

# **REDISHRED CAPITAL CORP.**

**FILING STATEMENT**  
with respect to a Qualifying Transaction

February 28, 2008

*Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.*

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**NOTICE CONCERNING FORWARD-LOOKING STATEMENTS**

This Filing Statement contains 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 RediShred to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: (A) the intention to complete the Acquisition, the Private Placement and the Qualifying Transaction of RediShred; (B) the description of RediShred that assumes completion of the Transactions; (C) the intention to grow the business and operations of RediShred; and (D) the level of cash-flow at closing and in the future, including whether the cash flow is positive or negative. 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 Filing Statement. 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 RediShred to obtain necessary financing; satisfy conditions under the Acquisition Agreement; satisfy the requirements of the Exchange with respect to the Acquisition, the Private Placement or the Qualifying Transaction; the level of activity in the document destruction business and the economy generally; consumer interest in RediShred’s services and products; competition; and anticipated and unanticipated costs. While RediShred anticipates that subsequent events and developments may cause its views to change, RediShred specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing RediShred’s views as of any date subsequent to the date of this Filing Statement. Although RediShred 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 RediShred. Additional factors are noted under “Risk Factors” in this Filing Statement.

## GLOSSARY

The following terms used in this Filing Statement have the meanings set forth below.

**“Acquisition”** means the acquisition by RediShred of the PSC Shares and the Note from the Vendor for the Purchase Price pursuant to the Acquisition Agreement;

**“Acquisition Agreement”** means the acquisition agreement dated as of November 28, 2007, as amended on February 28, 2008, between the Vendor, RediShred, PSC and PSP pursuant to which RediShred agreed to purchase from the Vendor, and the Vendor agreed to sell to RediShred, the PSC Shares and the Note for the Purchase Price on the terms and conditions set forth therein;

**“Affiliate”** has the meaning ascribed to such term in Exchange Policy 1.1 Interpretation;

**“Agency Agreement”** means the agency agreement to be dated as of the date of Closing between RediShred and the Agent pursuant to which RediShred will appoint the Agent as its agent for the Private Placement;

**“Agent”** means Canaccord Capital Corporation, the agent of RediShred in respect of the Private Placement;

**“Agent’s Option”** means the non-transferable option to be granted by RediShred to the Agent entitling the Agent to acquire up to the number of Shares equal to 6% of the total number of Shares sold in connection with the Private Placement, at a price of \$0.52 per Share and exercisable for a period of two years.

**“Associate”** has the meaning ascribed to such term in Exchange Policy 1.1 Interpretation;

**“Board”** means the board of directors of RediShred;

**“Business Day”** means any day other than a Saturday, Sunday or a statutory holiday in the Province of Ontario;

**“Closing”** means the closing of the Acquisition and related transactions;

**“Control Person”** means, in respect of an issuer, any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

**“CPC”** means a corporation:

- (a) that has been incorporated or organized in a jurisdiction in Canada,
- (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (c) in regard to which the completion of a Qualifying Transaction has not yet occurred;

**“CPC Policy”** means Exchange Policy 2.4 Capital Pool Companies;

**“Discounted Market Price”** has the meaning ascribed to such term in Exchange Policy 1.1 Interpretation;

**“Escrow Agent”** means Computershare Investor Services Inc., in its capacity as escrow agent for the Shares held in escrow under the Escrow Agreement;

**“Escrow Agreement”** means the escrow agreement dated August 21, 2007 among RediShred, the Escrow Agent and the Shareholders listed under “Information Concerning the Resulting Issuer – Escrowed Securities”;

**“Exchange”** means the TSX Venture Exchange Inc.;

**“Filing Statement”** means this filing statement;

**“Final Exchange Bulletin”** means the Exchange bulletin which is issued following closing of the Qualifying Transaction of RediShred and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction;

**“Final Prospectus”** means the final prospectus of RediShred dated August 21, 2007;

**“Franchise”** means a franchise granted by PFC to operate the Proshred Business;

**“Franchisee”** means a person that has entered into a Franchise Agreement with PFC that has not been terminated;

**“Franchise Agreement”** means an agreement between a Franchisee and PFC pursuant to which the Franchisee obtains a Franchise;

**“GAAP”** means Canadian generally accepted accounting principles;

**“HCC”** means Heron Capital Corporation, a corporation incorporated under the laws of Ontario;

**“HCC Employees”** means certain employees of HCC who are engaged in the Proshred Franchise Business, namely John Prittie, Jeffrey Hasham, Timothy Tibbs, James Reid, Andrew Parry, Joseph May and Nancy Prittie;

**“HGI”** means The Heron Group Inc., a corporation incorporated under the laws of Ontario;

**“Insider”** if used in relation to an issuer, means:

- (i) a director, senior officer or trustee, as applicable, of the issuer;
- (ii) a director, senior officer or trustee, as applicable of the entity that is an Insider or subsidiary of the issuer;
- (iii) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the issuer; or
- (iv) the issuer itself if it holds any of its own securities;

**“IP Assets”** has the meaning given under the heading “Information Concerning PSC and the Proshred Franchise Business – Narrative Description of the Proshred Franchise Business – General – Intellectual Property”;

**“IP License”** means the intellectual property license granted by the Vendor to PFC for use of the IP Assets;

**“IPO”** means the initial public offering by RediShred of its Shares as a CPC;

**“Management Agreement”** means the agreement between the Vendor and PFC under which PFC receives management services, including those of the HCC Employees;

**“NI 45-106”** means National Instrument 45-106 Prospectus and Registration Exemptions;

**“Non-Arm’s Length Party”** means, in relation to an issuer, a promoter, officer, director, other Insider or Control Person of that issuer and any Associates or Affiliates of any such person. In relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person;

**“Non-Arm’s Length Qualifying Transaction”** means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates control the CPC and the Significant Assets which are to be the subject of the proposed Qualifying Transaction;

**“Note”** means a promissory note in the amount of \$2,900,000 owed by PSC to the Vendor;

**“PFC”** means Proshred Franchising Corp., a corporation formed under the laws of Delaware;

**“Private Placement”** means the proposed private placement by RediShred of between 6,923,077 and 9,615,385 Shares at a price of \$0.52 per Share, for aggregate gross proceeds to RediShred of between \$3.6 million and \$5 million;

**“Promoter”** means:

- (i) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or
- (ii) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10 per cent or more of any class of securities of the issuer or 10 per cent or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business;

**“Proshred Business”** means the mobile shredding and recycling business operated under the *PROSHRED*<sup>®</sup> trademark;

**“Proshred Franchise Business”** means the business of granting and managing Franchises in the United States and internationally outside of Canada, as carried on by PFC;

**“PSC”** means Professional Shredding Corporation, a corporation incorporated under the laws of Ontario;

**“PSC Shares”** means all of the issued and outstanding shares of PSC;

**“PSP”** means PSP Corporation, an Ontario corporation which holds the title to the PSC Shares as nominee of the Vendor;

**“Purchase Price”** means the purchase price for the PSC Shares and the Note, being \$5.3 million, subject to customary adjustments;

**“Qualifying Transaction”** means a transaction whereby a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, and, specifically in the case of RediShred, means, collectively, the Acquisition and the Private Placement, all as more particularly described herein;

**“RediShred”** means RediShred Capital Corp., a corporation incorporated under the laws of Canada;

**“Resulting Issuer”** means RediShred, after issuance of the Final Exchange Bulletin;

**“Shareholders”** means the holders of Shares;

**“Shares”** means the common shares of RediShred;

**“Significant Assets”** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any concurrent transactions, would result in the CPC meeting the minimum listing requirements of the Exchange;

**“Stock Option Plan”** means RediShred’s stock option plan adopted on August 21, 2007;

**“Subsidiary”** includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity;

**“Taxation Year”** means the taxation year of the Resulting Issuer for the purposes of the Tax Act;

**“Tax Act”** means the Income Tax Act (Canada) and the regulations thereunder, as amended;

**“Transactions”** means the Acquisition and the Private Placement; and

**“Vendor”** means Professional Shredding Partnership, a general partnership formed under the laws of Ontario that is owned by HCC and HGI;

## SUMMARY OF THE FILING STATEMENT

*The following is a summary of information relating to RediShred, Proshred Franchising Corp. ("PFC") and the Resulting Issuer and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement. Capitalized terms are defined in the Glossary. Unless otherwise stated, references herein to "\$" or "dollars" mean the lawful currency of Canada.*

### **RediShred**

RediShred was incorporated on October 18, 2006 and completed its initial public offering (the "IPO") on August 29, 2007. The Shares were listed for trading on the Exchange on September 5, 2007. As disclosed in the Final Prospectus, RediShred's business has been restricted to the identification and evaluation of document destruction businesses or assets for the purposes of completing its Qualifying Transaction.

### **The Qualifying Transaction**

As announced on October 4, 2007, management of RediShred has identified the Proshred Franchise Business as an appropriate business for RediShred to acquire as part of its Qualifying Transaction. In order to obtain requisite financing to complete the Acquisition and to carry on business going forward, RediShred intends to complete the Private Placement concurrently with the closing of the Acquisition. The Acquisition and the Private Placement (the "Transactions") are collectively intended to serve as RediShred's Qualifying Transaction.

### **The Proshred Franchise Business**

The Proshred Franchise Business franchises the right in the United States and internationally outside of Canada to sell on-site services for the destruction and disposal of documents and other sensitive and confidential materials under the trademark **PROSHRED**<sup>®</sup>. Its customers are primarily businesses and other organizations that need to maintain the confidentiality of their proprietary information, whether for competitive reasons, to comply with legal requirements or otherwise. The Proshred Business allows business customers and individual customers to witness the destruction of their selected paper documents, computer disks and other media that contain sensitive and confidential proprietary information. The Proshred Business also offers services to residential and home office customers.

The Proshred Business began in Toronto in the mid 1980s. The Proshred Franchise Business was acquired by the Vendor on September 29, 2004. At that date, the Proshred Franchise Business had eight Franchisees in seven US States. Shortly after the purchase, the Vendor terminated two Franchise Agreements as part of the initial restructuring plans. In the fall of 2004 and throughout the calendar year 2005, the Vendor invested in redeveloping the Proshred Business operating platform. This included the creation of new operating manuals, a significant upgrade to the Proshred Business' proprietary software system Shredlogic, and the creation of new sales and marketing materials, including a new web site. In addition, the Vendor recruited a new management team to ensure adequate support was provided to existing Franchisees and to support future growth of the Proshred Franchise Business.

In January of 2006, the Vendor added its first new franchise since the purchase of Proshred Franchise Business in September 2004, located in Charlotte, North Carolina. Throughout 2006, four new franchises were awarded, with two commencing operations. To date in 2007, six new franchises have been awarded and five have commenced operations.

The Proshred Franchise Business has developed numerous systems and operating procedures that enable Franchisees to operate their business in an effective and consistent manner. The key systems include a customer relationship package called Netsuite<sup>®</sup>, which is web enabled and is used to manage the Franchisees sales process; a customized software program called Shredlogic that manages work orders, logistics and invoicing; and, a comprehensive set of operating manuals that include Pre-opening Supplies and Equipment, Human Resources, Administration, Sales and Marketing, Operations, the ISO Program, Shredlogic and a Customer Service Professional Handbook.

The Proshred Business is ISO 9001 certified for international standards in quality and customer satisfaction.

### **The Acquisition**

The Acquisition Agreement sets forth the terms and conditions pursuant to which RediShred proposes to acquire all of the issued and outstanding shares (the "PSC Shares") of Professional Shredding Corporation ("PSC") and the Note for a purchase price equal to \$5.3 million (subject to customary adjustments). Pursuant to the Acquisition Agreement, the Purchase Price payable by RediShred to the Vendor will be satisfied by a combination of cash and Shares issued from the treasury of RediShred. The cash component of the

Purchase Price will range from \$2.6 million to \$3.6 million. If \$3.6 million is raised under the Private Placement, the cash component of the Purchase Price will be \$2.6 million. For every dollar over \$3.6 million raised under the Private Placement, the cash component of the Purchase Price will increase by one dollar provided that the cash component of the Purchase Price shall not increase by more than \$1 million. This will result in between 3,269,231 and 5,192,308 Shares, at a price of \$0.52, being issued to the Vendor. All Shares issued to the Vendor pursuant to the Acquisition Agreement will be held in escrow pursuant to the terms of the Escrow Agreement. See “Information Concerning the Resulting Issuer – Escrowed Securities”.

The Acquisition Agreement contains customary representations and warranties from the Vendor in favour of RediShred. These representations and warranties address various matters with respect to the Vendor, PSC and the Proshred Franchise Business. The closing of the Acquisition is subject to title review, Exchange approval, financing and other customary closing conditions and is expected to occur on the date that is seven business days after the filing of this Filing Statement on SEDAR, with the Exchange and with the applicable securities regulatory authorities.

RediShred will also offer to employ the certain employees (the “HCC Employees”) of Heron Capital Corporation (“HCC”) as part of the Acquisition.

### **The Private Placement**

In order to finance the Acquisition, RediShred intends to complete a private placement of between 6,923,077 and 9,615,385 Shares at a price of \$0.52 per Share, for aggregate gross proceeds to RediShred of between \$3.6 million and \$5 million (the “Private Placement”). The aggregate number of Shares to be issued in the Private Placement together with the Acquisition will not exceed 12,884,615 Shares. A portion of the proceeds of the Private Placement not used to fund the Acquisition will be used to pay for the costs and expenses associated with the Private Placement and the Qualifying Transaction, with the balance, if any, to be used to identify potential future acquisitions and for general corporate purposes.

Pursuant to the Agency Agreement, RediShred has engaged the services of the Agent to act as agent in Canada on a best efforts basis, in connection with the Private Placement. The Agency Agreement provides that the Agent will be paid a commission of up to 6% of the gross proceeds of the Private Placement. The Agent will also be granted the Agent’s Option. Certain insiders of RediShred are expected to purchase Shares representing less than 25% of those sold under the Private Placement.

The offering of the Shares under the Private Placement is being made in each of the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan in reliance on exemptions from the prospectus requirements contained in NI 45-106, as well as in the United States under applicable prospectus exemptions.

### **The Resulting Issuer**

As the Acquisition will form part of RediShred’s Qualifying Transaction, there will be a change in the corporate structure of RediShred as a result. PSC, which legally and beneficially owns all of the issued and outstanding shares of PFC, will become a wholly-owned subsidiary of RediShred. See “Information Concerning the Resulting Issuer – Corporate Structure”.

Upon completion of the Acquisition, the only operating assets of the Resulting Issuer will be those assets used in connection with the growth of the Proshred Franchise Business. See “Information Concerning PSC and the Proshred Franchise Business”. In addition to the continued Proshred Franchise Business’ franchising operations, the Resulting Issuer will aim to grow its document destruction business through the acquisition and establishment of wholly owned document destruction businesses that generate stable cash flow. In order to achieve this objective, the Resulting Issuer plans to implement external and internal growth strategies as more fully described in this Filing Statement.

### **Interest of Insiders, Promoters and Control Persons**

No Insider, Promoter or Control Person of RediShred and their respective Associates and Affiliates (before giving effect to the Transactions) have any interest in the Proshred Franchise Business.

Brad Foster is a director and a 5% shareholder of RediShred. Brad Foster is also a director and officer of HCC but does not directly or indirectly own any shares of HCC and does not have any equity interest in the Vendor.

Hugh Heron is a technical consultant and a 5% shareholder of RediShred. Hugh Heron is also an officer and director of HCC and indirectly has approximately a 21% beneficial equity interest in the Vendor, and indirectly has a one-third controlling interest in the Vendor.

John Prittie is a technical consultant and a 7.5% shareholder of RediShred. John Prittie is also an officer and director of HCC and is an indirect minority shareholder of the Vendor, with approximately a 7% non-controlling beneficial interest. Upon completion of the Qualifying Transaction, Mr. Prittie will enter into a new employment agreement with the Resulting Issuer.

#### **Not a Non Arm's Length Qualifying Transaction**

The Transactions were negotiated on an arm's-length basis and involve arm's-length parties and, therefore, do not constitute a Non-Arm's Length Qualifying Transaction. As a result, no meeting of Shareholders is required as a condition to the completion of the Transactions.

#### **Available Funds and Principal Purposes**

After giving effect to the Private Placement, RediShred will have approximately \$6,100,000 available to it. After completion of the Acquisition and payment of the Purchase Price in connection therewith, RediShred will have working capital of \$2,000,000, which will be used to identify potential future acquisitions and for general corporate purposes.

While management currently intends to use the available funds as set forth in this Filing Statement, the Resulting Issuer may reallocate available funds for sound business reasons.

See "Information Concerning the Resulting Issuer – Available Funds and Principal Purposes".

#### **Selected Financial Information**

##### *RediShred*

Since RediShred is a CPC, its business consists solely of identifying a suitable Qualifying Transaction. The expenses incurred by RediShred in connection with the IPO and the listing of the Shares on the Exchange were \$42,849 up to December 31, 2007. General and administrative expenses incurred by RediShred since the date of its incorporation to December 31, 2007 were \$162,408.

##### *The Proshred Franchise Business*

The table below sets out certain financial data for the Proshred Franchise Business in respect of the periods for which financial information is included elsewhere in this Filing Statement.

	Six Months Ended September 30, 2007	12 Months Ended		6 Months Ended
		March 31, 2007	March 31, 2006	March 31, 2005
<b>Total Revenues</b>	\$386,494	\$851,983	\$318,954	\$88,797
<b>Net Income (Loss)</b>	(\$328,737)	(\$656,714)	(\$950,006)	(\$453,677)
<b>Total Assets</b> <sup>(1)</sup>	\$383,039	\$583,587	\$346,697	\$356,344

(1) As at the last day of the applicable period.

*The Resulting Issuer*

The following table summarizes certain pro forma financial information for RediShred after giving effect to the Transactions and should be read in conjunction with the Pro Forma Balance Sheet attached hereto as Appendix "C".

**As at September 30, 2007**

<b>Current Assets</b>	\$2,627,418
<b>Total Assets</b>	\$8,055,316
<b>Current Liabilities</b>	\$350,912
<b>Shareholders' Equity</b>	\$7,704,404

**Market Price of Shares**

The Shares of RediShred are listed on the Exchange under the symbol "KUT.P". The closing market price of the Shares on October 3, 2007, the last trading day immediately preceding the announcement of the Transactions, was \$0.65. See "Information Concerning RediShred – Prior Sales – Stock Exchange Price" for information relating to the trading price of the Shares from September 5, 2007 to October 3, 2007.

**Sponsorship and Agent Relationship**

The Exchange has granted an exemption from the sponsorship requirement in connection with the Transactions. RediShred is not related to the Agent.

**Conflicts of Interest**

Mark J. MacMillan, who will be the Executive Vice President Development and a director of RediShred following completion of the Transactions, is a Franchisee operating a Franchise in Tampa, Florida.

**Interest of Experts**

No person or company who is named as having prepared or certified a part of the Filing Statement or prepared or certified a report or valuation described or included in the Filing Statement has, or will have immediately following completion of the Transactions, any direct or indirect interest in the Proshred Franchise Business or in RediShred.

**Risk Factors**

An investment in RediShred is subject to a number of risks that should be considered by investors. These risks, and other risks associated with an investment in RediShred, include the following risks relating to the business of the Resulting Issuer: general risks relating to the operation of franchises, competition, government regulation, negative near-term cash flow, franchising strategy, currency fluctuations, acquisition strategy, expansion to new markets, availability of cash, protection of intellectual property, reliance on key personnel, potential conflicts of interest, litigation, limited experience of management in operating a public company, potential undisclosed liabilities associated with acquisitions, dilution, potential volatility of share price, and limited prior public market.

**Conditional Listing Approval**

The Exchange has conditionally accepted the Transactions subject to RediShred fulfilling all of the requirements of the Exchange.

## RISK FACTORS

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The following are certain factors relating to the business of RediShred assuming completion of the Transactions, which factors investors should carefully consider when making an investment decision concerning Shares. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Filing Statement. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to RediShred, or that RediShred currently deems immaterial, may also impair the operations of the Resulting Issuer. If any such risks actually occur, the financial condition, liquidity and results of operations of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

### RISKS RELATING TO FRANCHISING

Franchisees are affected by:

- changes in international, national, regional and local economic conditions;
- corporate preferences and spending patterns;
- demographic trends; and
- the type, number and location of competing businesses.

Inflation, interest rates, labour and benefit costs, legal claims and the availability of management and employees also affect operations and administrative expenses and, ultimately, the ability to finance new Franchises and improvements and additions to existing Franchises.

A substantial portion of earnings comes from royalties and other amounts paid by the Franchisees. The Franchisees will continue to be independent contractors, and their employees will not be employees of the Resulting Issuer. The Resulting Issuer will provide training and support to, and will monitor the operations of, the Franchisees, but the quality of their operations may be diminished by any number of factors beyond the Resulting Issuer's control. Consequently, the Franchisees may not successfully operate stores in a manner consistent with the Resulting Issuer's standards and requirements and may not hire and train qualified managers and other personnel. Any operational shortcoming of a Franchise is likely to be attributed by consumers to the Proshred Franchise Business, thus damaging the Proshred brand reputation and potentially affecting revenues and profitability. Furthermore, if a significant number of Franchisees were to become insolvent or otherwise were unwilling or unable to pay the fees and royalties, the Resulting Issuer's revenues and, accordingly, profits would decrease.

### RISKS RELATING TO THE BUSINESS OF THE RESULTING ISSUER

#### *Competition*

The Resulting Issuer will compete with numerous developers, owners and operators in the document destruction business, some of which own or may in the future own, businesses that compete directly with the Resulting Issuer's and some of which may have greater resources. Direct competitors to the Resulting Issuer's business include Iron Mountain Incorporated, Recall, Shred-It America, Inc., Cintas, Brinks and many small, independent mobile shredding businesses.

#### *Government Regulation*

Many new state and federal laws and regulations are being contemplated and enacted relative to privacy issues in general and the care and handling of personal information in particular. As a result, the Resulting Issuer may be required to modify its existing practices to ensure compliance with legislative standards. There can be no assurance that the Resulting Issuer will be able to implement any and all necessary operational modifications in a cost effective way if at all.

### *Negative Near-Term Cash Flow*

The Proshred Franchise Business is still in its start-up phase and has not yet reached the size to generate sufficient revenues to produce a positive cash flow. Accordingly, the Proshred Franchise Business will require capital to operate and grow in the near term so as to reach this necessary critical mass.

### *Franchising Strategy*

The Resulting Issuer's business strategy will involve the establishment of new Franchises in smaller urban areas throughout the United States. The Resulting Issuer may not be successful in establishing new Franchises and the failure to do so will slow the Resulting Issuer's growth. Furthermore, even if the Resulting Issuer were successful in establishing new Franchises, these new Franchises may fail to perform as expected and management of the Resulting Issuer may underestimate the difficulties, costs, management time and financial and other resources associated with terminating these Franchises or ensuring their continued operation. If the new Franchises fail to perform as expected or incur significant increases in projected costs, the Resulting Issuer's revenues could be lower, and its operating expenses higher, than expected.

### *Currency Fluctuations*

RediShred's principal executive office is in Canada, all the proposed directors and officers of the Resulting Issuer are Canadian and many significant expenses of the Resulting Issuer will be in Canadian dollars, while revenues will be measured in US dollars or other currency. Accordingly, the financial results of the Reporting Issuer will be impacted by fluctuations in currencies and rates.

### *Acquisition Strategy*

The Resulting Issuer's business strategy will involve expansion through acquisitions and business development projects. These activities require the Resulting Issuer to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Resulting Issuer may not be successful in identifying document destruction businesses that meet its acquisition or development criteria or in completing acquisitions, developments or investments on satisfactory terms. Failure to identify or complete acquisitions or developments or to purchase the Proshred Franchise Business will slow the Resulting Issuer's growth. The Resulting Issuer could also face significant competition for acquisitions and development opportunities. Some of the Resulting Issuer's competitors have greater financial resources than the Resulting Issuer and, accordingly, have a greater ability to borrow funds to acquire businesses. These competitors may also be willing and/or able to accept more risk than the Resulting Issuer can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the Resulting Issuer, may increase acquisition costs and may reduce demand for document destruction services in certain areas where the Resulting Issuer's business is located and, as a result, may adversely affect the Resulting Issuer's operating results.

In addition, even if the Resulting Issuer were successful in identifying suitable acquisitions or development projects, newly acquired businesses may fail to perform as expected and management of the Resulting Issuer may underestimate the difficulties, costs, management time and financial and other resources associated with the integration of the acquired businesses. In addition, any business expansions the Resulting Issuer undertakes in the future are subject to a number of risks, including, but not limited to, having sufficient ability to raise further capital to fund acquisitions, and having sufficient human resources to convert and operate the acquired businesses. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular business, the Resulting Issuer will make certain assumptions regarding the expected future performance of that business. If the Resulting Issuer's acquisition or expansion businesses fail to perform as expected or incur significant increases in projected costs, the Resulting Issuer's revenues could be lower, and its operating expenses higher, than expected.

### *Expansion to New Markets*

It is the plan of management to continue expanding the Proshred Franchise Business in the United States, including into areas where customers are unfamiliar with the Proshred brand. The Resulting Issuer will need to build brand awareness in those markets through greater investments in advertising and promotional activity than in existing markets, and those activities may not promote the Proshred brand as effectively as intended, if at all. Many of the United States markets into which management intends to expand will have competitive conditions, consumer tastes and discretionary spending patterns that

differ from existing markets. Franchises in those markets may have lower sales and may have higher operating or other costs than existing Franchises. Sales and profits at Franchises opened in new markets may take longer to reach expected levels or may never do so.

#### *Reliance on External Sources of Capital*

In order to support the current expansion strategy, the Resulting Issuer will require a significant amount of cash. The Resulting Issuer may also need cash to service debt obligations and to fund potential capital expenditures. Whether the cash required is available, and the cost associated with borrowing or otherwise raising any cash not generated by operations, will depend on many factors beyond the Resulting Issuer's control, including general economic, financial, competitive, legislative, regulatory and other factors.

There can be no assurance that the Proshred Franchise Business will generate sufficient cash flow or that future borrowings or other sources of cash will be available in an amount sufficient to enable continued growth, payment of debt or funding of capital expenditures. If future cash flow from operations and other capital resources is insufficient to pay obligations as they mature or to fund other needs, the Resulting Issuer may be forced to reduce or delay growth, business activities and capital expenditures, sell assets, obtain additional equity or debt capital, or restructure or refinance all or a portion of its debt, on or before maturity. There can be no assurance that the Resulting Issuer will be able to refinance any of its debt on a timely basis or on satisfactory terms, if at all. If the Resulting Issuer is unable to pay or refinance any of its debt on a timely basis or on satisfactory terms, or to effect any other action relating to its debt on satisfactory terms or at all, it could be forced to sell assets at prices below full value or seek undesirable financing alternatives, either of which would negatively impact its stock price.

#### *Protection of Intellectual Property*

The success of the Proshred Franchise Business depends on its continued ability to use its existing trademarks, service marks and other components of its brand in order to increase brand awareness and further develop its branded products. The Resulting Issuer may not be able to adequately protect such trademarks, and use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. All of the steps taken to date to protect the intellectual property associated with the Proshred Franchise Business may not be adequate.

The Resulting Issuer may from time to time be required to institute litigation to enforce trademarks or other intellectual property rights, or to protect trade secrets or proprietary techniques and technologies. Such litigation could result in substantial costs and diversion of resources and could negatively affect sales, profitability and prospects regardless of whether the Resulting Issuer is able to successfully enforce its rights.

#### *Reliance on Key Personnel*

The Resulting Issuer will depend on the services of certain key personnel, including in particular John Prittie, Jeffrey Hasham and Timothy Tibbs. In addition, each of these individuals will not be required to devote his time exclusively to the affairs of the Resulting Issuer. The loss of the services of any of these key personnel could have an adverse effect on the Resulting Issuer.

#### *Potential Conflicts of Interest*

The Resulting Issuer will be subject to various potential conflicts of interest because of the fact that its officers and directors are engaged in a wide range of business activities, including real estate property management, acquisition and ownership. In particular, the Resulting Issuer's executive officers may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Resulting Issuer. In some cases, the Resulting Issuer's executive officers may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Resulting Issuer's business and affairs and that could adversely affect the Resulting Issuer's operations. These business interests could require significant time and attention of the Resulting Issuer's executive officers.

In addition, the Resulting Issuer may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or corporations with which the Resulting Issuer may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Resulting Issuer. In addition, from time to time, these persons may be competing

with the Resulting Issuer for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the Canada Business Corporations Act.

#### *Litigation*

The Resulting Issuer may become subject to disputes with customers, commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the Resulting Issuer and the other parties. Whether or not any dispute actually proceeds to litigation, the Resulting Issuer may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the Resulting Issuer's business. Any such resolution could involve the payment of damages or expenses by the Resulting Issuer, which may be significant. In addition, any such resolution could involve the Resulting Issuer's agreement to certain settlement terms that restrict the operation of its business.

#### *Limited Experience of Management Operating a Public Company*

The Resulting Issuer has been a public company since September 5, 2007, when it closed the IPO. However, the Resulting Issuer has not carried on any businesses since its inception. The Board and officers of the Resulting Issuer will have overall responsibility for management of the Resulting Issuer and, while certain of the Resulting Issuer's directors and officers have extensive experience in the documents destruction business, development, management and finance as well as in the operation of a publicly owned businesses, its officers have limited experience operating a public company. In addition, the Resulting Issuer will be required to develop control systems and procedures required to operate as a public entity, and these systems and procedures could place a significant strain on the Resulting Issuer's management systems, infrastructure and other resources. The Resulting Issuer cannot assure Shareholders that its management's past experience will be sufficient to enable the Resulting Issuer to successfully operate as a public company. If the Resulting Issuer is unable to successfully operate as a public company, this could substantially reduce its earnings and its ability to generate stable positive cash flow from its operations and may reduce the value of its Shares and adversely affect the Resulting Issuer's ability to raise additional capital.

#### *Potential Undisclosed Liabilities Associated with Acquisitions*

The Resulting Issuer expects to acquire businesses that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the Resulting Issuer may fail to uncover in its due diligence. Unknown liabilities might include liabilities for claims by customers, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances the Resulting Issuer may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the Resulting Issuer may not have recourse to the vendor of the business for any of these liabilities.

#### *Dilution*

The number of Shares the Resulting Issuer is authorized to issue is unlimited. The Resulting Issuer may, in its sole discretion, issue additional Shares from time to time, and the interests of the holders of Shares may be diluted thereby.

#### *Potential Volatility of Share Price*

The market price of the Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: actual or anticipated fluctuations in the Resulting Issuer's results of operations; changes in estimates of the Resulting Issuer's future results of operations by management or securities analysts; introduction of new products or services by the Resulting Issuer or its competitors; and general industry changes. In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many venture issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the franchising or document destruction industry specifically, may adversely affect the market price of the Shares.

*Limited Prior Public Market*

Prior to the recent IPO, there was no public market for the Shares. Accordingly, the Shares have a very limited record of trading publicly on the Exchange. The Resulting Issuer cannot predict at what price the Shares will trade after the completion of the Transactions and there can be no assurance that an active trading market will be maintained or, if maintained, that such a market will be sustained at the price level existing prior to the announcement or completion of the Transactions.

## INFORMATION CONCERNING REDISHRED

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### CORPORATE STRUCTURE

#### **Name and Incorporation**

RediShred was incorporated under the name “4363272 Canada Inc.” by Certificate of Incorporation dated October 18, 2006 issued pursuant to the Canada Business Corporations Act. On October 25, 2006, RediShred amended its Articles of Incorporation to change its name from “4363272 Canada Inc.” to “RediShred Capital Corp.”

RediShred’s head office and registered office are located at Suite 900, Purdy’s Wharf Tower One, 1959 Upper Water Street, Halifax, Nova Scotia, B3J 2X2.

### GENERAL DEVELOPMENT OF THE BUSINESS

#### **History**

RediShred was capitalized with \$500,000 on June 15, 2007 pursuant to an issuance of 5,000,000 Shares at a price of \$0.10 per Share. RediShred was capitalized with an additional \$100,000 on August 10, 2007 pursuant to an issuance of 500,000 Shares at a price of \$0.20 per Share. RediShred completed the IPO under Policy 2.4 Capital Pool Companies (the “CPC Policy”) of the Exchange on August 30, 2007 pursuant to which offering 4,500,000 Shares were sold at a price of \$0.20 per share for aggregate gross proceeds to RediShred of \$900,000. The Shares were listed and posted for trading on the Exchange commencing on September 5, 2007.

As disclosed in the Final Prospectus, RediShred’s business has been restricted to the identification and evaluation of document destruction businesses or assets for the purposes of completing its Qualifying Transaction.

#### **Financing**

In order to finance the Acquisition, RediShred intends to complete the Private Placement. A portion of the proceeds of the Private Placement not used to fund the Acquisition will be used to pay for the costs and expenses associated with the Private Placement and the Qualifying Transaction, with the balance, if any, to be used to identify potential future acquisitions and for general corporate purposes.

Pursuant to the Agency Agreement, RediShred has engaged the services of the Agent to act as agent on a best efforts basis, in connection with the Private Placement. The Agency Agreement provides that the Agent will be paid a commission of up to 6% of the gross proceeds of the Private Placement. The Agent will also be granted the Agent’s Option. Certain insiders of RediShred are expected to purchase Shares representing less than 25% of those sold under the Private Placement.

The offering of the Shares under the Private Placement is being made in each of the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan in reliance on exemptions from the prospectus requirements contained in NI 45-106, as well as in the United States under applicable prospectus exemptions.

### SELECTED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSIONS AND ANALYSIS

This discussion and analysis of financial position and results of operation is prepared as at February 20, 2008 and should be read in conjunction with the audited financial statements for the period ended December 31, 2007 for RediShred. Those financial statements have been prepared in accordance with Canadian GAAP. Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in Canadian dollars.

#### *Company Overview*

RediShred has not commenced operations and has no assets other than cash, sundry accounts receivable and prepaid expenses. The proceeds from the IPO are expected to provide RediShred with a minimum of funds with which to identify and evaluate businesses or assets with a view to complete a “Qualifying Transaction”, subject to regulatory and shareholder approvals.

*Selected Financial Data*

	For the year ended December 31, 2006	For the year ended December 31, 2006
	(audited)	(audited)
<b>Operations</b>		
Revenues	\$ -	\$ -
Expenses (net of interest revenue)	\$ 156,398	\$ 6,010
Net loss	\$ 137,615	\$ 6,010
	December 31, 2007	December 31, 2007
	(audited)	(audited)
<b>Balance Sheet</b>		
Working Capital	\$ 1,327,821	(\$ 6,009)
Total Assets	\$ 1,461,958	\$ 1
Total Liabilities	\$ 134,137	\$ 6,010

*Results of Operations*

RediShred does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition.

During the year ended December 31, 2007, RediShred recorded a net loss of \$137,615 comprised of \$nil revenue and expenses in an amount of \$156,398, which was primarily due to the costs of the initial public offering. Administrative expenses consisted of \$13,314 for filing, transfer and regulatory fees, \$29,535 for professional fees, \$13,549 for administration costs and \$100,000 for stock based compensation. RediShred received share subscriptions of \$900,000 for its initial public offering of 4,500,000 shares on August 29, 2007. In addition, RediShred received share subscriptions of \$500,000 for its private seed offering of 4,999,999 shares on June 15, 2007 and \$100,000 for its private seed offering of 500,000 shares on August 10, 2007.

*Financial Condition / Capital Resources*

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

RediShred has not commenced operations and has no assets other than cash and sundry receivables.

*Off-Balance Sheet Arrangements*

RediShred has no off-balance sheet arrangements.

*Proposed Transactions*

RediShred has entered into the Acquisition Agreement to acquire the PSC Shares and the Note. Pursuant to the Acquisition Agreement, the Purchase Price of \$5.3 million payable by RediShred to the Vendor will be satisfied by a combination of cash and Shares issued from the treasury of RediShred. The cash component of the Purchase Price will range from \$2.6 million to \$3.6 million. If \$3.6 million is raised under the Private Placement, the cash component of the Purchase Price will be \$2.6 million. For every dollar over \$3.6 million raised under the Private Placement, the cash component of the Purchase Price will increase by one dollar provided that the cash component of the Purchase Price shall not increase by more than \$1 million.

This will result in between 3,269,231 and 5,192,308 Shares, at a price of \$0.52, being issued to the Vendor. All Shares issued to the Vendor pursuant to the Acquisition Agreement will be held in escrow pursuant to the terms of the Escrow Agreement. See “Information Concerning the Resulting Issuer – Escrowed Securities”.

Together with the Private Placement, the Acquisition is intended to constitute RediShred’s Qualifying Transaction. The closing of the Acquisition is subject only to title review, Exchange approval, financing and other customary closing conditions and is expected to occur on the date that is seven business days after Exchange approval of RediShred’s Qualifying Transaction.

RediShred will also offer to employ the HCC Employees as part of the Acquisition in the following capacities:

Name	Position with Resulting Issuer
John Prittie <sup>(1)</sup>	Chief Executive Officer
Timothy Tibbs	Chief Operating Officer
Jeffrey Hasham	Chief Financial Officer
James Reid	Director, Development
Andrew Parry	Director, Marketing and Training
Joseph May	Franchise Business Consultant
Nancy Prittie <sup>(2)</sup>	Accounting Coordinator
<p>(1) John Prittie is a technical consultant of RediShred and owns 7.5% of the outstanding Shares prior to the Qualifying Transaction.</p> <p>(2) Spouse of John Prittie.</p>	

In order to finance the Acquisition, RediShred intends to complete the Private Placement. A portion of the proceeds of the Private Placement not used to fund the Acquisition will be used to pay for the costs and expenses associated with the Private Placement and the Qualifying Transaction. The balance of the proceeds, if any, will be used to identify potential future acquisitions and for general corporate purposes. In the event that RediShred’s proposed Qualifying Transaction is not completed for any reason, RediShred may require additional financing in order to continue identifying and evaluating businesses and assets for the purpose of completing an alternative Qualifying Transaction.

#### *Significant Accounting Policies*

A detailed summary of all of RediShred’s significant accounting policies is included in Note 2 to the December 31, 2007 audited financial statements.

#### *Changes in Accounting Policies*

There are no changes in accounting policies adopted by RediShred.

#### *Risks and Uncertainties*

For a discussion of the risks affecting RediShred, see “Risk Factors” in the Final Prospectus, a copy of which may be obtained on the SEDAR website, at [www.sedar.com](http://www.sedar.com).

*Fourth Quarter*For the three months ended December  
31, 2006

(audited)

**Operations**

Revenues	\$	-
Expenses (net of interest revenue)	\$	47,799
Net loss	\$	41,644

During the three months ended December 31, 2007, the Company recorded a net loss of \$37,967 comprised of \$nil revenue and expenses in an amount of \$51,476, which was primarily due to the costs of the initial public offering. Administrative expenses consisted of \$13,314 for filing, transfer and regulatory fees, \$23,155 for professional fees, \$11,330 for administration costs. The company's financial position versus September 30, 2007 was as follows:

	December 31, 2007	September 30, 2007
	(audited)	(unaudited)
<b>Balance Sheet</b>		
Working Capital	\$ 1,327,821	\$ 1,354,314
Total Assets	\$ 1,461,958	\$ 1,432,324
Total Liabilities	\$ 134,137	\$ 77,920

*Outlook*

As discussed in this Filing Statement, RediShred has entered into the Acquisition Agreement. RediShred proposes to close the Private Placement concurrently with the closing of the Acquisition on the date that is seven business days after the filing of this Filing Statement on SEDAR, with the Exchange and with the applicable securities regulatory authorities. Together, the Acquisition and the Private Placement are intended to constitute RediShred's Qualifying Transaction.

**DESCRIPTION OF THE SECURITIES**

RediShred is authorized to issue an unlimited number of Shares and an unlimited number of preferred shares (the "Preferred Shares") issuable in series. As of the date of this Filing Statement, RediShred has 10,000,000 Shares and no Preferred Shares outstanding.

Each Share entitles the holder thereof to: (i) receive dividends if, as and when declared by the Board; (ii) receive notice of, and to attend and vote at, meetings of Shareholders; and (iii) participate in the assets of RediShred upon the liquidation, dissolution or winding up of RediShred.

Each Preferred Share entitles the holder thereof to: (i) receive dividends if, as and when declared by the Board; and (ii) participate in the assets of RediShred upon the liquidation, dissolution or winding up of RediShred. The Preferred Shares of each series shall, with respect to the payment of dividends and participation in the assets of RediShred upon the liquidation, dissolution or winding-up of RediShred, rank on parity with the Preferred Shares of every other series and be entitled to a preference over the Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of RediShred will also be entitled to such other preferences over the Shares and the shares of any other class ranking junior to

the Preferred Shares, as may be fixed by the directors pursuant to the series conditions attaching to the subject Preferred Shares.

The Shares and the Preferred Shares do not have any pre-emptive rights, conversion or exchange rights, or redemption or retraction rights. There are no restrictions on the issuance of additional securities of RediShred.

#### **STOCK OPTION PLAN**

The Board of RediShred has adopted the Stock Option Plan. Under the Stock Option Plan, the Board may from time to time, in its discretion, and in accordance with the Exchange requirements and applicable securities legislation, grant to directors, officers, employees and technical consultants of RediShred, non-transferable options to purchase Shares, or such other shares as may be substituted therefore, exercisable for a period of up to five years from the date of grant. The number of Shares reserved for issuance under the Stock Option Plan is equal to 10% of the issued and outstanding Shares of RediShred, from time-to-time, except that so long as RediShred remains a CPC, the number of Shares reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding Shares upon the closing of the IPO. The aggregate number of Shares reserved for issuance to any one individual under the Stock Option Plan will not exceed 5% of the issued and outstanding Shares, the aggregate number of Shares reserved for issuance to any one technical consultant under the Stock Option Plan will not exceed 2% of the issued and outstanding Shares and the aggregate number of Shares reserved for issuance to all individuals employed to provide investor relations activities under the Stock Option Plan will not exceed 2% of the issued and outstanding Shares. Options must be exercised no later than 90 days (30 days in the case of individuals employed to provide investor relations activities) following cessation of the optionee's position with RediShred, provided that if the cessation of such position was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. If an optionee shall cease to be a director of RediShred upon RediShred successfully completing its Qualifying Transaction, then all unexercised options granted to such optionee shall expire one year from the date of the Final Exchange Bulletin issued by the Exchange in connection with such Qualifying Transaction. In the event that any options granted to such optionee are subject to vesting provisions, those options will automatically vest as at the date of the Final Exchange Bulletin. Any Shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See "Information Concerning the Resulting Issuer – Escrowed Securities".

Options granted under the Stock Option Plan must have an exercise price per Share that is greater than or equal to the Discounted Market Price of the Shares at the time of the grant.

RediShred has granted options to certain of its directors and officers as set out in the table below. The exercise price of the options is the same price as the IPO price for the Shares. The table below sets forth the options granted under the Stock Option Plan that are issued and outstanding as of the date of this Filing Statement.

<b>Optionee</b>	<b>Date of Grant</b>	<b>Securities Under Options/SARs Granted (#)</b>	<b>Percentage of Total Options/SARs Granted to Employees in Financial Year</b>	<b>Exercise of Base Price (\$/Security)</b>	<b>Market Value of Securities Underlying Options/SARs on the Date of Grant <sup>(1)</sup> (\$/Security)</b>	<b>Expiration Date</b>
Robert M. Crozier	August 29, 2007	100,000	10.3%	\$0.20	\$0.20	August 29, 2012
Brad E. Foster	August 29, 2007	137,500	14.1%	\$0.20	\$0.20	August 29, 2012
Philip D. Fraser	August 29, 2007	100,000	10.3%	\$0.20	\$0.20	August 29, 2012
Phillip H. Gaunce	August 29, 2007	100,000	10.3%	\$0.20	\$0.20	August 29, 2012
Hugh Heron	August 29, 2007	100,000	10.3%	\$0.20	\$0.20	August 29, 2012
James C. Lawley	August 29, 2007	100,000	10.3%	\$0.20	\$0.20	August 29, 2012
Mark J. MacMillan	August 29, 2007	137,500	14.1%	\$0.20	\$0.20	August 29, 2012
John Prittie	August 29, 2007	100,000	10.3%	\$0.20	\$0.20	August 29, 2012
Robert G. Richardson	August 29, 2007	100,000	10.3%	\$0.20	\$0.20	August 29, 2012

(1) The exercise price of the options granted on August 29, 2007 is the price under the IPO. The Shares commenced trading on the Exchange on September 5, 2007.

### PRIOR SALES

The table below sets out the prices at which Shares have been sold since the incorporation of RediShred. A portion of the Shares previously sold were sold to Non-Arm's Length Parties. These Shares are held in escrow pursuant to the terms of the Escrow Agreement. See "Information Concerning the Resulting Issuer – Escrowed Securities".

<b>Date of Issue</b>	<b>Number of Common Shares</b>	<b>Issue Price per Common Share</b>	<b>Aggregate Issue Price</b>	<b>Consideration Received</b>
October 18, 2006 <sup>(1)</sup>	1	\$0.10	\$0.10	Cash
June 15, 2007 <sup>(1)</sup>	4,999,999	\$0.10	\$499,999.90	Cash
August 10, 2007 <sup>(1)</sup>	500,000	\$0.20	\$100,000	Cash
August 29, 2007 <sup>(1)(2)</sup>	4,500,000	\$0.20	\$900,000	Cash <sup>(3)</sup>

(1) Of these Shares, 5,995,000 are held in escrow pursuant to the Escrow Agreement. See "Information Concerning the Resulting Issuer – Escrowed Securities".

(2) Shares issued pursuant to the IPO.

(3) Before deducting issue costs of approximately \$139,000.

## Stock Exchange Price

The following table sets forth the high and low closing trading prices of the Shares on the Exchange for the periods noted.

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
September, 2007 <sup>(1)</sup>	0.80	0.48	636,640
October, 2007 <sup>(2)</sup>	0.65	0.65	15,000

(1) From September 5, 2007 to September 30, 2007.

(2) In connection with the announcement of RediShred's proposed Qualifying Transaction of RediShred, trading in Shares was halted on October 4, 2007.

## ARM'S LENGTH TRANSACTIONS

The Transactions do not constitute a Non-Arm's Length Qualifying Transaction.

## LEGAL PROCEEDINGS

RediShred is not currently involved in any legal proceedings and RediShred's management is not aware of any pending or threatened proceedings.

## AUDITOR, TRANSFER AGENT AND REGISTRAR

### Auditor

The Auditor for RediShred is PricewaterhouseCoopers LLP, Suite 600-1809 Barrington Street, Halifax, Nova Scotia, B3J 3K8.

### Transfer Agent and Registrar

The Transfer Agent and Registrar of RediShred is Computershare Investor Services Inc., at its principal offices in Halifax, Nova Scotia, and Toronto, Ontario.

## MATERIAL CONTRACTS

The following are the material contracts entered into by RediShred:

- (a) the Acquisition Agreement; and
- (b) the Escrow Agreement.

Copies of these agreements may be inspected, without charge, at the offices of RediShred, 6380 Lady Hammond Road, Suite 3, Halifax, NS B3K 2S3 during ordinary business hours until the date of the closing of the Transaction and for a period of 30 days thereafter.

**INFORMATION CONCERNING PSC AND THE PROSHRED FRANCHISE BUSINESS**

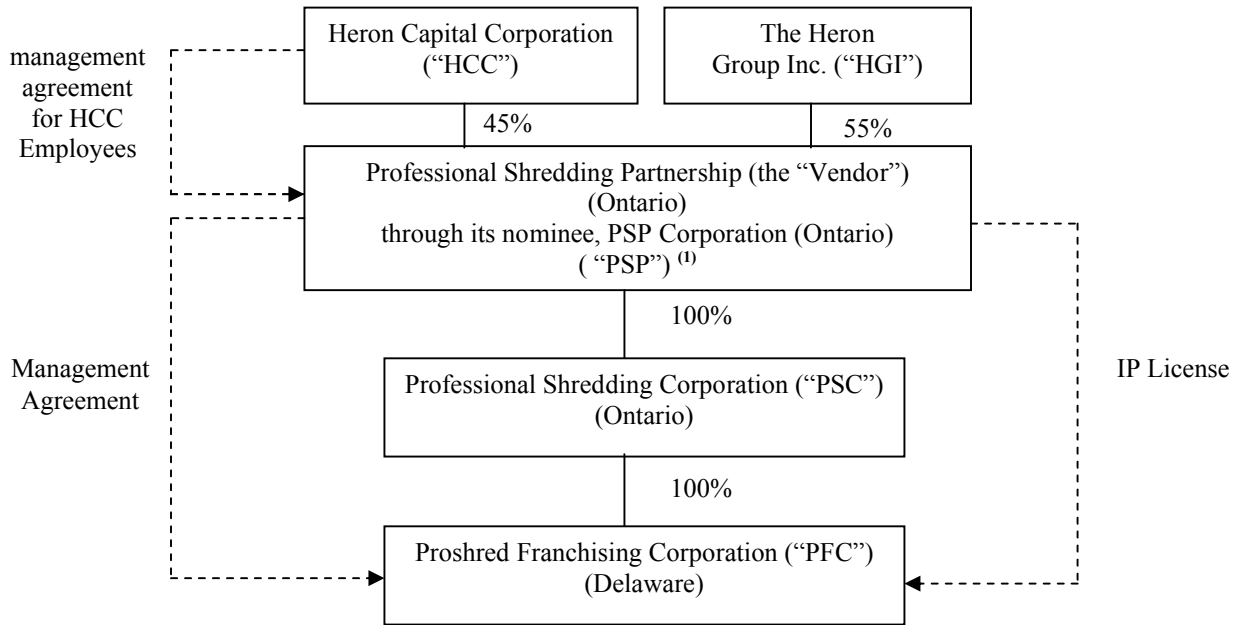
**CORPORATE STRUCTURE**

**Name and Incorporation**

PSC was formed under the laws of Ontario on September 27, 2004. PSC's head office and registered office are located at 245 Yorkland Boulevard, Suite 100, Toronto, Ontario, M2J 4W9.

**Intercorporate Relationships**

As the following chart outlines, PSC has only one subsidiary, PFC.



(1) For administrative convenience, the Vendor holds the PSC Shares through PSP pursuant to a trust agreement made as of September 30, 2004 between the Vendor and PSP.

PFC was formed under the laws of the state of Delaware on October 7, 2002. As of the date of this Filing Statement, PFC has 1,000 common shares outstanding, all of which are legally and beneficially owned by PSC.

**Pre-Closing Reorganization**

The Proshred Franchise Business to be acquired by RediShred pursuant to the Acquisition Agreement currently includes the shares of PSC including its subsidiary PFC, as well as the IP Assets and certain other assets now owned by the Vendor (the "Other Assets"). The IP Assets are licensed by the Vendor to PFC under the IP License, and the Other Assets are used by PFC under the terms of the Management Agreement. Immediately prior to the closing of the Acquisition, there will be a reorganization under which the Vendor will transfer the IP Assets and Other Assets now owned by the Vendor to PSC in exchange for the Note, and the IP License will be terminated. Upon closing of the Acquisition, RediShred will acquire the shares of PSC and the Note from the Vendor and the Management Agreement will be terminated.

## GENERAL DEVELOPMENT OF THE PROSHRED FRANCHISE BUSINESS

### History

The Proshred Business began in Toronto in the mid 1980s. The Proshred Franchise Business was acquired by the Vendor on September 29, 2004. At that date, the Proshred Franchise Business had eight Franchisees in seven US States. Shortly after the purchase, the Vendor terminated two Franchise Agreements as part of the initial restructuring plans. In the fall of 2004 and throughout the calendar year 2005, the Vendor invested in redeveloping the Proshred Business operating platform. This included the creation of new operating manuals, a significant upgrade to the Proshred Business' proprietary software system Shredlogic, and the creation of new sales and marketing materials, including a new web site. In addition, the Vendor recruited a new management team to ensure adequate support was provided to existing Franchisees and to support future growth of the Proshred Franchise Business.

In January of 2006, the Vendor added its first new franchise since the purchase of Proshred Franchise Business in September 2004, located in Charlotte, North Carolina. In calendar year 2006, four new franchises were awarded, with two commencing operations. To date in 2007, six new franchises have been awarded and five have commenced operations.

## NARRATIVE DESCRIPTION OF THE PROSHRED FRANCHISE BUSINESS

### General

The Proshred Franchise Business franchises the right in the United States and internationally outside of Canada to sell on-site services for the destruction and disposal of documents and other sensitive and confidential materials under the trademark **PROSHRED**<sup>®</sup>. Its customers are primarily businesses and other organizations that need to maintain the confidentiality of their proprietary information, whether for competitive reasons, to comply with legal requirements or otherwise. The Proshred Business allows business customers and individual customers to witness the destruction of their selected paper documents, computer disks and other media that contain sensitive and confidential proprietary information. The Proshred Business also offers services to residential and home office customers.

The Proshred Franchise Business has developed numerous systems and operating procedures that enable Franchisees to operate their business in an effective and consistent manner. The key systems include a customer relationship package called Netsuite<sup>®</sup>, which is web enabled and is used to manage the Franchisees sales process; a customized software program called Shredlogic that manages work orders, logistics and invoicing; and, a comprehensive set of operating manuals that include Pre-opening Supplies and Equipment, Human Resources, Administration, Sales and Marketing, Operations, the ISO Program, Shredlogic and a Customer Service Professional Handbook.

The Proshred Business is a scalable business model of on-site document destruction. Built on truck asset utilization and fleet growth, the Proshred Business generates recurring revenue streams from shredding services and recycling income. The Proshred Business has a proven operating platform which is well positioned for high growth through acquisitions.

### *The Industry*

The on-site shredding market dates back to the mid 1980's. The concept grew from the need for increased confidentiality and security surrounding corporate documents. In addition, many corporations began to realize that functions that were not central to the business should be outsourced to firms that specialized in that business or function, allowing for savings in that area. Traditional document destruction was performed internally using shredders (office shredders and industrial sized shredders) or was performed off site in large industrial buildings by independent contractors, many of whom had document storage facilities. Currently, 97% of all firms report a need to shred confidential documents.

Commencing in the 1980's and 1990's corporations came under greater public scrutiny in the area of protecting and securing confidential and personal information. That public pressure forced legislators to pass into law the requirement of business to protect personal and confidential information. In addition, legislation in the United States requires businesses to ensure they have a proper audit trail on documents from generation to destruction, and acts such as the Fair and Accurate Credit transaction Act, the Gramm-Leach Bliley Act, the Health Information Portability and Accountability Act, the Identity Theft Penalty Enhancement Act and the Economic Espionage Act impose further obligations. Documents removed from the premises remain the generators' responsibility. Enterprises want to avoid the risk of having a document go astray once it leaves its hands and ensure employees takes the time to destroy documents in accordance with their policies. Furthermore, even as technology advances and digital storage becomes cheaper, the amount of physical paper records continues to rise. Thus, on-site shredding by a professional company is seen as a benefit to corporations and institutions, and has fuelled new

growth in the industry. Finally, on-site shredding is viewed as environmentally friendly as the shredded paper is taken to recycling centers and used in other paper based products.

The North American document shredding market is estimated to generate approximately US\$3.6 billion in revenues annually and is expected to grow at approximately 10% per year. The outsourced portion of the market, which represents 33% of the total (or US\$1.2 billion in yearly revenues), is growing at a rate of 20% per year and is considerably outpacing the growth of the in-house shredding market. The primary reasons firms outsource shredding are to create an audit trail, to satisfy concerns about internal security, to save on costs and to effectively manage a high volume of material that requires shredding.

In terms of revenue, 78% of the North American market is controlled by a wide variety of regional and local operators. In particular, the US market is made up of more than 2,200 shredding businesses, approximately 1,500 of which represent possible acquisition targets.

### *Intellectual Property*

The Proshred Franchise Business includes several trade names, trademarks, service marks and logos (collectively the “Proshred Marks”). These Proshred Marks include the following registered on the principal register at the United States Patent and Trademark Office or pending:

<b>Mark</b>	<b>Registration or Serial No.</b>	<b>Registration or Filing Date</b>	<b>Status</b>
<b>PROSHRED®</b>	1,710,461	August 25, 1992	Registered
PROSHRED SECURITY (LOGO)	3337616	November 20, 2007	Registered
RISC MANAGEMENT	3,345,238	November 27, 2007	Registered
RISC MANAGEMENT PROGRAM	77/069,582	December 21, 2006	Pending
PS PROTECT ON-SITE SHREDDING PROFESSIONALS	77/070,434	December 22, 2006	Pending
SHREDLOGIC SOFTWARE PROPRIETARY OPERATING SYSTEM	77/069,582	December 22, 2006	Pending

The “Proshred” trademark is owned in Canada by Iron Mountain Incorporated, an unrelated third party. All other trademarks appearing in this document are the trademarks of the person that owns them.

No patents are material to the Proshred Franchise Business.

The Proshred Franchise Business claims all rights and interests, including all copyrights, to the information contained in the manuals, advertising materials, the Shredlogic software and all its communications to Franchisees in writing or otherwise setting forth its standards, requirements, operating procedures or policies relating to the operation of a Franchise, as well as any revisions and additions to these materials (collectively with the Proshred Marks, the “IP Assets”). The Proshred Franchise Business has not registered the copyrights in any of these materials. The Proshred Franchise Business also claims all rights and interests to all customer information collected in its databases.

### *Franchises*

Each Franchise is for the operation of the Proshred Business in an exclusive territory consisting of one or more territory units (each a “Territory Unit”). Each Territory Unit is a geographic area comprised of approximately 7,000 locations of businesses, non-profit entities, governmental agencies and the like that has ten or more employees. A Franchisee’s exclusive territory may be defined by counties, by zip codes or both. Each exclusive territory is a matter of negotiation between the Franchisee and PFC.

The Proshred Franchise Business currently has the following Franchises:

<b>Territory</b>	<b>Number of Territory Units</b>	<b>Number of Staff</b>	<b>Number of Trucks</b>	<b>Number of Scheduled Monthly Clients</b>	<b>Number of Unscheduled Monthly Clients</b>	<b>Operating since</b>
ALBANY, NY	1.1	1	1	115	28	April, 2003
SPRINGFIELD, MA	2.3	10	3	304	56	June, 2003
MILWAUKEE, WI	5.9	6	2	160	95	August, 2003
SYRACUSE, NY	1.5	7	2	147	26	March, 2004
TAMPA BAY, FL	2.1	9	2	215	20	March, 2004
DENVER, CO	2.3	1	1	111	44	August, 2004
CHARLOTTE, NC	3.7	7	2	159	30	April, 2006
PHILADELPHIA, PA	5.0	8	1	30	26	September, 2006
KANSAS CITY, MO	4.0	9	2	222	24	December, 2006
NEW HAVEN, CT	3.6	7	1	52	2	April, 2007
CHICAGO, IL	3.8	8	1	68	21	April, 2007
RALEIGH, NC	4.7	5	1	15	18	June, 2007
BALTIMORE, MD	3.0	3	1	11	13	November, 2007
LAS VEGAS, NV	1.3	3	1	1	0	January, 2008
NEW YORK, NY	6.0	10	1	21	23	January, 2008
MIAMI, FL	5.7	3	0	N/A	N/A	Opening March, 2008
NORTH VIRGINIA, VA	3.0	1	0	N/A	N/A	Opening April, 2008

### *Franchise Agreements*

Each Franchisee must enter into a Franchise Agreement with PFC. The principal terms of the Franchise Agreements include the following:

- Each Franchise is for the operation of the Proshred Business in an exclusive territory set out in a schedule to the Franchise Agreement.
- Franchisees pay fees to PFC including: an initial Franchise fee, typically \$35,000 for each Territory Unit purchased; a royalty equal to 6.5% of total gross revenue, but not less than \$650 per month; an information technology services fee equal to 1.5% of total gross revenue, but not less than \$150 per month and not more than \$1,500 per month; an advertising fee of not less than 1% of total gross revenue and not more than 3% of total gross revenue; and, fees for additional training, consulting, advisory services from PFC, transfer or renewal of a Franchise, late charges and audit expenses.
- Franchisees have restrictions on products and services that they use and the sources of those products and services. All purchases and leases of goods and services in establishing and operating the Franchise are specified or approved by PFC, including vehicles, shredding equipment, vans, consoles, bins, boxes computer hardware and software.
- Each Franchisee receives a training program from PFC for at least two employees prior to commencing operations.
- Managers of the Franchise who together own and control the right to vote a majority interest in the Franchisee must sign a guaranty of the Franchisee's obligations under the Franchise Agreement. In addition, all managerial persons who enrol in our training program must sign an undertaking to be bound by provisions of the Franchise Agreement relating to confidentiality, trademarks and non-competition.

- Franchisees may carry on no business at the Franchise premises other than the Proshred Business without PFC's express written approval in advance. Franchisees must offer to their customers all services that PFC designates from time to time and must not offer any other services.
- Franchise Agreements have an initial term of 10 years, and may be renewed by the Franchisee for two additional five-year terms if the Franchisee remains in good standing. PFC can terminate a Franchise Agreement for cause.
- Franchisees pay a renewal fee up to 25% of the then current Franchise fee.
- Franchises are transferable if certain conditions are met, subject to a right of first refusal in favour of PFC along with the payout of the transfer fee.
- PFC provides advertising and marketing for the Franchises.

#### *Referral Sources*

PFC has a contract with TES Franchising, LLC, which conducts business under the trade name The Entrepreneur's Source, to act as a source of referrals to us of prospective Franchisees. The Entrepreneur's Source finds referrals through its network of franchised independent consultants who refer prospective Franchisees to the Proshred Franchise Business and many other franchisors. These consultants do not sell franchises. They represent the interests of their clients by coaching them on their entrepreneurial options and do not discuss the purchase or sale of any particular franchise. Only PFC personnel engage in those discussions with prospective Franchisees. PFC pays The Entrepreneur's Source a success fee of between 22.5% and 40% depending on the number of Territory Units sold for providing these services.

The Proshred Franchise Business is a member in good standing with the International Franchise Association and conducts various marketing efforts through that organization in addition to other traditional means of marketing such as websites and print advertising.

#### *Competition*

The document destruction business is highly competitive. Direct competitors to the Proshred Franchise Business include Iron Mountain Incorporated, Recall, Shred-It America, Inc., Cintas, Brinks and many small, independent mobile shredding businesses. Indirect competition includes office shredding machines and recycling programs.

One significant advantage that the Proshred Franchise Business has over many of its competitors is that the Proshred Franchise Business is exclusively a document destruction business. Iron Mountain Incorporated, for example, is a document management company whose shredding business is peripheral to its document storage business and Cintas is a uniform rental company that has only recently entered the shredding market. By focusing exclusively on the document destruction business, the Proshred Franchise Business is better-positioned than many of its competitors to take advantage of a highly fragmented market by integrating newly acquired businesses.

#### *Employees*

Neither PSC nor PFC currently has any employees. Management services have historically been provided to PSC and PFC by HCC, a partner of the Vendor. These services include eight employees from HCC including the Chief Executive Officer, John Prittie, Chief Operating Officer, Timothy Tibbs, Chief Financial Officer, Jeffrey Hasham, and Director of Development, James Reid. Legal, Information Technology and International Development services are outsourced.

## **SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Annual Information**

The table below sets out certain financial data for the Proshred Franchise Business in respect of the periods for which financial information is included elsewhere in this Filing Statement. This information should be read in conjunction with the financial statements and the notes thereto.

	<b>Six Months Ended September 30, 2007</b>	<b>12 Months Ended</b>		<b>6 Months Ended</b>
		<b>March 31, 2007</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Total Revenues	\$386,494	\$851,983	\$318,954	\$88,797
New Income (Loss)	(\$328,737)	(\$656,714)	(\$950,006)	(\$453,677)
Total Assets <sup>(1)</sup>	\$383,039	\$583,587	\$346,697	\$356,344

(1) As at the last day of the applicable period.

## Management's Discussion and Analysis

The following discussion was prepared by the management of the Proshred Franchise Business and reflects the operations of the Proshred Franchise Business for the 12 months ended March 31, 2006 and March 31, 2007 and the six months ended March 31, 2005. The financial statements of the Proshred Franchise Business that are included elsewhere in this Filing Statement and form the basis for the following discussion have been prepared on a carve-out basis from the financial statements of the Vendor to account solely for the Proshred Franchise Business to be purchased by RediShred pursuant to the Acquisition Agreement. This Management's Discussion and Analysis is dated as of the date of this Filing Statement and the information contained herein is based on information available to management of RediShred as of the date hereof.

### Results of Operations

#### Total Revenues

Total revenues for the Proshred Franchise Business were \$851,983 in fiscal 2007, representing an increase of 167% over fiscal 2006 revenues of \$318,954, which in turn was an increase of 259% over fiscal 2005 revenues of \$88,797 (six months). The annual increases in total revenue for the Proshred Franchise Business is a result of increased system sales at the franchisee level, and as a result of increased sales and marketing efforts directed towards the recruitment of new franchisees.

Currently, the Proshred Franchise Business derives revenues predominantly from royalties and service fees charged to Franchisees, and from franchise fees that are generated when a franchise is sold. The Proshred Business' revenue breakdown is as follows:

	<b>Year ended March 31, 2007</b>	<b>Year ended March 31, 2006</b>	<b>Six month period ended March 31, 2005</b>
Franchise territory fees	\$586,449	\$150,332	\$73,244
Royalty and service fees	\$251,665	\$167,132	\$15,553
Interest income	\$13,869	\$1,490	-
Total revenue	\$851,983	\$318,954	\$ 88,797

Franchisee sales are the key driver of royalty and service fee revenue. Franchisee sales (system sales) during the reported periods are as follows:

	<b>Year ended March 31, 2007</b>	<b>Year ended March 31, 2006</b>	<b>Six month period ended March 31, 2005</b>
Total operating locations at period end	11	6	6
System sales – new locations	\$198,117	-	-
System sales – same locations	\$2,551,094	\$1,742,309	\$941,474
Total system sales <sup>(1)</sup>	\$2,749,211	\$1,742,309	\$941,474

(1) System sales are shredding and destruction services revenue generated by franchised locations.

*Total Expenses*

The expenses of the Proshred Franchise Business were \$1,490,897 in fiscal 2007, representing an increase of 17% over fiscal 2006 expenses of \$1,268,960, which in turn was an increase of 134% over fiscal 2005 expenses of \$542,474 (6 months). Expenses increased significantly in fiscal 2006 and 2007 versus fiscal 2005 as the Proshred Franchise Business increased management staff to support Franchise operations and assist Franchisees with increasing system sales. Furthermore, the Proshred Franchise Business increased expenditures in the area of Franchisee recruitment in fiscal 2007 and 2006 versus fiscal 2005.

*Net Loss*

Net loss for the Proshred Franchise Business was \$656,714, \$950,006 and \$453,677 for fiscal 2007, fiscal 2006 and fiscal 2005, respectively. The net loss has decreased 31% in fiscal 2007 versus fiscal 2006 due to the recruitment of five new Franchises in that period, and due to increased royalties and service fees from both original locations and new locations.

*Capital Resources*

The Proshred Franchise Business has been financed via owners' contributions provided by The Heron Group Inc. ("HGI") and HCC.

*Critical Accounting Estimates*

The financial statements for the Proshred Franchise Business are prepared in Canadian dollars in accordance with GAAP. The significant accounting policies applied in the preparation of the financial statements for the Proshred Franchise Business are summarized in Note 2 to the financial statements as at and for the periods ended September 30, 2007 and March 31, 2007, 2006 and 2005.

*Outlook*

As discussed in this Filing Statement, RediShred has agreed to purchase the Proshred Franchise Business from the Vendor pursuant to the Acquisition Agreement. As a result, many of the financial measures contained in the financial statements for the Proshred Franchise Business included elsewhere in this Filing Statement will not be applicable going forward. The Acquisition is expected to close in the first quarter of 2008 after Exchange approval of RediShred's Qualifying Transaction.

*Risks and Uncertainties*

For a discussion of the risks that will affect RediShred after it acquires the Proshred Franchise Business, see "Information Concerning the Resulting Issuer – Risk Factors".

**DESCRIPTION OF SECURITIES**

PSC is authorized to issue an unlimited number of common shares. As of the date of this Filing Statement, PSC has 100 common shares outstanding, all of which are legally owned by PSP as nominee of the Vendor.

Each common share of PSC entitles the holder thereof to: (i) receive dividends if, as and when declared by the board of directors of PSC; (ii) receive notice of, and to attend and vote at, meetings of shareholders of PSC; and (iii) participate in the assets of PSC upon the liquidation, dissolution or winding up of PSC.

The common shares of PSC do not have any pre-emptive rights, conversion or exchange rights, or redemption or retraction rights. There are no restrictions on the issuance of additional securities of PSC.

**CONSOLIDATED CAPITALIZATION**

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as of September 30, 2007</u>	<u>Amount Outstanding as of February 28, 2008</u>
Common Shares	Unlimited	100	100

### EXECUTIVE COMPENSATION

The following table sets out the compensation for the Chief Executive Officer and Chief Financial Officer of the Proshred Franchise Business:

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation
					Awards		Payouts	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options/SARS Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
John C. Prittie President and CEO	2007	144,000	10,000	31,306	-	-	-	-
	2006	144,000	10,000	31,899	-	-	-	-
	2005	72,000	50,000	13,702	-	-	-	-
Jeffrey I. Hasham <sup>(1)</sup> Vice President of Finance/CFO	2007	120,000	10,000	9,025	-	-	-	-
	2006	120,000	10,000	7,202	-	-	-	-
	2005	-	-	-	-	-	-	-

(1) Jeffrey I. Hasham acted as Vice President of Finance for PFC, and will act as Chief Financial Officer for RediShred after closing of the Acquisition.

### Management Contracts

PFC does not have any employees. PFC currently operates through the Management Agreement with the Vendor, which in turn receives these management services in a separate management agreement between the Vendor and HCC. The Management Agreement will be terminated at or prior to closing of the Acquisition and the HCC Employees will be hired directly by RediShred. The financial statements of the Proshred Franchise Business are combined so as to exclude the effect of the Management Agreement. See “Information Concerning PSC and the Proshred Franchise Business - Corporate Structure – Pre-Closing Reorganization”.

### LEGAL PROCEEDINGS

Neither PSC or PFC is currently involved in any legal proceedings and the management of PSC and PFC are not aware of any pending or threatened proceedings.

## INFORMATION CONCERNING THE RESULTING ISSUER

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Information contained in this part is forward-looking in nature and assumes completion of the Transactions. See “Notice Concerning Forward-Looking Information”.

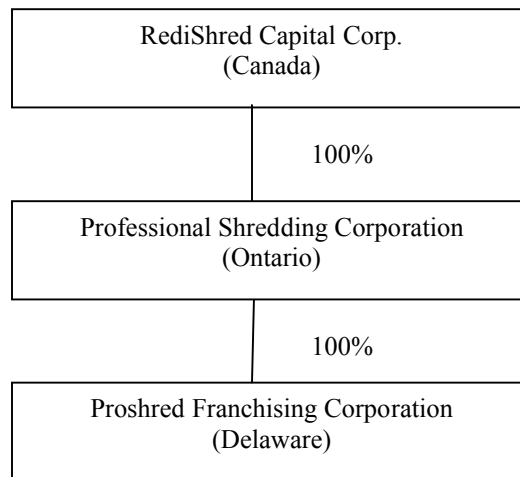
### CORPORATE STRUCTURE

#### **Name and Incorporation**

The corporate name of the Resulting Issuer will continue to be RediShred Capital Corp. and the Resulting Issuer will continue to be a corporation governed by the Canada Business Corporations Act.

#### **Intercorporate Relationships**

As the following chart outlines, the Resulting Issuer will have only two subsidiaries following the Transactions, PSC (directly owned) and PFC (indirectly owned).



PSC will continue to be a corporation governed by the laws of the Province of Ontario and PFC will continued to be a corporation governed by the laws of Delaware.

### NARRATIVE DESCRIPTION OF THE PROSHRED FRANCHISE BUSINESS

#### **Stated Business Objectives**

Upon completion of the Acquisition, the only operating assets of the Resulting Issuer will be those assets used in connection with the growth of the Proshred Franchise Business. See “Information Concerning PSC and the Proshred Franchise Business”. In addition to the continued Proshred Franchise Business’ franchising operations, the Resulting Issuer will aim to grow its document destruction business through the acquisition and establishment of wholly owned document destruction businesses that generate stable and recurring cash flow through a scheduled client base operating in a diverse set of industries, continuous paper recycling, and concurrent unscheduled shredding service delivered at high efficiency. In addition, the Resulting Issuer plans to implement internal growth strategies, such as expanding services to 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 concurrent master franchising, as more fully described in this Filing Statement.

## **New Franchises**

The Resulting Issuer also intends to continue to sell Franchises consistent with the past practice of the Proshred Franchise Business, but aimed at secondary markets.

## **Acquisitions**

In order to achieve its growth objective, the Resulting Issuer will seek out additional shredding businesses for acquisition or investment. It is intended that additional shredding businesses would be re-branded with the Proshred name. Management estimates that there are currently more than 1,500 independent shredding companies throughout the United States, 94% of which have annual revenues less than US\$5,000,000. Management intends focus its acquisition model on document destruction businesses generating US\$1,000,000-US\$5,000,000 in annual revenues through an established customer base in the largest markets in the United States under the Proshred brand, while continuing to follow the franchising model in secondary markets. The Resulting Issuer intends to follow a “hub and spoke” acquisition strategy. A “hub” is a shredding business that is in a major market with close to \$5 million in annual revenue, is cash flow positive and has 10 to 15 shredding trucks. A “spoke” is a shredding business that is in a major market with close to \$1.5 million in annual revenue, is marginally cash flow positive and has 3 to 5 trucks. The intent is to seek acquisitions of one hub and additional spokes in the same major market. Once a hub is purchased, spokes can be added to take advantage of synergies.

## *Operations*

To the extent that the Resulting Issuer is able to conclude one or more acquisitions as described above, it is expected that the shredding business would be operated in a manner consistent with the franchise model used in the Proshred Franchise Business. The manuals, procedures, software programs and sales and marketing programs developed by the Proshred Franchise Business would be implemented into the operations of the Resulting Issuer. This standard platform, which has been successful in supporting the franchise system, can be integrated into the operations of corporate locations as well.

Under this model, the sale and service of shredding services would be coordinated from an office facility in the local market, close to highways, repair facilities and recycling facilities. The office would usually be located in a light industrial business park and would be comprised of approximately 750 square feet of office space and 750 square feet of warehouse space for the storage of collection bins.

The shredding trucks used in the Proshred Franchise Business are equipped with shredding equipment that can shred up to 7,000 pounds of paper per hour. These trucks are manufactured to RediShred’s specifications and cost close to \$250,000 per truck. The shredding service is performed by the driver of the shredding truck, commonly referred to as a Customer Service Professional (a “CSP”). A CSP is uniformed, bonded and wears a photo-identification badge. A CSP collects the material from the client’s place of business and securely transports the material to the shredding truck parked outside where it is destroyed immediately. An invoice and a certificate of destruction are sent to the client the day after the collection. The invoice is due in 30 days. The average customer in the Proshred Franchise Business produces \$2,088 in revenue per year. A typical truck will generate approximately 1.5 to 3.0 tons of paper per day.

Shredding businesses traditionally have three sources of revenue:

- Revenue derived from clients that are serviced on a regular and scheduled basis.
- Revenue derived from call-in clients that require a one-time service to clean out old documents.
- Revenue derived from the recycling of the shredded paper.

## *Marketing*

The primary focus of the marketing program of the Proshred Franchise Business is direct sales. Sales representatives book sales appointments through their own telemarketing efforts and through the efforts of part-time telemarketers. The sales representatives then use the approved sales presentation package in a one-on-one meeting to sell the security console program and schedule shredding service.

Sales appointments are obtained by identifying the appropriate contacts through the use of mailing lists and the resulting awareness achieved by the direct mailing of marketing pieces. Sales representatives are responsible for contacting potential

customers across a broad spectrum of business, government and non-profit organizations. Generally, the service will be purchased by financial officers, facilities managers, purchasing managers, sourcing specialists or general managers/owners.

### Milestones

Upon completion of the Transactions, RediShred does not expect that the Proshred Franchise Business will have positive cash-flow. RediShred plans to increase revenues by expanding the Proshred Franchise Business through acquisitions and additional franchising activities. RediShred's goal is to generate sufficient additional revenues to generate positive cash flow from operations in fiscal year 2010.

### DESCRIPTION OF SECURITIES

The securities of the Resulting Issuer will remain the same as the securities of RediShred prior to the completion of the Transactions, except for the issuance of between 6,923,077 and 9,615,385 Shares pursuant to the Private Placement and the issuance of between 3,269,231 and 5,192,308 Shares to satisfy a portion of the Purchase Price (see "Information Concerning RediShred – General Development of the Business – Financing" and "Information Concerning RediShred – Description of the Securities"). The aggregate number of Shares to be issued in the Private Placement together with the Acquisition will not exceed 12,884,615 Shares.

### PRO FORMA CONSOLIDATED CAPITALIZATION

#### Pro Forma Consolidated Capitalization

The following table sets out the capitalization of RediShred based on the pro forma balance attached hereto as Appendix "C" after giving effect to the Transactions.

Designation of Security	Amount Authorized	Prior to Giving Effect to the Transactions	After Giving Effect to the Transactions <sup>(1)</sup>	
		Amount Outstanding <sup>(1)(2)</sup>	Minimum Amount Outstanding	Maximum Amount Outstanding
Shares	Unlimited	\$1,500,000 (10,000,000 Shares)	\$7,800,000 (22,115,385 Shares)	\$8,200,000 (22,884,616 Shares)

- (1) 5,995,000 Shares are held in escrow pursuant to the Escrow Agreement. See "Information Concerning the Resulting Issuer – Escrowed Securities". As at September 30, 2007, the Board had reserved 975,000 Shares at an exercise price of \$0.20 per share pursuant to the Stock Option Plan and 270,000 Shares at an exercise price of \$0.20 pursuant to the option granted to the Agent in connection with the IPO. At Closing, certain employees of the Resulting Issuer will be granted, in the aggregate, options to purchase an additional 380,000 Shares at a price of \$0.52 per share pursuant to the Stock Option Plan. See "Information Concerning the Resulting Issuer – Options to Purchase Securities". At Closing, up to 576,923 Shares will be reserved for the Agent's Option. The Shares issued to the Vendor pursuant to the Acquisition Agreement will be held in escrow pursuant to the Escrow Agreement. See "Information Concerning the Resulting Issuer – Escrowed Securities".

## Fully Diluted Share Capital

The following table sets out the diluted share capital of RediShred after giving effect to the Transactions.

Securities Outstanding	Prior to Giving Effect to the Transactions		After Giving Effect to the Transactions			
	Amount Outstanding	Approximate Percentage of Total (Fully Diluted) <sup>(1)</sup>	Amount Outstanding		Approximate Percentage of Total (Fully Diluted) <sup>(1)(2)(3)</sup>	
			Minimum	Maximum	Minimum	Maximum
Shares	10,000,000	88.9%	22,115,385	22,884,616	91.6%	91.2%
Options to Officers, Directors and Technical Consultants	975,000 <sup>(4)</sup>	8.7%	1,355,000 <sup>(5)</sup>	1,355,000 <sup>(5)</sup>	5.6%	5.4%
Options to Agent	270,000 <sup>(6)</sup>	2.4%	685,385 <sup>(7)</sup>	846,923 <sup>(7)</sup>	2.8%	3.4%

- (1) Assumes exercise of options to purchase 975,000 Shares pursuant to the Stock Option Plan and 270,000 Shares pursuant to the option granted to the Agent in connection with the IPO.
- (2) Assumes exercise of options to purchase 380,000 Shares pursuant to the Stock Option Plan.
- (3) Assumes the Agent is granted the option to purchase 6% of the total number of Shares sold in connection with the Private Placement and that all such options are exercised.
- (4) All of these options have an exercise price of \$0.20 and expire on August 29, 2012.
- (5) Of these options, 975,000 have an exercise price of \$0.20 and expire on August 29, 2012 and 380,000 have an exercise price of \$0.52 and expire five years from the date of closing of the Transactions.
- (6) All of these options have an exercise price of \$0.20 and expire on September 5, 2009.
- (7) Of these options, 270,000 have an exercise price of \$0.20 and expire on September 5, 2009 and the remainder have an exercise price of \$0.52 and will expire two years from the date of closing of the Transactions.

## AVAILABLE FUNDS AND PRINCIPAL PURPOSES

### Funds Available

The table below sets forth the estimated total funds available to the Resulting Issuer upon completion of the Transactions.

A	Estimated current working capital of the Issuer	\$1,100,000
B	Amount to be raised under the Private Placement	Minimum – \$3,600,000 Maximum – \$5,000,000
C	Selling commissions	\$300,000
D	Estimated costs of the Transactions (e.g. legal, auditor, Exchange fees, Agent's expenses, etc.)	\$200,000
E	Payment of Purchase Price and related expenses	Minimum – \$2,600,000 Maximum – \$3,600,000
F	<b>Estimated available funds: F = A + B – C – D – E</b>	<b>Minimum – \$1,600,000 Maximum – \$2,000,000</b>

## Dividends

There are no present plans for the Resulting Issuer to pay dividends in the near future. The payment of any future dividends on shares of the Resulting Issuer will depend upon, among other things, the current and retained earnings and financial condition of the Resulting Issuer, and a determination by the board of directors of the Resulting Issuer that the payment of dividends would be appropriate.

It is anticipated that any net income from future operations will be used to further develop the Proshred Franchise Business.

## Principal Purpose of Funds

The table below sets forth the principal purposes for which the estimated funds available to the Resulting Issuer upon completion of the Transactions will be used in 2008.

A	Estimated available funds	Minimum – \$1,600,000 Maximum – \$2,000,000
B	Cash inflows from operations	\$851,952 <sup>(1)</sup>
C	Wages	\$1,285,200
D	Marketing and travel costs	\$451,029
E	Occupancy and other rent related costs	\$111,000
F	Legal and accounting costs	\$180,000
G	Other office and support	\$277,200
H	Deposits for rent, equipment, etc.	\$35,000
<b>I</b>	<b>Estimated available funds for acquisitions: I = A + B – C – D – E – F – G – H</b>	<b>Minimum – \$112,523 Maximum – \$552,523</b>

(1) Based upon revenues to the Proshred Franchise Business for the year ended March 31, 2007.

## PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and senior officers of each of RediShred, PSC and PFC, as of the date hereof, no shareholder is anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over, more than 10% of any class of voting securities of RediShred after giving effect to the Transactions.

## DIRECTORS, OFFICERS AND PROMOTERS

### Name, Address, Occupation and Security Holdings

Following completion of the Transactions the following will be the directors and officers of RediShred.

Name, age, municipality of residence and position	Principal occupation and positions held <sup>(1)</sup>	Common shares held <sup>(2)</sup>	Percentage after completing Transactions	
			Maximum <sup>(3)</sup>	Minimum <sup>(4)</sup>
Robert M. Crozier, 48 Halifax, Nova Scotia <i>Director</i>	Vice President, Atlantic Building Cleaning Limited	690,000	3.0%	3.1%
Brad E. Foster, 35 Pickering, ON <i>Director</i> <sup>(5)</sup>	Self employed chartered accountant	590,000	2.6%	2.7%
Philip D. Fraser, 46 Halifax, Nova Scotia <i>Director</i>	President and Chief Executive Officer, Killam Properties Inc.	640,000	2.8%	2.9%
Phillip H. Gaunce, 45 Halifax, Nova Scotia <i>Director</i> <sup>(5)</sup>	President, Alfred J. Bell & Grant Limited	665,000	2.9%	3.0%
Jeffrey I. Hasham, 36 Mississauga, Ontario <i>Chief Financial Officer and Secretary</i>	Vice President of Finance, Heron Capital Corporation and Proshred Franchising Corp.	135,000	0.6%	0.6%
Timothy Tibbs, 59 Mississauga, Ontario <i>Chief Operating Officer</i>	Executive Vice President, Heron Capital Corporation and Proshred Franchising Corp.	75,000	0.3%	0.3%
Hugh Heron, 69 Willowdale, Ontario <i>Director</i>	Principal and President, The Heron Group of Companies	590,000 <sup>(6)</sup>	2.6%	2.7%
James C. Lawley, 48 Halifax, Nova Scotia <i>Director</i>	General Manager, Scotia Fuels Ltd.	665,000	2.9%	3.0%
Mark J. MacMillan, 43 Halifax, Nova Scotia <i>Executive Vice President Development and Director</i>	President, MacMillan Holdings Incorporated President, Shredpro US Limited	940,000	4.1%	4.2%
John C. Prittie, 52 Millgrove, Ontario <i>President, Chief Executive Officer and Director</i>	President and Chief Executive Officer Heron Capital Corporation and Proshred Franchising Corp.	840,000	3.7%	3.8%
Robert G. Richardson, 45 Halifax, Nova Scotia <i>Director</i> <sup>(5)</sup>	Executive Vice President and Chief Financial Officer, Killam Properties Inc.	640,000	2.8%	2.9%

(1) All of the persons have held these positions for five years other than as described in the résumés that follow.

(2) Includes shares owned directly or indirectly or over which control or direction is exercised. Includes Shares expected to be issued under the Private Placement.

(3) Assumes that the maximum number of 22,884,616 Shares are issued in the Transactions.

(4) Assumes that the minimum number of 22,115,385 Shares are issued in the Transactions.

(5) Member of the Audit Committee.

(6) Excludes between 3,269,231 and 5,192,308 Shares that the Vendor will acquire pursuant to the Acquisition. Mr. Heron has approximately a 21% beneficial equity interest in the Vendor, and indirectly has a one-third controlling interest in the Vendor.

## Management

The following are brief résumés of the proposed directors and officers of RediShred:

### *Robert M. Crozier*

Robert M. Crozier is the Vice President Sales for Atlantic Canada for Empire Maintenance Industries of Montreal (“Empire”). Empire is one of Canada’s largest commercial cleaning firms. Mr. Crozier has been in the commercial cleaning business in Atlantic Canada since 1981 and was President and partner in Atlantic Building Cleaning from 1994-2005. The firm was sold to Empire in 2005. Mr. Crozier received his Bachelor of Business Administration from Mount Saint Vincent University in 1984. He has been a director of RediShred since its incorporation on October 18, 2006.

### *Brad E. Foster*

Brad E. Foster has been a practicing public accountant since 1997 and has been associated with The Heron Group of Companies, a diversified real estate and investment organization, and was appointed Chief Financial Officer in 2005. Mr. Foster obtained his Bachelor of Accounting from Brock University in 1996 and became a chartered accountant in December, 1996. Mr. Foster is the Treasurer of The Mikey Network, a registered Canadian charitable organization. He has been a director of RediShred since June 3, 2007.

### *Philip D. Fraser*

Philip D. Fraser has been President, Chief Executive Officer and a Director of Killam Properties Inc. (TSX:KMP) since its inception in May 2000. Killam is one of Canada’s largest residential landlords, owning and operating multi-family apartments and manufactured home communities. Mr. Fraser obtained his Master of Business Administration from Saint Mary’s University in 1988, his Master of Urban and Rural Planning from Technical University of Nova Scotia (now Dalhousie University) in 1988, and his Bachelor of Commerce from Dalhousie in 1983. Mr. Fraser is a Trustee of InStorage REIT (TSXV:IS.UN) and a member of the Sobey School of Business Advisory Board at Saint Mary’s University. He has been a director of RediShred since its incorporation on October 18, 2006.

### *Phillip H. Gaunce*

Since 1995, Phillip H. Gaunce has been the President of Alfred J. Bell and Grant Limited, a Nova Scotia based insurance brokerage. Mr. Gaunce sits on the Board of Directors of the IWK Health Centre where he is chair of the audit committee. He is also on the Board of Directors of the Halifax Moosehead Hockey Club Inc. Mr. Gaunce is the chairman of the professional liability program for the Canadian Institute of Chartered Accountants. Mr. Gaunce received his Bachelor of Commerce degree from Saint Mary’s University in 1984 and his CA designation in 1986. He has been the Chief Financial Officer, Secretary and a director of RediShred since its incorporation on October 18, 2006.

### *Jeffrey I. Hasham*

Jeffrey I. Hasham became the Vice President of Finance of PFC in March 2005. From 2004 to 2005, Mr. Hasham was Vice President of Finance at World Vintners Inc., in Markham, Ontario, Canada. From 2002 to 2004, Mr. Hasham was the Chief Financial Officer at Mini-Tankers USA, Inc. in Mississauga, Ontario, Canada. Mr. Hasham received his MBA degree from McMaster University in 1996 and his CA designation in 1999.

### *Hugh Heron*

Hugh Heron has been Chairman of the Board of PFC and PSP since May 2006. From October 2004 until May 2006, Mr. Heron was Vice Chairman of the Board of PFC and PSP. Mr. Heron is also President of The Heron Group of Companies, a position he has held since 1979. He holds and has held each of these positions in Toronto, Ontario. Mr. Heron is currently a consultant to RediShred. Mr. Heron is on the Board of Canada Mortgage and Housing Corporation and Viceroy Homes Limited (TSX VHL.A).

### *James C. Lawley*

James C. Lawley has been employed since 1982 by Scotia Fuels Ltd., a residential fuel oil supplier based in Halifax, Nova Scotia, and has held the position of General Manager since 1992. Mr. Lawley is a director of Killam Properties Inc.

(TSX:KMP) and a trustee of InStorage REIT (TSXV:IS.UN). Mr. Lawley is a real estate developer and co-owns a number of apartment and commercial properties in Halifax, Nova Scotia. Mr. Lawley is also the co-owner of Camp Bonaventure Ltd., a commercial sporting lodge, since 1984 and is a Director of the Atlantic Salmon Federation. Mr. Lawley obtained his Bachelor of Commerce from Dalhousie University in 1982. He has been a director of RediShred since its incorporation on October 18, 2006.

*Mark J. MacMillan*

Mark J MacMillan is President of Shredco Limited, Shredpro US Limited and MacMillan Holdings Inc. Mr. MacMillan's extensive experience in the document destruction industry began in 1990 when he obtained a franchise to operate a document destruction business in Nova Scotia under the Proshred trademark from a former franchisor. Mr. MacMillan grew this operation into a successful document destruction business in Nova Scotia, prior to selling it to Iron Mountain (NYSE: IRM) in 2004. Previous to selling his Nova Scotia operation, Mr. MacMillan started a Franchise in Tampa, Florida which he currently co-owns. He has been the Chief Executive Officer, President and a director of RediShred since its incorporation on October 18, 2006.

*John C. Prittie*

John Prittie has been President of PFC and of PSP since September 2004. Since July 1997, he has been President and Chief Executive Officer of HCC and since November 2004 he has been President of PMP Corporation and TMT Franchising Corp., other franchising business which are controlled by Heron Capital Corporation. He is responsible for the overall operations of these companies, all of which are located in Toronto, Ontario. Mr. Prittie served as Director of Mini-Tankers USA, Inc. from June 1999 to January 2003, and as President of Mini-Tankers USA, Inc. from June 1999 to June 2003. He was Vice President of Franchise Development for Shred-it from April 1993 to May 1997. Mr. Prittie obtained his Master of Business Administration from University of Windsor in 1980. He is currently a consultant to RediShred.

*Robert G. Richardson*

Robert G. Richardson, FCA has been Executive Vice President, Chief Financial Officer and a Director of Killam Properties Inc. (TSX:KMP) since its inception in May, 2000. Killam is one of Canada's largest residential landlords, owning and operating multi-family apartments and manufactured communities. Mr. Richardson is also the President of Compass Commercial Realty Limited, a third-party property management managing urban office properties in Atlantic Canada and Ontario. Mr. Richardson currently serves on the Board of Directors for YMCA of Greater Halifax/Dartmouth. Mr. Richardson obtained his Chartered Accountant designation in 1986 (FCA 2006) and received his Bachelor of Commerce degree from Dalhousie in 1984. He has been a director of RediShred since its incorporation on October 18, 2006.

*Timothy J.L. Tibbs*

Tim Tibbs is Executive Vice-President Operations for PFC and has been affiliated with The Heron Group of Companies since October 1999. Mr. Tibbs was previously Director of Business Development for Mini-Tankers USA, Inc. ("MTUSA") from September, 1999 to April, 2004. Prior to joining The Heron Group of Companies, Mr. Tibbs was Director of Operations for Shred-it from April, 1994 to September, 1999. Mr. Tibbs also has industry experience in the following franchise systems: Firestone Tire & Automotive, Shred-It and Mini-Tankers. Mr. Tibbs received an Honours Bachelor of Business Administration (BBA) from Wilfred Laurier University.

All of the HCC Employees will be required to sign non-competition agreements with the Resulting Issuer. In addition, pursuant to the Acquisition Agreement, the following principals of the Vendor will be required to sign non-competition agreements in favour of PSC and/or PFC: Elliot Krangle, Hugh Heron, Sheldon Alspector, Grant Simpson, Bob Finnigan, Silvio Longo and Brad Foster.

As a group, the proposed directors and officers of the Resulting Issuer will exercise control or direction over 5,315,000 common shares of the Resulting Issuer, which represents approximately 26% of the issued and outstanding common shares of the Resulting Issuer after completion of the Transactions.

The audit committee of the board of directors of the Resulting Issuer will be comprised of Messrs. Phillip H. Gaunce, Robert G. Richardson and Brad E. Foster. The compensation committee of the board of directors of the Resulting Issuer will be comprised of Messrs. Phillip H. Gaunce, Robert M. Crozier and Brad E. Foster.

**Corporate Cease Trade Orders or Bankruptcies**

No director, officer or promoter of RediShred, or shareholder holding a sufficient number of securities of RediShred to affect materially the control of RediShred, is, or has been within the past ten years, a director, officer, Insider or promoter of any other issuer that, while such person was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under applicable securities legislation for a period of more than thirty consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On October 6, 2003, MTUSA filed a voluntary petition pursuant to Chapter 11 of the United States Bankruptcy Code. On November 5, 2004, the bankruptcy court approved the debtor's plan of liquidation (U.S. Bankruptcy Court for the Western District of Washington, Case No. 03-22887-TTG). Jeffrey Hasham, RediShred's proposed Chief Financial Officer and Secretary, was the Chief Financial Officer at MTUSA from 2002 to 2004, the period of that company's Chapter 11 restructuring and liquidation.

**Penalties or Sanctions**

No director, officer or promoter of RediShred, or shareholder holding a sufficient number of securities of RediShred to affect materially the control of RediShred, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

**Personal Bankruptcies**

No director, officer or promoter of RediShred, or shareholder holding a sufficient number of securities of RediShred to affect materially the control of RediShred, or personal holding company of any such persons, has within the past ten years, as applicable, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

**Conflicts of Interest**

Mark J. MacMillan, who will be the Executive Vice President Development and a director of RediShred following completion of the Transactions, is a Franchisee operating a Franchise in Tampa, Florida.

### Other Reporting Issuer Experience

The following table sets out the directors, officers and promoter(s) of RediShred that are, or have been within the last ten years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction.

<u>Name</u>	<u>Name of reporting issuer</u>	<u>Name of exchange of market (if applicable)</u>	<u>Position</u>	<u>From</u>	<u>To</u>
Philip D. Fraser	Killam Properties Inc.	TSX	Director, President and Chief Executive Officer	2000	Present
	InStorage Real Estate Investment Trust	TSXV	Trustee	2006	Present
James C. Lawley	Killam Properties Inc.	TSX	Director	2000	Present
	InStorage Real Estate Investment Trust	TSXV	Trustee	2006	Present
Robert G. Richardson	Killam Properties Inc.	TSX	Executive Vice President and Chief Financial Officer	2000	Present
Hugh Heron	Viceroy Homes Limited	TSX	Director	1999	Present
	Canadian Apartment Properties Real Estate Investment Trust	TSX	Trustee	1997	2004

### EXECUTIVE COMPENSATION

The following table sets out the anticipated compensation for the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Executive Vice President Development of the Resulting Issuer:

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation <sup>(1)</sup>
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/ SARS Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
John C. Prittie President and CEO	2008	180,000	-	-	80,000	-	-	\$15,300 <sup>(2)</sup>
Jeffrey I. Hasham CFO and Secretary	2008	144,000	-	-	80,000	-	-	\$9,000 <sup>(2)</sup>
Timothy Tibbs, COO	2008	144,000	-	-	80,000	-	-	\$9,000 <sup>(2)</sup>
Mark J. MacMillan, Executive Vice President Development	2008	144,000	-	-	80,000	-	-	\$9,000 <sup>(2)</sup>

(1) The figures in this column relate to car allowances.  
(2) These numbers are exclusive of gas and mileage allowances.

Each of the executive officers listed in the table above will enter into employment agreements at Closing for an indefinite term. The employment agreements will provide that each employee must devote at least 90% of his working time and attention to the business of the Resulting Issuer, and must not engage in any other business without prior approval. The employment agreements provide for remuneration consisting of a base salary and bonus opportunities, both of which are determined and adjusted at the discretion of the Board of Directors, as well as stock options and participation in the RediShred group benefit plan. The employment agreements also provide for reimbursement of all business- and travel-related expenses, a monthly car allowance, the provision of a cellular telephone or alternate communication device, and vacation time progressively determined after five and ten years of service. In addition to the employment agreements each executive is required to enter into a confidentiality and non-competition agreement.

### INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the officers or directors of RediShred, PSC or PFC, and none of the proposed directors or officers of the Resulting Issuer, have been indebted to either RediShred, PSC or PFC at any time during the most recently completed fiscal year of RediShred, PSC or PFC, as applicable, nor has RediShred, PSC or PFC guaranteed or otherwise supported the indebtedness of any such person during that period.

## INVESTOR RELATIONS ARRANGEMENTS

Any promotional or investor relations services for the Resulting Issuer will be provided by one or more of the Resulting Issuers' directors or officers.

### OPTIONS TO PURCHASE SECURITIES

#### Options to Purchase Securities

The table below sets forth the options granted under the Stock Option Plan that will be held upon completion of the Transactions.

Optionee	Date of Grant	Securities Under Options/ SARs Granted (#)	Exercise of Base Price (\$/ Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Robert M. Crozier	August 29, 2007	100,000	\$0.20	\$0.20	August 29, 2012
Brad E. Foster	August 29, 2007	137,500	\$0.20	\$0.20	August 29, 2012
Philip D. Fraser	August 29, 2007	100,000	\$0.20	\$0.20	August 29, 2012
Phillip H. Gaunce	August 29, 2007	100,000	\$0.20	\$0.20	August 29, 2012
Hugh Heron	August 29, 2007	100,000	\$0.20	\$0.20	August 29, 2012
James C. Lawley	August 29, 2007	100,000	\$0.20	\$0.20	August 29, 2012
Mark J. MacMillan	August 29, 2007 March 11, 2008	137,500 80,000 <sup>(1)</sup>	\$0.20 \$0.52	\$0.20 \$0.65	August 29, 2012 March 11, 2013
John Prittie	August 29, 2007 March 11, 2008	100,000 80,000 <sup>(1)</sup>	\$0.20 \$0.52	\$0.20 \$0.65	August 29, 2012 March 11, 2013
Robert G. Richardson	August 29, 2007	100,000	\$0.20	\$0.20	August 29, 2012
Jeffrey I. Hasham	March 11, 2008	80,000 <sup>(1)</sup>	\$0.52	\$0.65	March 11, 2013
Timothy Tibbs	March 11, 2008	80,000 <sup>(1)</sup>	\$0.52	\$0.65	March 11, 2013
James Reid	March 11, 2008	20,000 <sup>(1)</sup>	\$0.52	\$0.65	March 11, 2013
Joseph May	March 11, 2008	10,000 <sup>(1)</sup>	\$0.52	\$0.65	March 11, 2013
Andrew Parry	March 11, 2008	20,000 <sup>(1)</sup>	\$0.52	\$0.65	March 11, 2013
Nancy Prittie	March 11, 2008	10,000 <sup>(1)</sup>	\$0.52	\$0.65	March 11, 2013

(1) Options and underlying shares will be held subject to the Escrow Agreement. The date of grant will be the date that the Transactions close. The options will have a term of five years. Disclosure in this table assumes a closing date of March 11, 2008.

#### Stock Option Plan

The stock option plan of the Resulting Issuer will remain the same as the Stock Option Plan.

## ESCROWED SECURITIES

Name and Municipality of Residence of Shareholder	Common Shares <sup>(1)</sup>	Prior to Giving Effect to the Transactions		After Giving Effect to the Transactions		
		Number of Common Shares held in Escrow <sup>(1)</sup>	Percentage of Common Shares	Number of Common Shares held in Escrow <sup>(1)</sup>	Percentage of Common Shares	
					Maximum <sup>(2)</sup>	Minimum <sup>(3)</sup>
Robert M. Crozier Halifax, NS	590,000	590,000	5.9%	690,000	3.0%	3.1%
Brad E. Foster Pickering, ON	590,000	590,000	5.9%	590,000	2.6%	2.7%
Philip D. Fraser Halifax, NS	590,000	590,000	5.9%	640,000	2.8%	2.9%
Phillip H. Gaunce Halifax, NS	590,000	590,000	5.9%	665,000	2.9%	3.0%
Hugh Heron Willowdale, ON	500,000	500,000	5%	500,000	2.2%	2.3%
James C. Lawley Halifax, NS	565,000	565,000	5.65%	665,000	2.9%	3.0%
Mark J. MacMillan Halifax, NS	840,000	840,000	8.4%	940,000	4.1%	4.2%
John Prittie Millgrove, ON	750,000	750,000	7.5%	750,000	3.3%	3.4%
Robert G. Richardson Halifax, NS	590,000	590,000	5.9%	640,000	2.8%	2.9%
Mark Edwards Toronto, ON	60,000	60,000	0.6%	60,000	0.3%	0.3%
Ron Rimer Toronto, ON	75,000	75,000	0.75%	75,000	0.3%	0.3%
Geordie Walker Mississauga, ON	60,000	60,000	0.6%	60,000	0.3%	0.3%
Justin Bosa Toronto, ON	60,000	60,000	0.6%	60,000	0.3%	0.3%
Robert Wright Pickering, ON	60,000	60,000	0.6%	60,000	0.3%	0.3%
Andrea Brinton Halifax, NS	15,000	15,000	0.15%	15,000	0.07%	0.07%
Janet Crozier Halifax, NS	15,000	15,000	0.15%	15,000	0.07%	0.07%
Kathleen Richardson Halifax, NS	15,000	15,000	0.15%	65,000	0.3%	0.3%
Lynne Gaunce Halifax, NS	15,000	15,000	0.15%	90,000	0.4%	0.4%
Lorna MacMillan Halifax, NS	15,000	15,000	0.15%	15,000	0.07%	0.07%
Siobhan Bergin Halifax, NS	-	-	-	50,000	0.2%	0.2%

Name and Municipality of Residence of Shareholder	Common Shares <sup>(1)</sup>	Prior to Giving Effect to the Transactions		After Giving Effect to the Transactions		
		Number of Common Shares held in Escrow <sup>(1)</sup>	Percentage of Common Shares	Number of Common Shares held in Escrow <sup>(1)</sup>	Percentage of Common Shares	
					Maximum <sup>(2)</sup>	Minimum <sup>(3)</sup>
Professional Shredding Partnership	-	-	-	3,269,231 (maximum <sup>(2)</sup> )	14.3%	23.5%
				5,192,308 (minimum <sup>(3)</sup> )		
<b>Total</b>	<b>5,995,000</b>	<b>5,995,000</b>	<b>59.95%</b>	9,914,231 (maximum <sup>(2)</sup> )	<b>43.3%</b>	<b>53.5%</b>
				11,841,308 (minimum <sup>(3)</sup> )		

- (1) Includes shares owned directly or indirectly or over which control or direction is exercised.  
(2) Assumes that the maximum number of Shares are issued under the Private Placement.  
(3) Assumes that the minimum number of Shares are issued under the Private Placement.

In addition, options issued at Closing with an exercise price of \$0.52 will be subject to the Escrow Agreement.

#### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

##### **Auditor**

The auditors of RediShred are PricewaterhouseCoopers LLP, Suite 600 - 1809 Barrington Street, Halifax, NS B3J 3K8.

##### **Transfer Agent and Registrar**

Computershare Investor Services Inc., at its principal offices in Halifax and Toronto, is the transfer agent and registrar for the Shares.

## GENERAL MATTERS

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### SPONSORSHIP AND AGENT RELATIONSHIP

#### Sponsor

The Exchange has granted an exemption from the sponsorship requirement in connection with the Transactions. RediShred is not related to the Agent.

### INTEREST OF INSIDERS, PROMOTERS AND CONTROL PERSONS

No Insider, Promoter or Control Person of RediShred and their respective Associates and Affiliates (before giving effect to the Transactions) have any interest in the Proshred Franchise Business.

Brad Foster is a director and a 5% shareholder of RediShred. Brad Foster is also a director and officer of HCC but does not directly or indirectly own any shares of HCC and does not have any equity interest in the Vendor.

Hugh Heron is a technical consultant and a 5% shareholder of RediShred. Hugh Heron is also an officer and director of HCC and indirectly has approximately a 21% beneficial equity interest in the Vendor, and indirectly has a one-third controlling interest in the Vendor.

John Prittie is a technical consultant and a 7.5% shareholder of RediShred. John Prittie is also an officer and director of HCC and is an indirect minority shareholder of the Vendor, with approximately a 7% non-controlling beneficial interest.

### EXPERTS

No person or company who is named as having prepared or certified a part of the Filing Statement or prepared or certified a report or valuation described or included in the Filing Statement has, or will have immediately following completion of the Transactions, any direct or indirect interest in the Proshred Franchise Business or in RediShred.

### OTHER MATERIAL FACTS

There are no other material facts relating to the proposed Qualifying Transaction not disclosed elsewhere in this Filing Statement.

### BOARD APPROVAL

The board of directors of RediShred has approved this Filing Statement.

**FINANCIAL STATEMENTS**

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**FINANCIAL STATEMENTS OF REDISHRED**

See Appendix “A” for the financial statements of RediShred.

**FINANCIAL STATEMENTS IN RESPECT OF THE PROSHRED FRANCHISE BUSINESS**

See Appendix “B” for the financial statements in respect of the Proshred Franchise Business.

**PRO FORMA BALANCE SHEET OF THE RESULTING ISSUER**

See Appendix “C” for the pro forma balance sheet of the Resulting Issuer.

**CERTIFICATE OF REDISHRED**

February 28, 2008

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of RediShred Capital Corp. assuming completion of the Qualifying Transaction.

By: (signed) "Mark J. MacMillan"  
Mark J. MacMillan  
Chief Executive Officer

By: (signed) "Phillip H. Gaunce"  
Phillip H. Gaunce  
Chief Financial Officer

On behalf of the Board of Directors

By: (signed) "Philip D. Fraser"  
Philip D. Fraser  
Director

By: (signed) "Robert G. Richardson"  
Robert G. Richardson  
Director

**CERTIFICATE OF PROFESSIONAL SHREDDING CORPORATION**

February 28, 2008

The foregoing as it relates to Professional Shredding Corporation constitutes full, true and plain disclosure of all material facts relating to the securities of Professional Shredding Corporation.

By: (signed) "John C. Prittie"  
John C. Prittie  
Chief Executive Officer

By: (signed) "Brad E. Foster"  
Brad E. Foster  
Chief Financial Officer

On behalf of the Board of Directors

By: (signed) "Tim Tibbs"  
Tim Tibbs  
Director

By: (signed) "Hugh Heron"  
Hugh Heron  
Director

**ACKNOWLEDGEMENT – PERSONAL INFORMATION**

“Personal Information” means any information about an identifiable individual and includes information contained in any items in the attached Filing Statement that are analogous to items 4.2, 11, 12.1, 15, 17.2, 18.2 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40, and 41 of Form 3B2 of the Exchange, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B to the Corporate Finance Manual of the Exchange (“Appendix 6B”)) pursuant this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated as of February 28, 2008.

**REDISHRED CAPITAL CORP.**

By: (signed) “Mark J. MacMillan”  
Mark J. MacMillan  
Chief Executive Officer

**AUDITORS' CONSENTS**

We have read the Filing Statement of RediShred Capital Corp. (the "Corporation") dated February 28, 2008 relating to the Qualifying Transaction of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Filing Statement of our reports to the directors of the Corporation on the balance sheets of the Corporation as at December 31, 2007 and 2006, and statements of loss, comprehensive loss and deficit and cash flows for the year ended December 31, 2007 and the period from October 18, 2006, date of incorporation, to December 31, 2006. Our report is dated February 28, 2008.

(signed) "*PricewaterhouseCoopers LLP*"

Chartered Accountants  
Halifax, Nova Scotia  
February 28, 2008

We have read the Filing Statement of RediShred Capital Corp. (the "Corporation") dated February 28, 2008 relating to the Qualifying Transaction of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Filing Statement of our reports to the owners of the Proshred Franchise Business on the audited combined balance sheet of the Proshred Franchise Business as at March 31, 2007, and combined statements of loss and owners' equity and cash flows for the year then ended. Our report is dated October 22, 2007, except for note 11, which is as of February 28, 2008.

(signed) "*Kraft Berger LLP*"

Chartered Accountants  
Toronto, Ontario  
February 28, 2008

**APPENDIX "A"**  
**FINANCIAL STATEMENTS OF REDISHRED CAPITAL CORP.**

February 28, 2008

**Management's responsibility for Financial Reporting**

The accompanying financial statements of RediShred Capital Corp. have been prepared by RediShred's management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of RediShred is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board. It meets with RediShred's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the financial statements to the Board of Directors for approval.

PricewaterhouseCoopers LLP, appointed as RediShred's auditors by the shareholders, has examined these financial statements and their report follows.

(signed) "Mark J. MacMillan"  
Mark J. MacMillan  
Chief Executive Officer  
Halifax, Nova Scotia

(signed) "Phillip H. Gaunce"  
Phillip H. Gaunce  
Chief Financial Officer

February 28, 2008

**Auditors' Report**

**To the Directors of  
RediShred Capital Corp.**

We have audited the balance sheets of **RediShred Capital Corp.** as at December 31, 2007 and 2006 and the statements of loss, comprehensive loss and deficit and cash flows for the year ended December 31, 2007, and the 75-day period from October 18, 2006, date of incorporation, to December 31, 2006. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007 and the 75-day period from October 18, 2006, date of incorporation, to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

(signed) "*PricewaterhouseCoopers LLP*"

**Chartered Accountants**  
Halifax, Nova Scotia

# RediShred Capital Corp.

## Balance Sheets

As at December 31, 2007 and 2006

	2007 \$	2006 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash (note 4)	1,362,252	1
Accounts receivable	22,487	-
Prepaid expenses and deferred charges	77,219	-
	<u>1,461,958</u>	<u>1</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>134,137</u>	<u>6,010</u>
<b>Shareholders' Equity (Deficiency)</b>		
<b>Capital stock</b> (note 5)	1,354,446	1
<b>Contributed surplus</b> (note 6)	117,000	-
<b>Deficit</b>	<u>(143,625)</u>	<u>(6,010)</u>
	<u>1,327,821</u>	<u>(6,009)</u>
	<u>1,461,958</u>	<u>1</u>
<b>Subsequent events</b> (note 9)		

Approved on behalf of the Board of Directors

(signed) "Phillip H. Gaunce"  
Phillip H. Gaunce  
Director

(signed) "Mark J. MacMillan"  
Mark J. MacMillan  
Director

## RediShred Capital Corp.

Statements of Loss, Comprehensive Loss and Deficit  
For the periods ended December 31, 2007 and 2006

	Year ended December 31, 2007 \$	75-day period ended December 31, 2006 \$
<b>Expenses</b>		
Legal and accounting	29,535	3,747
Office	4,202	391
Regulatory fees	13,314	-
Stock-based compensation	100,000	-
Travel	9,347	1,872
	<u>(156,398)</u>	<u>(6,010)</u>
<b>Interest income</b>	<u>18,783</u>	<u>-</u>
<b>Net loss and comprehensive loss for the periods</b>	(137,615)	(6,010)
<b>Deficit – Beginning of periods</b>	<u>(6,010)</u>	<u>-</u>
<b>Deficit – End of periods</b>	<u>(143,625)</u>	<u>(6,010)</u>
<b>Loss per share – Basic and diluted</b>	<u>(0.03)</u>	<u>(6,010)</u>
<b>Weighted average number of common shares outstanding</b>	<u>4,478,083</u>	<u>1</u>

## RediShred Capital Corp.

### Statements of Cash Flows

For the periods ended December 31, 2007 and 2006

	Year ended December 31, 2007 \$	75-day period ended December 31, 2006 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the periods	(137,615)	(6,010)
Stock-base compensation, not affecting cash	<u>100,000</u>	<u>-</u>
	(37,615)	(6,010)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	(22,487)	-
Decrease (increase) in prepaid expenses and deferred charges	(77,219)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>128,127</u>	<u>6,010</u>
	(9,194)	-
<b>Financing activities</b>		
Net cash proceeds from issuance of common shares	<u>1,371,445</u>	<u>1</u>
<b>Net change in cash for the periods</b>	1,362,251	1
<b>Cash – Beginning of periods</b>	<u>1</u>	<u>-</u>
<b>Cash – End of periods</b>	<u>1,362,252</u>	<u>1</u>

# RediShred Capital Corp.

## Notes to Financial Statements

For the periods ended December 31, 2007 and 2006

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### 1 Incorporation and nature of business

RediShred Capital Corp. (the “Corporation”) was incorporated under the Canada Business Corporations Act on October 18, 2006 and is classified as a Capital Pool Corporation, as defined in policy 2.4 of the TSX Venture Exchange (the “Exchange”). The Corporation’s common shares were listed for trading on the Exchange on September 5, 2007 as a Capital Pool Corporation. The Corporation’s business has been the identification and evaluation of shredding businesses that could qualify as a Qualifying Transaction under Exchange policies. The Corporation’s continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses and, once identified and evaluated, to negotiate an acquisition thereof or participation therein, subject to receipt of regulatory and, if required, shareholders’ approval.

Where an acquisition or participation is warranted (the Qualifying Transaction), additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent on the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange; at which time, the Exchange may suspend or delist the Corporation’s shares from trading.

### 2 Changes in accounting policies

Effective January 1, 2007, the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants: (i) Section 1506 Accounting Changes; (ii) Section 1530 Comprehensive Income; (iii) Section 3251 Equity; (iv) Section 3855 Financial Instruments – Recognition and Measurement; and (v) Section 3861 Financial Instruments – Disclosure and Presentation. With the exception of Section 3855 as described below, these standards were adopted on a prospective basis without restatement of prior periods.

Section 1506 allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors in the financial statements. The adoption of this standard did not have an impact on the Corporation other than the additional disclosure regarding the impact of new accounting standards that have been issued but are not yet effective for the Corporation.

Section 3251 describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530. The adoption of this standard did not impact the Corporation.

Section 1530 establishes standards for reporting and display of comprehensive income. Comprehensive income is the change in equity of the Corporation during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. The adoption of this standard did not impact the Corporation, therefore, net loss for the year is equivalent to comprehensive loss for the year.

Section 3855 and 3861 provide guidance on the recognition, measurement, presentation and disclosure of financial instruments. In accordance with the transitional provisions, Section 3855 was adopted at the beginning of the year on a retroactive basis with no restatement of prior periods. This new standard requires that all financial assets and liabilities be classified as either: held-to-maturity, held-for-trading, loans and receivables, available-for-sale, or other financial liabilities. The initial and subsequent recognition of the financial instrument depends on its initial

# RediShred Capital Corp.

## Notes to Financial Statements

For the periods ended December 31, 2007 and 2006

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classification.

The Corporation has implemented the following classifications on adoption of Section 3855:

- Cash is classified as held-for-trading. Changes in fair value for the period are recorded in net earnings.
- Accounts receivable are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

The adoption of these standards did not have a material impact on the Corporation.

### 3 Significant accounting policies

#### 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.

#### Corporate transaction costs

The Corporation recognizes corporate transaction costs as an asset when a proposed transaction is specifically identified in that the form of debt or share capital, or the specific identities of the businesses to be combined, is known, completion of the transaction is considered to be more likely than not. Only those costs that are direct and incremental costs incurred in connection with the proposed transaction are recognized as an asset. If these criteria are not met, the corporate transaction costs are expensed. All overheads such as officer or employee remuneration and the costs of activities such as acquisition planning and strategic corporate development are period costs and are expensed as incurred.

#### 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.

#### Loss per share

Loss per share is computed based on the weighted average number of common shares outstanding during the years. The Corporation follows the treasury stock method of calculating diluted loss per share. Diluted loss per share is equal to loss per share since the exercise of options and warrants is anti-dilutive.

# RediShred Capital Corp.

## Notes to Financial Statements

For the periods ended December 31, 2007 and 2006

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### 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.

### Financial Instruments

The fair value of the Corporation's accounts receivable and accounts payable and accrued liabilities approximates their carrying values due to the short-term nature of these items.

### Future accounting policies

The Canadian Institute of Chartered Accountants has issued accounting standards that become effective for the Corporation on January 1, 2008: Section 1535, Capital Disclosures; section 3862; Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation.

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Corporation is in the process of evaluating the impact of this new standard.

Section 3862 and 3863 will replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections will place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Corporation is in the process of evaluating the impact of these new standards.

## 4 Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds from the sale of all securities issued by the corporation and \$210,000 may be used for purposes other than evaluating businesses or assets to cover prescribed costs of issuing the common shares or administrative and general expenses of the corporation. This restriction applies until completion of a qualifying transaction by the corporation, as defined in the policies of the Exchange.

## 5 Capital Stock

### (a) Authorized

Unlimited number of common shares, without nominal or par value

Unlimited number of preferred shares, without nominal or par value

# RediShred Capital Corp.

## Notes to Financial Statements

For the periods ended December 31, 2007 and 2006

**(b) Issued**

Changes in the Corporation's issued common share capital during the periods were as follows:

	Year ended December 31, 2007		75-day period ended December 31, 2006	
	Number	Amount \$	Number	Amount \$
Opening balance	1	1	-	-
Shares issued for cash	9,999,999	1,499,999	1	1
Less: Share issue costs	-	(145,554)	-	-
Closing balance	10,000,000	1,354,446	1	1

**(c) Details of share issuances**

On June 15, 2007, the Corporation issued 4,999,999 common shares for cash of \$499,999. These shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement entered into between the Corporation, Computershare Investor Services Inc. as escrow agent and certain of the Corporation's shareholders. Under the Escrow Agreement, 10% of the escrowed common shares will be released from escrow (the "Initial Release") on the issuance of the Exchange Bulletin following closing of the Qualifying Transaction and the final Exchange acceptance of the Qualifying Transaction (the "Final Exchange Bulletin") and an additional 15% will be released on the dates six months, twelve months, 18 months, 24 months, 30 months and 36 months following the Initial Release. If the Corporation meets the Exchange's Tier 1 minimum listing requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed Common Shares will be accelerated. An accelerated escrow release will not commence until the Corporation has made application to the Exchange for listing as a Tier 1 issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

On August 10, 2007, the Corporation issued 500,000 common shares for cash of \$100,000. Of these 500,000 common shares, 315,000 common shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement.

On August 21, 2007, the Corporation filed a prospectus related to the initial public offering of its common shares, and on August 29, 2007, the Corporation issued 4,500,000 common shares for net cash proceeds of \$777,276. Of these 4,500,000 common shares, 680,000 common shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement. In connection with the initial public offering, the Corporation issued 270,000 options with a fair value of \$17,000. The fair value of these options are reflected as share issue costs.

**(d) Stock Options**

The Corporation has adopted a stock option plan (the "Plan"), providing the Board with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Corporation. Stock options are granted in accordance with TSX Venture Exchange policy.

On August 29, 2007, the Corporation issued options to acquire 975,000 common shares of the Corporation at a price of \$0.20 per share expiring August 29, 2012. The Corporation also issued options, on September 5, 2007, to acquire 270,000 common shares of the Corporation at a price of \$0.20 per share, expiring September 5, 2009. All options were fully vested upon granting. The weighted average remaining contractual term of the options outstanding and exercisable at December 31, 2007 is 4.0 years.

# RediShred Capital Corp.

## Notes to Financial Statements

For the periods ended December 31, 2007 and 2006

The compensation charge for the options issued was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected option life	4.3 years
Risk-free interest rate	4.3%
Expected dividend yield	nil
Expected volatility	50%

The weighted average grant-date fair value of options granted during the period was \$0.09 per option.

### 6 Contributed Surplus

	\$
Balance December 31, 2006	-
Value of options issued to employees and earned during the period	100,000
Value of options issued in connection with shares issued, recorded as share issue costs	<u>17,000</u>
Balance December 31, 2007	<u>117,000</u>

### 7 Income taxes

The following table reconciles the expected income taxes payable (recoverable) at the statutory income tax rate to the amounts recognized in the statements of loss for the periods ended December 31, 2007 and 2006:

	Year ended December 31, 2007 \$	75-day period ended December 31, 2006 \$
Loss before income taxes	(137,615)	(6,010)
Income tax rate	37.5%	38.1%
Expected income tax recovery based on above rates	(52,000)	(2,000)
Non-deductible stock option expense	38,000	-
Increase in valuation allowance	60,000	2,000
Other and permanent differences	(46,000)	-
Provision for income taxes	-	-
Provision for (recovery of) income taxes is comprised of:		
Future income taxes	(60,000)	(2,000)
Increase in valuation allowance	60,000	2,000
	-	-

# RediShred Capital Corp.

## Notes to Financial Statements

For the periods ended December 31, 2007 and 2006

The following reflects the components of future income tax assets at December 31, 2007 and 2006:

	2007	2006
	\$	\$
<b>Future tax assets</b>		
Non-capital losses carried forward	25,000	2,000
Deductible share issue costs	37,000	-
	62,000	2,000
Valuation allowance	(62,000)	(2,000)
<b>Net future income tax asset recognized</b>	-	-

The Corporation has accumulated losses for Canadian income tax purposes of approximately \$69,000, which may be carried forward and used to reduce taxable income in future years. These losses expire as follows:

	\$
Year ending December 31, 2026	6,000
2027	63,000
	69,000

The Corporation has undeducted share issuance costs from prior years of approximately \$103,000 which will be deducted from Canadian taxable income over the next four years.

### 8 Commitment

On November 28, 2007, the Corporation entered into an Acquisition Agreement to acquire all of the issued and outstanding shares of Professional Shredding Corporation and a promissory note payable by a subsidiary of Professional Shredding Corporation for a purchase price of \$5.3 million. The Corporation expects to settle the purchase price with cash of \$3.6 million and 3,269,231 common shares of the Corporation.

### 9 Subsequent events

In connection with a private placement, the Corporation expects to issue a minimum of 9,615,385 common shares for net cash proceeds of approximately \$4,650,000 prior to closing the transaction referred to in note 8 above.

**APPENDIX "B"**  
**FINANCIAL STATEMENTS IN RESPECT OF THE PROSHRED FRANCHISE BUSINESS**

**PROSHRED FRANCHISE BUSINESS**

**COMBINED FINANCIAL STATEMENTS**

**SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)**

**YEAR ENDED MARCH 31, 2007 (AUDITED)**

**YEAR ENDED MARCH 31, 2006 (UNAUDITED)**

**SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

**PROSHRED FRANCHISE BUSINESS**

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**KRAFT BERGER LLP** CHARTERED ACCOUNTANTS

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**AUDITORS' REPORT**

To the Directors of  
**PROSHRED FRANCHISE BUSINESS**

We have audited the combined balance sheet of **PROSHRED FRANCHISE BUSINESS** as at March 31, 2007 and the combined statements of loss and owners' equity and cash flows for the year then ended. These financial statements are the responsibility of the management of Proshred Franchise Business. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of Proshred Franchise Business as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Kraft Berger LLP*

**KRAFT BERGER LLP**  
**Chartered Accountants**  
**Licensed Public Accountants**

Toronto, Ontario  
October 22, 2007 (Except for Note 11 which is as at February 28, 2008)

**PROSHRED FRANCHISE BUSINESS****COMBINED BALANCE SHEETS****ASSETS**

	<b>September 30</b>	<b>March 31</b>	<b>March 31</b>	<b>March 31</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
<b>CURRENT ASSETS</b>				
Cash	\$ 161,507	\$ 106,632	\$ 105,715	\$ 84,616
Accounts receivable	17,926	175,548	20,212	5,866
Prepaid expenses and sundry assets	13,262	10,020	9,300	21,820
Notes receivable from franchisees (Note 3)	<u>52,399</u>	<u>62,103</u>	<u>-</u>	<u>-</u>
	245,094	354,303	135,227	112,302
<b>NOTES RECEIVABLE FROM FRANCHISEES</b> (Note 3)	97,399	198,954	86,180	-
<b>EQUIPMENT</b> (Note 4)	25,546	15,330	66,540	97,792
<b>CUSTOMER LIST</b> (Note 5)	-	-	43,750	131,250
<b>TRADEMARKS</b>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
	<u>\$ 383,039</u>	<u>\$ 583,587</u>	<u>\$ 346,697</u>	<u>\$ 356,344</u>

**LIABILITIES****CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 113,979	\$ 214,366	\$ 133,532	\$ 42,271
Income taxes payable	4,803	17,585	-	-
Deferred franchise fee revenue (Note 6)	154,210	133,582	-	-
Promissory note payable (Note 7)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

	292,992	385,533	153,532	62,271
<b>PROMISSORY NOTE PAYABLE</b> (Note 7)				
	<u>20,000</u>	<u>30,000</u>	<u>50,000</u>	<u>70,000</u>
	<u>312,992</u>	<u>415,533</u>	<u>203,532</u>	<u>132,271</u>

**OWNERS' EQUITY**

<b>OWNERS' EQUITY</b>	<u>70,047</u>	<u>168,054</u>	<u>143,165</u>	<u>224,073</u>
	<u>\$ 383,039</u>	<u>\$ 583,587</u>	<u>\$ 346,697</u>	<u>\$ 356,344</u>

See accompanying notes to combined financial statements.

**APPROVED ON BEHALF OF THE BOARD:**

(signed) "Hugh Heron" \_\_\_\_\_ Director

(signed) "John Prittie" \_\_\_\_\_ Director

## PROSHRED FRANCHISE BUSINESS

## COMBINED STATEMENT OF LOSS AND OWNERS' EQUITY

PAGE III

	Six month period ended	Year ended	Six month period ended	Year ended	Six month period ended
	September 30	March 31	September 30	March 31	March 31
	2007	2007	2006	2006	2005
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>REVENUE</b>					
Franchise territory fees	\$ 190,713	\$ 586,449	\$ 221,576	\$ 150,332	\$ 73,244
Royalties and service fees	189,164	251,665	105,720	167,132	15,553
Interest income	6,617	13,869	4,408	1,490	-
	<u>386,494</u>	<u>851,983</u>	<u>331,704</u>	<u>318,954</u>	<u>88,797</u>
<b>EXPENSES</b>					
Salaries and consulting fees	353,626	730,737	352,805	681,039	332,630
General and administrative and marketing costs	347,050	664,903	319,851	450,245	119,719
Amortization (Notes 4 and 5)	2,771	95,257	69,503	137,676	90,125
	<u>703,447</u>	<u>1,490,897</u>	<u>742,159</u>	<u>1,268,960</u>	<u>542,474</u>
<b>LOSS BEFORE INCOME TAXES</b>	(316,953)	(638,914)	(410,455)	(950,006)	(453,677)
Income taxes (Note 10)	11,784	17,800	7,716	-	-
	<u>11,784</u>	<u>17,800</u>	<u>7,716</u>	<u>-</u>	<u>-</u>
<b>NET LOSS FOR THE PERIOD</b>	(328,737)	(656,714)	(418,171)	(950,006)	(453,677)
<b>OWNERS' EQUITY</b> , beginning of period	168,054	143,165	143,165	224,073	-
	<u>168,054</u>	<u>143,165</u>	<u>143,165</u>	<u>224,073</u>	<u>-</u>
	(160,683)	(513,549)	(275,006)	(725,933)	(453,677)
Owners' contributions	230,730	681,603	383,893	869,098	677,750
	<u>230,730</u>	<u>681,603</u>	<u>383,893</u>	<u>869,098</u>	<u>677,750</u>
<b>OWNERS' EQUITY</b> , end of period	\$ 70,047	\$ 168,054	\$ 108,887	\$ 143,165	\$ 224,073
	<u>\$ 70,047</u>	<u>\$ 168,054</u>	<u>\$ 108,887</u>	<u>\$ 143,165</u>	<u>\$ 224,073</u>

See accompanying notes to combined financial statements.

**PROSHRED FRANCHISE BUSINESS**  
**COMBINED STATEMENT OF CASH FLOWS**

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	Six month period ended	Year ended	Six month period ended	Year ended	Six month period ended
	September 30	March 31	September 30	March 31	March 31
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>					
Net loss for the period	\$ (328,737)	\$ (656,714)	\$ (418,171)	\$ (950,006)	\$ (453,677)
Amortization	<u>2,771</u>	<u>95,257</u>	<u>69,503</u>	<u>137,676</u>	<u>90,125</u>
	<u>(325,966)</u>	<u>(561,457)</u>	<u>(348,668)</u>	<u>(812,330)</u>	<u>(363,552)</u>
Accounts receivable	157,622	(155,336)	(12,958)	(5,505)	(5,866)
Prepaid expenses and sundry assets	(3,242)	(720)	3,840	12,520	(21,820)
Accounts payable and accrued liabilities	(100,387)	80,834	(29,949)	82,420	42,271
Income taxes payable	(12,782)	17,585	7,723	-	-
Deferred franchise fee revenue	<u>20,628</u>	<u>133,582</u>	<u>117,359</u>	<u>-</u>	<u>-</u>
	<u>61,839</u>	<u>75,945</u>	<u>86,015</u>	<u>89,435</u>	<u>14,585</u>
	<u>(264,127)</u>	<u>(485,512)</u>	<u>(262,653)</u>	<u>(722,895)</u>	<u>(348,967)</u>
<b>INVESTING ACTIVITIES</b>					
(Increase) decrease in notes receivable from franchisees	111,259	(174,877)	(110,688)	(86,180)	-
Purchase of equipment	(12,987)	(297)	(297)	(18,924)	(144,167)
Purchase of customer list	-	-	-	-	(175,000)
Purchase of trademarks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
	<u>98,272</u>	<u>(175,174)</u>	<u>(110,985)</u>	<u>(105,104)</u>	<u>(334,167)</u>
<b>FINANCING ACTIVITY</b>					
Increase (decrease) in promissory note payable	(10,000)	(20,000)	(10,000)	(20,000)	90,000
Contributions from owners	<u>230,730</u>	<u>681,603</u>	<u>383,893</u>	<u>869,098</u>	<u>677,750</u>

	<u>220,730</u>	<u>661,603</u>	<u>373,893</u>	<u>849,098</u>	<u>767,750</u>
<b>CHANGE IN CASH</b>	54,875	917	255	21,099	84,616
<b>CASH, beginning of period</b>	<u>106,632</u>	<u>105,715</u>	<u>105,715</u>	<u>84,616</u>	<u>-</u>
<b>CASH, end of period</b>	<u>\$ 161,507</u>	<u>\$ 106,632</u>	<u>\$ 105,970</u>	<u>\$ 105,715</u>	<u>\$ 84,616</u>

**SUPPLEMENTARY CASH FLOW INFORMATION:**

Income taxes paid	\$ 22,359	\$ -	\$ -	\$ -	-
Interest paid	\$ 424	\$ 2,364	\$ 1,416	\$ 3,000	\$ 1,825

See accompanying notes to combined financial statements.

**PROSHRED FRANCHISE BUSINESS****NOTES TO COMBINED FINANCIAL STATEMENTS**

**SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)  
YEAR ENDED MARCH 31, 2007 (AUDITED)  
YEAR ENDED MARCH 31, 2006 (UNAUDITED)  
SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

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**1. BASIS OF PRESENTATION AND NATURE OF BUSINESS**

The combined financial statements of Proshred Franchise Business (as defined below) have been prepared on a carve-out basis from the financial statements of Heron Capital Corporation and the The Heron Group Inc. (collectively, the "Owners") to account solely for the business segment ("Proshred Franchise Business") which RediShred Capital Corp. (the "Corporation") anticipates purchasing pursuant to a letter of intent between the Corporation and each of the Owners. In particular, these combined financial statements have been prepared for the specific purpose of reporting upon the assets, liabilities, revenue, expenses and owners' equity in net assets of Proshred Franchise Business included in, and for inclusion in, the filings relating to the qualifying transaction of the Corporation.

Because Proshred Franchise Business was part of a corporate group, these combined financial statements depict the owners' equity in net assets representing the amount associated specifically with this business segment. Management's estimates, where necessary, have been used to prepare such allocations.

Proshred Franchise Business is not a legal entity and the business segment is comprised of the following investments of the Owners:

- a) Professional Shredding Partnership (which is owned 55% by The Heron Group Inc. and 45% by Heron Capital Corporation);
- b) Professional Shredding Corporation (which is owned 100% by Professional Shredding Partnership); and
- c) Proshred Franchising Corp. (which is owned 100% by Professional Shredding Corporation).

All amounts have been derived from records specific to the business segment to be sold to the Corporation.

These combined financial statements may not necessarily reflect Proshred Franchise Business' financial position, results of operations and cash flows in future periods, nor do they necessarily reflect the financial position, results of operations and cash flows that would have been realized had Proshred Franchise Business been a stand-alone entity during the periods presented.

The nature of Proshred Franchise Business' business is to license and manage Proshred secure mobile document destruction franchises in the United States of America and internationally outside of Canada.

**PROSHRED FRANCHISE BUSINESS****NOTES TO COMBINED FINANCIAL STATEMENTS****SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)****YEAR ENDED MARCH 31, 2007 (AUDITED)****YEAR ENDED MARCH 31, 2006 (UNAUDITED)****SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Equipment**

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

Computer equipment	- 30%, declining balance basis
Computer software	- over two years, straight-line basis

When equipment is acquired during the year, one-half of the annual amortization is provided for.

**(b) Customer list**

Customer list is recorded at cost and is amortized on a straight line basis over its estimated useful life of 24 months.

**(c) Trademarks**

Trademarks are recorded at cost and are not amortized, but are subject to fair value impairment tests. Proshred Franchise Business compares the carrying amount of the trademarks to the fair value, at least annually, and recognizes in net income any impairment in value.

**(d) Impairment of Long-Lived Assets**

Long-lived assets, including equipment, customer list and trademarks 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.

**PROSHRED FRANCHISE BUSINESS****NOTES TO COMBINED FINANCIAL STATEMENTS****SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)****YEAR ENDED MARCH 31, 2007 (AUDITED)****YEAR ENDED MARCH 31, 2006 (UNAUDITED)****SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)****(e) Revenue Recognition**

Proshred Franchise Business 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 provided the prescribed training. Royalties and service fees revenue is accrued monthly based on sales reported by franchisees. Interest income on notes receivable from franchisees is recognized in the month earned.

**(f) Future Income Taxes**

Proshred Franchise Business uses the asset and liability method to account for income taxes. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the underlying items of income and expense are expected to be realized. The effect on future income tax assets and liabilities of a change in the tax rates is included in income in the period that the rate changes.

**(g) 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.

**(h) Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

**PROSHRED FRANCHISE BUSINESS****NOTES TO COMBINED FINANCIAL STATEMENTS****SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)****YEAR ENDED MARCH 31, 2007 (AUDITED)****YEAR ENDED MARCH 31, 2006 (UNAUDITED)****SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)****(i) Future Changes to Accounting Standards**

Effective for fiscal 2008, Proshred Franchise Business will be required to adopt the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506. This Section establishes criteria for changing accounting policies, together with treatment and disclosure of changes in accounting policies and estimates and correction of errors.

Effective for fiscal 2008, Proshred Franchise Business will be required to adopt the CICA Handbook Section 1530. This Section establishes standards for reporting and display of comprehensive income. It does not address issues of recognition or measurement for comprehensive income and its components.

Effective for fiscal 2008, Proshred Franchise Business will be required to adopt CICA Handbook Section 3251 which replaces Section 3250. This Section establishes standards for the presentation of equity and changes in equity during the reporting period.

Effective for fiscal 2008, Proshred Franchise Business will be required to adopt the changes to CICA Handbook Section 3855 and to adopt Section 3861 which replaces Section 3250. Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

Proshred Franchise Business is assessing the impacts of the adoption of the aforementioned sections on its financial statements.

**3. NOTES RECEIVABLE FROM FRANCHISEES**

Notes receivable arise from the financing of the initial franchise fee by franchisees, are guaranteed by the respective owners of the franchises, bear interest at rates ranging from 8.00% to 10.25% per annum with monthly blended payments of principal and interest ranging from US\$1,133.46 to US\$2,694.25, commenced between dates ranging from June 30, 2006 to July 1, 2007 and maturing between dates ranging from May 31, 2009 to February 1, 2011. The amounts are as follows:

	<b>September 30</b>	<b>March 31</b>	<b>March 31</b>	<b>March 31</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
Principal	\$ 138,392	\$ 247,188	\$ 84,680	\$ -

## PROSHRED FRANCHISE BUSINESS

## NOTES TO COMBINED FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)

YEAR ENDED MARCH 31, 2007 (AUDITED)

YEAR ENDED MARCH 31, 2006 (UNAUDITED)

SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

Accrued interest	<u>11,406</u>	<u>13,869</u>	<u>1,500</u>	<u>-</u>
	149,798	261,057	86,180	-
Less: Current portion	<u>52,399</u>	<u>62,103</u>	<u>-</u>	<u>-</u>
	\$ <u>97,399</u>	\$ <u>198,954</u>	\$ <u>86,180</u>	\$ <u>-</u>

## 4. EQUIPMENT

	<b>September 30</b>	<b>March 31</b>	<b>March 31</b>	<b>March 31</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
Computer equipment	\$ 41,375	\$ 28,388	\$ 28,091	\$ 9,167
Computer software	<u>-</u>	<u>135,000</u>	<u>135,000</u>	<u>135,000</u>
	<u>41,375</u>	<u>163,388</u>	<u>163,091</u>	<u>144,167</u>
Less: Accumulated amortization				
Computer equipment	15,829	13,058	6,551	1,375
Computer software	<u>-</u>	<u>135,000</u>	<u>90,000</u>	<u>45,000</u>
	<u>15,829</u>	<u>148,058</u>	<u>96,551</u>	<u>46,375</u>
	\$ <u>25,546</u>	\$ <u>15,330</u>	\$ <u>66,540</u>	\$ <u>97,792</u>

Amortization for the period is \$2,771 (March 31, 2007 - \$51,507; September 30, 2006 - \$25,753; March 31, 2006 - \$50,176; March 31, 2005 - \$46,375)

## 5. CUSTOMER LIST

	<b>September 30</b>	<b>March 31</b>	<b>March 31</b>	<b>March 31</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
Cost	\$ -	\$ 175,000	\$ 175,000	\$ 175,000
Less: Accumulated amortization	<u>-</u>	<u>175,000</u>	<u>131,250</u>	<u>43,750</u>
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>43,750</u>	\$ <u>131,250</u>

**PROSHRED FRANCHISE BUSINESS****NOTES TO COMBINED FINANCIAL STATEMENTS****SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)****YEAR ENDED MARCH 31, 2007 (AUDITED)****YEAR ENDED MARCH 31, 2006 (UNAUDITED)****SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

Amortization for the period is Nil (March 31, 2007- \$43,750; September 30, 2006 - \$43,750; March 31, 2006 - \$87,500; March 31, 2005 - \$43,750)

**6. DEFERRED FRANCHISE FEE REVENUE**

Deferred franchise fee revenue represents funds received for initial franchise fees but for which the full terms of the franchise agreement were not executed by the contracting parties.

**7. PROMISSORY NOTE PAYABLE**

The promissory note payable bears interest at 4% per annum, is repayable in monthly instalments of \$1,667 plus interest and matures on September 30, 2009. Principal repayments during the years ended September 30 are noted below:

2008	\$	20,000
2009		<u>20,000</u>
		40,000
Less: Current portion		<u>20,000</u>
	<u>\$</u>	<u>20,000</u>

**8. FINANCIAL INSTRUMENTS****(a) Concentration of Credit Risk**

Proshred Franchise Business is subject to credit risk with respect to its accounts receivable and notes receivable from franchisees. Proshred Franchise Business conducts credit, background and other financial due diligence to reduce credit risk.

**(b) Interest Rate Risk**

Proshred Franchise Business' risk with respect to interest rates is limited because its notes receivable from franchisees bear interest at fixed rates.

**(c) Fair Values of Financial Instruments**

The carrying amounts of cash, account receivable and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of these financial instruments.

The carrying amount of notes receivable from franchisees and promissory notes payable approximate fair value as the interest rates charged on these financial instruments are not

## PROSHRED FRANCHISE BUSINESS

## NOTES TO COMBINED FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)

YEAR ENDED MARCH 31, 2007 (AUDITED)

YEAR ENDED MARCH 31, 2006 (UNAUDITED)

SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

materially different from the current market rate of interest available to Proshred Franchise Business for similar financial instruments.

The following amounts denominated in U.S. funds are translated at 0.9948 (March 31, 2007 - 1.1546, March 31, 2006 - 1.1680, March 31, 2005 - 1.2096)

	<b>September 30</b>	<b>March 31</b>	<b>March 31</b>	<b>March 31</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Cash	162,251	90,621	101,354	65,969
Accounts receivable	18,020	149,473	11,716	4,644
Notes receivable from franchisees	150,581	226,102	73,784	-
Accounts payable and accrued liabilities	59,845	107,342	30,906	40,593

**9. COMMITMENT**

Proshred Franchise Business uses a portion of the Owners' leased premises. The lease expires on June 30, 2010. Future minimum lease payments for Proshred Franchise Business' portion of the leased premises in aggregate and in each of the succeeding years ending September 30 are as follows:

2008	\$ 91,298
2009	91,298
2010	<u>68,474</u>
	<u>\$ 251,070</u>

**10. INCOME TAXES**

The entities which comprise Proshred Franchise Business are taxable in both Canada and the U.S. The provision for income taxes is made up of the following:

## PROSHRED FRANCHISE BUSINESS

## NOTES TO COMBINED FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)

YEAR ENDED MARCH 31, 2007 (AUDITED)

YEAR ENDED MARCH 31, 2006 (UNAUDITED)

SIX MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

	Six month period ended September 30 2007 (Unaudited)	Year ended March 31 2007 (Audited)	Six month period ended September 30 2006 (Unaudited)	Year ended March 31 2006 (Unaudited)	Six month period ended March 31 2005 (Unaudited)
<u>Current</u>					
U.S. federal	\$ 6,553	\$ 9,350	\$ 3,194	\$ -	\$ -
U.S. state and local	5,231	8,450	4,522	-	-
Canada	-	-	-	-	-
	<u>\$ 11,784</u>	<u>\$ 17,800</u>	<u>\$ 7,716</u>	<u>\$ -</u>	<u>\$ -</u>

Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to income before income taxes as follows:

	Six month period ended September 30 2007 (Unaudited)	Year ended March 31 2007 (Audited)	Six month period September 30 2006 (Unaudited)	Year ended March 31 2006 (Unaudited)	Six month period ended March 31 2005 (Unaudited)
Statutory income tax rate	36.12%	36.12%	36.12%	36.12%	36.12%
Loss before income taxes	\$ (114,483)	\$ (230,775)	\$ (148,256)	\$ (343,142)	\$ (163,868)
Difference in tax rates on non-Canadian income	5,318	(9,862)	(3,046)	756	(5,193)
Benefit on current period losses not recognized	<u>120,949</u>	<u>258,437</u>	<u>159,018</u>	<u>342,386</u>	<u>169,061</u>
	<u>\$ 11,784</u>	<u>\$ 17,800</u>	<u>\$ 7,716</u>	<u>\$ -</u>	<u>\$ -</u>

The tax effects of temporary differences that give rise to significant portions of the future tax assets are as follows:

	<b>September 30</b>	<b>March 31</b>	<b>March 31</b>	<b>March 31</b>
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
Future tax assets (liabilities)				
Equipment	\$ -	\$ -	\$ (4,230)	\$ 3,897
Customer list	53,963	55,350	42,525	14,121
Trademarks	(793)	(674)	(419)	(144)
Non-capital loss carryforwards	<u>837,664</u>	<u>715,208</u>	<u>473,571</u>	<u>151,187</u>
Total future tax assets	890,834	769,884	511,447	169,061
Valuation allowance	<u>(890,834)</u>	<u>(769,884)</u>	<u>(511,447)</u>	<u>(169,061)</u>
Net future tax assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which Proshred Franchise Business operates and tax planning strategies in making this assessment.

As at September 30, 2007, Proshred Franchise Business has approximately \$2,319,000 of non-capital losses in Canada available that may be used to reduce future year's taxable income. The potential benefits of these losses have not been reflected in the accounts of Proshred Franchise Business. These losses expire as follows:

2015	\$ 419,000
2026	1,561,000
2027	<u>339,000</u>
	<u>\$ 2,319,000</u>

## 11. SUBSEQUENT EVENT

Pursuant to a transaction dated February 28, 2008, Proshred Franchise Business was sold to RediShred Capital Corp. for consideration of cash and common shares totalling \$5,400,000.

**APPENDIX "C"**  
**PRO FORMA BALANCE SHEET OF THE RESULTING ISSUER**

**RediShred Capital Corp.**

Pro Forma Consolidated Balance Sheet  
(Unaudited)  
**December 31, 2007**

February 28, 2008

**Compilation Report**

**To the Board of Directors of  
RediShred Capital Corp.**

We have read the accompanying unaudited pro forma consolidated balance sheet of **RediShred Capital Corp.** (the “Company”) as at December 31, 2007 and have performed the following procedures.

1. Compared the figures in the column captioned “RediShred Capital Corp.” in the unaudited pro forma consolidated balance sheet as at December 31, 2007 to the balance sheet of the Company as at December 31, 2007 and found them to be in agreement.
2. Compared the figures in the column captioned “Proshred Franchise Business” in the unaudited pro forma consolidated balance sheet to the unaudited balance sheet of Proshred Franchise Business as at September 30, 2007 and found them to be in agreement.
3. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about:
  - a) the basis for determination of the pro forma adjustments; and
  - b) whether the pro forma consolidated balance sheet complies as to form in all material respects with the published requirements of Canadian securities legislation.

The officials:

- a) described to us the basis for determination of the pro forma adjustments; and
  - b) stated that the pro forma consolidated balance sheet complies as to form in all material respects with the published requirements of Canadian securities legislation.
4. Read the notes to the pro forma consolidated balance sheet, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
  5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned “RediShred Capital Corp.” and “Proshred Franchise Business” as at December 31, 2007 and found the amounts in the column captioned “Consolidated Pro Forma” to be arithmetically correct.

A pro forma balance sheet is based on management’s assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management’s assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma balance sheet, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such balance sheet.

(signed) “*PricewaterhouseCoopers LLP*”

**Chartered Accountants**  
Halifax, Nova Scotia

**RediShred Capital Corp.**

Pro Forma Consolidated Balance Sheet

(Unaudited)

As at December 31, 2007

	RediShred Capital Corp. \$	Proshred \$	Pro forma adjustments (note 2) \$		Consolidated Pro forma \$
<b>Assets</b>					
<b>Current assets</b>					
Cash	1,362,252	161,507	(3,700,000) (a)		
			4,650,000 (b)		2,473,759
Amounts receivable	22,487	17,926	-		40,413
Prepaid expenses and sundry assets	77,219	13,262	-		90,481
Notes receivable from franchisees	-	52,399	-		52,399
	1,461,958	245,094	950,000		2,657,052
<b>Notes receivable from franchisees</b>	-	97,399	-		97,399
<b>Equipment</b>	-	25,546	4,454 (a)		30,000
<b>Software</b>	-	-	750,000 (a)		750,000
<b>Customer list</b>	-	-	100,000 (a)		100,000
<b>Trademarks and intellectual property</b>	-	15,000	2,005,000 (a)		2,020,000
<b>Franchise Agreements</b>	-	-	3,730,499 (a)		3,730,499
	1,461,958	383,039	7,539,953		9,384,950
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	134,137	113,979	-		248,116
Income taxes payable	-	4,803	-		4,803
Deferred franchise fee service	-	154,210	-		154,210
Current portion of promissory note payable	-	20,000	(20,000) (a)		-
	134,137	292,992	(20,000)		407,129
<b>Promissory note payable</b>	-	20,000	(20,000) (a)		-
<b>Future tax liability</b>	-	-	1,300,000 (a)		1,300,000
	134,137	312,992	1,260,000		1,707,129
<b>Equity</b>					
<b>Shareholders' equity</b>					
Capital Stock	1,354,446	-	1,700,000 (a)		
			5,000,000 (b)		
			(350,000) (b)		7,704,446
Contributed surplus	117,000	-	-		117,000
Deficit	(143,625)	-	-		(143,625)
<b>Divisional equity</b>	-	70,047	(70,047) (a)		-
	1,327,821	70,047	6,279,953		7,677,821
	1,461,958	383,039	7,539,953		9,384,950

## **RediShred Capital Corp.**

Pro Forma Consolidated Balance Sheet

(Unaudited)

As at December 31, 2007

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### **1. Basis of presentation**

The accompanying unaudited pro forma consolidated balance sheet has been prepared by management in accordance with generally accepted accounting principles for inclusion in the Filing Statement of RediShred Capital Corp. (the "Company").

The accompanying pro forma consolidated balance sheet has been prepared from information based on the balance sheet of the Company as at December 31, 2007 and the unaudited balance sheet of Proshred Franchise Business as at September 30, 2007, with adjustments for the assumptions outlined below.

The accompanying pro forma balance sheet of the Company has been prepared to reflect the following major transactions:

- The acquisition of a business that licenses and manages Proshred secure mobile document destruction franchises in the United States of America ("Proshred Franchise Business") for purchase consideration of \$5,400,000, including acquisition costs of approximately \$100,000.
- The issuance of 9,615,385 common shares of the Company at a price of \$0.52 per common share for net proceeds of \$4,650,000 after share issuance costs of approximately \$350,000.

This unaudited pro forma consolidated balance sheet has been derived from and should be read in conjunction with the following:

- The Company's audited financial statements for the periods from January 1, 2007 to December 31, 2007, and October 18, 2006, date of incorporation, to December 31, 2006;
- Proshred Franchise Business' audited financial statements for the year ended March 31, 2007 and unaudited financial statements for the six months ended September 30, 2007;
- The description of the transaction elsewhere in the Filing Statement; and
- The description of the issuance of common shares of the Company elsewhere in the Filing Statement.

The underlying assumptions for the pro forma adjustments provide a reasonable basis for presenting the significant financial effects directly or indirectly attributable to such transactions. However, the pro forma balance sheet and information for the Company are not necessarily indicative of the results that actually would have been achieved if the transactions and events therein had been completed on the dates indicated. Furthermore, the pro forma balance sheet is not necessarily indicative of the financial position that may be obtained by the Company in the future. In the opinion of management, the unaudited pro forma balance sheet includes all adjustments necessary for the fair presentation of the transactions.

## 2. Pro forma adjustments

The unaudited pro forma consolidated balance sheet reflects the following events and transactions as if they had all occurred on December 31, 2007:

- (a) Immediately prior to the closing of the transaction, there will be a reorganization under which the vendor will transfer in the intellectual property and other assets related to the Proshred Franchise Business to a subsidiary of Professional Shredding Corporation in exchange for a note payable. The Company will then acquire the Proshred Franchise Business, by way of acquiring all of the issued and outstanding shares of Professional Shredding Corporation and the note payable. The acquisition is being accounted for using the purchase method, with the Company being the acquirer for accounting purposes. The total purchase consideration is \$5,400,000, including acquisition costs of approximately \$100,000, and is comprised as follows:

	\$
Cash	3,700,000
3,269,231 common shares	1,700,000
	<u>5,400,000</u>

The purchase price has been allocated, on a preliminary basis, to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed based on their estimated fair value at the date of acquisition as follows:

	Book value \$	Estimated fair value adjustments \$	Estimated fair value \$
<b>Assets acquired</b>			
Cash	161,507	-	161,507
Accounts receivable	17,926	-	17,926
Prepaid expenses and sundry assets	13,262	-	13,262
Notes receivable from franchisees	149,798	-	149,798
Equipment	25,546	4,454	30,000
Software	-	750,000	750,000
Customer List	-	100,000	100,000
Trademarks and intellectual property	15,000	2,005,000	2,020,000
Franchise Agreements	-	3,730,499	3,730,499
Accounts payable and accrued liabilities	(113,979)	-	(113,979)
Income taxes payable	(4,803)	-	(4,803)
Deferred franchise fee revenue	(154,210)	-	(154,210)
Future tax liability	-	(1,300,000)	(1,300,000)
	<u>110,047</u>	<u>5,289,953</u>	<u>5,400,000</u>

The accounting basis of the net assets acquired exceeded the tax basis by \$3.6 million. As a result, a future tax liability of \$1.3 million was recorded.

The promissory note payable of Proshred Franchise Business, in the amount of \$40,000 will not be assumed under the acquisition agreement.

- (b) For purposes of this pro forma balance sheet, management has assumed the completion of an issuance of 9,615,385 common shares of the Company at \$0.52 per common shares for gross proceeds of \$5,000,000. Net cash proceeds of the offering are assumed to be \$4,650,000, after issuance costs of approximately \$350,000. In addition to these issuance costs, options will be issued to the agents to purchase 576,923 common shares at a price of \$0.52 per common share for a period of 2 years from the date the options are issued. These options are accounted for as share issue costs and contributed surplus.

### 3. Continuity of pro forma share capital

The following is a schedule of the pro forma common share capital of the Company reflecting the transactions referred to in note 2.

	Number	Amount
		\$
RediShred issued and outstanding common shares as at December 31, 2007	10,000,000	1,354,446
Issued to acquire ProShred Franchise Business	3,269,231	1,700,000
Issued for cash, net of issue costs of \$350,000	9,615,385	4,650,000
	<u>22,884,616</u>	<u>7,704,446</u>

### 4. Pro forma effective tax rate

The pro forma effective tax rate applicable to consolidated operations to December 31, 2007 was 36%.