

**Uniserve Communications Corporation
Management's Discussion and Analysis
November 30, 2009**

January 25, 2010

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 25, 2010, 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, 2009 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 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.

Subsequent to the balance sheet date the Kinzin Business unit was spun out into a subsidiary, Kinzin International Inc. ("Kinzin"). The new structure will allow Kinzin to operate independently and to facilitate its own funding through a private capital raise and IPO.

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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 November 30, 2009, the Company has a working capital deficiency of \$5,435,634 compared to a working capital deficiency of \$4,683,073 as at May 31, 2009. For the period ended November 30, 2009, the Company had negative cash flow from operations mostly due to one-time expenses associated with the closing of the Company's subsidiary's Montreal office and the outsourcing of its Montreal and Vancouver call centers. The Company incurred net losses due to interest expense, foreign exchange, amortization of customer lists and other intangible assets and accretion to face value of preferred shares.

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.

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.

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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.

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

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	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3
	\$	\$	\$	\$	\$	\$	\$	\$
							As restated ⁽³⁾	As restated ⁽³⁾
Net loss	(552,788)	(238,058)	(537,589)	(622,018)	(1,996,329)	(1,354,310)	(2,609,579)	(654,351)
Variable compensation expense	21,847	13,651	26,494	47,447	52,950	53,606	106,171	15,000
Amortization expense ⁽¹⁾	240,507	233,702	351,692	310,712	427,474	298,862	399,041	465,888
Write-down of intangible assets and goodwill	-	-	101,949	-	309,197	-	1,017,572	-
Write-down of property and equipment	19,966	-	41,318	-	-	-	-	-
Product development start-up costs	-	-	-	-	-	-	217,755	289,278
Foreign exchange loss (gain)	71,042	(4,453)	450,044	(87,497)	230,596	696,376	135,070	(182,231)
Loss on settlement of note payable	-	-	-	-	-	-	149,057	-
Accretion to face value of subordinated debt and preferred shares	79,798	79,798	(2,182)	79,798	79,798	79,798	306,787	-
Interest and bank charges ⁽²⁾	277,464	295,282	333,690	301,684	366,389	380,202	(80,380)	390,488
Income tax expense (recovery)	(40,187)	24,409	(339,764)	-	(26,735)	(67,200)	175,791	(222,300)
Stock option amortization	-	2,621	1,032	-	-	2,937	(70,298)	35,149
EBITDA	117,649	406,952	426,684	30,126	(556,660)	90,271	(253,013)	136,921

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

(2) Amounts include accrued dividends on the convertible preferred shares.

(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.

Summary of Unaudited Quarterly Results

	Quarter ending							
	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3
	\$	\$	\$	\$	\$	\$	\$	\$
							As restated ⁽²⁾	As restated ⁽²⁾
Revenues ⁽¹⁾	3,870,874	3,986,059	4,222,164	4,427,506	4,849,213	5,138,741	5,539,728	5,710,571
Net loss ⁽¹⁾	(552,788)	(238,058)	(537,589)	(622,018)	(1,996,329)	(1,354,310)	(2,609,579)	(654,351)
Net loss per share ⁽¹⁾	(0.02)	(0.01)	(0.02)	(0.03)	(0.08)	(0.06)	(0.11)	(0.03)

(1) Amounts are only for continuing operations as Parasun was sold in October 2008, see "Discontinued Operations".

(2) 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.

Second Quarter Ending November 30, 2009

Revenue

Second quarter consolidated revenues were \$3,870,874, a decrease of \$978,339 (20.2%) from the previous year. The decrease in revenue is a result of increased competition and the down turn in the economy. The Company continued its transition of 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 revenues from its own proprietary products. However, due

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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.

Gross margin

Gross margin for the quarter was \$1,950,426, compared to \$2,377,150, a decrease of \$426,724 (18.0%) from the previous year. Gross margin as a percentage of sales was 50.4% of revenues, compared to 49.0% for the same period last year. The increase in the gross margin percentage is a result of lower prices for telecommunication services.

Operations and service delivery costs

Consolidated operations and service delivery costs were \$1,788,635 compared to \$2,918,588 in the same quarter the previous year, a decrease of \$1,129,953 (38.7%). The decrease is due mostly to the significant reduction in staff levels that occurred in 2009 Q3. The Company was able to reduce the operations and service delivery costs more than the decline in revenue of 20.2%.

The Company continued its efforts to reduce its operating expenditures. At the end of 2010 Q2 the Company completed the outsourcing of its call center operations in Vancouver and Montreal. In conjunction with the outsourcing the Company closed its subsidiary's Montreal office. The outsourcing of the Company's call center operations and the closure of the Montreal office will have a significant positive impact on the operations and service delivery costs commencing in 2010 Q3. One-time costs of approximately \$145,000 associated with the closing of the Montreal office have been recorded in 2010 Q2. There are no additional ongoing obligations with respect to the Montreal leased office premises.

The Company is in ongoing negotiations with its main telecommunication service providers in order to significantly reduce the total amounts payable to them and to term out the overdue amounts. The successful completion of these negotiations will have a significant positive effect on the Company's operations, working capital deficiency and liquidity.

Sales and marketing

Consolidated sales and marketing expenditures were \$65,989 for the quarter, as compared to \$68,172 for the same period last year a decrease of \$2,183 (3.2%). Marketing expenses decreased as the Company focused on reducing expenditures to offset the decline in revenue.

Amortization

Amortization expense for the quarter was \$240,507, a decrease of \$186,967 (43.7%) over the same period last year. The decrease is due to a write-down of certain property, equipment and intangible assets in prior periods.

Interest and bank charges

Interest and bank charges for the quarter were \$277,464 compared to \$366,389 for the same period last year, a decrease of \$88,925 (24.3%). The amount for the current quarter is lower than the same period last year as the loans from related parties and the revolving line of credit were repaid in conjunction with the sale of Parasun in 2009 Q2. Included in interest expense is \$85,700 for the accrued dividends on the Convertible Preferred Shares, Series A.

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Liquidity and capital resources

As of November 30, 2009 the Company has a working capital deficiency of \$5,435,634 compared to a deficiency of \$4,683,073 as of May 31, 2009. The increase was due mostly to the operating losses in the first two quarters of fiscal 2010.

The Company's current assets decreased to \$2,568,726 compared to \$3,944,732 as at the year end. The decrease is mostly due to US\$1,000,000 that was released from escrow and lower accounts receivable balance reflecting the decline in revenues.

The Company's current liabilities decreased to \$8,004,360 compared to \$8,627,805 as of May 31, 2009 due mostly to the decrease in accounts payable and accrued liabilities, bank indebtedness, and deferred revenue. This decrease was partly offset by increases in accrued dividends payable, and obligations under capital leases.

The Company is in ongoing negotiations with its main telecommunication service providers in order to significantly reduce the total amounts payable to them and to term out the overdue amounts. The successful completion of these negotiations will have a significant positive effect on the Company's operations, working capital deficiency and liquidity.

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 \$87,571 as at November 30, 2009 and the only long-term debt outstanding is the preferred shares which have a balance of \$3,405,037 as at November 30, 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. As at November 30, 2009 the accumulated dividends on the Series A Convertible Preferred Shares are in arrears in the amount of \$657,033 (May 31, 2009 - \$485,633).

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.

Contractual obligations and commitments

Most 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.

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

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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

On October 7, 2008, the \$1,000,000, the \$650,000 and the \$400,000 loans payable to a director and shareholder of the Company, 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”.

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

One of the Company’s subsidiaries entered into three capital lease agreements during the period ended November 30, 2009 with two private companies, both controlled by a director and shareholder. The cost of property under capital leases aggregated \$197,244 as at November 30, 2009.

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

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\$2,500,000 was to be held in escrow for a period of 1 year to satisfy any indemnification claims for any deficiencies in the representations and warranties. During the period ending November 30, 2009, US\$1,000,000 was released from escrow. The remaining escrow balance US\$1,500,000 (CDN\$1,583,400 as at November 30, 2009) 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. Amounts due to related parties totaling \$1,893,458 and the revolving line of credit balance of \$1,500,000 were also repaid.

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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.

	May 31, 2009 USD \$	May 31, 2009 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)
		<u>21,209,674</u>
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
		<u>17,326,605</u>
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
		<u>3,490,287</u>
Net book value		<u>13,836,318</u>
Gain on disposition		<u>7,373,356</u>

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

	Three months ended Nov. 30,		Six months ended Nov. 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenues	-	910,035	-	3,485,106
Gross margin	-	696,093	-	2,617,731
Expenses	-	779,265	-	2,838,787
Operating loss	-	(83,172)	-	(221,056)
Other expense	-	(2,268,824)	-	(2,646,667)
Gain on sales of Parasun	-	8,301,251	-	8,301,251
Income before income taxes	-	5,949,255	-	5,433,528
Income tax expense	-	(30,000)	-	(120,000)
Net income and comprehensive income for the period	-	5,919,255	-	5,313,528

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Outstanding share data

As of May 31, 2009 and November 30, 2009 the Company had 24,630,865 common shares outstanding. On July 9, 2008, the Company issued an additional 200,000 units via a private placement. Each unit consisted of one common share at \$0.35 and one half share purchase for total proceeds of \$70,000. Warrants are exercisable until July 9, 2010 at an exercise price of \$0.45. On issue the amount allocated to share capital was \$67,123 and \$2,877 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%.

On December 14, 2009 the Company announced it had arranged, subject to regulatory approval, a non-brokered private placement of up to 4,000,000 units of the Company at \$0.05 per unit. Each unit consists of one common share and one share purchase warrant (“Warrant”). Each warrant will be exercisable into additional common shares of the Company at a price of \$0.10 per share for a period of two years. As of January 25, 2010 the number of common shares outstanding is 24,630,865.

As of January 25, 2010 there has been no further change in the number of stock options issued.

Subsequent events

Subsequent to the balance sheet date, 30,000 Series A Convertible Preferred Shares with a face value of \$300,000 were redeemed for a cash payment of \$150,000. In addition, these preferred shareholders relinquished their rights to cumulative dividends of \$44,000, of which \$42,000 is accrued as at November 30, 2009.

Subsequent to the balance sheet date, the Company announced the spin-off of the Kinzin Business unit into a subsidiary company, Kinzin International Inc., (“Kinzin”). The new structure will allow for Kinzin to operate independently and to facilitate its own funding through a private capital raise and IPO.

Update to Critical Accounting Policies and Estimates

The Management's Discussion and Analysis (“MD&A”) for the Company's fiscal year ended May 31, 2009 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.

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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 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.