

## **Overview of the Structure of the MD&A**

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with materials contained in the Company's Filing Statement dated February 29, 2008 and with the quarterly financial statement for the three and nine months ended September 30, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com). The discussions in this MD&A are based on information available as at November 26, 2008.

## **Forward Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In particular, certain statements in this document discuss Redishred's anticipated outlook of future events. These statements include, but are not limited to:

- (i) anticipated acquisition activity, which may be impacted by the current global credit crisis, as well as by the company's limited cash resources with which to identify and evaluate the acquisitions. This may negatively impact the number of locations opened which would have negative impacts to Redishred's income and cash flows;
- (ii) the company's efforts to obtain adequate and suitable financing may be negatively impacted by the current global credit crisis, furthering the company's inability to commence its acquisition strategy
- (ii) franchise development targets may not be met due to the poor economic situation in the United States which would have a negative impact on Redishred's income and cash flows;
- (iii) anticipated industry growth may slow, which may cause Redishred's system sales and royalty revenue to see slowed growth.
- (iv) the company's efforts to reduce overheads may not be sufficient to eliminate its negative operating cash flow deficit.

These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional factors are noted under "Risk Factors" in the Company's filing statement dated February 29, 2008, a copy of which may be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## Company Overview

The Company was incorporated under the *Canada Business Corporations Act* on October 18, 2006. The head office and the registered office of the Corporation as of September 30, 2008 were located at 6790 Century Avenue, Suite 200, Mississauga, Ontario.

On August 21, 2007, the Company received final receipts for a prospectus and became a reporting issuer in the Provinces of Alberta, British Columbia, New Brunswick, Nova Scotia and Ontario. The Company completed its initial public offering to raise gross proceeds of \$900,000 on August 29, 2007 and had its common shares listed for trading on the TSX Venture Exchange ("TSXV") as a capital pool company ("CPC") on September 5, 2007, under the symbol KUT.P.

On March 17, 2008 the Company completed a private placement by issuing 9,615,384 common shares with gross proceeds of \$5,000,000. Simultaneously, the Company also completed the acquisition of Professional Shredding Corporation ("PSC") at a cost of \$3,600,000 in cash and by issuing a further 3,269,231 common shares valued at \$1,700,000 to the Vendor (Professional Shredding Partnership).

Together with the private placement, the acquisition constituted Redishred's Qualifying Transaction and was approved by the TSXV. As a result, the company is no longer considered a capital pool company and is now listed under the symbol KUT.

As a result of the acquisition, the Company assumed, the royalty and fee revenue streams from 17 Proshred franchise locations. As of September 30, 2008 there were 16 Proshred franchise locations (see below) comprising of 66.7 territories. A territory is defined as 7,000 businesses with 10 or more employees. There were no closures or terminations during the third quarter:

<u>Franchise Locations *</u>	<u>Operating since</u>	<u>Territories</u>
ALBANY, NY	April, 2003	1.2
SPRINGFIELD, MA	June, 2003	2.3
MILWAUKEE, WI	August, 2003	2.7
SYRACUSE, NY	March, 2004	2.5
TAMPA BAY, FL	March, 2004	2.1
DENVER, CO	August, 2004	3.8
CHARLOTTE, NC	April, 2006	3.3
PHILADELPHIA, PA	September, 2006	5.0
KANSAS CITY, MO	December, 2006	4.0
NEW HAVEN, CT	April, 2007	3.6
CHICAGO, IL	April, 2007	3.8
RALEIGH, NC	June, 2007	4.7
BALTIMORE, MD **	November, 2007	6.7
NEW YORK, NY ***	January, 2008	11.3
MIAMI, FL	June, 2008	5.7
N. VIRGINIA, VA	July, 2008	3.8

\* On May 31, 2008, the Las Vegas location closed. The impact of the closure to system sales and royalty revenue was immaterial.

\*\* Includes Baltimore and Washington, DC

\*\*\* Includes New York City and Long Island

In addition to operating the Proshred franchising business, the Company's stated plans to date have been to grow its business through the acquisition and operation of independent document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling, and concurrent unscheduled shredding service. These acquisition plans have been delayed as a result of global market volatility, the current credit crisis, and the eroding economic environment in the United States. As a result of these conditions, management has been unable to secure the required financing to close on acquisition opportunities to date. Management has been able to identify numerous potential acquisition targets, many of which were in advanced stages of negotiations. However, the transactions that were under negotiation have been postponed or terminated as financing has not been secured due to the credit crisis. It remains uncertain as to when financing can be secured going forward. Management's previously stated goals relating to acquisitions and financing, and financial forecasts which it may have made based upon those acquisition assumptions, including those relating to system sales, number of corporate stores, shredding and recycling revenue, total revenue, direct costs, general and administrative expenses and EBITDA, are postponed given the uncertainty related to securing financing. Management cannot provide any further guidance on the number of or the value of the acquisitions at this time.

In order to mitigate the effects of the credit crisis and its impact on securing financing, the Company will refocus on its franchising initiatives and reduce overheads with the aim to minimize the Company's cash outflows. The Company's will continue to evaluate acquisition opportunities as this strategy will be employed over the medium to long term once the current economic environment has improved.

<b>2008 Goals and Objectives</b>	<b>Performance to September 30, 2008</b>	<b>Comments/Revised Goals</b>
Complete \$42M of accretive acquisitions.	Completed qualifying transaction of PROSHRED in March 2008 for \$5.3M.	As a result of global capital market volatility management will be unable to achieve the acquisition targets for fiscal year 2008. Management continues to pursue acquisition opportunities, but cannot provide any further guidance on the value of the acquisitions as a result of the uncertainty in obtaining required financing.
Acquire 3 to 6 corporate locations.	As at September 30, 2008 Redishred has acquired no new corporate locations.	As a result of global capital market volatility management will be unable to achieve the acquisition targets for fiscal year 2008. Management continues to pursue acquisition opportunities, but cannot provide any further guidance on the number of acquisitions as a result of the uncertainty in obtaining required financing.

<b>2008 Goals and Objectives</b>	<b>Performance to September 30, 2008</b>	<b>Comments/Revised Goals</b>
Award 2 new franchise locations.	As at September 30, 2008 awarded 2 additional franchise regions, equating to 8.8 territories to existing franchisees (Long Island and Washington, DC).	On target.
System sales of \$13.7M (\$6.7M from acquired locations and \$7M from franchise system).	During the first nine months of 2008, franchisee system sales were \$5.3M. Redishred has no acquired locations as at June 30, 2008.	Given the postponement of the qualifying transaction by three months, management has revised its system sales targets to \$6.5M from the franchise system. System sales from acquired locations will not be realized during the fiscal year as the company has been unable to secure the required financing to finalize any acquisitions.
Increase same store sales by 46.1% year over year in the franchise system.	During the three months ended September 30, 2008, same store sales in the franchise system grew by 97.6% over the same three month period in 2007.	On target.

## Selected Financial Data and Results of Operations

Prior to March 17, 2008, the Company was a CPC and its operating mandate was to acquire an operating business in the document destruction industry. As a result, the corporation's revenues were limited to interest income and its operating expenses were limited to legal and office expenses as well as stock based compensation.

### *Total Revenues*

Total revenues for the 3 months ended September 30, 2008 were \$ 527,904. Revenue for the 9 months ended September 30, 2008 was \$787,263. During the 3 months ended September 30, 2008 the Company awarded 8.8 new franchise territories to existing franchisees, and renewed one franchise agreement comprising of 2.3 territories.

<i>For the three months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Franchise territory fees	\$ 324,093	\$ -
Royalty and service fees	196,467	-
Interest income	7,344	5,274
	<u>\$ 527,904</u>	<u>\$ 5,274</u>

<i>For the nine months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Franchise territory fees	\$ 357,397	\$ -
Royalty and service fees	401,029	-
Interest income	28,836	5,274
	<u>\$ 787,263</u>	<u>\$ 5,274</u>

Currently, the Company derives revenues predominantly from royalties and service fees charged to franchisees, and from franchise fees that are generated when a franchise is awarded. Royalties and fees are all denominated in US dollars, and are translated at the average exchange rate for the period. The Company's revenue breakdown is as follows:

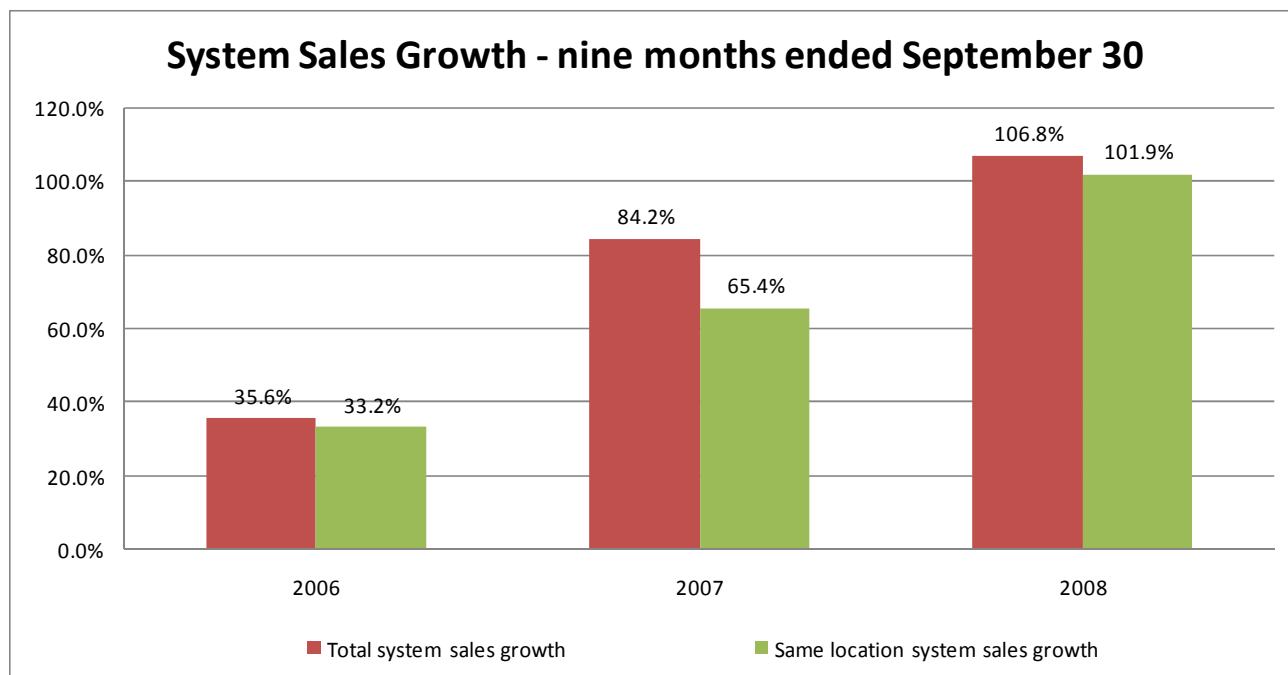
<i>For the three month period ended,</i>	<i>Canadian \$</i>	<i>US \$</i>
	<u>September 30, 2008</u>	<u>July – September 30, 2008</u>
Average exchange rate		<u>1.068</u>
Franchise territory fees	\$ 324,093	\$ 303,458
Royalty and service fees	196,467	183,890
Interest income - US sources	<u>2,266</u>	<u>2,122</u>
Revenue from US sources	522,826	489,470
Interest income – Canadian sources	<u>5,078</u>	<u>-</u>
Total revenue	<u>\$ 527,904</u>	<u>\$ 489,470</u>
 <i>For the nine month period ended,</i>	 <i>Canadian \$</i>	 <i>US \$</i>
	<u>September 30, 2008</u>	<u>Jan – September 30, 2008</u>
Average exchange rate		<u>1.038</u>
Franchise territory fees	\$ 357,397	\$ 344,313
Royalty and service fees	401,029	386,348
Interest income - US sources	<u>5,077</u>	<u>4,891</u>
Revenue from US sources	763,503	735,552
Interest income – Canadian sources	<u>23,760</u>	<u>-</u>
Total revenue	<u>\$ 787,263</u>	<u>\$ 735,552</u>

Franchisee sales are the key driver of royalty and service fee revenue. One franchise (Las Vegas) closed in the month of May and the outcome was negligible with regards to system sales from quarter to quarter. Franchisee sales (system sales) during the reported periods are as follows (system sales are reported and denominated in US Dollars):

<i>Three month period ended,</i>	<u>September, 2008</u>
Total operating locations at period end	16 (66.7 territories)
Total system sales	\$2,451,518 USD
<i>Nine month period ended,</i>	<u>September, 2008</u>
Total operating locations at period end	16 (66.7 territories)
Total system sales <sup>(1)</sup>	\$5,139,885 USD

(1) System sales are shredding and destruction services revenue generated by franchised locations in operation from March 17, 2008 to September 30, 2008.

The system sales results above are compiled from March 17, 2008 to September 30, 2008. System sales data for prior years has been collected by PSC prior to the qualifying transaction. The following chart demonstrates system sales growth and same location system sales growth since calendar year 2006.



### Operating Expenses

<i>For the three months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Salaries	\$ 238,322	\$ 100,000
General, administrative and marketing	<u>\$ 222,316</u>	<u>\$ 8,599</u>
	<u>\$ 460,637</u>	<u>\$ 108,599</u>

<i>For the nine months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Salaries	\$ 490,288	\$ 100,000
General, administrative and marketing	<u>\$ 481,487</u>	<u>\$ 22,136</u>
	<u>\$ 971,774</u>	<u>\$ 122,136</u>

Operating expenses for the three and nine months ended September 30, 2008 include expenses to support the franchise network and to develop new markets by way of franchising or acquisition. Also included in Operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs and management salaries and benefits.

For the three months ended September 30, 2007, operating costs were minimal, as the Company was in the initial phases of its initial public offering nor did the Company have any operations.

### Operating income (loss)

As a result of increased franchise fees during the 3 months ended September 30, 2008, the Company achieved operating income of \$67,266. The operating income (loss) for the three and nine months ended September 30, 2008 and 2007 was as follows:

<i>For the three months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Operating income (loss)	\$ 67,266	\$ (103,325)

<i>For the nine months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Operating income (loss)	\$ (184,512)	\$ (116,862)



### *Depreciation and Amortization*

Depreciation and amortization during the three months and nine months ended September 30, 2008 are attributed to the assets, software, and intangible assets purchased on March 17, 2008 and after. Prior to March 17, 2008 the company owned no depreciable assets.

<i>For the three months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Depreciation and amortization	\$ 210,738	\$ -

<i>For the nine months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Depreciation and amortization	\$ 477,648	\$ -

### *Income Tax*

The Company booked on March 17, 2008 a future tax liability relating to the purchase of PSC. In addition as at March 31, 2008 the Company booked a future income tax recovery relating to an adjustment to the purchase price of Professional Shredding Corporation. During the three months ended September 30, 2008 the Company booked a future income tax recovery representing the future tax benefit of the accounting loss during the quarter. In addition the company booked tax expense relating to its US subsidiary, Proshred Franchising Corp, which is in a taxable position relating to the collection of royalty and franchise fees. The Company is not currently cash taxable with the exception of its subsidiary located in the United States.

### *Net Loss*

<i>For the three months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Net loss	\$ 217,742	\$ 103,325

<i>For the nine months ended,</i>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Net loss	\$ 598,367	\$ 116,862

### Summary of Quarterly Results

Prior to March 17, 2008, the Company was a CPC and its operating mandate was to acquire an operating business in the document destruction industry. As a result, the corporation's revenues were limited to interest income and its operating expenses were limited to legal and office expenses as well as stock based compensation.

As previously noted, on March 17, 2008 the Company purchased PSC which owned the intellectual property associated with the brand name Proshred and assumed the franchise agreements for 17 franchisees that were operating in the United States. As of March 17, 2008 the Company's new revenue sources included (1) royalties and service fees relating to the use of the systems and brand Proshred and (2) franchise fees relating to the award of new territories to new or existing franchisees.

The Company's royalty revenue and fee stream is not highly seasonal as the shredding services provided by franchisees tend to be recurring in nature. The Company's franchise fee revenue is seasonal, as franchising activity is strongest in the first and third quarters.

	2008			2007			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Franchise territory fees	\$ 324,093	\$ 31,437	\$ 1,867	\$ -	\$ -	\$ -	\$ -
Royalty and service fees	196,467	169,861	34,700	-	-	-	-
Interest income	7,344	10,533	10,960	-	-	-	-
<b>Total revenue</b>	<b>\$ 527,904</b>	<b>\$ 211,832</b>	<b>\$ 47,527</b>	<b>\$ 13,509</b>	<b>\$ 5,274</b>	<b>\$ -</b>	<b>\$ -</b>
Operating income (loss)	67,266	(188,169)	(63,609)	(21,297)	(103,325)	(11,795)	(1,198)
Basic and diluted operating income (loss) per share	.01	(.01)	(.01)	(.01)	(.01)	(.01)	(1,198)
Net income (loss)	(217,742)	(372,857)	(7,768)	(21,297)	(103,325)	(11,795)	(1,198)
Basic and diluted net income (loss) per share	(.01)	(.03)	(.01)	(.01)	(.01)	(.01)	(1,198)

During the third quarter, the Company awarded 8.8 franchise territories to existing franchisees in the New York and Washington, DC markets and renewed one existing franchise agreement. Furthermore, royalties continue to increase as system sales in our franchised locations continue to grow versus the second quarter of this year and versus prior year results. Operating costs increased in the third quarter versus the second quarter and were driven by increased legal costs relating to acquisitions that were postponed and a onetime broker commission relating to the award of 3 territories in the Washington, DC market. Operating income in the third quarter, as a result of the franchising activity, was \$67,266 versus a loss in the second quarter.

During the second quarter, the Las Vegas franchisee closed operations and paid a onetime termination fee of \$25,000 that is included in the franchise fees. The impacts of this closure were immaterial to system sales and royalties.

During the first quarter, the Company earned royalties and service fees from March 17, 2008 to March 31, 2008 and incurred operating costs relating to salaries, rents and marketing for the same period.

## Balance Sheet

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Working capital	\$ 2,062,142	\$ 1,327,821
Total assets	\$ 8,392,941	\$ 1,461,958
Total liabilities	\$ 1,206,667	\$ 134,137

On March 17, 2008, the Company completed its private placement by issuing 9,615,384 common shares with gross proceeds of \$5,000,000. Simultaneously, the Company also completed the acquisition of PSC. As a result of the acquisition of PSC, the company assumed the following assets and liabilities of PSC:

	<b>Estimated fair value \$</b>
<b>Assets acquired:</b>	
Accounts receivable	16,174
Prepaid expenses and sundry	7,978
Notes receivable from franchisees	229,723
Equipment	30,000
Software	750,000
Customer List	100,000
Trademarks and intellectual	2,020,000
Franchise agreements	<u>3,330,499</u>
Total assets acquired	<u>6,484,374</u>
<b>Liabilities assumed:</b>	
Accounts payable and accrued liabilities	(40,994)
Future tax liability	<u>(1,000,000)</u>
Total liabilities assumed	<u>(1,040,994)</u>
<b>Net assets acquired</b>	<u><b>5,443,380</b></u>

During the 3 months ended September 30, 2008, the Company purchased \$114,526 in furniture, fixtures and computer equipment relating to its office move to its new location at 6790 Century Avenue, Suite 200, Mississauga, Ontario, L5N 2V8. Since March 17, 2008 the company has purchased \$116,550 in capital assets.

## **Financial Condition / Capital Resources**

Since inception until March 17, 2008, the Company's capital resources have been limited to amounts raised from the sale of common shares in the Company. From inception to December 31, 2007, the Company raised gross proceeds of \$1,500,000 from the sale of its common shares. As at December 31, 2007, the Company had working capital of \$1,324,144.

On March 17, 2008, the Company completed a private placement by issuing 9,615,384 common shares with gross proceeds of \$5,000,000. Simultaneously, the Company also completed the acquisition of PSC as a cost of \$3,600,000 in cash and by issuing a further 3,269,231 common shares valued at \$1,700,000 to the Vendor.

As of September 30, 2008, the Company has working capital of \$2,062,142.

The Company has not achieved breakeven levels of royalty and fee revenue from its franchise system. The Company will continue to award new franchise locations, and will be required to award 10 new franchise locations over the next 24 months in order to achieve a breakeven level of revenues from its franchise business. There is no assurance that the Company will be able to identify suitable franchise candidates with the financial capacity to operate a Proshred franchise.

The Company will continue to identify and evaluate other shredding businesses or related assets with a view to acquiring such businesses or assets that are accretive to the cash flows of the Company. In order to complete these acquisitions, the Company will be required to seek additional financing.

There is no assurance that the Company will be able to identify a suitable shredding business or related assets. Furthermore, even if the businesses or assets are identified, there can be no assurance that the Company will be able to complete the transaction(s) or raise the required funding.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Significant Accounting Policies**

The unaudited consolidated financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1751, "Interim Financial Statements". Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2007.

In the opinion of management, the unaudited interim consolidated financial statements include all adjustments considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. Except as otherwise noted hereunder, these unaudited interim consolidated financial statements were prepared using the same policies and methods of computation as the audited consolidated financial statements of the Corporation for the year ended December 31, 2007.

### *Equipment*

Equipment is carried at cost. Amortization is provided for over the estimated useful lives, using the following annual rates and methods:

Computer equipment	over two years, straight-line basis
Computer software	over three years, straight-line basis
Furniture and fixtures	over three years, straight-line basis
Trademarks and intellectual property	over ten years, straight-line basis
Intangible assets	over ten years, straight-line basis

### *Trademarks, intellectual property and intangible assets*

Trademarks, intellectual property and intangible assets are recorded at cost and amortized over ten years on a straight line basis. These assets are subject to fair value impairment tests. The Corporation compares the carrying amounts of these assets to the fair value, at least annually, and recognizes in net income any impairment in value.

### *Impairment of Long-Lived Assets*

Long-lived assets, including equipment, trademarks, intellectual property and other intangible assets are reviewed for impairment when significant events or circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment exists when the carrying value of the asset is greater than the future undiscounted cash flows expected to be provided by the asset. The amount of impairment loss, if any, which is the excess of net carrying value over fair value, is charged to income for the period. Fair value is generally measured equal to the estimated future discounted net cash flows from the asset.

### *Revenue Recognition*

The Corporation earns revenue from initial franchise fees paid by franchisees to secure territories for a specific period and from royalties and service fees paid by franchisees as a percentage of their monthly sales volumes. Initial franchise fees are recognized as revenue when the franchisee has paid the initial franchise fee and has fully executed a franchise agreement and has been provided the prescribed training. Royalties and service fees revenue is accrued on a monthly based on sales reported by franchisees. Interest income on notes receivable from franchisees is recognized in the month earned.

### *Loss per share*

Basic loss per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is calculated based on the weighted average number of common shares outstanding during the period, plus the effect of dilutive common share equivalents such as options and warrants. The diluted per share amounts are calculated using the treasury stock method, as if all the common share equivalents where average market prices exceeds issue price and had been exercised at the beginning of the reporting period, or the period of issue, as the case may be, and that the funds obtained thereby were used to purchase common shares of the Corporation at the average trading price of the common shares during the period. Since the Corporation has losses, the exercise of outstanding stock options has not been included in the calculation of diluted loss per share as it would be anti-dilutive.

### *Income taxes*

The Corporation uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using substantially enacted tax rates and laws that are in effect at the year-end. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

### *Stock-based compensation*

The Corporation accounts for stock options issued under its stock option plan using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized over the vesting period. Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Corporation's stock options.

### *Foreign Currency Translation*

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect on the transaction date. Revenue and expenses denominated in foreign currencies are translated at the average exchange rate during the month in which they are earned/incurred. Foreign currency gains or losses are included in the determination of the income for the year.

### *Management estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from these estimates.

### *New Accounting Policies*

Effective January 1, 2008, the Corporation has adopted the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook.

#### *Section 1535 – Capital Disclosures*

This new standard requires disclosure of the Corporation's objectives, policies, and processes for managing capital; quantitative data about what the Corporation regards as capital; whether the Corporation has complied with any capital requirements; and if the Corporation has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and had no effect on the financial results of the Corporation.

*Section 3862 – Financial Instruments – Disclosure, and Section 3863 – Financial Instruments – Presentation*

These new standards replace accounting standard 3861 Financial Instruments – Disclosure and Presentation. Presentation requirements have not changed. Enhanced disclosure is required to assist users of the financial statements in evaluating the significance of the financial instruments on the Corporation's financial position and performance, including qualitative and quantitative information about the Corporation's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and had no effect on the financial results of the corporation.

*Future Accounting Policy Changes  
Section 3064 – Goodwill and Intangible Assets*

The new standard which replaces Section 3062, Goodwill and Other Intangible Assets, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Corporation's interim and annual financial statements commencing January 1, 2009. The Corporation is currently assessing the impact of this new standard on its consolidated financial statements.

*International Financial Reporting Standards (IFRS)*

The Canadian Accounting Standards Board recently ratified a strategic plan that will see Canadian GAAP converged with, and replaced by, International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. Further, the Company anticipates a significant increase in disclosures resulting from the adoption of IFRS and is continuing to assess the level of disclosure required and any necessary system changes to gather and process information.

**Changes in Accounting Policies**

There are no changes in accounting principles adopted by the Company.

**Transactions with Related Parties**

Mr. Mark MacMillan, a director of Redishred Capital Corporation, is the owner of the Tampa Bay, FL Proshred franchise via his 100% ownership of ShredPro US Ltd. ShredPro US Ltd. has owned the franchise since April 2004. ShredPro US Ltd. pays royalties and other fees in accordance with its franchise agreements at terms that are consistent with other franchisees in the system. For the 9 months ended September 30, 2009 ShredPro US Ltd has provided \$34,327 in royalties and other service fees.

## **Risks and Uncertainties**

The Company's financial performance is likely to be subject to the following risks:

1. The Company has not achieved breakeven levels of royalty and fee revenue from its franchise system. The Company will continue to identify and evaluate other shredding businesses or related assets with a view to acquiring such businesses or assets that are accretive to the cash flows of the Company. In order to complete these acquisitions, the Company will be required to seek additional financing; and,
2. The Company has only limited funds with which to identify and evaluate potential acquisitions and there can be no assurance that the Company will be able to identify or complete suitable acquisitions.
3. The Company is exposed to foreign currency translations risk, as the majority of its revenue is denominated in US Dollars.

Reference is also made to the description of risk factors contained in the Company's Filing Statement dated February 29, 2008.

## **Investor Relations Activities**

The Company does not have any investor relations arrangements.

## **Share Data**

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2008 and as at the date hereof, there were 22,884,614 issued and outstanding common shares.

On March 17, 2008, the Corporation issued options to acquire 380,000 common shares of the Corporation at a price of \$0.52 per share. The 380,000 options will expire March 17, 2013 and vest 25% per year commencing on March 17, 2009. In addition, on March 17, 2008, the Corporation issued options to acquire 566,923 common shares of the Corporation at a price of \$0.52 per share. The 566,923 options will expire March 17, 2010 and were fully vested upon granting.

On May 26, 2008, the Corporation issued options to acquire 10,000 common shares of the Corporation at a price of \$0.52 per share. The 10,000 options will expire May 26, 2013 and vest 25% per year commencing on May 26, 2009.

On August 21, 2008, the Corporation issued options to acquire 80,000 common shares of the Corporation at a price of \$0.52 per share. The 80,000 options will expire August 21, 2013 and vest 25% per year commencing on August 21, 2009.

No options were exercised or forfeited during the year.

As of September 30, 2008, the Corporation had outstanding 22,884,614 common shares, and 2,281,923 options to acquire common shares. As of November 26, 2008 the Corporation had outstanding 22,884,614 common shares, and 2,281,923 options to acquire common shares.