Overview of the Structure of the MD&A

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with material contained in the Company's annual report for 2009. These documents as well as additional information about the Company are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at May 27, 2010.

Forward Looking Statements

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

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

(i) the Company's ability to achieve breakeven levels of cash flow, which may be impacted by the number of new franchises awarded, the size of the franchise territories awarded, the growth of the system sales achieved by existing and new franchisees, the economic circumstances in the franchisees local markets and the level of corporate overhead;

(ii) franchise development or the awarding of franchises, which is subject to the identification and recruitment of candidates with the financial capacity and managerial capability to own and operate a Proshred franchise;

(iii) the line of credit facility may be used to fund acquisitions in select markets in the United States, which is subject to the identification of appropriate assets and agreement of suitable terms;

(iv) anticipated system sales and royalty revenue which may be impacted by industry growth levels which to date have been driven by favourable legislation and favourable media coverage on the impacts of identity theft, and

(v) commodity paper prices which will vary with market conditions.

These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation.

Non-GAAP Measures

There are measures included in this MD&A that do not have a standardized meaning under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- System sales are revenues generated by franchisees. The system sales generated by franchisees drive the Company's royalty and information technology fee revenues.
- Same store system sales results are indicators of performance of franchisees that have been in the system for equivalent periods in 2010 and 2009.

Company Overview

The Company was incorporated under the *Canada Business Corporations Act* on October 18, 2006. The head office and the registered office of the Corporation as of March 31, 2010 were located at 6790 Century Avenue, Suite 200, Mississauga, Ontario, Canada.

As of March 31, 2010 there were 17 Proshred franchise locations (see below) comprising of 69.5 territories (A territory is defined as a geographic area with 7,000 businesses having 10 or more employees. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s)):

Franchise Locations	Operating since	Territories
ALBANY, NY	April, 2003	1.2
SPRINGFIELD, MA	June, 2003	2.3
MILWAUKEE, WI	August, 2003	2.7
SYRACUSE, NY	March, 2004	2.5
TAMPA BAY, FL	March, 2004	2.1
DENVER, CO	August, 2004	3.8
CHARLOTTE, NC	April, 2006	3.3
PHILADELPHIA, PA	September, 2006	5.0
KANSAS CITY, MO	December, 2006	4.0
NEW HAVEN, CT	April, 2007	3.6
CHICAGO, IL	April, 2007	3.8
RALEIGH, NC	June, 2007	4.7
BALTIMORE, MD *	November, 2007	6.7
NEW YORK, NY **	January, 2008	11.3
MIAMI, FL	June, 2008	5.7
N. VIRGINIA, VA	July, 2008	3.8
ORANGE COUNTY, CA	September, 2009	3.0

** Includes Baltimore and Washington, DC*

*** Includes New York City and Long Island*

The Company continues to focus its expansion efforts by way of operating the Proshred franchising business (defined as the business of granting and managing franchises in the United States). The Company's plan is to grow its business by way of both franchising and the acquisition and operation of independent document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling, and concurrent unscheduled shredding service.

On April 30, 2010, the Company announced that it had completed the acquisition of the Proshred Syracuse business from its existing franchisee for an aggregate purchase price of $317,000. As a result of the acquisition, the Company will operate its first corporate location, and will also utilize this facility as a training centre for new franchisees that join the system.

Performance Compared to 2010 Goals and Objectives

In the Company's 2009 Annual Report, management stated its 2010 goals and objectives. A review of the Company's performance in meeting these goals and objectives are included below:

2010 Goals and Objectives	**Performance to March 31, 2010**	**Comments/Revised Goals**
Establish 4 new franchise locations.	No new franchisees were added in the first quarter of 2010.	The Company continues to invest in franchise development and marketing initiatives to ensure continued lead generation. ***Annual goal remains unchanged.***
Establish 2 new corporate locations by way of acquisitions	No acquisitions were conducted in the first quarter of 2010.	On April 30, 2010, the Company completed its first acquisition by way of the purchase of the Proshred Syracuse assets and customers, establishing its first corporate location. ***Annual goal remains unchanged.***
Grow system sales from existing franchisees by 14% to $11.0M USD compared to 2009.	System sales from franchisees in operation more than one year were just under $3.1M USD for the first quarter of 2010, which is 41% higher than the same period last year.	Due to stronger than anticipated service sales in the first quarter and a significant increase in the price of recycled paper, the Company is ahead of target. ***Given the significant increase in the price of recycled paper, and the volatility in the pricing of this commodity, Management continues to forecast system sales growth from existing franchisees for the year at 14%.***

Selected Financial Data and Results of Operations

The following table shows selected financial data for the three months ended March 31, 2010 and 2009:

For the three months ended March 31,	**2010**	2009	% Change
Franchise territory fees	**$ -**	$ 21, 752	$ (100.0)%
Royalty and service fees	**242,013**	203,707	18.8%
Total Revenue	**$ 242,013**	$ 225,459	7.3%
Operating costs:			
Salaries	**218,649**	260,903	(16.2)%
General, administrative and marketing:			
Recurring general, administrative and marketing	**138,993**	256,347	(45.8)%
Operating income (loss)	**(115,629)**	(291,792)	60.4%
Amortization	**(206,852)**	(201,327)	(2.7)%
Interest income	**1,538**	6,832	(77.5)%
Unrealized foreign currency gain (loss)	**(700)**	65,100	(101.1)%
Loss before income taxes	**(321,643)**	(421,186)	23.6%
Recovery of income taxes	**(16,000)**	(23,461)	31.8%
Net income (loss)	**($ 305,643)**	($ 397,726)	23.2%
Loss per share	**(0.01)**	(0.01)	-

The Company operates the Proshred franchise system, and derives revenues from franchise territory fees as well as royalty and service related fees. The Company also incurs costs related to managing the Proshred system, including salaries and administration.

Total Revenues

Total revenues for the three months ended March 31, 2010 were $ 242,013.

For the three months ended March 31,	**2010**	2009	% Change
Franchise territory fees	**$ -**	$ 21,752	(100.0)%
Royalty and service fees	**242,013**	203,707	18.8%
	$ 242,013	$ 225,549	7.3%

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

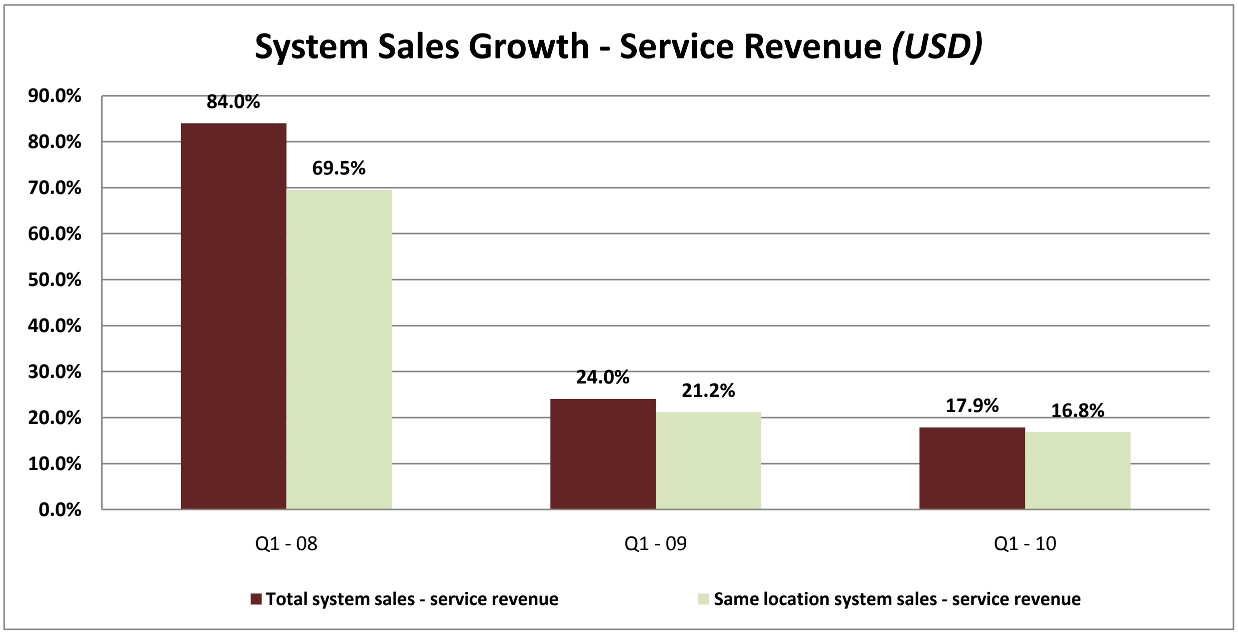
For the three months ended March 31,	**2010**	Exchange rate	**2010**
	Canadian $		**US $**
Royalty and service fees	**$ 242,013**	1.041	**$ 232,481**

System Sales

Franchisees derive revenue by providing shredding services to their customers, and by selling recycled paper and other recyclable by-products, these sales are commonly referred to as "system sales", and are the key driver of royalty and service fee revenue. System sales are denominated and reported in US dollars during the reported periods as follows:

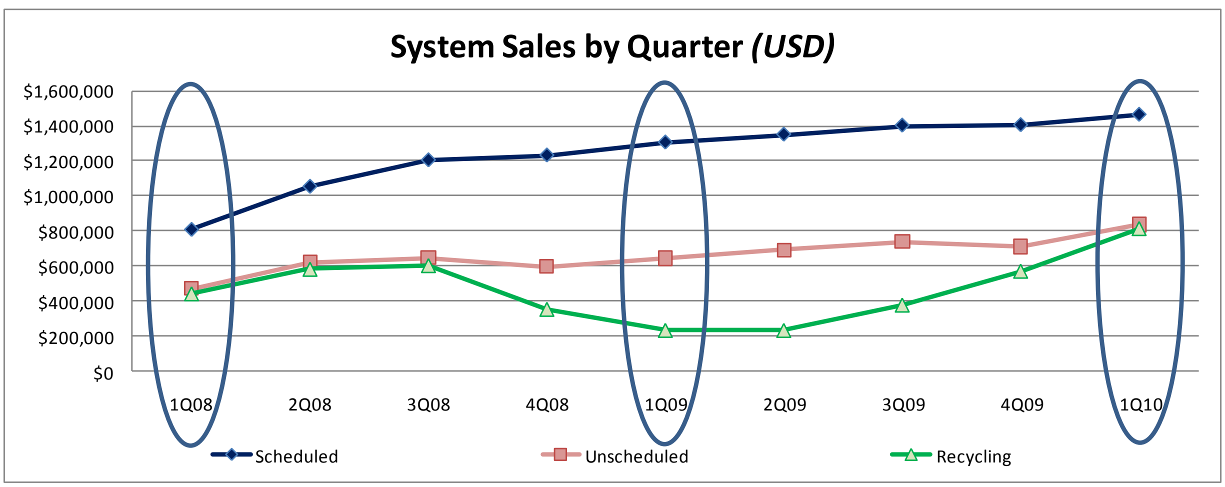
For the three months ended March 31,	**2010**	2009	% Change
Total operating locations at period - end	**17** ***(69.5 Territories)***	16 *(66.5 Territories)*	
Total system sales	**$ 3,108,481 USD**	$ 2,184,145 USD	42.3%
Total system sales	**$ 3,235,929 CDN**	$ 2,714,892 CDN	19.2%

System sales data for prior years has been collected by the Company's subsidiary, Professional Shredding Corporation ("PSC") prior to its acquisition by the Company. The following chart demonstrates system sales growth relating to service revenue earned (excludes recycling system sales) by the franchise system since calendar year 2008.



System Sales Quarter Over Quarter:

System sales are broken into three categories, scheduled, unscheduled and recycling.



Service related system sales, scheduled and unscheduled, were $2,296,602 for the first three months of 2010, setting a new quarterly record.

Scheduled sales:

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. This category of service revenue is recurring in nature, usually on a monthly basis. Proshred's sales and marketing strategies have been and continue to be focused on this particular sales category, as this provides our franchisees with stable and recurring cash flows.

For the three months ended March 31,	**2010**	2009	% Change
Scheduled service sales (USD)	**$ 1,461,664**	$ 1,304,192	12.1%
Mix of total system sales	**47%**	60%	

Unscheduled sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for document destruction. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. Unscheduled sales during the first quarter grew just under 30% over the previous calendar year as a result of increasing legislation mandating that confidential documents be destroyed on a regular annual cycle.

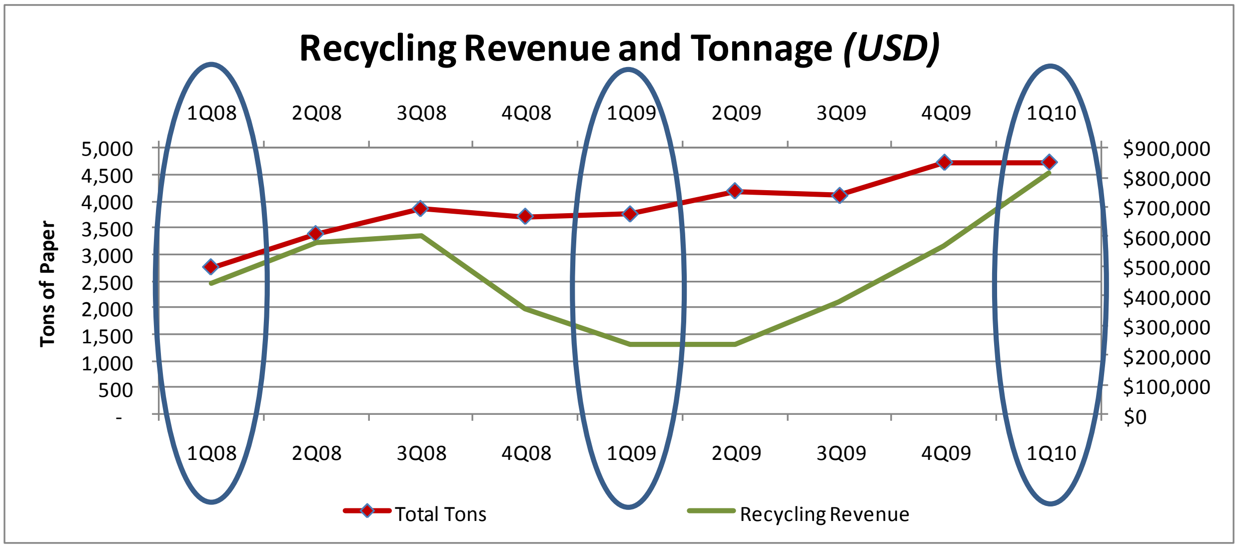
For the three months ended March 31,	**2010**	2009	% Change
Unscheduled service sales (USD)	**$ 834,938**	$ 644,280	29.6%
Mix of total system sales	**27%**	29%	

Recycling sales:

Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by global supply and demand for shredded paper. During the last quarter of 2009 and during the first quarter of 2010, prices for recycled paper products have rebounded to near record highs.

For the three months ended March 31,	**2010**	2009	% Change
Recycling sales (USD)	**$ 811,879**	$ 235,903	244.2%
Mix of total system sales	**26%**	11%	

The system as a whole has continued to shred and recycle increased volumes of paper every quarter. In the 1st quarter of 2010, the system shredded and recycled 4,730 tonnes of paper, this equates to 70,944 trees being saved.



Same stores sales for the analysis above has not been broken out as only one new location was opened in 2009, and their sales will not have a material impact.

Operating Expenses

For the three months ended March 31,	**2010**	2009	% Change
Salaries	**$ 218,649**	$ 260,903	(16.2)%
General, administrative and marketing	**138,993**	256,347	(45.8)%
	$ 357,642	$ 517,250	(30.9)%

Operating expenses for the three months ended March 31, 2010 include expenses to support the franchise network and to develop new markets by way of franchising. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs and management salaries and benefits. In 2009 the Company initiated a cost reduction plan, aimed at reducing all overhead costs at the head office in Mississauga. This program has shown a reduction in costs.

Operating loss

The Company posted an operating loss during the three months ended March 31, 2010, as the Company has not attained a breakeven level of royalty revenue and there were no new franchises added to the system during the quarter. The operating loss for the three months ended March 31, 2010 and 2009 was as follows:

For the three months ended March 31,	**2010**	2009	% Change
Operating income (loss)	**$ (115,629)**	$ (291,791)	60.4%

Foreign currency

Foreign currency gain (loss) for the three months ended March 31, 2010 and 2009 was as follows:

For the three months ended March 31,	**2010**	2009	% Change
Foreign currency gain (loss)	**$ (700)**	$ 65,100	(101.1)%

The loss during the three months ended March 31, 2010 resulted from the translation of a U.S. dollar intercompany receivable between PSC and its American subsidiary Proshred Franchising Corp. All of Redishred's revenues are denominated in US Dollars; this dependency on US dollar revenues causes foreign exchange losses when the Canadian Dollar strengthens versus the US Dollar.

Interest income

Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees.

For the three months ended March 31,	**2010**	2009	% Change
Interest income	**$ 1,538**	$ 6,832	(77.5)%

Depreciation and Amortization

Depreciation and amortization during the three months ended March 31, 2010 is attributed to the assets, software, and intangible assets purchased on March 17, 2008 and thereafter.

For the three months ended March 31,	**2010**	2009	% Change
Depreciation and amortization	**$ 206,852**	$ 201,327	2.7%

Income Tax

The Company booked on March 17, 2008 a future tax liability relating to the purchase of PSC and PFC. During the three months ended March 31, 2010, the Company booked a tax recovery of $16,000. The recovery is primarily due to the reversal of timing differences related to the future tax liability that was recorded upon the acquisition of PSC. The Company is not currently taxable.

Net Loss

For the three months ended March 31,	**2010**	2009	% Change
Net loss	**$ 305,643**	$ 397,725	(23.2)%

Summary of Quarterly Results

	2010	2009				2008		
(in CDN except where noted)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
				$	$	$	$	$
System sales *(USD)*	3,108,481	2,685,433	2,516,869	2,275,612	2,184,145	2,182,756	2,451,518	2,257,786
Franchise territory fees	-	-	118,131	-	21,752	20,716	324,093	31,437
Royalty and service fees	242,013	216,205	208,857	200,175	203,707	196,838	196,467	169,861
Total revenue	242,013	216,205	326,988	200,175	225,459	217,554	520,560	201,298
Interest income	1,538	2,013	1,702	2,122	6,832	10,591	7,344	10,533
Operating income (loss)	(115,629)	(257,507)	(121,067)	(522,471)	(291,792)	(668,455)	67,266	(188,169)
Basic and diluted operating income (loss) per share	(.01)	(.01)	(.01)	(.02)	(.01)	(.03)	.01	(.01)
Net income (loss)	(305,643)	(534,248)	(319,428)	(751,641)	(397,726)	(897,251)	(217,742)	(372,857)
Basic and diluted net income (loss) per share	(.01)	(.03)	(.01)	(.03)	(.02)	(.04)	(.01)	(.02)

2010

In the first quarter, system sales grew by 15.9% over the fourth quarter of 2009, setting a new quarterly record, however, due to a strengthening Canadian dollar versus the US dollar, royalty and service fees only increase by 11.9% over the fourth quarter of 2009.

The result of the Company's cost reduction program has yielded a reduction in operating overhead costs of just under 25% when compared to the 4th quarter of 2009. This has led to a reduction in the operating loss by 55% versus the fourth quarter of 2009.

2009

In the fourth quarter, system sales grew by 6.7% over the third quarter, however royalty and service fees increased by 2.8% due to the strengthening of the Canadian dollar versus the US Dollar during the quarter. The Company has also continued to focus on cost cutting programs and efficiencies at the national support centre in Mississauga, and this has led to further reductions in general and administrative costs. In the fourth quarter the Company wrote down its intangible assets by $169,001 reflecting the impairment in value of one suspended franchise agreement.

In the third quarter, system sales grew by 10.6% over the second quarter, however royalty and service fees increased by only 4.3% due to the strengthening of the Canadian dollar during the quarter. The Company opened the Orange County, CA franchise, which accounts for the franchise fee earned during the quarter of $118,131. The Company also continued its cost cutting programs at the national support centre, which has resulted in a reduction in both salary and general and administrative costs.

In the second quarter, system sales grew by 4.2% over the first quarter, however royalty and service fees fell 1.7% due to the strengthening of the Canadian dollar during the quarter. The Company expensed $90,000 in severance pay related to reducing its head count; $111,213 in legal costs and penalties relating to terminated acquisitions.

During the first quarter, system sales and as a result royalty and service fee revenues were identical to the fourth quarter of 2008 in U.S. Dollars. The 3.5% increase in royalty and service fees in Canadian dollars is a result of a weakening Canadian currency in relation to the U.S. dollar. The Company expensed $77,500 in legal expenses and penalties relating to deposits and penalties on terminated acquisitions.

2008

In the fourth quarter, royalty and service fee revenue decreased slightly in U.S. dollars, versus the third quarter, as system sales in our franchised locations felt the impacts of the poor economic conditions and the significant decrease in paper prices. The impact of the slight drop in royalty and fee revenue was offset by a weaker Canadian dollar, resulting in royalty and fee revenues remaining stable versus the third quarter. Operating costs increased in the fourth quarter driven by increased legal costs relating to acquisition opportunities that were being re-negotiated and/or terminated, and due to the expensing of non-refundable deposits relating to acquisition transactions that were not completed. In the fourth quarter the Company wrote down its goodwill balance to nil, expensing $300,386.

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

During the second quarter, the Las Vegas franchisee closed operations and paid a one-time termination fee of $25,000 that is included in the franchise fees. The Las Vegas franchisee was unable to obtain ongoing financing due to the deteriorating real estate market in the Las Vegas market and due to the credit crisis in the United States. The impacts of this closure were immaterial to system sales and royalties as the business was in its early formative stages.

Balance Sheet

As at March 31,	**2010**	2009
Working capital	**$ 1,008,687**	$ 1,283,496
Total assets	**5,812,840**	7,557,609
Total liabilities	**879,966**	1,180,008

The Company issued no dividends during the year.

Financial Condition / Capital Resources

As of March 31, 2010, the Company has working capital of $1,008,687.

The Company monitors its cash balances and cash flows generated from operations to meet its requirements. Based on overall cash generation capacity and overall financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due in 2010. The Company has no long-term debt in place as at March 31, 2010, with access to a $4 million line of credit. Subsequent to March 31, 2010, the Company drew on its line of credit for $540,000 to fund its first acquisition. The accounts payable, accrued liabilities and income taxes payable of $249,996 at March 31, 2010 (March 31, 2009 - $260,021) are due to be settled within one year from the balance sheet date.

It is management's plan to continue its core business strategy of franchising new locations in the United States. The Company estimates that it will be necessary to award 12 new franchise locations over the next 24 months in order to achieve a breakeven level of cash flows from the royalties of its franchise business. One-time franchise fees from new franchises have historically generated between $35,000 and $100,000 per franchise location. Additionally, new franchise locations add to recurring royalty and fee revenues. The Company plans to reduce the time to breakeven by way of conducting accretive acquisitions. The Company intends to use its recently acquired $4 million line of credit facility to finance the acquisitions.

The Company has the following lease commitments:

Current	$ 92,226
One to three years	$ 338,162
Total	$ 430,388

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Significant Accounting Policies

Please refer to the 2009 Audited Financial Statements for a full listing of all accounting policies. The following outlines future changes in accounting policies which may have an impact on the Company's future disclosures.

Recent accounting pronouncements issued and not yet adopted

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial statements, and Section 1602, Non-controlling Interests, which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the entity's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011.

Early adoption of this section is permitted. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

International financial reporting standards (IFRS)

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the changeover date for Canadian publicly traded enterprises to start using International Financial Reporting standards ("IFRS") as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Company has identified the following major differences between its current accounting policies and those required or expected to apply in preparing IFRS financial statements.

Revenue Recognition

Current accounting policy:

The Company 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.

Expected IFRS accounting policy:

No significant changes have been identifies from the Company's current accounting policy.

Income Taxes

Current accounting policy:

The Company 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 expected to be in effect for the year in which the differences are expected to reverse. Changes in future income tax rates assets and liabilities as a result of changes to the subsidiary enacted tax rates are included in income tax recovery (expense) in the period that the substantive enactment or enactment occurs. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Expected IFRS accounting policy:

The Company has not finalized analyzing the impact of IAS 12 *Income taxes* with respect to the accounting for income taxes.

Impairment of Long-Lived Assets

Current accounting policy:

Long-lived assets, including equipment and other intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized 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.

Expected IFRS accounting policy:

Impairment testing of long-term assets is based on a two-step approach under current Canadian GAAP, while it is based on comparing the carrying amount to the recoverable amount under IAS 36 *Impairment of Assets* ("IAS 36"). In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under current Canadian GAAP.

The Company will adopt this revised accounting policy on transition to IFRS.

Equipment and amortization

Current accounting policy:

Equipment is carried at cost. Amortization is provided for over the estimated useful lives on a straight line basis at the following annual rates:

Computer equipment	2 years
Computer software	3 years
Furniture and fixtures	3 years

Expected IFRS accounting policy:

Componentization: IAS 16 *Property, plant and equipment* ("IAS 16") reinforces the requirement under Canadian GAAP that requires that each part of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item should be depreciated separately.

Foreign exchange

Current accounting policy:

The Company's subsidiaries operate autonomously as self-sustaining companies. The functional currency of the Company's foreign subsidiary, Proshred Franchising Corp., is the US dollar. Assets and liabilities of this subsidiary are translated into Canadian dollars at exchange rates at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Cumulative translation adjustments are included as a component of accumulated other comprehensive income in shareholders' equity.

Expected IFRS accounting policy:

First-time Adoption of IFRS ("IFRS 1") provides an exemption that allows a Company to reset its cumulative translation account to zero at the date of transition, with the balance being transferred to opening retained earnings. The Company is currently assessing the impact of any cumulative translation differences related to the Company's Franchise Agreement asset and Future Income Tax liability at the transition date prior to determining whether it will elect to apply this first time adoption option.

Stock based compensation

The Company 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 Company's stock options.

Expected IFRS accounting policy:

The Company has not finalized analyzing the impact of IAS 2 *Share Based Compensation* with respect to the accounting for stock based compensation.

Summary of the IFRS changeover plan

The plan addresses the impact if IFRS on Accounting policies and implementation decisions, Infrastructure, Business activities and Control activities. A summary status of the key elements of the changeover plan is as follows:

	Key Activities	Status
Accounting policies and implementation decisions	Identification of differences in Canadian GAAP and IFRS accounting policies; Selection of the Company's ongoing IFRS policies; Selection of the Company's IFRS 1 First-time Adoption of IFRS choices; Development of financial statement format; Quantification of effects of change in initial IFRS 1 disclosures and 2010 financial statements.	The Company has identified differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS, both on an ongoing basis and with respect to certain choices available on conversion, made in accordance with IFRS 1; The Company will continue to progress towards the quantification of the identified differences and choices throughout 2010.
Infrastructure: Financial reporting expertise	Development of IFRS expertise.	The Company has and will continue to provide training for key employees until the full adoption of IFRS in 2011,
Infrastructure: Information technology and data systems	Identify and addresses IFRS differences that require changes to financial systems; Identify and address additional data capture and reporting requirements to financial systems; Evaluate and select methods to address the need for dual record keeping during 2010 (IFRS and Canadian GAAP), for 2010 IFRS comparatives, and 2011 budget and planning purposes.	The Company has identified system requirements, and will upgrade current financial systems in the first half of 2010; The Company has commenced data capture and will complete this task by the fourth quarter of 2010; The Company will address the method of dual record keeping by the end of the first half reporting period.

	Key Activities	Status
Business activities: Financial covenants	Identification of impact on financial covenants and business practices; Completion of any required renegotiations/changes by the third quarter of 2010.	The Company is in the process of analyzing the contractual implications of IFRS on any financing relationship and other arrangements.
Business activities: Compensation arrangements	Identification of impact on compensation arrangements; Assessment of required changes by the third quarter of 2010.	The Company is in the process of analyzing any compensation policies that rely on indicators derived from the financial statements.
Control activities: Internal control over financial reporting	For all accounting policy changes identified, assessment of Internal Controls over Financial Reporting (“ICFR”) design and effectiveness implications; Implementation of appropriate changes by the second quarter of 2010.	The Company is in the process of analyzing any issues with respect to ICFR.
Control activities: Disclosure control and procedures	For all accounting policy changes identified, assessment of Disclosure Controls and Procedure (“DC&P”) design and effectiveness implications; Implementation of appropriate changes by the second quarter of 2010.	The Company is in the process of analyzing any issues with respect to DC&P.

Transactions with Related Parties

Mr. Mark MacMillan, a director of the Company, is the owner of the Tampa Bay, FL Proshred franchise. Included in accounts and notes receivable at March 31, 2010, is $13,445 (March 31, 2009 - $22,918) due to Mr. MacMillan's franchise. During the three months ended March 31, 2010, the Company earned royalty and service fees amounting to $18,970 (2009 - $14,544).

Included in general, administrative and marketing expense for the three months ended March 31 ,2010 are insurance premiums amounting to $6,000 (March 31, 2009 - $6,000)paid to Alfred J. Bell & Grant Ltd, a company owned by Mr. Phillip Gaunce, a director of the Company.

All related party transactions have been recorded at their exchange amounts.

Risks and Uncertainties

Please refer to the 2009 Management Discussion and Analysis for a listing of all risks and uncertainties. There have been no material changes relating to the Company's risks and uncertainties since December 31, 2009, the Company's fiscal year end.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2010, there were 28,884,658 issued and outstanding common shares. As at March 31, 2010 there were 1,673,349 options to acquire common shares and 3,000,000 warrants to acquire common shares. As of May 27, 2010 there are 28,884,658 common shares, 1,673,349 options to acquire common shares and 4,000,000 warrants to acquire common shares..

Subsequent Event

On April 30, 2010, the Company completed the acquisition of the Proshred Syracuse business from its existing franchisee for a purchase price of $317,000, including contingent consideration. The acquisition, the purchase of additional shredding equipment to service the market and start-up working capital was financed through the Company's line of credit. As a result the Company drew $540,000 from the line of credit, leaving the unused portion of the facility at $3,460,000.

Dated: May 27, 2010