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 2008 and the consolidated financial statements for the quarters ended September 30, 2009 and 2008 which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These documents are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at November 27, 2009.

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 may be impacted by the economic situation in the United States,

(iii) the terms and completion of the pending financing remain subject to several conditions including regulatory and board approval, and the execution of final agreements, which may happen on different terms or be delayed or may not be provided,

(iv) related to the aforementioned financing, the use of the equity proceeds will be to fund continuing operations, the use of the line of credit proceeds will be used to fund select acquisitions in a few select markets in the United States, which is subject to identifying appropriate assets and agreeing on suitable terms, which may or may not occur,

(v) anticipated acquisition activity, which has been and may continue to be impacted by the current global credit crisis,

(vi) anticipated system sales and royalty revenue which may be impacted by industry growth levels, the economic situation in the United States,

(vii) commodity paper prices which will vary with market conditions, and

(viii) the Company's expectations for reduced overhead and their related costs which may be impacted by economic conditions facing our franchisees.

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

Non-GAAP Measures

There are measures included in this MD&A that do not have a standardized meaning under 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 2009 and 2008.

Company Overview

The Company was incorporated under the *Canada Business Corporations Act* on October 18, 2006. The head office and the registered office of the Corporation as of September 30, 2009 were located at 6790 Century Avenue, Suite 200, Mississauga, Ontario.

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

On March 17, 2008 the Company completed a private placement by issuing 9,615,383 common shares with gross proceeds of $5,000,000. Simultaneously, the Company also completed the acquisition of Professional Shredding Corporation ("PSC") at a cost of $3,600,000 in cash and by issuing a further 3,269,231 common shares valued at $1,700,000 to the Vendor (Professional Shredding Partnership). In addition the Company recorded $143,000 in acquisition costs relating to this transaction. This acquisition constituted Redishred's Qualifying Transaction and was approved by the TSXV. As a result, the Company is not considered a capital pool company and is now listed under the symbol KUT.

As a result of the acquisition, the Company assumed the royalty and fee revenue streams from 17 Proshred franchise locations. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s). As of September 30, 2009 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. In the second quarter of 2009, the Orange County, CA location was awarded to a new franchisee. The new franchisee completed training in July 2009, and commenced operations at the end of August 2009. This location is comprised of 3 territories, which brings our total territory count to 69.5 and our total location count to 17. There were no closures or terminations during the third quarter:

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 long-term plan is to grow its business through the acquisition and operation of independent document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling, and concurrent unscheduled shredding service.

These acquisition plans have been delayed as the required financing was not secured due to the global market volatility, the credit crisis, and the eroded economic environment in the United States. Management, until April 2009, had identified numerous acquisition targets and had negotiated mutually acceptable terms with a number of these targets. However, the transactions that were under negotiation were terminated as financing was not been secured.

Given the existing economic circumstances, that did not exist at the time of the purchase of Professional Shredding Corporation, management's previously stated goals that related to acquisitions and financing, and financial forecasts which it may have made based upon those earlier acquisition assumptions, including those relating to system sales, number of corporate stores, shredding and recycling revenue, total revenue, direct costs, general and administrative expenses and EBITDA, have been revised.

As noted, management is continuing its franchising efforts in order to grow the location footprint in the United States, system sales and royalty and fee revenue. The Company will continue to work with its franchisees to assist them in improving their revenues and their operations, with the view to enhancing their sales, margins and profitability. The Company will also rationalize overheads in order to minimize cash outflows during this period.

On October 26, 2009 the Company signed a letter of intent with a private investor for a proposed private placement financing of 3,000,000 common shares at a price of $0.15 per common share, for gross proceeds of $450,000. In addition the investor will provide a $4,000,000 revolving line of credit facility, to be used primarily for conducting acquisitions, with a five year term. The terms of the transactions require the Company to also grant to the investor warrants to acquire an additional 3,000,000 common shares in connection with the private placement of common shares and warrants to acquire an additional 1,000,000 common shares in connection with the line of credit facility. In conjunction with the above noted private placement for common shares, the Company will issue to certain existing shareholders who are primarily directors and officers of the company an additional 3,000,000 common shares at a price of $0.15 per common share for additional gross proceeds of $450,000, with no warrants. The parties have in escrow executed subscription agreements and funds as well as an executed revolving line of credit facility for these transactions. Closing of the transactions is pending final regulatory approval as well as exchange or recording of certain ancillary documents. It is management's plan to continue its core business strategy of franchising new locations in the United States, while simultaneously using the line of credit financing to fund acquisitions in a select number of cities in the United States.

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2009 Goals and Objectives	Performance to September 30, 2009	Comments/Revised Goals
Establish between 4 and 6 new franchise locations.	One new franchisee commenced operations (Orange County, CA) during the third quarter of 2009.	The Company anticipates awarding 1 new franchise prior to the end of the fourth quarter. • The Company will not achieve its annual goal relating to franchise locations established. • The Company has developed a strong pipeline of franchise candidates for closure in 2010.
Grow same store system sales by 11% to $9.6M USD compared to 2008.	Total system sales were $7.0M USD on a year-to-date basis, which is 9% higher than the same period last year. Same store system sales were $6.8M USD on a year-to-date basis, which is also 7% higher than the same period last year.	• Due to the continued weakness in the recycled paper markets, the company anticipates that same store system sales will grow between 7% and 9% for the year.
Reduce general, administrative and marketing costs by 10% versus 2008. Target for these types of costs are $900,000 for the year.	For the nine months ended September 30, 2009, general, administrative and marketing costs were $857,000, including one-time costs relating to postponed or terminated acquisitions.	During the first three quarters of the year the Company expensed $210,000 in professional fees and in deposits/penalties related to postponed or terminated acquisitions (including financing costs). These costs are non-recurring in nature. • In 2009, the Company continues to execute its cost reduction program that should enable the Company to achieve its target before one-time professional fees and acquisition related costs.

Selected Financial Data and Results of Operations

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

Total Revenues

Total revenues for the three months ended September 30, 2009 were $ 330,426.

For the three months ended,	September 30, 2009	September 30, 2008
Franchise territory fees	$ 121,569	$ 324,093
Royalty and service fees	208,857	196,467
	$ 330,426	$ 520,560

Total revenues for the nine months ended September 30, 2009 were $ 756,061.

For the nine months ended,	September 30, 2009	September 30, 2008 (1)
Franchise territory fees	$ 143,321	$ 357,397
Royalty and service fees	612,739	401,029
	$ 756,060	$ 758,426

(1) Includes royalty and service fee revenue from March 17, 2008 to September 30, 2008.

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 nine month period ended,	*Canadian $* September 30, 2009	Exchange rate	*US $* September 30, 2009
Franchise territory fees	$ 143,321	1.170	$ 122,497
Royalty and service fees	612,739	1.170	523,709
Total revenue	$ 756,060	1.170	$ 646,206

Franchise territory fees include the renewal of one existing franchisee for a new five year term that occurred during the first quarter and the new Orange County, CA franchisee that completed their mandatory franchisee training program, and commenced operations in August of 2009.

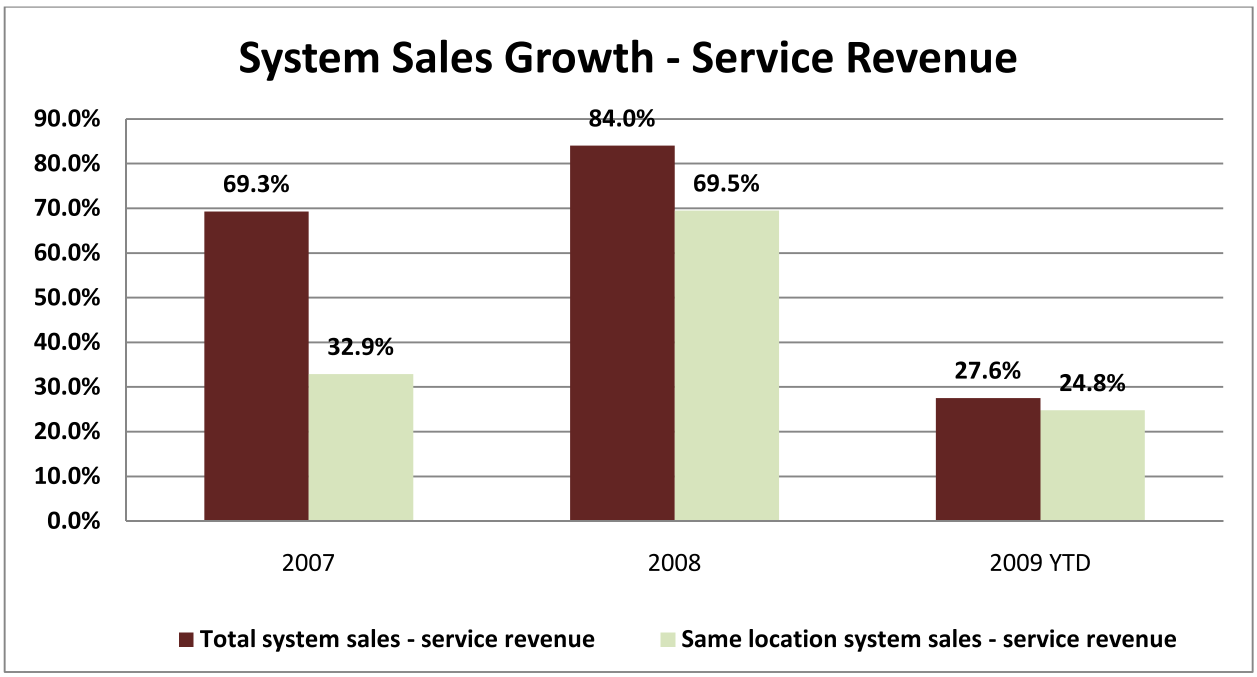
Franchisee sales are the key driver of royalty and service fee revenue. Franchisee sales (system sales) during the reported periods are as follows (system sales are reported and denominated in US Dollars):

Three month period ended,	September 30, 2009	September 30, 2008
Total operating locations at period-end	17 *(69.5 territories)*	15 *(55.7 territories)*
Total system sales	$ 2,516,869 USD	$ 2,451,518USD
Total system sales	$ 2,768,253 CDN	$ 2,880,008CDN

***Nine** month period ended,*	September 30, 2009	September 30, 2008[(1)]
Total operating locations at period-end	17 *(69.5 territories)*	15 *(55.7 territories)*
Total system sales	$ 6,976,626 USD	$ 5,139,885USD
Total system sales	$ 8,162,443 CDN	$ 5,234,973CDN

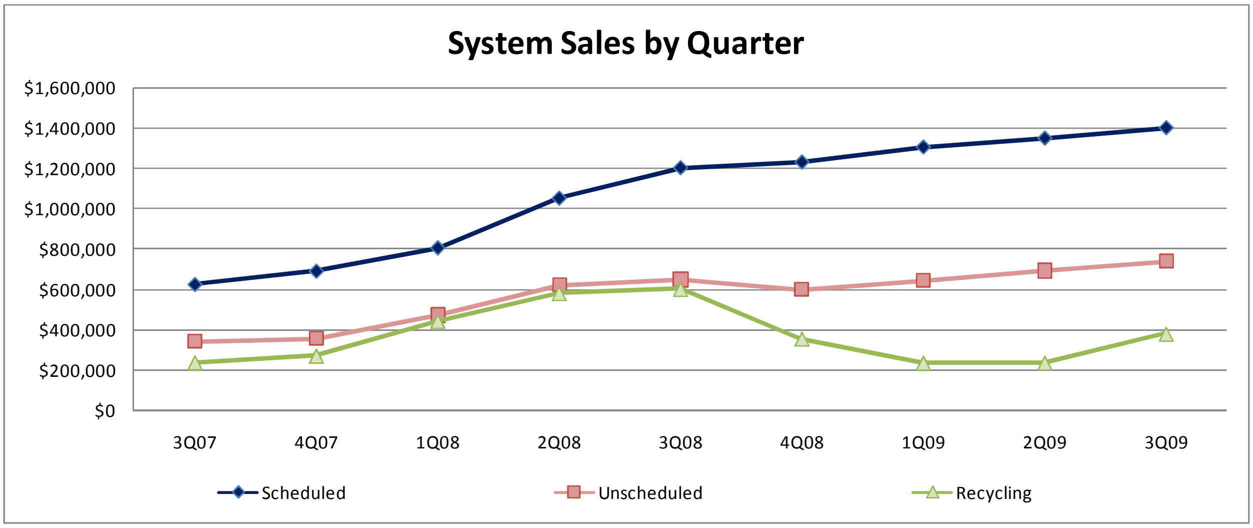
(1) System sales are shredding and destruction services revenue generated by franchised locations in operation from March 17, 2008 to September 30, 2008.

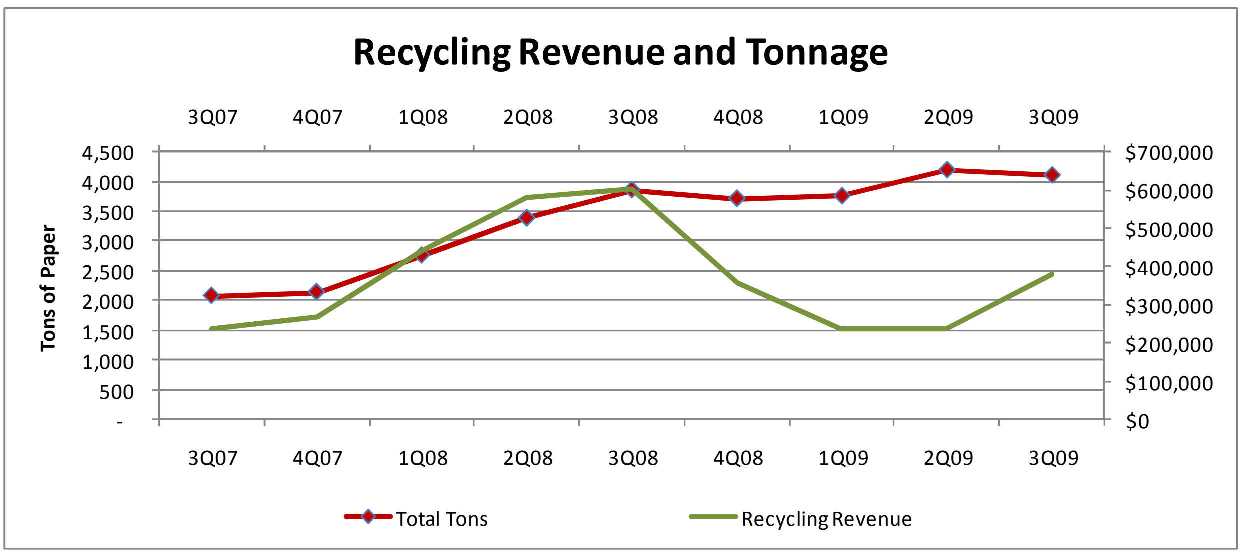
System sales data for prior years has been collected by PSC prior to the qualifying transaction that occurred on March 17, 2008. The following chart demonstrates system sales growth relating to service revenue earned (excludes recycling system sales) by the franchise system since calendar year 2007. The 2009 year-to-date results are for the first, second and third quarter cumulative, and are compared to the same period in 2008. Historically, the third calendar quarter is the strongest quarter of the year.



System Sales Quarter Over Quarter:

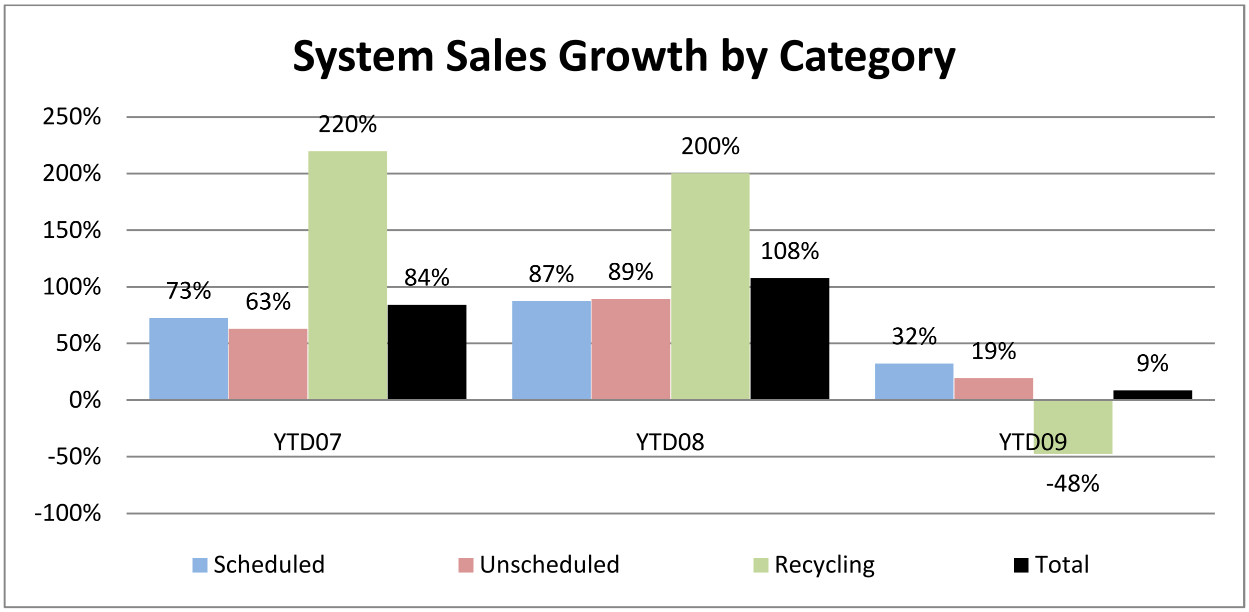
System sales are broken into three categories, scheduled, unscheduled and recycling. Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. Unscheduled sales are defined as the revenue generated from customers 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. Recycling sales are defined as the revenue generated from the shredded paper that is sold to various recycling companies. The following charts show the last nine quarters of system sales by category. All three categories have seen growth commencing from the third quarter of 2007 to the third quarter of 2008. During the fourth quarter of 2008, paper prices dropped dramatically, causing a decline in recycling sales, this decline was and continues to be offset by growth in scheduled sales, and by the quantity of paper recycled by the system. During the third quarter of 2009, scheduled system sales continued to see solid growth of 16% over the same quarter in 2008. Unscheduled sales also grew by 14% versus the third quarter of 2008, and recycling sales, which continued to be heavily impacted by a worldwide decline in pricing, fell by 37% versus the third quarter of 2008. Recycling sales appears to have hit a floor in the second quarter of 2009 and has rebounded slightly during the third quarter of 2009. As a result the system sales reached a new quarterly high in the third quarter of 2009.



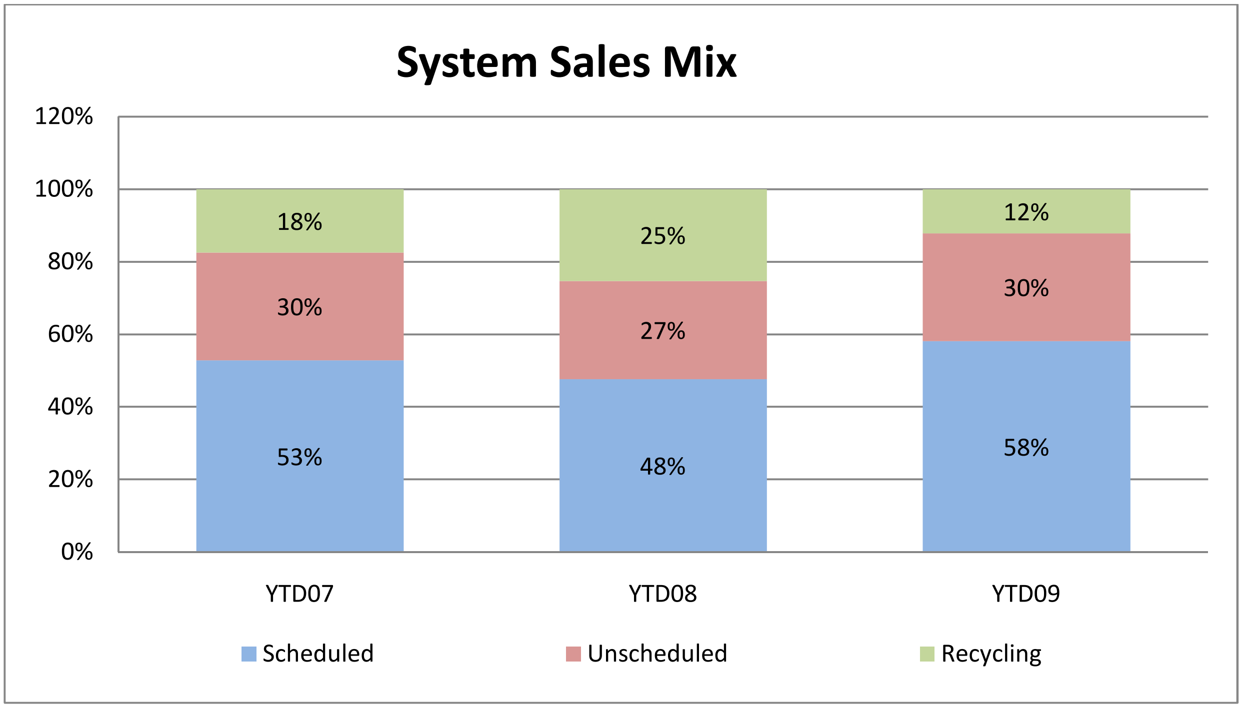


System sales mix analysis

As previously noted, system sales are broken into three categories, scheduled, unscheduled and recycling. During the first three quarters of 2009, scheduled sales grew by 32% versus the same time frame in 2008; this is due to continued focus on sales and marketing programs that are aimed at securing recurring service customers. The scheduled sales category has been impacted the least by the poor economy in the United States. Unscheduled sales in the first three quarters of the year grew 19% over the previous calendar year as a result of increasing legislation mandating that confidential documents be destroyed on a regular annual cycle. Recycling sales declined by 48% over the previous calendar year as a result of continued declining prices for this commodity.



The mix of system sales was as follows in the first three quarters of 2009, 58% scheduled, 30% unscheduled and 12% recycling. During 2008, paper prices experienced a significant rise and then a significant fall in the fourth quarter. As a result, in 2008 recycling sales was a larger component of the sales mix than in 2007 or for the first half of 2009. The Company views the system sales mix as reflecting a more normalized value of commodity paper prices, and this mix should be similar for the remainder of 2009.



Operating Expenses

For the three months ended,	September 30, 2009		September 30, 2008	
Salaries	$	248,856	$	238,322
General, administrative and marketing	$	199,199	$	222,316
	$	448,055	$	460,637

For the nine months ended,	September 30, 2009		September 30, 2008	
Salaries	$	830,512	$	490,288
General, administrative and marketing	$	857,440	$	481,487
	$	1,687,952	$	971,774

Operating expenses for the three months ended September 30, 2009 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. For the nine months ended September 30, 2009, the Company expensed $210,000 in professional fees, deposits and penalties related to terminated acquisitions (including costs related to raising financing) and $90,000 for severance packages related to the Company's cost cutting initiatives. These costs are not recurring in nature.

The Company prior to March 17, 2008 operated as a CPC and only incurred costs related to regulatory and professional fees. From March 17, 2008 onwards, the operating costs and results include the results of the acquired business Professional Shredding Corporation.

Operating loss

The Company posted an operating loss during the three months ended September 30, 2009, as the Company has not attained a breakeven level of royalty revenue and one new franchise location commenced operations during the quarter. The operating loss for the three months ended September 30, 2009 and 2008 was as follows:

For the three months ended,	September 30, 2009		September 30, 2008	
Operating income (loss)	$	(177,629)	$	59,923

For the nine months ended,	September 30, 2009		September 30, 2008	
Operating income (loss)	$	931,892)	$	(213,348)

Foreign currency

Foreign currency loss equated to $30,640 during the three months ended September 30, 2009. The loss resulted from the translation of a U.S. dollar intercompany receivable between PSC and its American subsidiary Proshred Franchising Corp. For the nine month period ended September 30, 2009, the Company recorded a foreign currency loss of $24,842.

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,	September 30, 2009	September 30, 2008
Interest income	$ 1,702	$ 7,344

For the nine months ended,	September 30, 2009	September 30, 2008
Interest income	$ 10,656	$ 28,836

Depreciation and Amortization

Depreciation and amortization during the three months ended September 30, 2009 are attributed to the assets, software, and intangible assets purchased on March 17, 2008 and thereafter. Prior to March 17, 2008 the Company did not own any depreciable assets.

For the three months ended,	September 30, 2009	September 30, 2008
Depreciation and amortization	$ 165,915	$ 210,738

For the nine months ended,	September 30, 2009	September 30, 2008
Depreciation and amortization	$ 560,468	$ 477,648

Income Tax

The Company booked on March 17, 2008 a future tax liability relating to the purchase of PSC and PFC. During the nine months ended September 30, 2009 the Company booked a tax expense of $3,508. During the nine months ended September 30, 2009 the Company booked a future income tax recovery of $41,189 related 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 with the exception of its subsidiary located in the United States.

Net Loss

For the three months ended,	September 30, 2009	September 30, 2008
Net loss	$ 315,990	$ 217,742

For the nine months ended,	September 30, 2009	September 30, 2008
Net loss	$ 1,465,356	$ 598,367

Summary of Quarterly Results

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

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

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

	2009			2008				2007
(in CDN except where noted)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
		$	$	$	$	$	$	$
System sales *(USD)*	2,516,869	2,275,612	2,184,145	2,182,756	2,451,518	2,257,786	452,936	
Franchise territory fees	121,569	-	21,752	20,716	324,093	31,437	1,867	-
Royalty and service fees	208,857	200,175	203,707	196,838	196,467	169,861	34,700	-
Total revenue	330,426	200,175	225,459	217,554	520,560	201,298	36,567	-
Interest income	1,702	2,122	6,832	10,591	7,344	10,533	10,960	13,509
Operating income (loss)	(117,629)	(522,471)	(291,792)	(668,455)	67,266	(188,169)	(63,609)	(20,753)
Basic and diluted operating income (loss) per share	(.01)	(.02)	(.01)	(.03)	.01	(.01)	(.01)	(.00)
Net income (loss)	(315,990)	(751,641)	(397,726)	(897,251)	(217,742)	(372,857)	(7,768)	(20,753)
Basic and diluted net income (loss) per share	(.01)	(.03)	(.02)	(.04)	(.01)	(.02)	(.00)	(.00)

2009

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's cost cutting programs at the national support centre led to 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 current poor economic conditions and the significant decrease in paper prices. 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 first quarter, the Company purchased PSC (on March 17, 2008) and had 14 days of operations to account for.

Prior to 2008 the Company was a CPC with no operations.

Balance Sheet

	September 30, 2009	December 31, 2008
Working capital	$ 493,264	$ 1,583,499
Total assets	$ 6,002,965	$ 8,095,233
Total liabilities	$ 1,047,595	$ 1,390,638

Financial Condition / Capital Resources

As of September 30, 2009, the Company has working capital of $468,378.

The Company monitors its cash balances and cash flows generated from operations to meet 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 for the remainder of 2009 and for early 2010. Note that the Company has no long term debt in place at this time. The accounts payable, accrued liabilities and income taxes payable of $284,389 at September 30, 2009 (December 31, 2008 - $466,638) are due to be settled within one year from balance sheet date.

On October 26, 2009 the Company signed a letter of intent with a private investor for a proposed private placement financing of 3,000,000 common shares at a price of $0.15 per common share, for gross proceeds of $450,000. In addition the investor will provide a $4,000,000 revolving line of credit facility, to be used primarily for conducting acquisitions, with a five year term. The terms of the transactions require the Company to also grant to the investor warrants to acquire an additional 3,000,000 common shares in connection with the private placement of common shares and warrants to acquire an additional 1,000,000 common shares in connection with the line of credit facility. In conjunction with the above noted private placement for common shares, the Company will issue to certain existing shareholders who are primarily directors and officers of the company an additional 3,000,000 common shares at a price of $0.15 per common share for additional gross proceeds of $450,000, with no warrants. The parties have in escrow executed subscription agreements and funds as well as an executed revolving line of credit facility for these transactions. Closing of the transactions is pending final regulatory approval as well as exchange or recording of certain ancillary documents. It is management's plan to continue its core business strategy of franchising new locations in the United States, while simultaneously using the line of credit financing to fund acquisitions in a select number of cities in the United States.

During the third quarter of 2009, the Company consumed cash from operations at the rate of $138,500 per month. The Company has commenced on an overhead reduction plan, which will reduce the monthly cash consumption rate to approximately to $100,000 per month. Additionally, the Company's franchising program is expected to provide incremental franchise fee revenue to support operations in the near term further reducing the cash consumption rate.

The Company will continue to award new franchise locations, and it is estimated 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 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.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Significant Accounting Policies

Please refer to the 2008 Audited Financial Statements for a full listing of all accounting policies. The following outline recent changes in accounting policies and future changes in accounting policies which may have an impact on the Company's future disclosures.

Changes in accounting policies and new accounting pronouncements

Effective January 1, 2009, the Company has adopted the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook:

Section 3064 - Goodwill and Intangible Assets

This Section replaces Section 3062 - Goodwill and Other Intangible Assets; and Section 3450 - Research and Development Costs. This new Section establishes standards for the recognition, measurement and disclosure of goodwill and other intangible assets. This new standard is effective for the Company's interim and annual financial statements commencing January 1, 2009. The adoption of this section did not have an impact on the Company's financial results.

EIC-173, Credit Risk and the Fair value of Financial Assets and Financial Liabilities

On January 20, 2009 the Emerging Issues Committee (“EIC”) issued a new abstract EIC 173 “Credit risk and the fair value of financial assets and financial liabilities”. This abstract concludes that an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Company’s financial statements.

Recent accounting pronouncements issued and not yet adopted

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new section apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. 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 recently ratified a strategic plan that will see Canadian generally accepted accounting principles (GAAP) converged with, and replaced by, International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Further, the Company anticipates a significant increase in disclosures resulting from the adoption of IFRS and is continuing to assess the level of disclosures required and any necessary system changes to gather and process information.

Transactions with Related Parties

Included in accounts receivable at September 30, 2009, is $20,470 (December 31, 2008 - $1,831) due from a franchise indirectly owned by a director of the Company.

During the three months ended September 30, 2009, the Company earned royalty and service fees amounting to $16,530 (2008 - $16,279), during the nine months ended September 30, 2009, the Company earned royalty and service fees amounting to $50,918 (2008 - $32,200) from a franchisee indirectly owned by a director of the Company.

Included in general, administrative and marketing expense for the nine months ended September 30, 2009 are insurance premiums amounting to $9,000 (September 30, 2008 - $14,679) paid to a company owned by a director of the Company.

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

Risks and Uncertainties

Please refer to the 2008 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, 2008, 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, 2008 and as at the date hereof, there were 22,884,614 issued and outstanding common shares.

As of November 27, 2009 there are 22,884,614 common shares, and 1,680,849 options to acquire common shares.