

Dept. of Corporations-
PSS UNIT-San Francisco Office
JUN 29 2006

FRANCHISE OFFERING CIRCULAR



Proshred Franchising Corp.
245 Yorkland Blvd., Suite 100
Toronto, Ontario M2J 4W9
Canada
1-866-379-5028

The franchisee will provide on-site destruction and disposal of documents and other sensitive and confidential materials.

The initial franchise fee is \$35,000 per territory. Each franchisee also pays an initial fee of \$2,000 toward our advertising fund, regardless of the number of territories purchased. The estimated initial investment required is \$364,500 to \$489,500 for one territory. When you purchase multiple territories, we do not require you to set up an office in each territory. Accordingly, the initial investment may be lower for an additional territory. We determine the number of offices that you are required to have to meet the expected demand in the territory.

RISK FACTORS:

1. THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
2. YOU WILL BE REQUIRED TO MAINTAIN THE MINIMUM PERFORMANCE LEVELS FOR REVENUES SPECIFIED IN YOUR FRANCHISE AGREEMENT. FAILURE TO DO SO CAN RESULT IN THE LOSS OF EXCLUSIVE RIGHTS IN YOUR TERRITORY, THE OBLIGATION TO PAY ROYALTIES ON THE SHORTFALL AND TERMINATION OF THE FRANCHISE AGREEMENT.
3. WE REQUIRE YOU TO PAY A MINIMUM ROYALTY OF \$650 EACH MONTH, AND A MINIMUM INFORMATION TECHNOLOGY SERVICE FEE OF \$150 EACH MONTH, REGARDLESS OF WHETHER YOU HAVE ANY REVENUE.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission or your state administrator. (See Exhibit A.)

Issue Date: June 30, 2006
FOR STATE-SPECIFIC EFFECTIVE DATES, SEE NEXT PAGE.

**INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY FEDERAL TRADE COMMISSION**

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To protect you, we've required your franchisor to give you this information. *We haven't checked it and don't know if it's correct.* It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant.

If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

There may also be laws on franchising in your state. Ask your state agencies about them.

Federal Trade Commission,
Washington, D.C.

STATE-SPECIFIC EFFECTIVE DATES

<i>State</i>	<i>Effective</i>
California	
Illinois	
Maryland	
New York	
Virginia	

**PROSHRED
FRANCHISE OFFERING CIRCULAR**

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Item 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this offering circular, "Proshred", "we" or "us" means Proshred Franchising Corp., the franchisor. "You" means the person who buys the franchise, and it may refer to the owner or owners of the buyer entity. We do business under the name Proshred.

Proshred is a Delaware corporation organized October 7, 2002. Our principal business address is 245 Yorkland Blvd., Suite 100, Toronto, Ontario M2J 4W9, Canada. Proshred is a wholly-owned subsidiary of Professional Shredding Corporation ("PSC"), a corporation formed in Ontario, Canada, on September 27, 2004, for the purpose of acquiring the shares of Proshred.

PSC is a wholly-owned subsidiary of PSP Corporation ("PSP"), a corporation formed in Ontario, Canada, on September 27, 2004. PSP holds the shares of PSC in trust for Professional Shredding Partnership (the "Partnership"), a general partnership formed in Ontario, Canada, on September 27, 2004. The partners of the Partnership are Heron Capital Corporation ("HCC"), a corporation formed in Ontario, Canada, on July 9, 1997, and The Heron Group Inc. ("HGI"), a corporation formed in Ontario, Canada, on July 26, 1996. The principal business address of PSC, PSP, the Partnership, HCC and HGI is the same as ours in Toronto, Ontario, Canada.

HCC is an international franchise management and development company. HCC manages the business of Proshred and of another affiliate, PMP Corporation ("PMP"), a corporation formed in Ontario, Canada, on November 26, 2004. PMP is the master franchisee of the Two Men and a Truck system for all of Canada. It became the master franchisee on January 1, 2005. PMP sublicensed the exclusive rights to grant Two Men and a Truck franchises in Canada to its wholly-owned subsidiary, TMT Franchising Corp. ("TMT"), a corporation formed in Ontario, Canada, on November 26, 2004. TMT's sole business is the Two Men and a Truck franchising business in Canada. The principal business address of PMP and TMT is the same as ours in Toronto, Ontario, Canada. As of the date of this offering circular, TMT had sold five franchises. Aside from its franchise business, the Heron group of affiliated companies (the "Heron Group") is a diversified, fully integrated real estate company engaged in residential construction and land development.

Proshred franchises the right in the U.S.A. to sell on-site services for the destruction and disposal of documents and other sensitive and confidential materials under the trademark PROSHRED® and other trademarks. Proshred's customers are primarily businesses and other organizations that need to maintain the confidentiality of their proprietary information, whether for competitive reasons, legal requirements or otherwise. Proshred's solution allows business customers ("clients") and individual customers to witness the destruction, on site, of their selected paper documents, computer

disks and other media that contain sensitive and confidential proprietary information. Proshred franchisees also offer a residential and home office service called the RISC Management Program. RISC stands for Residential Information Security Container.

The Proshred system includes collection containers, shredding equipment that is designed to our specifications, a customized scheduling, billing and customer relationship management (CRM) software package called Shredlogic that runs on a PC, and franchise manuals. The manuals include Preopening, Supplies & Equipment, Human Resources, Administration, Sales and Marketing, Operations, ISO Program and a Customer Service Professional Handbook.

There are no regulations specific to the operation of a mobile shredding business. However, your operation of a Proshred franchise may be subject to local environmental laws regarding the disposal or recycling of certain materials. Because you will be operating one or more trucks, your business will be subject to trucking and transportation laws, including daily safety checks, maintaining log books, observing weight restrictions for front and rear axles, and so forth. There may be other laws applicable to your business. It is your responsibility to comply with all these laws and to keep in force all permits and licenses required by public authorities. We urge you to consult with your legal advisor about applicable laws.

Your direct competitors include Iron Mountain Incorporated, Recall, Shred-It America, Inc., Cintas, Brinks and many small, independent mobile shredding businesses. Indirect competition includes office shredding machines and recycling programs.

Proshred Holdings Limited ("Holdings") founded the Proshred mobile shredding and recycling business in the mid-1980s in Toronto, Canada, and sold its first franchise in Canada in 1991. In June, 2002, a subsidiary of Proshred Security International Inc. ("PSII"), an Ontario corporation, acquired the assets of the Proshred business from Holdings. The founder of PSII had owned and operated Proshred franchises in various locations in Ontario, Alberta, Manitoba and Quebec, Canada since the early 1990s. On July 23, 2004, PSII sold to Iron Mountain Canada Corporation all of PSII's assets relating to its Proshred business operations in Canada. On September 29, 2004, PSII sold the Proshred business operations in the U.S.A. to PSC and its affiliates in the Heron Group.

PSP acquired the U.S. Proshred trademarks on September 29, 2004, as part of the overall acquisition of the Proshred business in the U.S.A. by the Heron group of companies. We have an exclusive license from PSP to use and sublicense the use of the Proshred trademarks in the U.S.A. (See Item 13.)

In January 2004, we transferred to a franchisee the business of our one company-owned outlet in New York, New York. We now have no company-owned outlets in

the U.S.A., although we may decide in the future to add corporate store operations that will complement and not compete with the franchise operations.

During the period from 1997 through June 1, 2002, HCC and an affiliated Ontario corporation called MTS Limited had an ownership interest in a company called Mini-Tankers USA, Inc., a Washington corporation ("MTUSA"), that offered on-site diesel refueling franchises. On June 1, 2002, MTUSA agreed to buy back the shares of MTUSA owned by HCC and MTS Limited.

Except as noted above, neither Proshred nor any of its predecessors or affiliates has offered franchises in other lines of business.

Our agents for service of process are listed in Exhibit A of this offering circular.

Item 2

BUSINESS EXPERIENCE

Grant Simpson – Chairman of the Board of Heron Capital Corporation

Grant Simpson is the Chairman of the Board of Heron Capital Corporation, a position he has held since 1997. Mr. Simpson is also Vice President of The Heron Group Inc., a position he has held since 1980. He holds and has held each of these positions in Toronto, Ontario, Canada. Mr. Simpson is responsible for real estate acquisition, funding and development for the Heron group of companies.

John Prittie – President

John Prittie has been President of Proshred and of PSP Corporation since September 2004. He has been President of PMP Corporation and TMT Franchising Corp. since November 2004. Since July 1997, he has also been President and Chief Executive Officer of Heron Capital Corporation. He is responsible for the overall operations of these companies, all of which are located in Toronto, Ontario, Canada. Mr. Prittie served as Director of Mini-Tankers USA, Inc. (MTUSA) from June 1999 to January 2003, and as President of MTUSA from June 1999 to June 2003.

Brad Foster – Chief Financial Officer

Brad Foster has been the Chief Financial Officer of Proshred and PSP Corporation since October 2004. He is also the Chief Financial Officer of The Heron Group Inc., a position he has held since June 2002. He holds and has held each of these positions in Toronto, Ontario, Canada. From August 1999 to May 2002, Mr. Foster was Chief Financial Officer for Mini-Tankers USA, Inc., in Mississauga, Ontario, Canada.

Timothy Tibbs – Executive Vice President Operations

Timothy Tibbs has been Executive Vice President Operations of Proshred and PSP Corporation, and Vice President of Heron Capital Corporation, since October 2004 in Toronto, Ontario, Canada. From 1999 until 2004, Mr. Tibbs was Director of Business Development for Mini-Tankers USA, Inc., in Mississauga, Ontario, Canada.

Jeff Hasham – Vice President Finance and Administration

Jeff Hasham became Vice President Finance and Administration in March 2005, in Toronto, Ontario, Canada. From 2004 to 2005, Mr. Hasham was Vice President of Finance at World Vintners Inc., in Markham, Ontario, Canada. From 2002 to 2004, Mr. Hasham was the Chief Financial Officer at Mini-Tankers USA, Inc. in Mississauga, Ontario, Canada. From 2000 to 2002, he was the Chief Financial Officer at The ALEA Group Inc. in Richmond Hill, Ontario. From 1999 to 2000, Mr. Hasham was a Senior Analyst at Nortel Networks in Brampton, Ontario.

James Reid – Director of Franchise Development

James Reid became Director of Franchise Development of Proshred and PSP Corporation in March 2005, in Toronto, Ontario, Canada. From 2002 to March 2005, Mr. Reid was Ontario Business Development Manager for FleetMind Solutions, also in Toronto. From 2000 to 2002, Mr. Reid was a consultant for Adaptive Tutoring Systems, and from 1999 to 2000, he was a consultant for Mini-Tankers Canada, both of which were in Toronto.

Andrew Parry – Manager of Marketing and Training

Andrew Parry became Manager of Marketing and Training of Proshred and PSP Corporation in May 2005, in Toronto, Ontario, Canada. From September 2003 to May 2005, Mr. Parry was manager of Marketing for B-Wyze Solutions in Richmond Hill, Ontario, Canada. During the period from September 1998 to August 2002, Mr. Parry was a student at Wilfrid Laurier University. As part of his studies, he had the following co-op placements: From September 2001 to December 2001, he was Marketing Coordinator for Bell Mobility, both in Toronto, Ontario, Canada. From January 2001 to April 2001, he was Marketing Coordinator for Microsoft Canada in Toronto, Ontario, Canada. From May 2000 to August 2002, he was an Account Executive for Pricewaterhouse-Coopers in Belfast, Northern Ireland, UK.

Elliot Krangle – Vice Chairman of the Board

Elliot Krangle has been Vice Chairman of the Board of Proshred and PSP Corporation since May 2006. From October 2004 until May 2006, Mr. Krangle was Chairman of the Board of Proshred and PSP Corporation. Mr. Krangle is also Chairman of the Board of The Heron Group Inc., a position he has held since 1977. He holds and has

held each of these positions in Toronto, Ontario, Canada. Mr. Krangle is responsible for strategic planning and corporate development of the Heron group of companies.

Hugh Heron – Chairman of the Board

Hugh Heron has been Chairman of the Board of Proshred and PSP Corporation since May 2006. From October 2004 until May 2006, Mr. Heron was Vice Chairman of the Board of Proshred and PSP Corporation. Mr. Heron is also President of The Heron Group, a position he has held since 1979. He holds and has held each of these positions in Toronto, Ontario, Canada.

Referral Sources

We have a contract with TES Franchising, LLC, a Connecticut limited liability company, doing business under the trade name The Entrepreneur's Source ("TES"), to act as a source of referrals to us of prospective franchisees. TES finds referrals through its network of franchised independent consultants ("TES Consultants"). TES Consultants refer prospective franchisees to Proshred and many other franchisors.

TES Consultants do not sell franchises. They represent the interests of their clients by coaching them on their entrepreneurial options. The TES Consultant does not discuss the purchase or sale of any particular franchise. Only Proshred personnel may engage in those discussions with you.

We pay TES a fee for providing the services of the TES Consultants to prospective franchisees. TES, in turn, compensates the TES Consultants upon the successful placement of a TES client.

The activities of TES or of the TES Consultants may be deemed to be "franchise brokers" under the laws of some states.

For more information on TES and the TES Consultants, see Exhibit I.

Item 3

LITIGATION

Shred-It USA, Inc. v. Ronald Sacco, Proshred Security Corp. and Proshred Franchising Corp., Index No. 03/601750 (NY Co.). On June 4, 2003, the purchaser of assets of a business formerly owned by Ron Sacco, the former Director of U.S. Franchising for PSII, brought this action against Ron Sacco, Proshred Security Corp. and the franchisor alleging that Mr. Sacco breached a restrictive covenant allegedly entered into with the plaintiff on or about April 23, 1999, which purportedly expired on or about April 23, 2004, and alleging that Proshred Security Corp. and the franchisor interfered with Mr. Sacco's purported contract with Shred-It. The plaintiff sought damages and injunctive relief. The parties agreed in April 2004 to a stipulation resolving the case, which the court approved on May 5, 2004. The stipulation provides for no liability to Proshred or to Mr. Sacco. As the sole condition to the settlement, Mr. Sacco agreed that he will not seek to sell franchises or otherwise compete with Shred-It USA, Inc. in the States of New York, New Jersey or Connecticut for a one-year period. Mr. Sacco is no longer affiliated with Proshred.

Except for this action, no litigation is required to be disclosed in this offering circular.

Item 4

BANKRUPTCY

On October 6, 2003, Mini-Tankers USA, Inc. (MTUSA) filed a voluntary petition pursuant to Chapter 11 of the United States Bankruptcy Code. On November 5, 2004, the bankruptcy court approved the debtor's plan of liquidation. (U.S. Bankruptcy Court for the Western District of Washington, Case No. 03-22887-TTG.) Jeff Hasham, Proshred's Vice President Finance and Administration, was the Chief Financial Officer at MTUSA from 2002 to 2004, the period of that company's Chapter 11 restructuring and liquidation. John Prittie, President of Proshred, was a director of MTUSA from June 1999 to January 2003, and President of MTUSA from June 1999 to June 2003. Brad Foster, Proshred's Chief Financial Officer, was Chief Financial Officer of MTUSA from August 1999 to May 2002. Timothy Tibbs, Proshred's Executive Vice-President Operations, was MTUSA's Director of Business Development from 1999 until 2004. During the period from 1997 through June 1, 2002, Mini-Tankers USA, Inc. was affiliated with the Heron Group.

Other than this action, no person previously identified in items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this item.

Item 5

INITIAL FRANCHISE FEE

All franchisees pay a \$35,000 franchise fee for each Territory Unit purchased. See Item 12 for a description of your territory.

A Territory Unit is defined as a geographic area comprised of approximately 7,000 locations of businesses, nonprofit entities, governmental agencies and the like that each have ten or more employees. The initial franchise fee will be calculated on a fractional basis. For example, a territory with 10,500 firms with ten or more employees is 1.5 times larger than a territory with 7,000 such firms. \$35,000 times 1.5 is equal to \$52,500.

\$5,000 of the initial franchise fee is paid in the form of a deposit at the time you submit your franchise application for a single Territory Unit, and \$10,000 of the initial franchise fee is paid as a deposit when you submit your application for an area that comprises more than one Territory Unit. The balance of the franchise fee is payable when you sign the franchise agreement, unless we agree to finance a portion of your initial fee. See Item 7, Note 2, for a description of our financing terms. If we do not approve your application, or if you withdraw your application, we may retain an amount equal to our out-of-pocket expenses, but not more than \$2,500. We refund the remainder of the deposit to you, and you are not liable for the balance. Proshred does not give refunds under other circumstances.

We also require each franchisee to pay \$2,000 toward our advertising fund at the time they sign their franchise agreement. (See Item 11 for a description of the advertising fund.)

We offer U.S. veterans who qualify as franchisees a 20% discount on the initial franchise fee.

Item 6

OTHER FEES

<i>Name of Fee</i>	<i>Amount</i>	<i>Date Due</i>	<i>Remarks</i>
Royalty	6.5% of total gross revenue, but not less than \$650 per month	Paid weekly by way of electronic debits of your bank account. The amount debited each week is based on a 3-month historical weekly average.	Gross revenue includes all sales derived from the franchised business, but does not include revenue attributable to your acquisition of other shredding companies in your territory. Gross revenue does not include sales or use tax. No allowance is made for bad debts. However, pricing and discounts are determined solely by you.
Information Technology Services Fee	1.5% of total gross revenue, but not less than \$150 per month and not more than \$1,500 per month	Same as Royalty fee	May be increased each year in proportion to increases in the consumer price index.
Advertising Fee	Not less than 1% of total gross revenue and not more than 3% of total gross revenue per month	Same as Royalty fee	Gross revenue does not include revenue attributable to your acquisition of other shredding companies in your territory. Funds are deposited into a segregated account and a full accounting is provided annually. The franchisee advisory committee assists us in setting the agenda and rates.

Name of Fee	Amount	Date Due	Remarks
Additional training, consulting, advisory or other assistance	A reasonable fee, to be negotiated, generally \$750 per day	Before the training or assistance begins	Initially, up to two people are trained without charge
Transfer	Not more than 50% of the standard initial fee then charged for new franchises per Territory Unit	At the time the transfer is consummated	Determined by us from time to time
Late charge	Interest equal to 1.5% per month or the highest rate allowed by law, whichever is less		Payable on overdue amounts
Audit	Cost of audit plus the amount of any underpayment and interest on such amount at 1.5% per month	Within 15 days after receipt of the audit report	Payable only if audit shows an understatement of 2% or more
Renewal fee	Not more than 25% of the standard initial fee then charged for new franchises per Territory Unit	Before renewal	Determined by us from time to time

ALL FEES NOTED ABOVE ARE IMPOSED BY AND PAYABLE TO US AND ARE NON-REFUNDABLE.

Item 7

INITIAL INVESTMENT

Your Estimated Initial Investment

	<i>Amount</i>	<i>Method of Payment</i>	<i>When Due</i>	<i>To Whom Payment is to be Made</i>
Initial franchise fee	\$35,000 per Territory Unit <i>(Note 1)</i>	Lump sum	\$5,000 or \$10,000 with application. Balance due at signing of the franchise agreement or pursuant to the financing terms <i>(Note 2)</i>	Proshred
Initial advertising fund contribution	\$2,000	Lump sum	Upon signing the franchise agreement	Proshred
Travel and living expenses while training	\$5,000 to \$10,000 <i>(Note 3)</i>	As incurred	During training	Airlines, hotels, restaurants and others
Customized truck shredding equipment and truck supplies	\$200,000 to \$240,000 <i>(Note 4)</i>	Deposit and ongoing lease/finance payments	Deposit with order and then monthly payments	Approved supplier and finance company
Secure containers (bins, consoles, boxes, etc.) and storage bags for customer sites	\$7,500 to \$12,500 <i>(Note 5)</i>	Lump sum	Before opening	Approved supplier
Standard configuration PC, printer, software, training and setup	\$10,000 - \$20,000 <i>(Note 6)</i>	Deposit and ongoing lease/finance payments	Deposit with order and then monthly payments	Approved suppliers

	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial launch direct mail marketing materials, brochures, preparation of press releases, sales and promotional materials, mailing lists, etc.	\$7,500 per Territory Unit (Note 7)	Lump sum	First 3 months	Local suppliers and approved suppliers
Office furniture, fixtures and equipment (security system, fax, photocopier, desks, file cabinets, white boards, chairs, pictures, tables, printer stands, etc.)	\$10,000 to \$20,000 (Note 8)	Deposit and ongoing lease/finance payments	Deposit with order and then monthly payments	Local suppliers and approved suppliers
Real estate, deposits and prepaid expenses	\$10,000 to \$20,000 (Note 9)	Lump sum and monthly	Before opening and monthly	Landlord, yellow page supplier, insurance, government, utility companies, local suppliers
Leasehold improvements	\$5,000 to \$10,000 (Note 10)	Lump sum	Before opening	Local suppliers
Customer service van	\$15,000 to \$25,000 (Note 11)	Deposit and ongoing lease/finance payments	Deposit with order and then monthly payments	Local suppliers
Professional fees – legal, accounting	\$2,500 to \$7,500	Lump sum	As required	Local firms

	Amount	Method of Payment	When Due	To Whom Payment is to be Made
and market re- search	(Note 12)			
Miscellaneous start-up expenses	\$5,000 (Note 13)	Lump sum	Before opening	Local suppliers
Additional Funds – working capital	\$50,000 to \$75,000 per Territory Unit – 12 months (Note 14)	As required	During start-up period	Employees, suppliers, utility companies, leasing/financing companies, etc.
Total	\$364,500 to \$489,500 (Note 15)	We do not require you to set up an office in each territory when you purchase a franchise comprised of multiple Territory Units. Accordingly, the initial investment may be lower for each additional Territory Unit. We determine the number of offices that are required to meet the expected demand in your territory.		

Note 1: \$35,000 per Territory Unit. A Territory Unit is defined as a geographic area comprised of approximately 7,000 locations of businesses, nonprofit entities, governmental agencies and the like that each have ten or more employees. The initial franchise fee may be calculated on a fractional basis. For example, an area with 10,500 firms with 10 or more employees is 1.5 times larger than a territory with 7,000 such firms. \$35,000 times 1.5 is equal to \$52,500. See Item 5 for the conditions when this fee is partly refundable. No other payments to Proshred are refundable.

Note 2: The deposit is \$5,000 for a single Territory Unit, and \$10,000 for an area that comprises more than one Territory Unit. We occasionally defer payment on a portion of the initial franchise fees for franchisees who purchase franchises that comprise multiple Territory Units and meet our credit standards. The amount of financing offered will vary depending upon the applicant and the amount of the initial franchise fees. We typically charge interest at an annual rate equal to two percentage points above the prime rate, as published by the Wall Street Journal, and we typically require payment of the entire balance within three years after the franchised business opens. The debt is evidenced by a promissory note, a copy of which is attached as Schedule IX to the Franchise Agreement. If the franchisee is not an individual, the shareholders or members and their spouses must personally guaranty the debt. The debt can be

prepaid without penalty. If you do not pay the note on time, or if you breach the Franchise Agreement, we can call the loan and demand immediate payment of the entire outstanding balance. We also have the right to terminate your franchise if you do not make your payments on time. As an alternative to demanding immediate payment and terminating your franchise if you do not make your payments on time, we have the right to reduce the size of your territory. You must pay our attorneys' fees and court costs if a collection action is necessary. You waive your rights to presentment for payment and notice before a collection action may be started against you. We do not have a practice, nor have we ever had the practice, to sell, assign or discount to any third party in whole or in part any note, contract or instrument executed by a franchisee.

Note 3: These amounts include airfare, accommodation, meals, car rental, telephone charges, dry cleaning and other living expenses for the training of at least two people. Training includes two weeks in Toronto and one week at a mentor location somewhere in the United States.

Note 4: We expect that most franchisees will lease or finance the shredding truck and equipment and truck supplies. New shredding trucks from Proshred's approved suppliers range from \$200,000 to \$240,000. Most franchisees are likely to provide a 10% to 20% deposit and lease or finance the balance. Based on a five-year finance arrangement at 8% and a 20% deposit, the monthly payment would be approximately \$3,569.

Note 5: The initial order should be large enough to last for the first two to three months of operation and will include a minimum of the following: twenty-three small size consoles and cardboard inserts; sixteen 95-gallon bins; twenty 65-gallon bins; fifty-six regular consoles and cardboard inserts; twenty-five personal document containers; twenty five bags; and five hundred Residential Information Security Containers.

Note 6: See Item 11 for a description of the computer training and setup.

Note 7: The key to a successful launch is proactive marketing. You are required to purchase a mailing list for targeted customers and to complete at least three direct mail campaigns in your first three months of operation. You will also need to purchase other sales, marketing and promotional materials.

Note 8: Office equipment includes a VOIP phone system, postage meter, security system, 3-4 desks, board room table, file cabinets, chairs, shelving units, white board, cork board, wall map, pictures, plants, signage, etc. Costs will vary depending upon whether the furniture, fixtures and equipment are purchased new or used, the number of units and their size, capability, functionality, etc. Financing/leasing options may be available through various local suppliers.

Note 9: You are required to open an office to conduct business, although you may have one office that covers multiple Territory Units. The typical Proshred office

consists of approximately 2,000 square feet in an industrial or commercial complex where truck parking is permitted. You will need space for sales offices and for storage of consoles, bins, boxes, etc. A high speed internet connection is required. Rent is estimated to be between \$12,000 and \$24,000 per year, depending on factors such as size, condition and location of the leased premises. You will typically be required to provide a deposit for first and last months' rent. Other deposits and prepaid expenses include licenses and permits required to conduct business and operate mobile shredding trucks, utility deposits, yellow page deposits, insurance deposits, etc.

Note 10: Whenever possible you should lease industrial/commercial space that has already been improved and has a roll-up door, 1 or 2 offices, a customer service area, a storage area, a meeting room, a rest room, a heating and cooling system, lighting and appropriate utility service, so that leasehold improvements will be minimal. Improvements may be required and will range in cost depending upon the scope of work.

Note 11: You will need a customer service van to attend sales appointments, deliver consoles, bins and boxes and visit with customers and staff in the field. We expect that most franchisees will lease or finance their van. New vans range in value from \$15,000 to \$25,000. Most franchises are likely to provide a 10% to 20% deposit and lease or finance the balance. Based on a 5 year finance arrangement at 8% with a 20% deposit, the monthly payment would be approximately \$325.

Note 12: You should have your attorney and accountant review your UFOC and Franchise agreement and advise you on your start-up. You may wish to incorporate or establish a limited liability company to be the franchisee. Also, you may wish to conduct your own independent market research to determine market opportunity/potential.

Note 13: Includes truck items and tools, safety equipment, uniforms, office supplies including business cards, letter head and envelopes, pre-opening staff training, etc.

Note 14: This is an estimate of the additional funds you will require for working capital during the initial year of operation. These expenses include payroll costs. These are estimates and we cannot guarantee that you will not have additional expenses. Your costs during the initial phase will depend on such factors as: your ability to follow our guidelines; your managerial skills and business experience; local market conditions for paper shredding and recycling; local economic conditions; local competition; prevailing wage rates; and the sales level reached during the initial period of business. In addition, if you are relying on the franchise business for sole income, these expenses will have to be increased accordingly. The estimated expenses are based on the assumption that your expenses will be average and you will manage your expenses diligently. To assist you in growing the business, we require you to spend \$7,500 per Territory Unit in initial marketing as well as 3% of your gross revenue per month on local marketing.

Note 15: Proshred has relied on the extensive experience of its management in various franchise operations to compile these estimates. These figures are estimates only. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We require that 100% of your purchases and leases of goods and services in establishing and operating the franchised business be specified or approved by us. We require that all such purchases be made from suppliers specified or approved by us. You must use only such vehicles, shredding equipment, vans, consoles, bins, boxes and other equipment as we approve or specify, from suppliers designated or approved by us as meeting our standards. In addition, you will place or display on all vehicles and equipment only such signs, emblems, lettering and logos, and use in the franchised business only such invoices, order forms, receipts, stationery and other paper goods and marketing supplies, as we specify or approve from time to time. We also require you to use the company that developed our Shredlogic software (described in Item 11), Windswept Integrated Technologies Inc., of Ottawa, Ontario, Canada, to assist you in the purchase, installation and initial training with respect to the required computer hardware and software shortly after you sign the franchise agreement.

The Proshred operations manual contains our required specifications and a list of suppliers that meet our standards. If we modify our specifications, we will notify you and our approved suppliers. We will also notify you if we revoke our approval of any supplier. If you propose to use any vehicle, equipment or other item that we have not approved or a supplier we have not approved, you must first notify us and submit to us sufficient specifications, photographs, drawings, pricing and other information to enable us to determine whether such item or supplier complies with our specifications and standards. We will use reasonable efforts to begin an investigation of the proposed supplier or product within 30 days of your request. We will notify you within 10 days after we complete our investigation whether we approve the proposed supplier or product. We have informal arrangements with suppliers to assist franchisees in obtaining equipment, goods and services at favorable prices. For example, we may obtain advantageous delivery, down payment and loan terms on vehicles for the benefit of all franchisees. We do not provide any other material benefits to you based on your use of designated or approved sources. We do not have any purchasing or distribution cooperatives.

You pay us for your use of the Shredlogic software and its maintenance and support through the Information Technology Services Fee. (Section 9.4 of the Franchise Agreement.) Neither Proshred nor any of our affiliates is currently an approved supplier of any other products or services.

No supplier makes any payment or provides any other material consideration to Proshred or its affiliates because of transactions with franchisees. From time to time, we may purchase marketing materials in bulk and offer them to you at our cost plus a 15% administrative fee to cover the stocking, handling and shipping charges.

You must have or purchase insurance covering your vehicles; all risk personal property insurance on the other assets used in your business; comprehensive general liability and property damage insurance with a policy limit of not less than U.S. \$2 million; and all other insurance required by law. The policies must be written by insurers designated or approved by us. (Section 7 of the Franchise Agreement.)

See Item 11 for your further requirements relating to computers and software, and Item 16 for restrictions on what you may sell in the context of your franchised business.

Item 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

<i>Obligation</i>	<i>Section in Franchise Agreement</i>	<i>Item in Offering Circular</i>
a. Site selection and acquisition/lease	Sections 2.1 and 3.2	Items 7, 11 and 12
b. Pre-opening purchases/leases	Sections 4.2 – 4.6	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 3 – 4.6	Items 7 and 11
d. Initial and ongoing training	Sections 5.1 – 5.4	Item 11
e. Opening	Section 4.1	Item 11
f. Fees	Sections 9.1 – 9.4	Items 5 and 6

<i>Obligation</i>	<i>Section in Franchise Agreement</i>	<i>Item in Offering Circular</i>
g. Compliance with standards and policies/operating manual	Sections 5.6, 6.1, 6.2, 6.4 and 13.2	Items 8, 11 and 16
h. Trademarks and proprietary information	Sections 5.6 and 13.1 – 13.6	Items 13 and 14
i. Restrictions on products/services offered	Section 6.2	Item 16
j. Warranty and customer service requirements	Section 6.4	Item 11
k. Territorial development and sales quotas	Sections 1.1(p) and 2.4, Schedule III	Item 12
l. Ongoing product/service purchases	Sections 6.2 and 6.4	Item 8
m. Maintenance, appearance and remodeling requirements	Section 6.1	Item 11
n. Insurance	Section 7	Items 7 and 8
o. Advertising	Section 10	Items 7 and 11
p. Indemnification	Section 19	Item 13
q. Owner's participation / management / staffing	Sections 5.1 – 5.3 and 6.5	Items 11 and 15
r. Records and reports	Section 11	Item 11
s. Inspections and audits	Section 12	Item 11
t. Transfer	Section 17	Item 17
u. Renewal	Section 2.3	Item 17
v. Post-termination obligations	Section 15	Item 17

<i>Obligation</i>	<i>Section in Franchise Agreement</i>	<i>Item in Offering Circular</i>
w. Non-competition covenants	Section 16	Items 16 and 17
x. Dispute resolution	Section 20.17	Item 17

Item 10

FINANCING

We occasionally defer payment of a portion of the initial franchise fees for franchisees that purchase franchises that comprise multiple Territory Units. The amount of financing offered will vary depending upon the applicant and the amount of the initial franchise fees. See Item 7, Note 2, for a description of the terms of this financing.

Except as set forth in Item 7, Note 2, we do not offer direct or indirect financing. We do not guaranty your note, lease or obligation.

Item 11

FRANCHISOR'S OBLIGATIONS

Except as disclosed below, Proshred need not provide any assistance to you.

Before Opening

Before you open your business, Proshred will:

1. Designate your exclusive territory. You will apply for a franchise for a specific exclusive territory. As such, your exclusive territory will be determined before you sign the Franchise Agreement and will be set forth in Schedule II of the Franchise Agreement. Your territory may consist of one or more Territory Units. A Territory Unit is defined as a geographic area comprised of approximately 7,000 locations of businesses, nonprofit entities, governmental agencies and the like that each have ten or more employees. (See Item 12.)
2. Provide you with specifications and requirements for the vehicles, equipment, office furniture, computer system, telephones, uniforms and supplies you will use in your franchised business. (Section 4.5 of the Franchise Agreement.)
3. Assist you in obtaining your vehicles, equipment, supplies and leasing or financing.

4. Provide initial training for two people per territory from your company to operate your franchise, as described below. (Section 5.1 of the Franchise Agreement.)
5. Loan you copies of our operations manuals or provide access to the manuals on-line via our secure extranet. Our operations manuals contain mandatory and suggested specifications, standards and procedures. (Section 5.6 of the Franchise Agreement.) These manuals are confidential and remain our property. As of the date of this Offering Circular, the sales manuals included are: Preopening, Supplies & Equipment, Human Resources, Administration, Sales and Marketing, Operations, ISO Program and a Customer Service Professional Handbook. We modify and update these manuals from time to time, but the modifications will not alter your status and rights under the Franchise Agreement. We encourage you to view the manuals at our office before you purchase the franchise.
6. Provide you with a complete hardware and software configuration, including a license to use our Shredlogic software for scheduling, billing, reporting and related operational functions.
7. Provide such other assistance and support as we may deem necessary or desirable to assist you with the launch of your Proshred business.

Training Program

Before you begin your Proshred business, we will train at least two people from your company. Initial training at "Proshred University" in Toronto, Ontario, Canada, is required for the owners or managers named in Schedule I of the Franchise Agreement, who together own and control the right to vote a majority interest in your company, and any other persons primarily responsible for the day-to-day operation of the franchised business. (Sections 2.2 and 5.1 of the Franchise Agreement.) Each of these people must complete the initial training to our satisfaction. (Section 5.2 of the Franchise Agreement.)

The training program consists of ten (10) days of training at Proshred's National Support Centre in Toronto, Ontario, Canada, and five (5) days of on-site training at the office of a mentor we assign to you, and an additional five (5) days of training at your location at the time of opening or just after you open for business.

Proshred does not charge for this training for up to two people for the first Territory Unit and one additional person for each additional Territory Unit in your Territory, but you must pay their travel and living expenses. We will train additional people but you must pay us our standard fee for the training of such additional people beyond the first two.

Andrew Parry, Manager of Marketing and Training, and Tim Tibbs, Executive Vice President Operations, are the Proshred officials in charge of training. They will do most of the training during the first ten days, along with James Reid, Director of Franchise Development, Brad Foster, Chief Financial Officer, and John Prittie, President. The experience of each of these instructors is described in Item 2. These instructors may teach different subjects interchangeably.

The following table provides detailed information about the initial training program at our office:

<i>Subject</i>	<i>Instructional Material</i>	<i>Days of Classroom Training</i>
Sales Training	Sales Manual; CRM materials; and assorted sales texts and materials	2
Operations & Human Resources	Operations Manual; CSP Handbook; Personnel Manual; ISO manuals; and assorted safety texts and materials	2
Finance and Administration	Finance & Administration Manual; Forms Manual; Quickbooks materials; Shredlogic materials; Shrednet materials	2
Marketing and Promotion	Marketing Manual; Styles Manual	2
Pre-Opening	Supplies and Equipment Manual; Pre-Opening Manual; assorted texts and materials	2

The following table provides detailed information about the initial on-site or field training program at a mentor location:

<i>Subject</i>	<i>Instructional Material</i>	<i>Days of Field Training</i>
Sales Training	Sales appointments and cold calling	3

Operations	Customer service on shredding truck	1
Office Management and Administration	Office management – invoicing, collections, administration, etc.	1

The five days of training at your location includes two days of selling, two days of operations and one day of administration.

During Operation

During the operation of the franchised business, Proshred will do the following:

1. Provide ongoing training courses for such of your key personnel as we may designate, at such locations as we may reasonably require from time to time, although none of your personnel will be required to attend more than five (5) days of such programs during any calendar year. (Section 5.4 of the Franchise Agreement.) Proshred does not charge for these courses that we require your personnel to take, but you must pay the travel and living expenses.
2. Provide such advice and assistance as you may reasonably require, in our opinion, with respect to:
 - (a) methods and procedures for the collection, handling and shredding of customer materials, and for the transportation and sale of shredded materials;
 - (b) such additional services as we may approve from time to time;
 - (c) the purchase, operation, maintenance and use of vehicles, equipment, uniforms and other materials used in the franchised business;
 - (d) formulating and implementing advertising, promotional and public relations programs;
 - (e) establishing and implementing administrative, bookkeeping, accounting and general operating procedures for the proper operation of a Proshred franchise; and
 - (f) the efficient and effective operation of a Proshred franchise.

If you require additional assistance, we may charge you a reasonable fee for providing such assistance. (Section 5.5 of the Franchise Agreement.)

3. Provide regular operational reviews both to ensure compliance and to recommend improvements.
4. Coordinate group and cooperative purchasing programs as necessary in our judgment.

5. Provide a chart of accounts and QuickBooks accounting system interface with the Shredlogic software system and a license to use the Shredlogic system.
6. Provide access to Proshred's "Shrednet" Intranet system. Resource materials include online training materials, best practices, financial benchmarking information, marketing materials and the like.

Advertising

We require each franchisee to pay \$2,000 toward our advertising fund at the time they sign their franchise agreement. We also require you to spend at least \$7,500 per Territory Unit on an initial direct mail marketing campaign. (Franchise Agreement, Section 10.5(a).) On an ongoing basis, we require you to spend at least 3% of the gross revenue of your franchised business, but not less than \$1,000 per month, on local advertising and promotion, but no less than \$1,000 per month. (Franchise Agreement, Section 10.5.) The \$7,500 you spend on your initial direct mail marketing campaign is included in calculating this 3% figure, but your initial \$2,000 contribution to the advertising fund is not counted. These amounts are necessary to establish and maintain a strong presence in each market. You may develop local advertising materials for your own use, at your own cost, following marketing criteria that we establish, or you may use local advertising materials developed by Proshred through the advertising fund described below. We must approve the advertising materials in advance. (Section 10.5(b) of the Franchise Agreement.)

As part of your local advertising requirement, you must place such advertisements as we require in your local yellow pages telephone directories at your expense, using suppliers we specify, and in online directories specifically targeted to serve your area. (Franchise Agreement, Section 10.4.)

In addition, we require you to pay us an advertising fee of not less than 1% and not more than 3% of the gross revenue of your franchised business for our use in developing and implementing sales, marketing, advertising and promotional materials, campaigns or programs. These fees finance an advertising fund that we maintain and administer. We direct all programs that the advertising fund finances. The fund is used to pay the costs of producing video, audio and written advertising materials, administering national and regional advertising programs, engaging advertising, promotion and marketing agencies to assist us, supporting public relations, market research and other advertising, promotion and marketing activities, maintaining and improving the System Website (discussed below), ISO certification and audits and related travel, lead generation, NAID and other industry memberships and affiliations, sales contests, national account sales, toll free telephone number, convention expenses, uniform administration and administration of the Franchisee Advisory Council. Advertising may use any form of media, including but not limited to print ads, radio, television and Internet. The source of the advertising may be our in-house advertising department, an outside advertising agency or both. (Sections 10.1 and 10.2 of the Franchise Agreement.)

Although we endeavor to use the advertising fund to develop advertising programs and to place advertising that will benefit all franchisees, we cannot ensure that expenditures from the advertising fund in any geographic area are proportionate or equivalent to contributions to the fund by franchisees operating in the geographic area or that your franchised business will benefit directly or in proportion to your contribution to the fund.

Contributions to the advertising fund are not used to sell additional franchises, although we may use materials resulting from such contributions on the System Website (discussed below), which may advertise the Proshred franchise opportunity.

We appoint a group of franchisee representatives to act as an advisory committee to assist us in determining the amount of the advertising fee and in managing and administering these campaigns and programs. The advisory committee may advise and make recommendations, but does not act as a policy-making board and has no authority to direct the management or administration of any campaigns or programs. We determine or approve the rules under which the advisory committee functions.

We may establish an entity to operate the advertising fund, but we have no obligation to do so.

The fund is accounted for separately from our other funds and is not used to defray any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the advertising fund and its programs.

We prepare a statement of the operations of the advertising fund each year and provide it to you upon your request. Advertising receipts and expenditures are administered by us and are not audited. Any amounts of advertising fees that we do not spend in the year they accrue will be carried forward and included in the following year's advertising budget.

Website

We maintain a website, and we may establish other websites, to advertise, market and promote the Proshred shredding services and the Proshred franchise opportunity (a "System Website"). We maintain the System Website. We may use the advertising fund's assets to develop, maintain and update those parts of the System Website that promote the Proshred shredding services. We periodically update and modify the System Website. (Franchise Agreement, Section 10.7(b).)

We also maintain an Intranet for Proshred franchisees (called "Shrednet") where we post best practices, resource materials, training materials, financial benchmarking information and other information of value to franchisees.

Aside from online directory advertising designated or approved by us and the System Website, you may not advertise via the Internet except in such manner as we may authorize or approve. (Section 10.7(a) of the Franchise Agreement.)

Site Selection

You will operate from premises approved by us. (Section 3 of the Franchise Agreement.) You select your business site within your exclusive territory subject to our approval. The site is typically located in an industrial or commercial complex.

If you have not selected a site before you sign the Franchise Agreement, you must submit one or more proposed sites for the premises of your franchised business within 45 days after the date of the Franchise Agreement. We will attempt to review the proposed site within seven days after we receive it. If we do not approve a proposed site, we may terminate your Franchise Agreement. We may not unreasonably withhold approval of any site. In evaluating sites for approval or disapproval, we consider factors including the geographic positioning of the site to be able to service a broad area of the territory efficiently, the ability to park multiple trucks and store adequate quantities of containers, consoles, bins, boxes and the like, the availability of space for sales offices with a high speed internet connection, and any other factors that we may consider relevant.

Within 45 days after we approve a site, you must, at your expense, complete the acquisition or lease arrangements.

You may not relocate the franchise without first obtaining our written consent.

Time of Opening

We expect franchisees to open for business by the later of (a) forty-five days after we approve the site or (b) thirty days after the completion of initial training. (Section 14.1 (c) of the Franchise Agreement.) The factors that affect this time include the availability of vehicles, equipment and supplies; the timing of the initial training; the time it takes you to locate a site acceptable to us; the time it takes to obtain, negotiate and sign a lease acceptable to us; the time it takes you to obtain any required financing; construction delays; and compliance with local ordinances and regulations. We have the right to terminate the Franchise Agreement if you do not sign the lease and open the franchise for business within the required time.

Computer Hardware and Software

We require you to purchase a specific package of hardware and software for your franchised business from our approved supplier, Windswept Integrated Technolo-

gies Inc., which also provides initial computer training. Their phone number is 613-831-3263, and their website is www.windsweptit.com.

This package includes an IBM Intel based server with redundant hard drives, running the Microsoft Windows 2003 Server operating system with licensing for five users; IBM ThinkCenter desktop systems and IBM ThinkPad notebook computers. Network security is provided by a Sonicwall Internet Security Appliance. Anti-Virus protection is provided by Trend Micro Corporate Small Business licenses. Quickbooks Pro 2006 provides financial management functionality, and Microsoft Office provides word processing, spreadsheet, e-mail, PowerPoint & Publisher. A 3COM Network Switch links all wired devices together and provides 1000 Mbps network connectivity. (Franchise Agreement, Section 4.5(b) and Schedule VI.)

We also require you to purchase a license for a customer relations management (CRM) product specified or approved by us to help you manage sales and marketing. The CRM software currently approved by us is Netsuite. Netsuite's website is www.netsuite.com.

In addition, we grant you a license to use our Shredlogic software to facilitate the scheduling, billing, reporting and related operational functions of your franchised business. (Franchise Agreement, Section 4.5(b) and Schedule VII.) This software enables us to receive automatic electronic transmissions of your customer and billing information on a daily basis, and to access your computer system and retrieve other information relating to the franchised business. Windswept Integrated Technologies Inc. maintains and provides support for this software on our behalf. You pay for your use of the Shredlogic software and its maintenance and support through the Information Technology Services Fee. This fee also pays for the use of the Shrednet Intranet site. (Section 9.4 of the Franchise Agreement.)

We provide you with an e-mail account using our domain name, and you must use this account as well as the System Website and our Shrednet Intranet in accordance with any code of conduct we may issue from time to time. (Franchise Agreement, Sections 10.5(b) and 10.7(c).)

You must maintain and upgrade your software and your computer equipment in accordance with the requirements that we prescribe from time to time. (Section 4.5(b) of the Franchise Agreement.) There is no contractual limit on the frequency or cost of these upgrades. We do not know the cost of any future upgrades.

Item 12

TERRITORY

You will receive an exclusive territory consisting of one or more Territory Units. A Territory Unit is defined as a geographic area comprised of approximately 7,000 loca-

tions of businesses, nonprofit entities, governmental agencies and the like that each have ten or more employees. Your exclusive territory may be defined by counties, by postal zip codes or both. You select your exclusive territory subject to our approval, from a list of approved territories established and updated by us from time to time. Your application for a franchise will be for a specific territory, and that territory will be described in Schedule II of your franchise agreement. We assist you in this selection by providing business counts, number of competitors and information regarding the proximity of the proposed territory to other Proshred territories.

You will operate the franchise from premises approved by us. You may not relocate the franchise without first obtaining our written consent. We will approve the relocation of your franchise under the same requirements that govern our approval of the original location. (See "Site Selection" in Item 11.)

Proshred will not operate a competitive business or grant franchises for a similar or competitive business within your territory, nor solicit orders in your territory, as long as you are not in default of any provision of the Franchise Agreement and you continue to meet your minimum performance levels, as set forth in Schedule III of your Franchise Agreement. The minimum performance level is equal to gross revenues of \$100,000 per Territory Unit per twelve-month period beginning the first full calendar month following the date that the franchised business begins operations, except that the obligation to attain such gross revenues for each Territory Unit after the first one will begin in successive twelve-month periods. It is cumulative from year to year. For example, the minimum performance level of a territory comprised of a single Territory Unit is \$100,000 for the first twelve-month period, \$1,000,000 for the tenth twelve-month period, and \$1,500,000 for the fifteenth twelve-month period. If your territory is comprised of two Territory Units, the minimum performance level for the second Territory Unit begins twelve months following the date the franchised business begins operations. If your territory is comprised of three Territory Units, the minimum performance level for the third Territory Unit begins twenty-four months following the date the franchised business begins operations. Gross revenue includes all sales derived from the franchised business, but does not include revenue attributable to your acquisition of other shredding companies in your territory.

If you fail to attain at least 50% of the minimum performance level in any twelve-month period, we will have the right to terminate the franchise agreement and to collect royalty fees on the shortfall. (Franchise Agreement, Section 2.4(b).)

If you attain at least 50% but you do not attain 75% of the minimum performance level in any twelve-month period, we will have the right to reduce the number of Territory Units that comprise the Territory proportionately, to change the boundaries of the Territory to reflect this reduction, and to collect royalty fees on the shortfall. (Franchise Agreement, Section 2.4(c).)

If we finance a portion of your initial franchise fee (as described in Item 7, Note 2) and you fail to make any payment of principal or interest on the promissory note that evidences the financed portion of the initial franchise fee when due, we have the right to reduce the number of Territory Units that comprise the Territory in proportionately and to change the boundaries of the Territory to reflect this reduction. (Franchise Agreement, Section 9.1(b). If we exercise this right, we will not collect the balance due on the promissory note.

You maintain rights to your exclusive territory during the initial term of your franchise agreement, even if the number of entities with ten or more employees increases. We may reexamine the size of your territory at the time of renewal or transfer of your franchise agreement and make modifications based on changes in the numbers of entities in your territory with ten or more employees, and based on our then-current standards in granting new franchises.

We reserve the right to enter into agreements for regional or national accounts with customers that have locations within your Territory. Upon our request, you must service such customers at their locations within the Territory and in any nearby locations that may be outside of your territory but not within the assigned territory of another Proshred franchisee. The terms and conditions of this service will be based on our agreement with such account. (Franchise Agreement, Sections 2.1(d) and 10.8.)

You may not service any customers outside of your territory unless the customer location is not within the territory of another Proshred franchisee or affiliate business and is approved by us or requested by us in connection with regional or national accounts. Your right to sell or provide services to any such customer outside of your territory will end if we grant to another franchisee exclusive rights to the territory in which such customer is located or if we open a company or affiliate Proshred operation in such area. (Section 2.1(c) of the Franchise Agreement.)

We also reserve the right to acquire the shares or assets of a business competitive with the franchised business. In the event of such an acquisition, we may operate or license to others to operate such competitive business in the Territory under any trademarks or trade names other than the Proshred trademarks. (Franchise Agreement, Section 2.1(e).)

In the event that we merge with, acquire or are acquired by another company that competes with Proshred, we and our affiliates reserve the right to offer and sell and authorize others to offer and sell competing products and services under any other names and marks while your Franchise Agreement is in effect.

Item 13

TRADEMARKS

Proshred grants you the right to operate a business under the name "Proshred" and to use in connection with this business our current or future trademarks. By trademarks we mean trade names, trademarks, service marks and logos used to identify your business.

Our affiliate, PSP Corporation, has acquired ownership of the following mark registered on the principal register at the United States Patent and Trademark Office:

<i>Mark</i>	<i>Reg. No.</i>	<i>Reg. Date</i>
PROSHRED	1,710,461	August 25, 1992

This affiliate has filed all required affidavits and has renewed the registration. The same affiliate has the following trademark application pending:

<i>Mark</i>	<i>Serial No.</i>	<i>Filing Date</i>
PROSHRED SECURITY (LOGO)	76/494,368	February 25, 2003
RISC MANAGEMENT	78/595,929	March 29, 2005

We have an exclusive license from our affiliate to use and sublicense the use of the Proshred trademarks in the U.S.A. This agreement remains in effect as long as both Proshred and the licensor remain part of the group of Proshred companies.

By not having a Principal Register federal registrations for the PROSHRED SECURITY logo and the RISC MANAGEMENT trademarks, we do not have certain presumptive legal rights granted by a registration.

You must follow our rules when you use our marks. You cannot use the Proshred name or mark as part of a corporate name or with modifying words, designs or symbols except for those which Proshred licenses to you. You may not use the Proshred name or registered mark in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by Proshred. (Section 13.2 of the Franchise Agreement.)

No agreements limit Proshred's right to use or license the use of Proshred's trademarks.

You must immediately notify us of any unauthorized use of the Proshred trademarks or any name or trademark confusingly similar to the Proshred trademarks or any claim or litigation against you involving the Proshred trademarks. We have the right to control any actions involving the Proshred trademarks, although you must cooperate fully in those actions. (Section 13.4 of the Franchise Agreement.)

We will indemnify you against any claim against your use of our trademark provided that you notify us in a timely manner of such action or threatened action, and we have the right to control such litigation or proceeding. (Section 19.1 of the Franchise Agreement.)

You must modify or discontinue the use of a trademark if we modify or discontinue it. We may modify or discontinue a mark or adopt a new one for use in the system in our discretion. (Section 13.3 of the Franchise Agreement.)

There are no determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending interference, opposition or cancellation proceedings or pending material litigation involving the "Proshred" trademark which is relevant to its use in the states in which the franchised business is to be located.

Proshred does not know of any infringing uses that could materially affect your use of the Proshred trademark.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise.

We claim all rights and interests, including all copyrights, to the information contained in the manuals, advertising materials, the Shredlogic software and all our communications to you in writing or otherwise setting forth our standards, requirements, operating procedures or policies relating to the operation of a Proshred franchise, as well as any revisions and additions to these materials. (Sections 1.1(g) and 13.5 of the Franchise Agreement.) We have not registered the copyrights in any of these materials. We also claim all rights and interests to all customer information collected in our databases.

The information contained in the manuals and the information presented during training is confidential material of Proshred. You and your employees involved in the franchised business may use Proshred's confidential and proprietary information only in furtherance of the franchised business and only in the manner we specify from time to time. (Sections 5.6 and 8 of the Franchise Agreement.)

You must notify us promptly in writing if you learn about any unauthorized use of Proshred's copyrights or proprietary information. We are not obligated to take any action but we will respond to this information as we think appropriate.

All improvements in the Proshred system that you develop will become the property of Proshred. We will have the sole right to protect such improvements in our name or in the name of any of our affiliates by means of copyright, patent, trade secret or trademark law. (Section 13.7 of the Franchise Agreement.) You must promptly disclose all such improvements to us.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The personnel of your company who we require to attend the initial training program (as described in Item 11) must devote their full time, attention and effort to the franchised business and provide direct, on-premises, day-to-day supervision of the operation. (Section 6.5 of the Franchise Agreement.) Such personnel must complete the initial training program to our satisfaction. (Section 5.2 of the Franchise Agreement.) Such personnel may not take on other business responsibilities that would be inconsistent with the operational requirements of the franchised business or contrary to its best interest, and they may not have any interest in any other materials destruction or shredding business.

We require managers who together own and control the right to vote a majority interest in your company to sign a guaranty of your company's obligations under the Franchise Agreement. (Section 2.2 of the Franchise Agreement.) In addition, all managerial persons who enroll in our training program must sign an undertaking to be bound by provisions of the Franchise Agreement relating to confidentiality, trademarks and noncompetition. (Sections 5.1 and 8(b) of the Franchise Agreement.)

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may carry on no business at the franchised premises other than the franchised business without our express written approval in advance. (Section 3.1 of the Franchise Agreement.) We require you to offer to your customers all services that we designate from time to time, and we require you not to offer any other services. (Section 6.2 of the Franchise Agreement.) You must deliver these services in accordance with our requirements. We have the right to change the types of authorized goods and services you may offer from time to time on reasonable notice. (Section 6.6 of the Franchise Agreement.) The only limits on our right to make changes are that we act reasonably and that our requirements stay within the scope of a business of selling

shredding services. There are no restrictions regarding customers your may service except that you are obligated to service national accounts. We manage the national account system and we determine prices for national accounts. (Franchise Agreement, Sections 2.1(d) and 10.8.)

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Offering Circular.

<i>Provision</i>	<i>Section in Franchise Agreement</i>	<i>Summary</i>
a. Term of the franchise	Section 2.1(a)	Ten years.
b. Renewal or extension of the term	Section 2.3(a)	You may renew for two additional five-year terms if you remain in good standing.
c. Requirements for you to renew or extend	Section 2.3(a)	Notify us of your desire to renew 6-9 months before the end of the term; sign a new agreement; refurbish vehicles and equipment; pay fee.
d. Termination by you	None	You may terminate the agreement on any grounds available by law.
e. Termination by us without "cause"	None	
f. Termination by us with "cause"	Sections 14.1	We can terminate only if you default.
g. "Cause" defined — defaults that can be cured	Section 14.1	You must immediately stop selling unauthorized services or cease any conduct that adversely affects the Proshred marks. You must immediately correct any aspect of your

Provision	Section in Franchise Agreement	Summary
		operation that presents a hazard. You have 30 days to satisfy us that you are not in danger of becoming insolvent. You have 15 days to cure other breaches.

h. "Cause" defined — defaults that cannot be cured	Section 14.1	Non-curable defaults: bankruptcy or insolvency; abandonment of the business; submission of a report understating gross revenue for any period by more than 2% (unless inadvertent error); more than two late submissions of a report; failure to pay any amount due within 5 days; violation of law; false representations to us; failure to record any transaction; failure to attain 50% of your minimum performance level. Your breach of any other agreement with us or any of our affiliates constitutes a breach of the Franchise Agreement.
i. Your obligations on termination /non-renewal	Sections 15.1 – 15.3	Obligations include complete de-identification, return of manuals and payment of amounts due. (See also r below.)
j. Assignment of contract by us	Section 17.1	No restriction on our right to assign.
k. "Transfer" by you — defined	Section 17.2	Includes transfer of contract or assets or ownership change.
l. Our approval of a transfer by you	Section 17.2	Proshred may withhold its approval to a transfer unless the conditions in m below have been met.

<i>Provision</i>	<i>Section in Franchise Agreement</i>	<i>Summary</i>
m. Conditions for our approval of the transfer	Section 17.2	You are in compliance; all franchise fees and royalties are paid; transfer fee is paid; transferee signs new form of agreement; you comply with applicable bulk sales laws; the transferee meets our criteria for Proshred franchisees; we approve the terms of the transfer; the guarantees we require are signed; the transferee agrees to upgrade the vehicles and equipment to the current Proshred image; you deposit with us the amount we require as security.
n. Our right of first refusal to acquire your business	Sections 17.3	We can match any offer for your business.
o. Our option to purchase your business	Sections 14.2 and 14.3 and Schedule V	<p>On termination or nonrenewal, we may purchase the physical assets used in your business at their fair market value.</p> <p>If we receive an offer to acquire the entire Proshred business, including all franchises, we may purchase your business at a formula price that reflects your proportionate share of all Proshred gross revenues. In the first three years, the purchase price will not be less than your initial investment.</p>

Provision	Section in Franchise Agreement	Summary
p. Your death or disability	Section 17.4	The estate must assign the franchise to an approved buyer within 12 months.
q. Non-competition covenants during the term of the franchise	Section 16.1	No involvement in competing business anywhere in the U.S. or Canada.
r. Non-competition covenants after the franchise is terminated or expires	Section 16.2	No competing business for two years (including after assignment), in the Territory and within 10 miles of the Territory or of another Proshred franchise in the U.S. or Canada.
s. Modification of the franchise agreement	Sections 5.6, 6.6 and 20.4	No modifications generally unless signed by the parties, but the operations manual is subject to change.
t. Integration/merger clause	Section 20.12	Only the terms of the franchise agreement are binding (subject to state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	None	Choice is up to the party that brings the action, except as otherwise noted in Exhibit J.
w. Choice of law	Section 20.17	New York law applies, except as otherwise noted in Exhibit J.

Several states have statutes and court decisions that may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

Item 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise.

Item 19

EARNINGS CLAIMS

We have compiled the following information regarding actual sales per customer received by our franchisees during the period January 1, 2006, to March 31, 2006. We began collecting this data from our franchise network January 1, 2006. The information presented below represents statistics accumulated from our franchisees for January 1, 2006 to March 31, 2006. We plan to provide annual data commencing July 1, 2007.

Revenue per Customer by Service Type

	Scheduled Revenue per Customer per Month ¹	Un-Scheduled Revenue per Customer per Month ²	Price per Ton of Recycled Paper ³
Highest Franchisee	\$ 295	\$ 623	\$ 65
Systemwide Average	\$ 151	\$ 312	\$ 50
Lowest Franchisee	\$ 52	\$ 110	\$ 40

Notes:

- (1) Scheduled revenue is the revenue associated with customers that procure shredding service on a regular schedule (i.e. once per week, once per month, once per quarter). Scheduled Revenue per Customer per Month is calculated by taking the revenue from scheduled customers and dividing by the number of customers with regularly scheduled service.
- (2) Un-Scheduled revenue is the revenue associated with customers that procure shredding service on an ad hoc basis or to do annual purging of documents. Un-Scheduled Revenue per Customer per Month is calculated by taking the revenue

from un-scheduled customers and dividing by the number of customers without regular service.

- (3) Franchisees sell the shredded paper to recyclers. The Price per Ton of Recycled Paper is the price received from recyclers for the paper.

The above figures reflect the 6 franchised operations that were opened and operating for at least 12 months as of March 31, 2006. The figures shown are the highest franchisee, the system wide average and the lowest franchisee. 50% of the franchisees exceeded the system wide average.

YOUR ACTUAL FINANCIAL RESULTS WILL LIKELY DIFFER FROM THE FIGURES PRESENTED. THE REVENUE RESULTS OF INDIVIDUAL FRANCHISEES WILL DEPEND ON A NUMBER OF FACTORS WHICH MAY VARY DUE TO THE INDIVIDUAL CHARACTERISTICS OF EACH FRANCHISED TERRITORY. FACTORS AFFECTING REVENUE INCLUDE THE NUMBER OF BUSINESSES WITHIN A MARKET, THE NUMBER OF COMPETITORS WITHIN A MARKET AND STATE AND LOCAL LEGISLATION REGARDING DOCUMENT DESTRUCTION AND RECYCLING.

THE FIGURES ABOVE SHOULD NOT BE CONSIDERED AS POTENTIAL REVENUE FIGURES THAT MAY BE REALIZED BY YOU. WE DO NOT REPRESENT THAT YOU CAN EXPECT TO ACHIEVE THESE REVENUE FIGURES. ACTUAL RESULTS WILL VARY FROM FRANCHISE TO FRANCHISE AND WE CANNOT ESTIMATE THE RESULTS OF ANY PARTICULAR FRANCHISE. YOU SHOULD NOT RELY ON THESE FIGURES. YOU MUST ACCEPT THE RISK THAT YOUR FRANCHISE WILL NOT PERFORM AS WELL.

WE HAVE BASED THE CLAIMS UPON INFORMATION SUBMITTED TO US BY OUR FRANCHISEES. THIS INFORMATION HAS NOT BEEN AUDITED BY PROSHRED FRANCHISING CORP. SUBSTANTIATION OF THE ABOVE SALES FIGURES IS AVAILABLE TO YOU AT OUR OFFICES IF YOU REQUEST THE INFORMATION FROM US IN WRITING.

OTHER THAN THE INFORMATION ABOVE, WE DO NOT FURNISH OR AUTHORIZE OUR SALESPERSONS TO FURNISH ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL OR POTENTIAL SALES, INCOME OR PROFITS OF A **PROSHRED** FRANCHISE.

Item 20

LIST OF OUTLETS

FRANCHISED OUTLET STATUS SUMMARY
FOR THE YEARS ENDED MARCH 31, 2006/2005/2004 (Note 1)

State	Transfers	Cancelled or Terminated	Not Renewed	Reacquired by Franchisor	Left the System; Other	Total from Left Columns	Franchises Operating at Year End
Colorado						0/0/0	1/1/1
Florida		0/0/1				0/0/0	1/1/2
Georgia					0/0/1	0/0/1	0/0/1
Massachusetts						0/0/0	1/1/1
New York						0/0/0	3/3/3
North Carolina						0/0/0	1/0/0
Wisconsin						0/0/0	1/1/1
Totals	0/0/0	0/0/1	0/0/0	0/0/0	0/0/1	0/0/2	8/7/9

Note 1: All numbers are as of March 31 for each year. Proshred did not offer or award franchises for the period from October 1, 2004, through March 31, 2005, due to the change of ownership and management.

STATUS OF COMPANY-OWNED OUTLETS
FOR THE YEARS ENDED MARCH 31, 2006/2005/2004

State	Outlets Closed During Year	Outlets Opened During Year	Total Outlets Operating at Year End
New York	0/0/1	0/0/0	0/0/0
Totals	0/0/1	0/0/0	0/0/0

PROJECTED OPENINGS
AS OF MARCH 31, 2006

<i>State</i>	<i>Franchise Agree- ments Signed But Center Not Open</i>	<i>Projected New Franchises in the Next Fiscal Year</i>	<i>Projected Com- pany-Owned Openings in Next Fiscal Year</i>
Arizona		1	
District of Columbia		1	
Florida		1	
Georgia		1	
Maryland		1	
Massachusetts		1	
New Jersey		1	
New York		1	
Pennsylvania		1	
Totals	0	9	0

Attached to this offering circular as Exhibit B is a list of the names, addresses and telephone numbers of all Proshred franchisees as of March 31, 2006. Attached to this offering circular as Exhibit C is a list of the names and last known addresses and telephone numbers of all franchisees who have had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during Proshred's most recent fiscal year, or who have not communicated with Proshred within ten weeks of the application date.

Item 21

FINANCIAL STATEMENTS

Attached to this Offering Circular as Exhibit D are the audited balance sheets of Proshred as at March 31, 2006, 2005 and 2004, and the statements of operations, shareholders' equity and cash flows for the periods ending March 31, 2006, 2005 and 2004.

Item 22

CONTRACTS

The Franchise Deposit Agreement is attached to this Offering Circular as Exhibit F. The Franchise Agreement and schedules are attached to this Offering Circular as Exhibit G.

Item 23

RECEIPT

A form for your use to acknowledge your receipt of this Offering Circular, including all exhibits, is attached as Exhibit J. You must date and sign one copy of the Acknowledgement of Receipt and deliver it to us or to our legal counsel.