,121	719,318
Net profit (loss) and comprehensive profit (loss) for the period	4,418,501	(1,893,203)

	2009	2008
	\$	\$
Current assets	-	2,589,967
Non-current assets	-	14,273,230
Current liabilities	-	2,318,040
Non-current liabilities	-	2,274,048

Outstanding Share Data

As of May 31, 2009 the Company had 24,630,865 common shares outstanding, compared with 24,430,865 at the end of the previous year. On April 24, 2008, the Company issued 1,506,498 units via a private placement. Each unit consisted of one common share at \$0.35 and one half share purchase for total proceeds of \$527,277. Warrants are exercisable until April 24, 2010 at an exercise price of \$0.45. On issue the amount allocated to share capital was \$505,609 and \$21,668 was allocated to the warrant. The value assigned to the warrants of \$0.0288 per share was determined using the Black Scholes option pricing formula with the following assumptions: risk free interest rate – 3.25%; annual dividends – nil; expected life – 23 months; expected stock price volatility – 40%.

As at May 31, 2008, the Company had received \$70,000 for an additional 200,000 units which were issued in June 2008. On issue the amount allocated to share capital was \$67,123 and \$2,877 was allocated to the warrant.

As of September 25, 2009 the number of common shares outstanding is 24,630,865.

As of September 25, 2009 there has been no further change in the number of stock options issued.

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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.

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, 2009 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 effective, as the Company maintained 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. However, there are still some weaknesses in the Company's information systems including weak access and program change controls and an undefined disaster recovery plan. In fiscal 2010, the Company will obtain 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.

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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 Notes 1 and 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:

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.

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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) Financial Statement Concepts

In February 2007, the CICA issued Handbook Section 1000, "Financial Statement Concepts". This Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt this new standard for its fiscal year beginning June 1, 2009. Section 1000 on financial statements concepts removes references to recognition of assets and liabilities solely on the basis of matching of net income items and clarifies timing of expense recognition and the creation of an asset. The Company is currently evaluating the impact of the adoption of this new Section on the financial statements.

(ii) International Financial Reporting Standards ("IFRS"):

In February 2008, the Canadian Accounting Standards Board ("AcSB") of the CICA affirmed its intention to replace Canadian GAAP with IFRS. The changeover date from Canadian GAAP to IFRS is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the new standard will apply to the Company effective for the year commencing June 1, 2011. While the Company has started to assess the adoption of IFRS for 2011, the impact to the balance sheet and ongoing results of operations resulting from the transition to IFRS cannot be reasonably estimated at this time.

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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 has pursued 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.
- (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

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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.
- (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. As a result, they 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.

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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; see "Risks and Uncertainties". 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.