RediShred Capital Corp.

Consolidated Interim Financial Statements
September 30, 2013 and 2012
(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

November 22, 2013

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated interim financial statements for the period ended September 30, 2013.

RediShred Capital Corp.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	September 30, 2013 $	December 31, 2012 $
Assets		
Current assets		
Cash	480,623	532,040
Cash attributable to the Advertising Fund (note 3)	43,008	48,031
Trade receivables	426,894	424,064
Prepaid expenses	98,155	97,949
Notes receivable from franchisees	103,720	40,765
	1,152,400	1,142,849
Non-current assets		
Notes receivable from franchisees	225,039	193,669
Equipment (note 5)	1,921,397	1,112,105
Intangible assets (note 6)	3,424,687	3,210,580
Goodwill (note 7)	1,409,493	1,361,705
	6,980,616	7,020,908
Assets classified as held for sale (note 8)	–	286,952
Total assets	8,133,016	7,307,860
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	604,438	504,510
Current portion of notes payable	109,140	81,383
Current portion of long-term debt (note 9)	327,136	99,692
Contingent consideration	5,150	14,924
	1,045,864	700,509
Non-current liabilities		
Long-term debt (note 9)	7,474,381	6,292,452
Long-term notes payable	104,479	137,410
Deferred tax liability	192,529	214,188
Convertible debenture	336,692	333,119
	8,108,081	6,977,169
Liabilities directly associated with the assets classified as held for sale (note 8)	–	105,178
Total liabilities	9,153,945	7,782,856
Shareholders' Deficiency	(1,020,929)	(474,996)
Total liabilities and shareholders' deficiency	8,133,016	7,307,860

Commitments and contingency (note 14)

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Consolidated Statements of Comprehensive Loss

(expressed in Canadian dollars)

	For the 3 months ended September 30		*For the 9 months ended September 30*	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Revenue (note 11)	1,463,870	1,073,287	3,444,157	3,140,168
Corporate operating locations expenses (note 12)	(716,800)	(767,158)	(1,955,374)	(2,263,652)
Selling, general and administrative expenses (note 13)	(689,692)	(761,707)	(1,416,476)	(1,980,151)
Income (loss) before interest, income taxes and other items	57,378	(455,578)	72,307	(1,103,635)
Recovery of bad-debt expense		167,580	–	167,580
Loss on settlement of pre-existing relationship	–	(135,110)	–	(487,175)
Extinguishment of franchise agreement (note 6)	(96,621)	–	(96,621)	–
(Loss) gain on sale of assets	–	(24,895)	3,754	(24,895)
Interest expense	(176,998)	(151,488)	(513,155)	(430,054)
Interest income	1,844	1,408	5,793	3,860
Loss before income taxes	(214,397)	(598,083)	(527,922)	(1,874,319)
Income tax (loss) recovery	(191)	6,687	24,738	41,070
Net loss for the period	(214,588)	(591,396)	(503,184)	(1,833,249)
Other comprehensive income (loss), net of tax				
Foreign currency translation income (loss)	5,581	(8,443)	(42,939)	(8,987)
Comprehensive loss for the period	(209,007)	(599,839)	(546,123)	(1,842,236)
Net loss per share				
Basic and diluted	(0.01)	(0.02)	(0.01)	(0.06)
Weighted average number of commons shares outstanding – basic and diluted	28,884,658	28,884,658	28,884,658	28,884,658

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Capital stock and warrants $ (note 10)	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total shareholders' equity/(deficiency) $
Balance – January 1, 2012	8,585,808	314,947	(66,523)	(6,554,664)	2,279,568
Net loss for the period	–	–	–	(2,802,536)	(2,802,536)
Other comprehensive loss					
Foreign currency translation loss	–	–	(5,038)	–	(5,038)
Comprehensive loss for the period	–	–	–	–	(2,807,574)
Issue of convertible debentures (net of costs)	–	20,077	–	–	20,077
Stock-based compensation (note 10)	–	32,933	–	–	32,933
Balance – December 31, 2012	8,585,808	367,957	(71,561)	(9,357,200)	(474,996)
Net loss for the period	–	–	–	(503,184)	(503,184)
Other comprehensive loss					
Foreign currency translation loss	–	–	(42,939)	–	(42,939)
Comprehensive loss for the period	–	–	–	–	(546,123)
Stock-based compensation (note 10)	–	190	–	–	190
Balance – September 30, 2013	8,585,808	368,147	(114,500)	(9,860,384)	(1,020,929)

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

Cash provided by (used in)	For the 3 months ended September 30 2013 $	For the 3 months ended September 30 2012 $	For the 9 months ended September 30 2013 $	For the 9 months ended September 30 2012 $
Operating activities				
Net loss for the period	(214,588)	(598,083)	(503,184)	(1,874,319)
Items not affecting cash				
Amortization of equipment and intangible assets	252,042	279,079	703,859	817,395
Stock-based compensation	61	496	190	1,396
Unrealized foreign currency loss (gain)	105,056	174,797	(178,281)	196,435
Allowance for doubtful receivables	–	(1,922)	–	(36,188)
Impairment of note receivable	–	(15,089)	–	–
Extinguishment of franchise agreement	96,621	–	96,621	–
Gain on sale of assets	–	–	(3,754)	–
Loss on settlement of pre-existing litigation	–	135,110	–	487,175
Recovery of bad-debt	–	(167,580)	–	(167,580)
Income tax recovery	191	–	(24,738)	–
	239,383	(193,192)	90,713	(575,686)
Net change in non-cash working capital balances				
(Increase) decrease in trade receivables	(43,552)	65,614	(2,830)	(55,834)
Decrease (increase) in prepaid expenses	7,257	(6,526)	(206)	(16,769)
(Increase) in notes receivable from franchisees	(96,299)	(35,796)	(94,325)	(9,120)
Decrease in income taxes recoverable	–	10,536	–	17,603
(Decrease) in deferred revenue	(5,259)	–	–	(10,170)
Increase (decrease) in accounts payable and accrued liabilities	140,222	58,224	99,928	(71,692)
Net cash from (used) by operations	241,752	(101,139)	93,280	(721,667)
Financing activities				
Borrowings from long-term debt	1,252,991	246,856	1,252,991	246,856
Repayment of long-term debt	(54,752)	(16,061)	(129,696)	(41,517)
(Repayment) borrowing on line of credit	–	126,638	(50,912)	376,638
Notes payable	47,490	(5,422)	(5,174)	–
	1,245,729	352,011	1,067,209	581,977
Investing activities				
Cash paid on acquisition of franchise	(1,250,000)	(129,414)	(1,250,000)	(2,533,007)
Cash held by advertising fund	22,084	24,993	5,023	109,469
Sale of capital assets	–	120,000	53,200	120,000
Purchase of capital assets	(5,346)	(368,485)	(26,190)	(405,220)
	(1,233,262)	(352,906)	(1,217,967)	(2,708,758)
Effect of foreign exchange rate changes on cash	2,299	(2,520)	6,061	(10,962)
Net change in cash for the period	256,518	(104,554)	(51,417)	(2,859,410)
Cash – Beginning of period	224,105	256,930	532,040	3,011,786
Cash – End of period	480,623	152,376	480,623	152,376

The accompanying notes are an integral part of these consolidated interim financial statements.

1 Corporate information and nature of operations

Redishred Capital Corp. ("Redishred" or the "Company") was incorporated under the Canada Business Corporations Act on October 18, 2006 and is domiciled in Canada. Redishred's common shares are listed for trading on the TSX Venture Exchange under the symbol "KUT". The registered address of the Company is 6559 Mississauga Road, Mississauga, Ontario, L5N 1A6.

Redishred manages and operates the Proshred brand and business platform ("system") in the United States and internationally (with the exception of Canada). Redishred operates the Proshred system under three business models, (1) franchising in the United States, (2) via direct ownership of shredding trucks and facilities in the United States and, (3) licensing internationally.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting.* The consolidated financial statements should be read in conjunction with the most recently issued Annual Report of Redishred for the year ended December 31, 2012, which includes information necessary or useful to understanding the Company's business and financial statement presentation. These interim consolidated financial statements comprise the financial statements of Redishred and its subsidiaries as at September 30, 2013. Together, Redishred and its subsidiaries are referred to as "the Company."

The Company's significant accounting policies were presented as Note 3 to the Audited Consolidated Financial Statements for the year ended December 31, 2012 and have been consistently applied in the preparation of these consolidated financial statements. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain prior period amounts have been reclassified to conform to the current period's presentation.

These interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention. The interim consolidated financial statements are presented in Canadian dollars, which is Redishred's presentation currency.

The interim consolidated financial statements of the Company for the three and nine months ended September 30, 2013 were authorized for issue in accordance with a resolution of the Directors on November 21, 2013.

3 Advertising fund

The Company manages an advertising fund (the "Ad Fund") established to collect and administer funds contributed for use in regional and national advertising programs, and amongst other things, initiatives designed to increase sales and enhance general public recognition, acceptance and use of the Proshred System. Contributions to the Ad Fund are required to be made from both franchised and Company owned and operated locations and are based on a percentage of each location's revenue. In accordance with *IAS 18 – Revenue*, the revenue, expenses and cash flows of the Ad Fund are not included in the Company's Statements of Comprehensive Loss because the contributions to the Ad Fund are segregated, designated for a specific purpose, and the Company acts, in substance, as an agent with regard to these contributions. As at September 30, 2013, the Ad Fund was in a net surplus position of $137,938 (December 31, 2012 – $121,469), including cash attributable to the Ad Fund amounting to $43,008 (December 31, 2012 - $48,031).

(expressed in Canadian dollars)

4 Acquisition of franchise

On August 1, 2013 the Company, through its wholly-owned subsidiary, Proshred Charlotte Inc., acquired the Proshred Charlotte franchise. The Company conducted the Charlotte acquisition to (1) increase the Company's long term cash flows, (2) to enter into a growing market and (3) to establish a regional headquarters that will allow for further expansion by way of additional acquisitions or by way of establishing satellite offices in nearby cities. The Company allocated the purchase price to the assets and liabilities acquired (including all identifiable assets arising from the purchase) based on their estimated fair value at the date of the acquisition.

The following table outlines the preliminary purchase price allocation, including the assets and liabilities purchased and the consideration given on the closing date of the acquisition.

	Charlotte $
Assets acquired	
Net Working capital	102,790
Equipment	642,726
Customer relationships	493,392
Re-acquired franchise rights	97,362
	1,336,270
Consideration given	
Cash	1,284,875
Note payable	51,395
	1,336,270
Acquisition costs (expensed in statement of comprehensive loss)	18,839

The Company translated the fair values of all assets acquired and consideration given using the exchange rate on the date of the acquisition. In the above table, the purchase price allocation was translated at $1USD = $1.0279CAD. On September 30, 2013, the assets and liabilities are converted at the closing rate on September 30, 2013 at $1USD = $1.03CAD in the Statement of Financial Position.

As part of the purchase price, on August 1, 2013, the Company committed to providing monthly blended payments of principal and interest of US$1,244 over the next two years, referred to as the Note payable. The Company has recorded the Note payable at fair value in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.* Subsequent to the acquisition date, the Company has measured the Note payable at amortized cost using the effective interest method.

(expressed in Canadian dollars)

5 Equipment

Cost	Computer equipment	Furniture & fixtures	Bins & shredding containers	Shredding vehicles - chassis	Shredding vehicles – box	Recycling equipment	Vehicles	Total
	$	$	$	$	$	$	$	$
As at January 1, 2012	91,368	53,203	51,484	219,621	472,610	6,462	6,814	901,562
Additions	28,062	921	16,206	123,696	257,034	–	–	425,919
Acquisitions	7,500	5,750	87,750	125,875	301,290	90,000	46,200	664,365
Sale of assets	–	–	–	(43,144)	(102,559)	(3,000)	–	(148,703)
Assets held for sale (note 8)	–	–	(17,750)	(39,375)	(84,790)	–	(30,000)	(171,915)
Foreign exchange	(731)	(389)	(877)	(2,056)	(4,819)	(561)	(304)	(9,737)
As at December 31, 2012	126,199	59,485	136,813	384,617	838,766	92,901	22,710	1,661,491
Additions	4,839	2,385	16,203	148,000	371,717	–	–	543,144
Acquisition	–	3,079	72,202	156,000	389,000	–	5,000	625,281
Sale of assets	–	–	(1,433)	(100,741)	(231,000)	(82,925)	–	(416,099)
Assets held for sale (note 8)	–	–	17,750	39,375	84,790	–	30,000	171,915
Foreign exchange	1,458	828	7,198	19,595	49,760	359	1,909	81,107
As at September 30, 2013	132,496	65,777	248,733	646,846	1,503,033	10,335	59,619	2,666,839

Accumulated depreciation and impairment	Computer equipment	Furniture & fixtures	Bins & shredding containers	Shredding vehicles - chassis	Shredding vehicles - box	Recycling equipment	Vehicles	Total
	$	$	$	$	$	$	$	$
As at January 1, 2012	88,464	50,039	10,932	57,581	122,134	4,847	2,271	336,268
Depreciation	8,174	3,793	28,500	55,712	121,351	21,539	9,125	248,194
Sale of assets	–	–	–	(3,664)	(9,009)	(3,000)	–	(15,673)
Assets held for sale (note 8)	–	–	(1,650)	(3,662)	(7,885)	–	(2,790)	(15,987)
Foreign exchange	(577)	(359)	(285)	(570)	(1,280)	(203)	(142)	(3,416)
As at December 31, 2012	96,061	53,473	37,497	105,397	225,311	23,183	8,464	549,386
Depreciation	6,063	3,396	25,729	49,330	112,238	2,333	8,883	207,972
Sale of assets	–	–	–	(6,903)	(19,933)	(23,157)	–	(49,993)
Assets held for sale (note 8)	–	–	1,650	3,662	7,885	–	2,790	15,987
Foreign exchange	3,064	1,706	2,951	1,281	12,516	765	(193)	22,090
As at September 30, 2013	105,188	58,575	67,827	152,767	338,017	3,124	19,944	745,442
Net book value								
As at December 31, 2012	30,138	6,012	99,316	279,220	613,455	69,718	14,246	1,112,105
As at September 30, 2013	27,308	7,202	180,906	494,079	1,165,015	7,211	39,675	1,921,397

During the nine months ended September 30, 2013, the Company sold four older shredding vehicles and purchased two new shredding vehicles obtaining vendor financing (refer to note 9). The Company also closed its' baling facility and sold its' recycling equipment. On August 1, 2013, the Company acquired equipment as part of the Proshred Charlotte franchise acquisition. The foreign exchange adjustment is a result of the translation of corporate equipment from US functional currency dollars to Canadian presentation dollars at September 30, 2013 and December 31, 2012. Depreciation related to the corporate stores is included in the statement of comprehensive loss in "corporate operating expenses." Depreciation related to the franchising and licensing business is included in the statement of comprehensive loss in "selling, general & administrative expenses."

6 Intangible assets

Cost	Franchise agreements	Proshred system	Trademarks and intellectual property	Re-acquired franchise rights	Customer relationships	Total
	$	$	$	$	$	$
As at January 1, 2012	2,790,576	978,000	1,672,500	539,010	279,676	6,692,296
Acquisitions	–	–	–	320,000	760,000	1,080,000
Removal of original franchise agreements	(372,000)	–	–	–	–	(372,000)
Assets held for sale (note 8)	–	–	–	(50,000)	(90,000)	(140,000)
Foreign exchange	(53,215)	–	–	(13,344)	(9,954)	(76,513)
As at December 31, 2012	2,365,361	978,000	1,672,500	795,666	939,722	6,751,249
Acquisition	–	–	–	94,720	480,000	574,720
Removal of original franchise agreement	(94,412)	–	–	–	–	(94,412)
Assets held for sale (note 8)	–	–	–	50,000	90,000	140,000
Foreign exchange	96,491	–	–	32,682	50,725	179,898
As at September 30, 2013	2,367,440	978,000	1,672,500	973,068	1,560,447	7,551,455

Accumulated amortization and impairment	Franchise agreements	Proshred system	Trademarks and intellectual property	Re-acquired franchise rights	Customer relationships	Total
	$	$	$	$	$	$
As at January 1, 2012	1,229,750	406,169	868,025	163,967	33,045	3,133,490
Amortization	248,700	92,725	130,453	183,768	98,655	754,301
Removal of original franchise agreements	(190,493)	–	–	–	–	(190,493)
Impairment	158,757	64,237	89,974	–	–	312,968
Assets held for sale (note 8)	–	–	–	(4,625)	(4,163)	(8,788)
Foreign exchange	(22,463)	–	–	(4,500)	(1,312)	(28,275)
As at December 31, 2012	1,424,251	562,681	1,088,452	338,610	126,225	3,540,219
Amortization	138,951	60,670	84,781	114,480	85,619	484,501
Assets held for sale (note 8)	–	–	–	4,625	4,163	8,788
Foreign exchange	70,459	–	–	15,542	7,259	93,260
As at September 30, 2013	1,633,661	623,351	1,173,233	473,257	223,266	4,126,768
Net book value						
As at December 31, 2012	941,110	414,869	584,048	457,056	813,497	3,210,580
As at September 30, 2013	733,779	354,649	499,267	499,811	1,337,181	3,424,687

As a result of the acquisition of the Proshred Charlotte franchise location, the original franchise agreement intangible asset has been extinguished and removed in the amount of $94,412. Customer relationships and re-acquired franchise rights were recorded as intangible assets on August 1, 2013 as part of the Proshred Charlotte acquisition. The foreign exchange adjustment is a result of the translation of foreign operation intangible assets in US dollars to Canadian dollars at September 30, 2013 and December 31, 2012. Amortization of reacquired franchise rights and customer relationships for the period is included in the statement of comprehensive loss in “corporate operating expenses” and amortization of the remaining intangible assets is included in the statement of comprehensive loss in “selling, general and administrative expenses.” The Company’s franchise agreements, customer lists and re-acquired franchise rights are attributed to the Company’s franchises and corporately owned locations in the US.

(expressed in Canadian dollars)

7 Goodwill

The following table presents goodwill for the nine months ended September 30, 2013 and for the year ended December 31, 2012:

	September 30, 2013	December 31, 2012
	$	$
Opening balance	1,361,705	878,270
Acquisitions	–	737,292
Impairment of goodwill	–	(232,196)
Foreign currency translation	47,788	(21,661)
Closing balance	1,409,493	1,361,705

8 Assets classified as held for sale

On May 27, 2013, the Company decided that the Miami business will be corporately operated and no longer be sold. Prior to this date, the Company committed to a plan to sell the Miami business acquired on July 13, 2012 and classified the Miami business as a disposal group held for sale and as a discontinued operation. The Company has determined that the Miami location can be operated from its newly acquired Charlotte location (refer to note 4). The Company is expected to operate the Miami location commencing in the first quarter of 2014. As the Miami business is no longer held for sale, the results of the operations of the entity previously presented in discontinued operations have been reclassified and included in income from continuing operations. The assets previously held for sale and liabilities directly associated with the assets classified as held for sale have been re-classified as current and non-current assets and liabilities. The Company currently has a joint arrangement with the franchise in Tampa Bay, Florida to operate the Miami business (refer to Note 18). The results of the Miami business for the period have been accounted for as a joint arrangement with the Tampa Bay franchise. Within the joint arrangement, the Company earns royalty and service fees on the gross Miami revenues and rental revenue for the use of the shredding vehicle. The Company incurs finance costs on the monthly truck loan payments and depreciation and amortization on the Miami tangible and intangible assets.

9 Long-term debt

As at September 30, 2013 and December 31, 2012 long-term debt is comprised of:

	September 30, 2013	December 31, 2012
	$	$
Line of credit (i)	5,982,182	6,033,094
Less: deferred financing charges	(27,606)	(44,172)
Line of credit net of deferred financing charges	5,954,576	5,988,922
Truck loans (ii)	1,093,906	403,222
Term loans (iii)	753,035	–
Total long-term debt	7,801,517	6,392,144
Less: current portion	(327,136)	(99,692)
Total	7,474,381	6,292,452

9 **Long-term debt** (continued)

(i) The line of credit was entered into on November 27, 2009 with a related party entity (refer to note 17) for a maximum amount of $4 million. The line of credit was repayable on November 27, 2014, bearing interest at a fixed rate of 10% per annum, and secured by a general security agreement over the Company's assets. Deferred financing charges in respect of this facility are charged to expense over the term of the facility. During the year ended December 31, 2011, the line of credit limit was increased to $5.37 million. During the year ended December 31, 2012, the line of credit was increased to $6.03 million. The terms of the agreement remained unchanged upon increasing the line of credit. The Company has drawn from its line of credit in order to finance the purchase of its' corporate locations including Syracuse, Albany, and Milwaukee in 2010 and New York City and Miami in 2012 and for general business purposes. In September of 2013, the Company signed an amendment to its existing line of credit facility, extending the facility's term for an additional three years to November 27, 2017. The terms of the agreement remained unchanged upon extending the facility's term.

(ii) On November 11, 2011, the Company entered into a loan and security agreement in the amount of US$240,000, repayable with monthly blended payments of principal and interest of US$5,690 maturing October 3, 2015. The loan bears interest at 8.14% per annum and is secured by two shredding vehicles with a carrying value of $270,870 at September 30, 2013. The value of the loan on September 30, 2013 is $134,336.

(ii) On July 5, 2012, the Company entered into a loan and security agreement in the amount of US$121,128, repayable with monthly blended payments of principal and interest of US$3,718 maturing July 5, 2015. The loan bears interest at 6.502% per annum and is secured by one shredding vehicle with a carrying value of $96,813 at September 30, 2013. The value of the loan on September 30, 2013 is $79,159.

(ii) On August 3, 2012, the Company entered into a loan and security agreement in the amount of US$125,556, repayable with monthly blended payments of principal and interest of US$2,545 maturing August 13, 2017. The loan bears interest at 8% per annum and is secured by one shredding vehicle with a carrying value of $172,114 at September 30, 2013. The value of the loan on September 30, 2013 is $105,504.

(ii) On January 3, 2013, the Company traded in one of its' shredding vehicles for a larger shredding vehicle. The related loan and security agreement entered into on August 8, 2012, in the amount of US$121,000, was replaced with a new loan and security agreement. The new loan and security agreement for US$119,906 is repayable with monthly blended payments of principal and interest of US$2,382 maturing January 5, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of $230,638 at September 30, 2013. The value of the loan on September 30, 2013 is $109,547.

(ii) On January 31, 2013, the Company entered into a loan and security agreement in the amount of US$171,516, repayable with monthly blended payments of principal and interest of US$3,407 maturing February 5, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of $242,145 at September 30, 2013. The value of the loan on September 30, 2013 is $159,246.

(ii) On August 1, 2013, the Company entered into a loan and security agreement with a related party (refer to Note 14) in the amount of US$500,000, repayable with monthly blended payments of principal and interest of US$12,681 maturing August 5, 2017. The loan bears interest at 10% per annum and is secured by four shredding vehicles and two non-shredding vehicles with a carrying value of $550,049 at September 30, 2013. The value of the loan on September 30, 2013 is US$491,414.

(expressed in Canadian dollars)

9 Long-term debt (continued)

(iii) In order to finance the purchase of the Proshred Charlotte franchise on August 1, 2013, the Company entered into the following loan agreements with related parties (refer to note 18):

(a) A 5 year loan agreement in the amount of CAD$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;

(b) A 5 year loan agreement in the amount of US$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;

(c) A 4 year loan agreement in the amount of CAD$100,000 with monthly blended payments of principal and interest of CAD$2,488 maturing July 31, 2017. The loan bears interest at 9% per annum; and

(d) A 4 year loan agreement in the amount of US$50,000 with monthly blended payments of principal and interest of US$1,244 maturing July 31, 2017. The loan bears interest at 9% per annum.

10 Capital stock

a) Authorized

Unlimited number of common shares, without nominal or par value.
Unlimited number of preferred shares, without nominal or par value.

b) Issued and fully paid

For the three and nine months ended September 30, 2013 and the year ended December 31, 2012, there were no changes in issued common shares of the Company.

The following are the balances of issued common shares of the Company:

	Common stock		Warrants		
	Number	**$**	**Number**	**$**	**Total $**
Balance, December 31, 2012 and September 30, 2013	28,884,658	8,297,602	4,000,000	288,206	8,585,808

c) Weighted average common shares

The basic weighted average number of common shares outstanding for the three and nine months ended September 30, 2013, was 28,884,658 (December 31, 2012 - 28,884,658).

d) Stock options

At September 30, 2013, the Company has 1,473,750 options outstanding (December 31, 2012 – 1,691,250) and a weighted average exercise price of $0.24 (December 31, 2012 - $0.24). During the nine months ended September 30, 2013, 158,750 stock options expired (for the nine months ended September 30, 2012 – nil). There have been 50,000 stock options granted during the nine months ended September 30, 2013 (for the nine months ended September 30, 2012 – 17,500). The net stock compensation charge, for the nine months ended September 30, 2013, after adjusting for stock option forfeitures, amounted to $190 (for the nine months ended September 30, 2012 – $1,396).

(expressed in Canadian dollars)

10 Capital stock (continued)

e) Warrants

The Company issued two tranches of warrants in 2009. The first tranche was issued in connection with the private placement and the second related to the line of credit obtained. In connection with the line of credit, 1,000,000 warrants were issued on April 28, 2010 when the line of credit was first drawn upon in accordance with the line of credit agreement. These warrants were recorded in the consolidated financial statements in 2009 as performance by the counterparty was complete at that date. The fair value of these warrants has been recorded as deferred financing charges and is being amortized into income over the term of the facility and is also subject to a two-year holding period commencing on the date of issuance. This is a non-cash transaction and has been excluded from the consolidated statements of cash flows. Tranches 1 and 2 of warrants expire on November 27, 2014 and December 23, 2014, respectively.

f) Convertible debentures

On December 31, 2012, the Company obtained equity and debt funding, directly or indirectly, from certain members of the Company's Board of Director's. The Company issued $375,000 convertible, unsecured subordinated, debentures. The debentures have a five year term and a coupon of 7.5% interest per annum payable annually. The debenture holders may defer interest otherwise due and payable until the next interest payment date, in which case the deferred interest payment will accrue additional interest at 7.5% per annum. Each $1,000 principal amount of debenture entitles the holder to convert to approximately 3,333 common shares at a conversion price of $0.30 per share.

11 Revenue

The revenue earned by the Company for the three and nine months ended September 30, 2013 and 2012 is broken down as follows:

	For the 3 months ended September 30		*For the 9 months ended September 30*	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Royalties	251,040	203,037	735,268	611,516
Franchise fees	262,195	140,033	262,195	233,883
License fees	2,010	572	4,569	1,641
Shredding services	774,454	577,305	1,972,759	1,837,359
Sale of paper products	162,580	144,904	435,121	448,333
Rental revenue	11,591	7,436	34,245	7,436
Total revenue	1,463,870	1,073,287	3,444,157	3,140,168

(expressed in Canadian dollars)

12 Corporate operating locations expenses by nature

The corporate operating locations expenses incurred by the Company for the three and nine months ended September 30, 2013 and 2012 are broken down as follows:

	For the 3 months ended September 30		*For the 9 months ended September 30*	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Shredding expenses	147,536	205,525	464,464	564,473
Employee wages expense	251,210	250,304	692,744	772,858
Employee benefit expense	52,974	55,036	142,182	160,288
Office and administration expense	124,645	100,211	273,917	321,160
Depreciation – equipment	97,969	67,667	220,488	191,968
Amortization – intangible assets	42,466	88,415	161,579	252,905
Total corporate operating expenses	716,800	767,158	1,955,374	2,263,652

During the nine months ended September 30, 2013, the Company directly operated five corporate locations – Syracuse, Albany, Milwaukee, New York City and Charlotte. During the nine months ended September 30, 2012, the Company directly operated four corporate locations – Syracuse, Albany, Milwaukee and New York City.

13 Selling, general and administrative expenses by nature

The selling, general and administrative expenses incurred by the Company for the three and nine months ended September 30, 2013 and 2012 are broken down as follows:

	For the 3 months ended September 30		*For the 9 months ended September 30*	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Employee wages expense	186,405	237,301	550,118	612,649
Employee benefits expense	9,225	8,052	42,056	38,625
Share-based compensation	61	496	190	1,396
Professional fees	41,337	39,607	125,644	319,797
Technology	53,699	40,692	152,388	109,241
Rent and office expense	27,868	16,377	76,283	50,512
Selling and marketing	109,214	71,809	147,564	109,301
Bad debt recovery	–	(15,038)	–	–
Amortization of deferred financing charges	5,522	5,522	16,565	16,565
Amortization – intangible assets	111,430	117,702	331,416	355,958
Foreign exchange loss (gain)	96,602	188,979	(182,316)	210,617
Other	48,329	50,208	156,568	155,490
Total selling, general and administrative expenses	689,692	761,707	1,416,476	1,980,151

(expressed in Canadian dollars)

13 Selling, general and administrative expenses by nature (continued)

Compensation of key management

Included in employee wages and benefits expense above is key management personnel compensation as follows:

	For the 3 months ended September 30		*For the 9 months ended September 30*	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Wages and benefits	148,310	146,601	452,172	439,408
Severance pay	–	36,250	–	54,375
Share-based compensation	32	61	96	520
Total	148,342	182,912	452,268	494,303

Compensation of key management personnel includes the Chief Executive Officer, Chief Financial Officer, President, and Vice President of Operations.

14 Commitments and contingency

Commitments

The Company has executed a lease for office premises in Mississauga, Ontario, Canada beginning October 1, 2013, which expires on September 30, 2018. Additionally, the Company leases facilities in Albany, which expires on March 31, 2014, Syracuse, which expires on August 31, 2015, New York City, which expires on September 30, 2015, Milwaukee, which expires on August 31, 2016 and Charlotte, which expires on April 30, 2017. Certain contracts include renewal options for various periods of time. For the nine months ended September 30, 2013, the Company incurred $209,379 (for the nine months ended September 30, 2012 - $210,241) in lease payments as an expense included in 'selling, general and administrative expenses' and 'corporate operating expenses'.

Non-cancellable operating lease rentals are payable as follows:

	$
Less than 1 year	201,932
Between 1 and 5 years	518,383
Total	720,315

Contingency

During the second quarter of 2010, four franchisees filed a complaint with the United States District Court, South District of New York. As of September 30, 2013, three franchisees have permanently withdrawn from the legal complaint and the remaining litigant's claim was dismissed by the United States District Court on September 4, 2013. In October 2013, the franchisee has issued an appeal to the Federal Courts. No amounts, other than legal costs, have been accrued in these consolidated financial statements relating to this appeal.

15 Financial instruments and fair values

The Company has various financial assets that consist of: cash, trade receivables and notes receivable from franchisees. The Company's financial liabilities include accounts payable, accrued liabilities, notes payable, long-term debt and convertible debenture liability.

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, foreign exchange risk and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Interest rate risk

The Company's cash is subject to cash flow risk, as it earns interest at prevailing and fluctuating market rates. The Company has a fixed rate on notes receivable from franchisees ranging from 4.25% to 8.25% per annum, and the line of credit facility has a fixed interest rate of 10% per annum. The truck loans have fixed interest rates ranging from 6.502% to 10% per annum. The loan agreements with related parties have a fixed interest rate of 9%. The Company also has a fixed interest rate of 7.5% on the convertible debentures. These financial instruments are subject to interest rate fair value risk, as their fair values will fluctuate as a result of changes in market rates.

Credit risk

In accordance with its investment policy, the Company maintains cash deposits with banks. The credit risk on cash is limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies.

Receivables related to franchising and licensing

The accounts and notes receivable from franchisees are exposed to credit risk from the possibility that franchisees may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee. Credit assessments are conducted with respect to all new franchisees and existing franchisees. In addition, the receivable balances are monitored on an ongoing basis. As of September 30, 2013, 6 franchisees accounted for 76% of the accounts and notes receivable balance related to franchising and licensing (December 31, 2012 - 6 franchises accounted for 83%). For the nine months ended September 30, 2013, 3 franchisees accounted for 23% of the Company's revenues related to franchising and licensing (for the nine months ended September 30, 2012 - 3 franchisees accounted for 31%). As of September 30, 2013, there are no accounts receivable over 90 days old (December 31, 2012 – nil).

Receivables related to corporate operations

The accounts receivable are exposed to credit risk from the possibility that customers may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one customer. All new, one-time customers are required to make payments for services by way of preapproved credit card. In addition, the receivable balances with customers are monitored on an ongoing basis and collection efforts are dedicated on an ongoing basis to limit the Company's exposure to bad debt. At September 30, 2013 and December 31, 2012, no customer accounted for more than 10% of the accounts receivable balance. For the nine months ended September 30, 2013 and for the year ended December 31, 2012, no customer accounted for more than 10% of the Company's revenues in this category. As of September 30, 2013, 6% of accounts receivable in this category were over 90 days old (December 31, 2012 – 13%). The Company does not have any reason to believe it will not collect all remaining balances.

15 Financial instruments and fair values (continued)

Foreign exchange risk

Since the Company operates internationally, it is exposed to currency risks as a result of potential exchange rate fluctuations related to non-intragroup transactions. Fluctuations in the Canadian dollar (CAD) and the US dollar (USD) exchange rates could have a potentially significant impact on the Company's results of operations. If there were a foreign exchange rate variation of -5% (depreciation of the USD) or a +5% (appreciation of the USD) against the CAD, from an average rate of USD$1.00 = CAD$1.07457, the total impact to net loss for the nine months ended September 30, 2013, would be a decrease/increase of approximately $39,000.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet liabilities when due. The Company has incurred significant losses to date, and has a deficit of $9.8 million at September 30, 2013. Cash flow forecasting is performed by management, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Although management considers its assumptions used in its cash flow forecasts to be reasonable, there is no assurance that the cash flow forecasts will be achieved. 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. The Company does not have any financial covenants to comply with.

The current liabilities of $1,045,864 at September 30, 2013 (December 31, 2012 - $700,509), are due to be settled within one year from the date of the Statement of Financial Position.

At September 30, 2013, the Company has cash of $480,623 and working capital of $106,536.

(expressed in Canadian dollars)

15 Financial instruments and fair values (continued)

Liquidity risk (continued)

Principal	**Less than 3 months $**	**3 months to 1 year $**	**2 – 5 years $**	**Over 5 years $**
Accounts payable and accrued liabilities	604,438	–	–	–
Notes payable	7,724	100,294	105,601	–
Contingent consideration	5,150	–	–	–
Convertible debentures	–	–	336,692	–
Long-term debt	79,195	247,594	7,474,798	–

Interest	**Less than 3 months $**	**3 months to 1 year $**	**2 – 5 years $**	**Over 5 years $**
Notes payable	1,076	2,357	1,045	–
Convertible debentures	28,125	–	112,500	–
Long-term debt	331,024	380,394	2,306,320	–

Liquidity risk

Total principal and interest	**Less than 3 months $**	**3 months to 1 year $**	**2 – 5 years $**	**Over 5 years $**
Accounts payable and accrued liabilities	604,438	–	–	–
Notes payable	8,800	102,651	106,646	–
Contingent consideration	5,150	–	–	–
Convertible debentures	28,125	–	449,192	–
Long-term debt	410,219	627,988	9,781,118	–

Fair value of financial instruments

The carrying value amounts of many of the Company’s financial instruments, including cash, trade receivables, trade payables and accrued liabilities, which are all carried at amortized cost, approximate their fair value due primarily to the short-term maturity of the related instruments. The fair value estimates of the Company’s notes receivable from franchisees are made as at a specific point in time based on estimates using present value or other valuation techniques. The carrying value of the Company’s notes payable and long-term debt approximates fair value as the rates are similar to rates currently available to the Company.

These techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors. The carrying value of the Company’s notes receivable from franchisees at September 30, 2013, amounted to $328,759 (December 31, 2012 - $234,434) with fair value estimated to amount to $307,096 (December 31, 2012 - $212,694), respectively.

(expressed in Canadian dollars)

16 Capital management

The Company defines capital as shareholders' equity. The primary objective of the Company's capital management is to ensure that it maintains the appropriate capital levels to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or issue debt securities.

17 Segment reporting

The business segments presented reflect the management structure of the Company and the way in which the Company's management reviews business performance. The Company operates three reportable operating segments, (1) the granting and managing of shredding business franchises under the "Proshred" trademark (Franchising and licensing), (2) the operation of corporately owned shredding businesses (Corporate locations) and (3) supporting the franchises and corporately owned shredding businesses (Corporate Overhead). Total assets and liabilities by reportable operating segment are as follows:

	Franchising and licensing	**Corporate locations**	**Corporate Overhead**	**Total**
	September 30, 2013	**September 30, 2013**	**September 30, 2013**	**September 30, 2013**
ASSETS	**$**	**$**	**$**	**$**
Current assets				
Cash	78,797	174,641	227,185	480,623
Cash attributable to the Ad Fund	43,008	–	–	43,008
Trade receivables	70,332	343,202	13,361	426,895
Prepaid expenses	30,168	32,543	35,444	98,155
Notes receivable from franchisees	103,720	–	–	103,720
Total current assets	326,025	550,386	275,990	1,152,400
Non-current assets				
Notes receivable from franchisees	225,039	–	–	225,039
Equipment	–	1,921,397	–	1,921,397
Intangible assets	733,779	1,836,986	853,922	3,424,687
Goodwill	–	1,409,493	–	1,409,493
Total assets	1,284,843	5,718,262	1,129,912	8,133,016
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	46,595	346,179	211,664	604,438
Current portion of notes payable	10,704	98,436	–	109,140
Current portion of long-term debt	–	327,136	–	327,136
Contingent consideration	–	5,150	–	5,150
Total current liabilities	57,299	776,901	211,664	1,045,864
Non-current liabilities				
Long-term debt	–	7,474,381	–	7,474,381
Current portion of notes payable	–	104,479	–	104,479
Convertible debenture	–	–	336,692	336,692
Deferred tax liability	192,529	–	–	192,529
Total liabilities	249,828	8,355,761	548,356	9,153,945

(expressed in Canadian dollars)

17 Segment reporting (continued)

	Franchising and licensing	Corporate locations	Corporate Overhead	Total
	December 31, 2012	December 31, 2012	December 31, 2012	December 31, 2012
ASSETS	$	$	$	$
Current assets				
Cash	47,781	96,716	387,543	532,040
Cash attributable to the Ad Fund	48,031	–	–	48,031
Trade receivables	117,373	295,503	11,188	424,064
Prepaid expenses	31,059	46,562	20,328	97,949
Notes receivable from franchisees	40,765	–	–	40,765
Total current assets	285,009	438,781	419,059	1,142,849
Non-current assets				
Notes receivable from franchisees	193,669	–	–	193,669
Equipment	–	1,109,993	2,112	1,112,105
Intangible assets	941,110	1,270,551	998,919	3,210,580
Goodwill	–	1,361,705	–	1,361,705
Assets held for sale	–	286,952	–	286,952
Total assets	1,419,788	4,467,982	1,420,090	7,307,860
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	144,610	248,085	111,815	504,510
Current portion of notes payable	15,213	66,170	–	81,383
Current portion of long-term debt	–	99,692	–	99,692
Contingent consideration	–	14,924	–	14,924
Total current liabilities	159,823	428,871	111,815	700,509
Non-current liabilities				
Long-term debt	–	6,292,452	–	6,292,452
Current portion of notes payable	–	137,410	–	137,410
Convertible debenture	–	–	333,119	333,119
Deferred tax liability	214,188	–	–	214,188
Liabilities associated with assets held for sale	–	105,178	–	105,178
Total liabilities	374,011	6,963,911	444,934	7,782,856

(expressed in Canadian dollars)

17 Segment reporting (continued)

Geographic information

	September 30, 2013	December 31, 2012
Canada	$	$
Equipment	–	2,112
Intangible assets	853,922	998,919
United States		
Notes receivable from franchisees	328,759	234,434
Equipment	1,921,397	1,109,993
Intangible assets	2,570,765	2,211,661
Goodwill	1,409,493	1,361,705
Assets held for sale	–	286,952
Total		
Notes receivable from franchisees	328,759	234,434
Equipment	1,921,397	1,112,105
Intangible assets	3,424,687	3,210,580
Goodwill	1,409,493	1,361,705
Assets held for sale	–	286,952

Revenue

All revenues were attributed to the United States, with the exception of license fees, which were attributed to the Middle East.

For the three months ended,	September 30, 2013	September 30, 2012
	$	$
United States		
Royalties	251,040	203,037
Franchise fees	262,195	140,033
Shredding services	774,454	577,305
Sale of paper products	162,580	144,904
Rental revenue	11,591	7,436
Middle East		
License fees	2,010	572

(expressed in Canadian dollars)

17 Segment reporting (continued)

Geographic information (continued)

For the nine months ended,	September 30, 2013	September 30, 2012
United States	$	$
Royalties	735,268	611,516
Franchise fees	262,195	233,883
Shredding services	1,972,759	1,837,359
Sale of paper products	435,121	448,333
Rental revenue	34,245	7,436
Middle East		
License fees	4,569	1,641

Net loss by operating segment

Total net loss by reportable operating segment is as follows:

	For the three months ended September 30, 2013			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	$	$	$	$
Revenue	515,245	948,625	–	1,463,870
Direct costs	–	(576,365)	–	(576,365)
Corporate overhead	(350,590)	(106,618)	(18,930)	(476,138)
Depreciation and amortization	(116,952)	(140,435)	–	(257,387)
Foreign exchange loss	–	–	(96,602)	(96,602)
Interest expense	–	(168,783)	(8,215)	(176,998)
Interest income	1,844	–	–	1,844
Extinguishment of franchise agreement	(96,621)	–	–	(96,621)
Income tax expense	(191)	–	–	(191)
Net loss from operations	(47,265)	(43,576)	(123,747)	(214,588)

	For the three months ended September 30, 2012			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	$	$	$	$
Revenue	343,642	729,645	–	1,073,287
Direct costs	–	(611,076)	–	(611,076)
Corporate overhead	(168,384)	(70,415)	(210,707)	(449,506)
Loss on pre-existing relationship	–	(135,110)	–	(135,110)
Depreciation and amortization	(123,223)	(156,081)	–	(279,304)
Foreign exchange loss	–	–	(188,979)	(188,979)
Recovery of bad debt	167,580	–	–	167,580
Interest expense	–	(151,488)	–	(151,488)
Interest income	1,408	–	–	1,408
Loss on sale of assets	–	(24,895)	–	(24,895)
Income tax recovery	6,687	–	–	6,687
Net income (loss) from operations	227,709	(419,419)	(399,686)	(591,396)

(expressed in Canadian dollars)

17 Segment reporting (continued)

Net loss by operating segment (continued)

	For the nine months ended September 30, 2013			
	Franchising and licensing $	Corporate locations $	Corporate overhead $	Total $
Revenue	1,002,032	2,442,125	–	3,444,157
Direct costs	–	(1,573,307)	–	(1,573,307)
Corporate overhead	(606,554)	(309,261)	(334,996)	(1,250,811)
Depreciation and amortization	(347,981)	(382,067)	–	(730,048)
Foreign exchange gain	–	–	182,316	182,316
Interest expense	–	(488,495)	(24,660)	(513,155)
Interest income	5,793	–	–	5,793
Gain on sale of assets	–	3,754	–	3,754
Extinguishment of franchise agreement	(96,621)	–	–	(96,621)
Income tax recovery	24,738	–	–	24,738
Net loss from operations	(18,593)	(307,250)	(177,341)	(503,184)

	For the nine months ended September 30, 2012			
	Franchising and licensing $	Corporate locations $	Corporate overhead $	Total $
Revenue	847,040	2,293,128	–	3,140,168
Direct costs	–	(1,818,779)	–	(1,818,779)
Corporate overhead	(443,309)	(209,047)	(744,657)	(1,397,013)
Loss on pre-existing relationship	–	(487,175)	–	(487,175)
Depreciation and amortization	(372,522)	(444,872)	–	(817,395)
Foreign exchange loss	–	–	(210,617)	(210,617)
Recovery of bad debt	167,580			
Interest expense	–	(430,054)	–	(430,054)
Interest income	3,860	–	–	3,860
Loss on sale of assets	–	(24,895)	–	(24,895)
Income tax recovery	41,070	–	–	41,070
Net income (loss) from operations	243,719	(1,121,694)	(955,274)	(1,833,249)

18 Related party balances and transactions

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. At September 30, 2013, there was a nil accounts receivable balance (December 31, 2012 - $1,945) due from this franchise. During the nine months ended September 30, 2013, the Company earned royalty and service fees amounting to $63,623 (for the nine months ended September 30, 2012 - $59,015) from this franchise.

The Director's aforementioned franchise is currently jointly managing the Proshred Miami business acquired by the Company. The Company earned royalty and service fees of $20,450 during the nine months ended September 30, 2013 from the Miami operations. Included in accounts receivable at September 30, 2013 is $2,075 due from the Miami operations (December 31, 2012 - $2,528).

The Company has a line of credit facility for a maximum value of $6.03 million with a significant shareholder of the Company. This line of credit is repayable on November 27, 2017, bearing interest at a fixed rate of 10% per annum. The Company has drawn from its line of credit in order to finance the purchase of its' corporate locations including Syracuse, Albany, Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes. Refer to Note 9 for additional information.

Included in selling, general and administrative expenses for the nine months ended September 30, 2013 are insurance premium amounts of $13,310 (for the nine months ended September 30, 2012- $13,037) paid to an insurance brokerage firm, managed by a Director of the Company.

On December 31, 2012, the Company obtained equity and debt funding, directly or indirectly, from certain members of the Company's Board of Director's. The Company issued $375,000 convertible, unsecured subordinated, debentures. The debentures have a five year term and a coupon of 7.5% interest per annum payable annually. The debenture holders may defer interest otherwise due and payable until the next interest payment date, in which case the deferred interest payment will accrue additional interest at 7.5% per annum. Each $1,000 principal amount of debenture entitles the holder to convert to approximately 3,333 common shares at a conversion price of $0.30 per share.

In order to finance the purchase of the Proshred Charlotte franchise on August 1, 2013, the Company entered into the following loan agreements with certain members of the Company's Board of Directors and their affiliates:

(a) A 5 year loan agreement in the amount of CAD$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;

(b) A 5 year loan agreement in the amount of US$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;

(c) A 4 year loan agreement in the amount of CAD$100,000 with monthly blended payments of principal and interest of CAD$2,488 maturing July 31, 2017. The loan bears interest at 9% per annum; and

(d) A 4 year loan agreement in the amount of US$50,000 with monthly blended payments of principal and interest of US$1,244 maturing July 31, 2017. The loan bears interest at 9% per annum.