

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 months ended March 31, 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. The discussions in this MD&A are based on information available as at May 27, 2008.

Company Overview

The Company was incorporated under the *Canada Business Corporations Act* (the "CBCA") on October 18, 2006. The head office and the registered office of the Corporation are located at 245 Yorkland Blvd, Suite 100, Toronto, 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 (collectively, the "Jurisdictions"). The Company completed its initial public offering (the "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 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 Toronto Venture Exchange. As a result, the Company is no longer considered a capital pool company and is now listed under the symbol KUT.

In addition, the Company assumed, via the acquisition, the royalty and fee revenue streams from the existing 17 Proshred franchise locations (see below):

<u>Territory</u>	<u>Operating since</u>
ALBANY, NY	April, 2003
SPRINGFIELD, MA	June, 2003
MILWAUKEE, WI	August, 2003
SYRACUSE, NY	March, 2004
TAMPA BAY, FL	March, 2004
DENVER, CO	August, 2004
CHARLOTTE, NC	April, 2006
PHILADELPHIA, PA	September, 2006
KANSAS CITY, MO	December, 2006
NEW HAVEN, CT	April, 2007
CHICAGO, IL	April, 2007
RALEIGH, NC	June, 2007
BALTIMORE, MD	November, 2007
LAS VEGAS, NV*	January, 2008
NEW YORK, NY	January, 2008
MIAMI, FL	Opening May, 2008
NORTH VIRGINIA, VA	Opening July, 2008

** This franchise location will close on May 31, 2008*

In addition to operating the Proshred franchising operations, the Company plans to grow its business through the acquisition and establishment of Company owned document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling, and concurrent unscheduled shredding service. In addition, the Company plans to implement internal growth strategies, such as expanding services to residential customers, home-based businesses and continuing to develop complementary services around proprietary product and electronic materials destruction; and external growth strategies, such as expanding internationally through master franchising.

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. Examples of such statements include the intention to grow its business through the acquisition and establishment of Company owned document destruction businesses. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this

document. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Company to obtain necessary financing; satisfy conditions under any acquisition agreement; satisfy the requirements of the TSX Venture Exchange with respect to the acquisitions; consumer interest in the Company's services and products; competition; and anticipated and unanticipated costs. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements. 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.

Selected Financial Data and Results of Operations

Total Revenues

Total revenues for the Company were \$ 47,527 in the first quarter of fiscal year 2008. The revenues represent royalties and service fees from franchisees from the period of March 17, 2008 to March 31, 2008. There are no comparative revenue results for the same three month period in fiscal year 2007, as the Company had no revenue to report.

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 sold. Royalties and fees are all denominated in US Dollars, and are translated at the average exchange rate for the period. The average exchange rate for the period was 1.00. The Company's revenue breakdown is as follows:

<i>Three month period ended,</i>	<i>Canadian \$</i>	<i>US \$</i>
	<u>March 31, 2008</u>	<u>March 31, 2008</u>
Franchise territory fees	\$ 1,867	\$ 1,867
Royalty and service fees	\$ 34,700	\$ 34,700
Interest income	\$ 10,960	\$ 10,960
Total revenue	<u>\$ 47,527</u>	<u>\$ 47,527</u>

Franchisee sales are the key driver of royalty and service fee revenue. Franchisee sales (system sales) during the reported periods are as follows (System sales are denominated in US Dollars and converted at 1.00):

<i>Three month period ended,</i>	<u>March 31, 2008</u>
Total operating locations at period-end	15
Total system sales ⁽¹⁾	\$452,936

(1) System sales are shredding and destruction services revenue generated by franchised locations in operation from March 17, 2008 to March 31, 2008.

Operating Expenses

<i>For the three months ended,</i>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Salaries	\$ 35,093	\$ -
General, administrative and marketing	<u>\$ 76,043</u>	<u>\$ 1,198</u>
	<u>\$ 111,136</u>	<u>\$ 1,198</u>

Operating expenses for the three months ended March 31, 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 costs, professional services, occupancy costs and management salaries and benefits.

For the three months ended March 31, 2007, operating costs were minimal, as the Company had not commenced its initial public offering plan nor did the Company have any employees or operations.

Depreciation and Amortization

<i>For the three months ended,</i>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Depreciation and amortization	\$ 66,644	\$ -

Depreciation and amortization during the three months ended March 31, 2008 is attributed to the assets, software, and intangible assets purchased on March 17, 2008. Prior to March 17, 2008 the company owned no depreciable assets.

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 representing the future tax benefit of the accounting loss during the quarter and a future income tax recovery relating to an

adjustment to the purchase price of Professional Shredding Corporation. The Company is not currently cash taxable with the exception of its subsidiary located in the United States, Proshred Franchising Corp.

Net Loss

<i>For the three months ended,</i>	March 31, 2008	March 31, 2007
Net Loss	\$ 7,768	\$ 1,198

Balance Sheet

	March 31, 2008	December 31, 2007
Working Capital	\$ 2,353,147	\$ 1,327,821
Total Assets	\$ 8,787,060	\$ 1,461,958
Total Liabilities	\$ 1,017,660	\$ 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:

	Estimated fair value \$
Assets acquired:	
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>3,327,333</u>
Total assets acquired	<u>6,481,208</u>
Liabilities assumed:	
Accounts payable and accrued liabilities	(40,994)
Future tax liability	<u>(1,000,000)</u>
Total liabilities assumed	<u>(1,040,994)</u>
Net assets acquired	<u>5,440,214</u>

Financial Condition / Capital Resources

Since inception, 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 March 31, 2008, the Company has working capital of \$2,353,147.

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.

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).

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
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.

Changes in Accounting Policies

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

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.

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.

In addition, on August 29, 2007, the Corporation issued options, to its officers and directors, to acquire 975,000 common shares of the Corporation at a price of \$0.20 per share. The Corporation also issued, to its agent, options, to acquire 270,000 common shares of the Corporation at a price of \$0.20 per share.

On March 17, 2008, the Corporation issued, to employees and management, options to acquire 380,000 common shares of the Corporation at a price of \$0.52 per share. In addition, the Corporation issued, to its agent, options to acquire 566,923 common shares of the Corporation at a price of \$0.52 per share.