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FRANCHISE DISCLOSURE DOCUMENT 2018 OCT 22 AM 10 16



~~PROSHRED FRANCHISING CORP.~~
~~A Delaware Corporation~~
~~6559 Mississauga Rd., Suite B~~
~~(until June 2017)~~
~~6505 Mississauga Rd., Suite A~~
~~(after June 2017)~~
~~Mississauga, Ontario L5N 1A6~~
~~Canada~~
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~~info@proshred.com~~
~~www.proshred.com~~

PROSHRED FRANCHISING CORP.
A Delaware Corporation
6505 Mississauga Rd., Suite A & B
Mississauga, Ontario L5N 1A6
Canada
1-866-379-5028
info@proshred.com
www.proshred.com

We offer franchises for the operation of a business that provides on-site and off-site services for the destruction, disposal, ~~and~~ recycling and retention of documents and other sensitive and ~~confidential~~ materials, including electronic media (the "Proshred Franchise")

The total investment necessary to begin operation of a Proshred Franchise is \$335,500 to \$640,000. This includes a minimum of \$35,000 to ~~\$250~~ 175,000 that must be paid to the franchisor and its affiliates.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least fourteen (14) calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENTAL AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jeffrey Hasham at Proshred Franchising Corp., ~~6505~~ 6559 Mississauga Rd., Suite A & B, Mississauga, Ontario L5N 1A6 Canada, ~~(prior to June 2017)~~ or at ~~6505 Mississauga Rd., Suite A, Mississauga, Ontario L5N 1A6 Canada (after June 2017);~~ 1-866-379-5028

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this

disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D C 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date October 16, 2018

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. **REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT**

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW

Please consider the following **RISK FACTORS** before you buy this franchise

1 THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS

2 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES ~~ARBITRATE OR LITIGATE WITH US BY MEDIATION, ARBITRATION AND IN CERTAIN CIRCUMSTANCES, LITIGATION, ONLY~~ IN BUFFALO, NEW YORK, ALTHOUGH GOVERNING LAW MAY PROVIDE THAT ANY PROVISIONS IN THE FRANCHISE AGREEMENT DESIGNATING JURISDICTION OUT OF THE STATE IS VOID. IT MAY COST MORE TO ARBITRATE OR LITIGATE WITH US IN NEW YORK THAN IN YOUR HOME STATE

3 FAILURE TO MAINTAIN THE MINIMUM REVENUE QUOTAS IS A DEFAULT UNDER THE FRANCHISE AGREEMENT AND GROUNDS FOR TERMINATION OF THE FRANCHISE

4 THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR-OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS. FRANCHISOR CONTROLS

5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise

Effective Date See the next page for state effective dates

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

State	Effective Date
California	August 3, 2017
Hawaii	July 20, 2017
Michigan	June 5, 2017
Minnesota	September 22, 2017
New York	August 7, 2017
Washington	August 3, 2017

**THE FOLLOWING APPLIES ONLY TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you

- (a) A prohibition on the right of a franchisee to join an association of franchisees
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than five (5) years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c)

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general

Any questions regarding this notice should be directed to

State of Michigan Consumer Protection Division
Attention: Franchise
670 G Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone (517) 373-7117

PROSHRED
FRANCHISE DISCLOSURE DOCUMENT

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EXHIBITS

- A State Administrators and Agents for Service of Process
- B List of Franchisees
 - 1 Proshred Franchisees
 - 2 Former Proshred Franchisees
- C Franchisee Organizations
 - 1 Franchisee Organizations We Have Created, Sponsored or Endorsed
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- D Financial Statements
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 - 1 Prospective Franchise Confidentiality and Non-Competition Agreement
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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this Disclosure Document, "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. As of the issuance date of this Disclosure Document, our principal business address in Canada is 65056559 Mississauga Rd, Suite A & B, Mississauga, Ontario L5N 1A6, Canada, and in the United States our training facilities are located at 5 W Main St #140200, Elmsford, NY 10523, 6067 Corporate Drive, East Syracuse, NY 13057 and 803 Pressley Road, Suite 108, Charlotte, NC 28217. ~~As of June 2017, our principal business address in Canada will be 6505 Mississauga Road, Suite A, Mississauga, Ontario L5N 1A6.~~

Our agents for service of process are listed in Exhibit A of this Disclosure Document.

The Franchise

We franchise the right in the United States to sell on-site and off-site services for the destruction, disposal, ~~and recycling and retention~~ of information, documents and computer-generated and stored information and other sensitive and confidential materials and products under the trademark **PROSHRED®** and other trademarks. We offer ancillary services related to breach reporting and paper and electronics recycling. We offer scanning services to qualifying franchisees ~~as part of a pilot program~~. Your Proshred Franchise will include one or more Territory Unit(s) (as defined in Item 5) and will operate inside a Territory (as defined in Item 12). You will sign a franchise agreement (the "Franchise Agreement") for each Proshred Franchise you operate, a copy of which is attached to this Disclosure Document as Exhibit E-3.

The Proshred system means and includes the business methods conforming to the standards, systems, concepts, method and procedures developed and used by us or which are developed and used by us in the future for the sale and rental of goods and services under the trademark **PROSHRED®** and other trademarks (the "Proshred System"). The Proshred System includes, but is not limited to: (i) the distinguishing characteristics relating to the basic image, appearance, model, design and color of vehicles and equipment, (ii) the methods of marketing and selling services, and (iii) the standards of quality and service.

Our Parent Companies

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 Redishred Capital Corp. ("Redishred"), which acquired PSC on March 17, 2008. Redishred is listed on the TSX Venture Exchange, a stock exchange in Toronto, Canada. It was incorporated under the name "4363272 Canada Inc." on October 18, 2006, under the Canada Business Corporations Act, and changed its name to

"Redishred Capital Corp " on October 25, 2006 As of the date of this Disclosure Document, Redishred's principal office is located at ~~6559 Mississauga Rd, Suite B, Mississauga, Ontario, L5N 1A6 Canada~~ and as of June 2017, Redishred's principal office will be located at 6505 Mississauga Rd, Suite A, Mississauga, Ontario, L5N 1A6 Canada

Our Predecessors and Affiliates

~~Redishred acquired the shares of PSC from PSP Corporation ("PSP"), a corporation formed in Ontario, Canada, on September 27, 2004. PSP held 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 were Heron Capital Corporation ("HCC"), a corporation formed in Ontario, Canada, on July 9, 1987, and The Heron Group Inc ("HGI"), a corporation formed in Ontario, Canada, on July 26, 1996. The principal business address of PSC was 245 Yorkland Blvd, Suite 100, Toronto, Ontario M2J 4W9 Canada. The principal business address of PSP, the Partnership, HCC and HGI is 245 Yorkland Blvd, Suite 100, Toronto, Ontario M2J 4W9 Canada.~~

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 of affiliated companies (the "Heron Group")

PSP Corporation ("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. PSP assigned the trademarks to PSC on March 17, 2008, as part of the Redishred's acquisition of the Proshred business from PSP. We have an exclusive license from PSC to use and sublicense the use of the Proshred trademarks in the United States, as described in Item 13.

As of the date of this Disclosure Document, our affiliate Redishred Acquisition, Inc operates six businesses similar to the Proshred Franchise offered under this Disclosure Document. Specifically, Redishred Acquisition has operated Proshred businesses in Syracuse, New York since May 2010, Albany, New York since July 2010, Milwaukee, Wisconsin since January 2011, New York, New York since January 2012, Miami, Florida since July 13, 2012, and Northern Virginia since April 2017. Redishred Acquisition acquired each of these Proshred businesses from former franchisees. Redishred Acquisition Inc is a Delaware corporation formed on September 22, 2008. The company was inactive until it acquired the Proshred business in Syracuse in 2010. Its principal business address is 6067 Corporate Drive, Syracuse, New York 13057. Redishred Acquisition operates the Proshred businesses noted above and makes space available to us on its premises to provide franchisee training as needed.

As of the date of this Disclosure Document, our affiliate Proshred Charlotte, Inc ("PCI") operates one business similar to the Proshred Franchise offered under this Disclosure Document. Specifically, PCI has operated a Proshred business in Charlotte, North Carolina since August 2013. PCI acquired this Proshred businesses from a former franchisee. PCI is a Delaware corporation formed on June 26, 2013. The company was inactive until it acquired the

Proshred business in Charlotte. Its principal business address is 803 Pressley Rd, Suite 108, Charlotte, North Carolina 28217

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

The Market

Proshred's customers are primarily small and medium-sized enterprises and other organizations that need or are required to maintain the confidentiality of their proprietary information, whether for competitive reasons, legal requirements or otherwise. Proshred's solution allows business customers and individual customers to witness the destruction, on site, of their selected paper documents, hard drives, computer disks and other media that contain sensitive and confidential proprietary information. Proshred franchisees also offers a scanning solution and offer, as an optional service, a breach reporting solution

The Competition

Your direct competitors include Iron Mountain Incorporated, Shred-It (owned by Stericycle) and many small, independent mobile shredding businesses. Indirect competition includes office shredding machines and non-destructive recycling programs. As far as we know, Proshred is the only on-site information destruction company in the U.S. to meet the standards of the International Organization for Standardization's ISO 9001 2015 2008 certification for quality management and customer satisfaction. Proshred is also a member of the National Association for Information Destruction, Inc. ("NAID") and PRISM which is a global trade association for records management companies. All Proshred franchisees, under a NAID group program, automatically qualify for the NAID AAA certification once initial training is complete (under a NAID group program) and are recognized as ISO certified under PSC's certification

Industry Laws

There are no U.S. federal 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 random drug and alcohol testing for drivers. Your customers may require shredding for legal reasons, including securities laws, privileged attorney-client documents, the Fair and Accurate Credit Transactions Act ("FACTA"), the Red Flags Rule (extension of FACTA), the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act, Health Information Technology for Economic and Clinical Health Act and other federal and state laws. There are also federal laws regulating the practice of telemarketing and text messaging, such as the Telephone Consumer Protection Act ("TCPA"), for which you must be aware. 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, licenses and insurance requirements required by public authorities. We urge you to consult with your legal advisor about applicable laws.

Item 2

BUSINESS EXPERIENCE

Jeffrey Hasham – Chief Executive Officer, Director

Jeffrey Hasham has been Chief Executive Officer of Proshred and its parent company, Redishred Capital Corp, since April 1, 2011. He has also been Secretary and a Director of Proshred and Redishred Acquisition Inc since March 2008. From March 2008 until March 2011, Mr. Hasham was Chief Financial Officer of Proshred and Redishred. From March 2005 until March 2008, he was Vice President Finance and Administration of Proshred. Mr. Hasham is a Chartered Professional Accountant in good standing with CPA Canada.

Kasia Pawluk – Chief Financial Officer

Kasia Pawluk has been Chief Financial Officer of Proshred and Redishred since April 1, 2011 (excluding her maternity leave for the one year period of October 2015 until October 2016). From October 2010 until March 2011, Ms. Pawluk was the Manager of Finance & Administration of Proshred and Redishred. Ms. Pawluk is a Chartered Professional Accountant in good standing with CPA Canada.

Jack Pulkinen – Senior Vice President of Corporate Development

Jack Pulkinen has been the Senior Vice President of Corporate Development for Proshred and Redishred since October 2016. From October 2015 until October 2016, Jack Pulkinen was the Chief Financial Officer of Proshred and Redishred. From 2012 to 2014, Mr. Pulkinen was the CFO of Bluecat Networks a software development company. Mr. Pulkinen is a Chartered Professional Accountant in good standing with CPA Canada.

Ronald Gable – Senior Vice President of Performance and Operations

Ron Gable has been the Senior Vice President of Performance and Operations since November 1, 2015. From July 1, 2015 until October 31, 2015, Mr. Gable was the Director of Franchise Operations and Performance. From 1992 to the present, Mr. Gable was and is the President & Senior Consultant for APC Corporate Strategies, working with business to business services clients such as Beacon Worldwide, Shred-it, MessageMedia, 4Refuel and Price Waterhouse Coopers and PriceWaterhouseCoopers on various strategy and business development initiatives.

Jack Pulkinen – Senior Vice President of Corporate Development

Jack Pulkinen has been the Senior Vice President of Corporate Development for Proshred and Redishred since October 2016. From October 2015 until October 2016, Jack Pulkinen was the Chief Financial Officer of Proshred and Redishred. From 2012 to 2014, Mr. Pulkinen was the CFO of Bluecat Networks a software development company. Mr. Pulkinen is a Chartered Professional Accountant in good standing with CPA Canada.

Julia Bass – Business Development Specialist

Julia Bass has been the Business Development Specialist for Proshred and Redishred since joining the organization in June 2016. From October 2013 until April 2016, Ms. Bass was

the Executive Legal Assistant to the CFO and the General Counsel for Nucap Industries Inc From September 2004 until June 2013, Ms Bass worked as a Legal Assistant for Oshry & Company in Edmonton, Alberta, Canada

Item 3

LITIGATION

Settled and Dismissed Litigation

Professional Shredding of Wisconsin, Inc., James Klemes, Teresa Klemes, Sunshine State Shredding, LLC, Garzarelli-Brice Ltd v Proshred Franchising Corp., Case No 10-Civ-4757 (S D N Y 2010) Professional Shredding of Wisconsin, Inc ("PSW") was a Wisconsin franchisee ("PSW"), James and Teresa Klemes are owners of North Carolina franchise (collectively, the "Klemes"), Sunshine State Shredding, LLC was a Florida franchisee ("SSS") and Garzarelli-Brice Ltd was a New York franchisee ("GBL") On June 17, 2010, PSW, the Klemes and SSS filed an action against us alleging (1) breach of contract and breach of the implied covenant of good faith and fair dealing, (2) fraudulent misrepresentation, (3) negligent misrepresentation and (4) violation of various state laws They sought rescission and unspecified damages GBL joined this action ~~in~~ on June 28, 2010

On December 31, 2010, we entered into a settlement agreement with PSW (the "PSW Settlement Agreement") Under the terms of the PSW Settlement Agreement, we acquired the assets of PSW's Proshred Franchise On January 6, 2011, we and PSW filed a joint stipulation of voluntary dismissal with prejudice as to the causes of action alleged by PSW On January 13, 2011, the court issued an order of voluntary dismissal

On January 1, 2012, we entered into a settlement agreement with GBL (the "GBL Settlement Agreement") Under the terms of the GBL Settlement Agreement, we acquired the assets of GBL's Proshred Franchise On January 17, 2012, we and GBL filed a joint stipulation of voluntary dismissal with prejudice as to the causes of action alleged by GBL On January 19, 2012, the court issued an order of voluntary dismissal

On July 13, 2012, we entered into a settlement agreement with SSS (the "SSS Settlement Agreement") Under the terms of the SSS Settlement Agreement, we acquired the assets of SSS's Proshred Franchise On March 2, 2012, we and SSS filed a joint stipulation of voluntary dismissal with prejudice as to the causes of action alleged by SSS On March 5, 2012, the court issued an order of voluntary dismissal

On September 4, 2013, the South District New York court dismissed all claims the Klemeses had against Proshred Franchising Corp The Klemeses filed an appeal in October 2013 On February 24, 2014, Proshred Franchising Corp and the Klemeses entered into a settlement agreement with the effect of dismissing the appeal

Other than the one action noted above, no litigation is required to be disclosed in this Item

Item 4

BANKRUPTCY

No bankruptcy actions are required to be disclosed in this Item

Item 5

INITIAL FEES

The Initial Franchise Fee you will pay for each Territory Unit (as defined below) will vary based upon the size of your Territory Unit. All franchisees pay a base initial franchise fee of \$35,000 (the "Base Fee") for each Territory Unit purchased. A Territory Unit is defined as a geographic area comprised of approximately 10,000 business locations, nonprofit entities, governmental agencies and the like that each have ten (10) or more employees. If your Territory Unit includes more than 10,000 locations with ten (10) or more employees, your Base Fee will be increased based upon the number of additional locations (over 10,000) included in your Territory Unit. For example, if your Territory Unit includes 15,000 locations with ten (10) or more employees (which is 1.5 times larger than a Territory Unit with 10,000 locations), you will pay an Initial Franchise Fee of \$52,500, which is calculated as follows: $\$35,000 \text{ (Base Fee)} \times 1/2 + \$35,000 \text{ (Base Fee)} \times 1 = \$52,500$, essentially the franchise fee equates to \$3.50 per business with ten (10) or more employees, with a minimum base fee of \$35,000. If, however, your Territory Unit only includes 10,000 locations with ten (10) or more employees, then your Initial Franchise Fee will be the Base Fee.

The Initial Franchise Fee will be reduced by fifty percent (50%) to the extent that the Territory Unit includes the business area of your existing document shredding and recycling business that you are converting to a Proshred Franchise.

The Initial Franchise Fee will be paid in two (2) installments. The first installment of \$5,000 (the "Deposit") is due when you submit your Franchise Deposit Agreement to us (a copy of which is attached to this Disclosure Document as Exhibit E-2). The balance of the Initial Franchise Fee is payable when you sign the Franchise Agreement, unless we agree to finance a portion of your Initial Franchise Fee. A description of our financing terms is available in Item 10.

Except as noted below, the Initial Franchise Fee is earned upon receipt and is non-refundable. If we elect to not offer you a Proshred Franchise, or if you withdraw your application, we will refund the Deposit to you, less 50%, which is an estimated amount equal to our out-of-pocket expenses. Proshred does not provide refunds under any other circumstances.

The typical initial franchise fee ranges from \$35,000 to ~~\$250,000~~ \$75,000. During our last fiscal year we did not award any new franchises ~~earned initial franchise fees ranging from \$50,000 to \$80,000~~.

We participate in the Vetfran Program and offer U.S. veterans who qualify as franchisees a twenty percent (20%) discount on the Initial Franchise Fee.

Item 6

OTHER FEES

Type of Fee (1)	Amount	Date Due	Remarks
Royalty Fee	(See Note 2)	Paid on the third Friday of each month (beginning the first month after your business is operational) by way of ACH withdrawals from your bank account based on your prior month's Gross Revenue (See Note 3)	No allowances are made for bad debts as credit decisions reside with the franchisee Pricing and discounts are determined solely by the franchisee
Information Technology Services Fee	The pro rata share of the actual costs incurred by us each year to provide technology services and support to franchisees (currently, \$900 per month)	Paid on the third Friday of each month by way of ACH withdrawals from your bank account (See Note 3)	As of the date of this Disclosure Document, the Information Technology Services Fee covers the following services and support (i) license of EZshred (our proprietary software program) for two users, (ii) remote desktop and networking support and data backup for EZshred, (iii) e-mail services and domain registration, and (iv) access to Shrednet (intranet site) We may increase or decrease the Information Technology Services Fee each calendar year
Advertising Fee	Monthly fee of \$750 or 34-25% of monthly Gross Revenue, whichever is greater Each calendar year we will determine the amount of the Advertising Fee based on the pro rata share of the anticipated advertising expenses (See Note 3)	Paid on the fourth Friday of each month (beginning the first month after your business is operational) by way of ACH withdrawals from your bank account (See Note 3)	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 <u>The rates may change based on the anticipated expenditures</u>
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 <u>(2)</u> people are trained without charge You are responsible for all travel and accommodation costs and expenses beyond the initial training
Transfer	<u>Fifty (50) percent</u> % of the then-current Base Fee charged for new franchises per Territory Unit	At the time the transfer is consummated	Determined by us from time to time

Type of Fee (1)	Amount	Date Due	Remarks
<u>Interest/Late charge</u>	Interest equal to 1 5% per month or the highest rate allowed by law, whichever is less	When billed	Payable on overdue amounts The maximum interest rate in California is 10%
<u>Late Fee</u>	<u>\$100 per day for failure to pay the Royalty Fee in the time and manner specified</u>	<u>When billed</u>	<u>All late fees collected in this manner will be added to the Advertising Fund</u>
Audit	Cost of audit plus the amount of any underpayment and interest on such amount at 1 5% per month	Within <u>fifteen (15)</u> days after receipt of the audit report	Payable only if audit shows an understatement of 2% or more
Renewal fee	25% of the then-current Base Fee charged for new franchises per Territory Unit	Before renewal	Determined by us from time to time
Computer Support and Assistance	\$100 per hour	As incurred	You must purchase computer systems, software and security appliances that meet our standards and specifications If you do not purchase computer systems that meet our standards, specification and requirements and we agree to provide you with computer support and assistance, we will charge you a fee
<u>CRM/ Technology Fee</u>	<u>Varies from \$149 to \$300 a month depending on size of database.</u>	<u>As incurred</u>	<u>In addition to the monthly fee, there is an initial set up fee of \$1,000. we pay on behalf of franchisees.</u>

Notes

- (1) All fees noted above are uniformly imposed by and payable to us and are non-refundable
- (2) Your monthly Royalty Fee will be the greater of \$650 per month or as calculated below

Total Monthly Gross Revenue	Royalty Fee
For your first \$0 to \$750,000 of Gross Revenue	6 5% of Gross Revenue
For your next \$750,001 to \$1,250,000 of Gross Revenue	5 0% of Gross Revenue
For your next \$1,250,001 to \$2,000,000 of Gross Revenue	3 5% of Gross Revenue
For any remaining Gross Revenue over \$2,000,000	1 5% of Gross Revenue

- (3) "Gross Revenue" means the total dollar value of all goods and services sold or rented by your Proshred Franchise, including all subsidiaries and any other related party companies that provide Proshred services or related services, regardless of whether the amounts are collected and whether payment was made by cash, credit or otherwise

For purposes of determining the amount of your Royalty Fee and Advertising Fee, the following items will be excluded from Gross Revenue

- (i) 100% of any Conversion Deduction (defined below),
- (ii) 50% of any Acquired Business Deduction (defined below), and
- (iii) all sales or use tax

"Conversion Deduction" means the average sales of any document shredding and recycling business you operate at the time you sign a Franchise Agreement that you agree to convert to a Proshred Franchise. The Conversion Deduction will be equal to the average sales of the converted business during the last twelve (12) months of operation prior to being converted to a Proshred Franchise. You will pay a Royalty Fee and Advertising Fee on all Gross Revenue in excess of the Conversion Deduction.

"Acquired Business Deduction" means the average sales of any document shredding and recycling business you acquire during the term of the Franchise Agreement that you agree to convert to a Proshred Franchise. The Acquired Business Deduction will be equal to the average sales of the acquired business during the last twelve (12) months of operation prior to the acquisition. You will pay a Royalty Fee and Advertising Fee on all Gross Revenue in excess of the Acquired Business Deduction. As described above, fifty percent (50%) of the Acquired Business Deduction will be excluded from Gross Revenue for the purpose of calculating your Royalty Fee and Advertising Fee.

~~If you fail to pay the Royalty Fee in the time and manner specified above, we will collect a \$100 per day late fee. All late fees collected in this manner will be added to the Advertising Fund.~~

Item 7

ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial franchise fee	Minimum of \$35,000 per Territory Unit (Typical Range- \$35,000-\$175,000) (Note 1)	Lump sum	\$5,000 Deposit when the Franchise Deposit Agreement is signed. Balance due at signing of the Franchise Agreement or paid according to the financing terms (Note 2)	Proshred
Travel and living expenses while training	\$5,000 to \$7,500 (Note 3)	As incurred	During training	Airlines, hotels, restaurants and others
Customized truck shredding equipment and truck supplies	\$190,000 to \$250,000 (Note 4)	Deposit and ongoing lease/finance payments	Deposit with order and then monthly payments on approved credit	Approved supplier and finance company

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Secure containers (bins, consoles, boxes, etc) and storage bags for customer sites	\$5,000 to \$10,000 (Note 5)	Lump sum	Before opening	Approved supplier
Computer, printer, software, GPS tracking system, training and setup	\$8,000 to \$15,000 (Note 6)	Deposit and ongoing lease/finance payments	Deposit with order and then monthly payments	Approved suppliers
Grand Opening Advertising	\$7,500 to \$10,000 (Note 7)	Lump sum	First three (3) months	Local suppliers and approved suppliers
Office furniture, fixtures and equipment (internet/telephone cabling, telephone equipment and internet requirements)	\$5,000 to \$12,500 (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	\$5,000 to \$15,000 (Note 9)	Lump sum and monthly	Before opening and monthly	Landlord, insurance, government, utility companies, local suppliers
Leasehold improvements	\$0 to \$10,000 (Note 10)	Lump sum	Before opening	Local suppliers
Customer service van or small box truck	\$15,000 to \$20,000 (Note 11)	Deposit and ongoing lease/finance payments	Deposit with order and then monthly payments on approved credit	Local suppliers
Professional fees – legal, accounting and market research	\$5,000 to \$10,000 (Note 12)	Lump sum	As required	Local firms
Miscellaneous start-up expenses	\$5,000 (Note 13)	Lump sum	Before opening	Local suppliers
Additional Funds – three months	\$50,000 to \$100,000 (Note 14)	As required	During start-up period	Employees, working capital, etc
Total	\$335,500 to \$640,000 (Note 15)	We do not require you to set up an office in each Territory when you purchase an area comprised of up to five Territory Units. The initial investment may be lower for each additional Territory Unit you purchase. We determine the number of offices that are required to meet the expected demand in your Territory.		

Note 1 The Initial Franchise Fee you will pay for each Territory Unit will vary based on the size of the Territory Unit. All franchisees pay a Base Fee of \$35,000 for each Territory Unit purchased. If your Territory Unit includes more than 10,000 business locations with ten (10) or more employees, your Base Fee will be increased based upon the number of additional business locations (over 10,000) included in your Territory Unit. The rate of this increase equates to \$3.50 per business location with ten (10) or more employees. If your Territory Unit only includes 10,000 locations with ten (10) or more employees, then your Initial Franchise Fee will be the Base Fee. The Initial Fee will be reduced by fifty percent (50%) to the extent the Territory Unit includes the business area of your existing document shredding and/or recycling business that you are converting to a Proshred Franchise.

Note 2 The Initial Franchise Fee will be paid in two (2) installments. The first installment of \$5,000 is due at the time you submit your Franchise Deposit Agreement. The balance of the Initial Franchise Fee is payable when you sign the Franchise Agreement, unless

we agree to finance a portion of the Initial Franchise Fee. Item 10 contains more information on financing. Item 5 describes the conditions for when the Deposit is partly refundable. No other payments to Proshred are refundable.

Note 3 These amounts include airfare, accommodation, meals, car rental, telephone charges and other living expenses for the training of at least two (2) people. Training includes up to five (5) ~~ten~~ days in Mississauga, Ontario, and one (1) week at the office of a mentor franchise location or at our affiliate's company-operated locations in Syracuse, New York, New York City, New York or Charlotte, North Carolina and one (1) week at the new Franchise location.

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 \$190,000 to \$250,000. Most franchisees typically pay between five percent (5%) and twenty-five percent (25%) as a deposit and lease or finance the balance. If you lease or finance your shredding truck, you must sign a lease addendum in the form attached to the Franchise Agreement as Schedule V.

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 (23) small size consoles, sixteen (16) 95-gallon bins, twenty (20) 65-gallon bins, fifty-six (56) regular consoles, twenty-five (25) personal document containers, and five hundred (500) Residential Information Security Containers.

Note 6 Please refer to Item 11 for additional technology costs not covered by the technology fee. Also, Item 11 provides Proshred's standards as they relate to technology security and minimum specifications, as well as set-up and training. You also will be required to pay our designated supplier (currently, Windswept Integrated Technologies Inc.) a minimum monthly hosting fee of \$299 per month, and utilize web-based applications, which will have either a one-time cost or a monthly cost associated with them.

Note 7 You are required to purchase or rent a mailing list for targeted customers and to design a sales and marketing campaign, which may include online marketing, pay-per-click advertising, telemarketing, and direct mail marketing initiatives. You will also need to purchase other sales, marketing and promotional materials.

Note 8 Office equipment includes a telephone system, CAT E6 cabling as a minimum standard, postage meter (optional), security system, desks, board room table, file cabinets, chairs, shelving units, white board, cork board, wall map, pictures, plants and signage. Costs will vary depending upon whether the furniture, fixtures and equipment are purchased new or used, the number of units and their size, capability and functionality. 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 (1) office that covers multiple Territory Units. The typical Proshred office consists of approximately 1,000 to 2,000 square feet in an industrial or commercial complex where truck parking is permitted. Space for offices and for storage of consoles, bins and boxes is required. A high-speed Internet connection with 5MB of upload and download capabilities is required, and the office network must use CAT E6 cabling, or the office should be retrofitted for CAT E6 requirements. Rent is estimated to be between \$12,000 and \$30,000 per year, depending on factors such as size, prevailing market rate in your geographic area, condition of the facility, 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 and insurance deposits.

Note 10 Whenever possible you should lease industrial/commercial space that has already been improved and has a roll-up door and loading dock, one or two offices, a customer service area, a storage area, a meeting room, a restroom, 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 and condition of the facility. A high-speed internet connection is critical to the operation of your franchise and must be validated prior to executing a lease agreement.

Note 11 You will need a customer service van or small box truck 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 or box truck. Vans and box trucks range in value from \$15,000 to \$20,000, depending on a variety of factors, including make, model and whether used or new. Most franchises are likely to provide a ten percent (10%) to twenty-five percent (25%) deposit and lease or finance the balance.

Note 12 You should have your attorney and accountant review this Disclosure Document 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. **We strongly recommend that you conduct your own independent market research to determine market opportunity/potential. We strongly encourage you to prepare a business and financial plan to be made available to the franchisor after the execution of the Franchise Agreement.**

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

Note 14 This is an estimate of the minimum working capital requirement for your first three (3) months of operations. We cannot guarantee that you will not have additional expenses and working capital needs beyond the initial three (3) month period. See Item 19 for more information. Your additional costs during the initial phase will depend on such factors as: the number of Territory Units you purchase, 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 real estate lease rates, your sales, marketing and promotional campaigns, debt service and interest costs, and the sales level reached during the initial period of business. In addition, if you are relying on the franchise business for sole income, your working capital requirements will have to be increased accordingly.

Franchise disclosure laws require us to include an estimate of all costs and expenses to operate the franchised business during the "initial phase" of your business, which must be a period of at least three (3) months after the franchised business opens, or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for the information/document destruction industry. The estimate for additional operating funds contained in the table above reflects the period through the end of three (3) months after opening of your Proshred Franchise. With increased difficulty in accessing credit, we recommend having additional working capital on-hand. Specifically, we estimate that you will

need approximately \$82,000 to \$240,000 in total operating funds for the first eighteen (18) months you operate the Proshred Franchise, without factoring the amount of gross margin that would reduce this amount. The additional funds that we estimate you may need will vary considerably among our franchisees based on a variety of factors, including the number of employees you choose to hire and the salary and other benefits you choose to pay, the extent you will be actively involved in operations, your skill, experience, business acumen and credit-rating, local competition, local economic conditions, including rent and wage scales and the cost of supplies, and the actual sales levels that you reach during the initial three (3) month period.

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 Certified Public Accountant or a business advisor before making any decision to purchase the franchise.**

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We require that one hundred percent (100%) of your purchases and leases of goods and services in establishing and operating the franchised business be specified or approved by us in advance. 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. We provide you with a list of approved manufacturers, suppliers and distributors ("Approved Suppliers List") and approved vehicles, shredding equipment, vans, consoles, bins, boxes, supplies, and other equipment, items or services necessary to operate the Proshred Franchise ("Approved Supplies List"). The Approved Supplies List may identify the specific manufacturer or supplier of a specific product or piece of equipment. We reserve the right to designate a primary or single source of supply for certain products and supplies, and we or an affiliate may be that single source. For example, as of the date of this Disclosure Document, you must license the proprietary operating software (currently, EZshred) from us and sign an agreement with us in the form attached to this Disclosure Document as Exhibit F. The Information Technology Services Fee covers your license of EZshred for up to two (2) users. EZshred will reside on a hosted server exclusively provided by Windswept Integrated Technologies, Inc. ("Windswept") and you must enter into an agreement with Windswept in the form attached to this Disclosure Document as Exhibit G. You will pay Windswept a minimum monthly hosting fee (currently, \$299 per month) plus costs related to the purchase of software that will reside on the host server. Note this fee is not included in the Information Technology Fee. You also must use in your Business our designated CRM/Technology Platform, provided by MXTR and SharpSpring, for for which there is an initial set up fee of \$1,100 (which we pay) and a monthly fee of between \$149 and \$300 a month, which you pay to us, depending on volume.

Our Approved Supplies List also may include other specific products without reference to a particular manufacturer or supplier, or they may identify the specifications and/or standards for other approved products. For example, you must obtain a computer system that meets our standards and specifications as outlined further in Item 11 and the Confidential Operations Manuals. If you do not purchase a computer system that meets our standards and requirements and we provide computer support and assistance we will charge you a fee (currently, \$100 per hour). Additionally, you must obtain certain insurance coverage that meets our minimum standards and requirements. Although we require certain insurance coverage and

recommend other coverage, we do not guarantee that the required or recommended insurance will be adequate to fully protect your assets. You should therefore consult with an insurance professional to determine what coverage, in addition to the minimum required coverage, may be needed for you and your Proshred Franchise.

In addition, you will place or display on all vehicles and equipment only such signs, emblems, lettering and logos, and use in the Proshred Franchise only such marketing material (digital and non-digital), invoices, order forms, receipts, stationery and other paper goods and marketing supplies, as we have provided ~~specify or specified~~. Any additional advertising or marketing materials you wish to use must be submitted to us for our approval, which we will not unreasonably withhold or delay. You may not use any advertising, marketing or promotional materials that we do not approve, from time to time. In the event that unauthorized ~~materials~~ signage and/or marks are used, the cost of the removal of those signs and replacement of those signs will be borne by you.

We may revise the Approved Suppliers List and Approved Supplies List from time to time. 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. Generally, we will use reasonable efforts to begin an investigation of the proposed supplier or product within thirty (30) days of your request. However, we will provide you written notice if we believe that the investigation period will take longer than thirty (30) days due to the nature of the proposed supplier or product. We will notify you within ten (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 or your purchase of particular products or services. We do not have any purchasing or distribution cooperatives.

We and our affiliates reserve the right to receive rebates or other consideration from suppliers in connection with your purchase of goods, products and services as described in this Item 8, as well as in connection with any future purchase of any goods, products or services. Most of these payments are calculated on an amount based on products sold. We will retain and use such payments as we deem appropriate or as required by the supplier. We also may derive revenue from any items we sell directly to you in the future by charging you more than our cost.

During our last fiscal year ending December 31, ~~2017~~2016, we derived revenue of ~~\$303,695,292,643~~ for information technology software and services to franchisees, which was ~~fifteen~~fourteen and four tenths percent (15.44%) of our overall revenue of ~~\$2,073,926,026,053~~ according to our audited financial statements. As of the date of this Disclosure Document and except for EZShred and Windswept, neither Proshred nor any of our affiliates is an approved supplier of any other products or services, but we reserve the right to be designated (or to designate one of our affiliates) as an approved supplier in the future.

No supplier makes any payment or provides any other material consideration to Proshred or our affiliates because of transactions with franchisees. We may purchase marketing materials in bulk from time to time and offer them to you at our cost plus a fifteen percent (15%) administrative fee to cover the stocking and handling. Shipping charges will be based on the actual order placed and will be charged to the franchisee. We did not sell any such materials to franchisees in 2017~~2016~~.

None of our officers owns an interest in any supplier.

We may negotiate prices for numerous products for the benefit of the Proshred System but not on behalf of individual franchisees. Currently, there is no purchasing or distribution cooperative but we reserve the right to create a cooperative and require you to participate. We do not provide material benefits to you because of your use of approved suppliers.

The estimated proportion of the required purchases, purchases from approved suppliers and purchases in accordance with our specifications to all purchases in establishing the business is seventy-five percent (75%) to one hundred percent (100%) and in the operation of the franchised business is fifty percent (50%) to seventy-five percent (75%).

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 disclosure document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
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
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

Obligation	Section in Franchise Agreement	Disclosure Document Item
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 18	Item 17
u Renewal	Section 2 3	Item 17
v Post-termination obligations	Section 15	Item 17
w Non-competition covenants	Section 17	Items 16 and 17
x Dispute resolution	Section 20 17	Item 17

Item 10

FINANCING

We may finance a portion of the Initial Franchise Fee for franchisees that purchase 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 Fee. We do not offer any other direct or indirect financing.

The following table summarizes the financing we may offer you to cover a portion of the Initial Franchise Fee:

Source of Financing	Proshred Franchising Corp. or an affiliated company
Amount Financed	Initial Franchise Fee
Down Payment	At least \$35,000, for the first Territory Unit
Term (number of years)	Three
Rate of Interest plus finance charge	WSJ prime rate plus 5% (See Note 1)
Monthly Payment	Varies depending on rate and amount financed
Prepayment Penalty	None
Security Required	None
Guarantee	Your owners must personally guaranty
Liability upon Default	Termination of Franchise Agreement or reduction of the size of your Territory. You must pay the entire amount due and our attorneys' fees and court costs if a collection action is necessary.
Loss of Legal Rights Upon Default	You waive your rights to presentment for payment and notice before a collection action may be started against you.

We do not guaranty your note, lease or obligation. We and our affiliates have no past practice, nor have we ever had the practice or future intent of selling, assigning or discounting to any third party in whole or in part any note, contract or instrument executed by a franchisee. We and our affiliates do not receive any direct or indirect payments or other consideration from any person for the placement of financing with the lender.

Note 1 The interest rate is five (5) percentage points above the prime rate as published by the *Wall Street Journal* on the date of the loan. There will be an additional finance charge of

five percent (5%) for late monthly payments or if in default The maximum interest rate in California is ten percent (10%)

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we are not required to provide you with any assistance

Before Opening

Before you open your business, Proshred will

- 1 Designate your designated Territory You will apply for a specific designated Territory Your designated Territory will be determined before you sign the Franchise Agreement and will be noted in Schedule II of the Franchise Agreement Your Territory may consist of one (1) or more Territory Units, as described in Item 12
- 2 Provide you with a list of our Approved Suppliers and Approved Supplies (Section 4.5 of the Franchise Agreement)
- 3 Provide initial training for up to two (2) people to operate your Proshred Franchise, as described below (Section 5.1 of the Franchise Agreement)
- 4 Loan you copies of our Confidential Operations Manuals or provide access to our Confidential Operations Manuals online via our secure Intranet Our Confidential Operations Manuals contain mandatory and suggested specifications, standards, policies and procedures (Section 5.6 of the Franchise Agreement) The Confidential Operations Manuals are confidential and remain our property As of the date of this Disclosure Document, the Confidential Operations Manuals range in total number of pages from 800 to 1,200 and include the following topics Preopening, Supplies & Equipment, Human Resources, Administration, Sales and Marketing, Operations, ISO Program, a Customer Service Professional Handbook, Styles Manual, and Employee Handbook We modify and update our Confidential Operations Manuals from time to time, but the modifications will not alter your status and rights under the Franchise Agreement It is your obligation to review, understand and comply with the Confidential Operations Manuals in connection with the operation of your Proshred Franchise In addition, it is your responsibility to continually be aware of and comply with any changes made to the Confidential Operations Manuals We encourage you to view the Confidential Operations Manuals at our office before you purchase a Proshred Franchise
- 5 Provide such other assistance and support as we may deem necessary or desirable to assist you with the opening of your Proshred Franchise

During Operation

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

- 1 Provide ongoing training courses 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) We reserve the right to charge you a fee to attend any ongoing training courses we require (currently, \$200 per person) You must pay all travel and living expenses incurred to attend any ongoing training

- 2 Provide such advice and assistance as we deem necessary, 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 Proshred Franchise,
 - (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 operational, performance and audit-related reviews as we deem appropriate
- 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 EZshred software program We do not provide any training in connection with QuickBooks or Microsoft Office
- 6 Provide access to the Proshred "Shrednet" intranet system Resource materials include online training materials, best practices, financial benchmarking information, and marketing materials

Advertising

We require you to spend a minimum of \$7,500 on grand opening advertising (Franchise Agreement, Section 10.5(a)) On an ongoing basis, we require you to spend at least three percent (3%) of the Gross Revenue of your Proshred Franchise but not less than \$1,500,000 per month on local advertising and promotion (excludes the Advertising Fee amounts described below) (Franchise Agreement, Section 10.5) The minimum of \$7,500 you spend on grand opening advertising is included in calculating this three percent (3%) figure You may develop local advertising materials for your own use, at your own cost, following marketing criteria that we establish, or you may use any advertising materials we develop through the advertising fund described below We must approve all advertising materials in advance (Franchise Agreement, Section 10.5(b)) We may require you to engage in certain local digital advertising and marketing activities, including, but not limited to, online directories, online lead generators, LinkedIn, Facebook and other social media We may require you to engage in local non-digital advertising and marketing activities, including, but not limited to, networking events, membership in associations, direct mail and public relations You are required to spend a minimum of \$1,500,750 per month on pay-per-click advertising and/or search engine

optimization ("SEO") activities (Franchise Agreement, Section 10.4) We also require you to employ at least one (1) sales person unless you are acting in a full time sales capacity yourself You are required to utilize Proshred's Integrated CRM which has a monthly cost that ranges from \$199 per month up to \$300 per month depending on volume of users and interactions

In addition to the amounts described in the paragraph above, we require you to pay us a monthly Advertising Fee in an amount we designate each calendar year As stated in Item 7, we reserve the right to charge a monthly fee of \$750 or 3% of monthly Gross Revenue, whichever is greater. However, as of the date of this Disclosure Document, the monthly Advertising Fee ranges between \$300 and \$1,000

The monthly Advertising Fee for a given calendar year will be calculated based on the pro rata share (per franchisee and company-owned and affiliate-owned Proshred businesses in operation in the U.S.) of the yearly advertising expenses. We will provide you with an estimate of the annual advertising costs prior to the beginning of each calendar year and we determine the amount of the Advertising Fee after consultation with the advisory committee described below. We will reconcile the payments at the end of the calendar year based on the actual costs of the program and we will provide you with documentation of the actual costs.

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 and managing national and regional advertising programs, engaging advertising, promotion and marketing agencies to assist us, supporting public relations, market research, branding exercises 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 Proshred Franchise 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.

Proshred franchisees appoint (subject to our approval) 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 is appointed and how it 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.

The Franchise Agreement gives us the right to require advertising cooperatives to be formed, changed, dissolved or merged (Section 10.3 of the Franchise Agreement).

During our last fiscal year ending December 31, ~~2017~~2016, we spent forty-five percent (45%) ~~sixty-seven percent (67%)~~ of the advertising fund on online marketing, including optimization activities and website development, two, six percent (26%) ~~six percent (26%)~~ on advertising, eight percent (8%) ~~eight percent (8%)~~ on the customer relationship management system, eleven percent (11%) ~~eleven percent (11%)~~ on administration, twelve and ten percent (1240%) ~~twelve and ten percent (1240%)~~ on ISO compliance, three percent (3%) ~~three percent (3%)~~ on travel and nineteen percent (19%) ~~nineteen percent (19%)~~ on market research.

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 Proshred shredding, recycling and other services. We periodically update and modify the System Website (Section 10.7 of the Franchise Agreement).

We also maintain an intranet for Proshred franchisees ("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, including social media, except in such manner as we may authorize or approve. You must give us administrator access to all web tools used by you or any marketing or digital agency engaged by you (Sections 5.7(c) and 10.7 of the Franchise Agreement).

Site Selection

You will operate your Proshred Franchise from a site approved by us (Section 3 of the Franchise Agreement). You select your business site within your Territory (as defined in Item 12) subject to our approval. The site is typically located in an industrial or commercial complex.

If you have not selected a site for the premises of your Proshred Franchise before you sign the Franchise Agreement, you must submit one (1) or more proposed sites within one hundred twenty (120) days after the date of the Franchise Agreement. We will attempt to review

the proposed site within ten (10) business days after we receive your proposal. If a site is not agreed upon within one hundred twenty (120) days of the date you sign the Franchise Agreement, we may terminate your Franchise Agreement or grant you additional time to locate a site. We may not unreasonably withhold our approval of any site. In evaluating sites for approval or disapproval, we consider various 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 and boxes, the availability of space for sales offices with a high speed internet connection, occupancy costs, and any other factors that we may consider relevant.

Within sixty (60) days after we approve a site, you must, at your expense, complete the acquisition or lease arrangements.

You may not relocate the site of your Proshred Franchise without first obtaining our written consent.

Time of Opening

We expect franchisees to open for business by the later of (a) sixty (60) days after we approve the site or (b) sixty (60) days after the completion of initial training (Sections 4.1 and 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 Proshred Franchise for business within the required time.

Computer Systems

You must obtain a computer system (including all computer hardware and software we designate) that meets our or our designated supplier's standards and specifications. As of the date of this Disclosure Document our computer hardware requirements include two (2) desktop/laptop computers, one (1) tablet computer, one (1) firewall device that you must keep current with an annual subscription and one (1) laser or multifunctional printer. Our computer software requirements currently include EZshred (which you must license from us), Microsoft Office, anti-virus software that is continually updated and meets the standards specified by WindsweptIT, Intuit Quickbooks Pro, Proshred's Client Management Program (CRM), and one or both of Microsoft MapPoint or Nextraq. ~~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 and track prospects.~~ You must grant us full access to your CRM system. You also must install a Nextraq GPS tracking system on your Shredding Vehicle. You must ensure your facility is equipped with CAT 6E cabling.

As described further in Item 8, you must license the EZshred software from us to facilitate the scheduling, billing, reporting and related operational functions of your Proshred Franchise (Franchise Agreement, Section 4.5(b) and Schedule VII). With this software we receive automatic electronic transmissions of your customer and billing information on a daily basis, which we store on our servers. We have unlimited, independent access to your computer system to retrieve information relating to your Proshred Franchise. You will sign a license agreement with us for the EZshred software and you will pay us the Information Technology

Services Fee which covers your license of EZshred. This monthly fee also pays for the use of the Shrednet intranet site (Section 9.4 of the Franchise Agreement). The Information Technology Services Fee is currently \$900 per month, but we may increase or decrease this fee each calendar year depending on the number of franchisees in the system and the actual costs we incur each year to provide technology services and support to our franchisees.

The EZshred software will be hosted by Windswept. You will sign an agreement with Windswept and will pay Windswept a monthly hosting fee (currently, a minimum of \$299 per month for the basic platform, please see the Hosting Agreement attached hereto as Exhibit G for all options available). Note this hosting fee is not an element of the IT Services Fee paid to Proshred.

We may designate additional proprietary software in the future. You may be required to license the proprietary software from us, an affiliate or a third party, and you also may be required to pay a software licensing or use fee in connection with your use of the proprietary software. All right, title and interest in the software will remain with the licensor of the software.

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). We reserve the right to monitor all e-mails sent by or to this account.

The Payment Card Industry ("PCI") requires business that process, store, or transmit credit card information to comply with the PCI Data Security Standard ("PCI DSS") in order to protect cardholders' information. If you accept credit cards in the operation of your Proshred Franchise, you are required to be PCI compliant by following and adhering to PCI DSS. The PCI DSS is often updated, and you are required to obtain and comply with all updated standards. There may be costs associated with your compliance with PCI DSS.

We reserve the right to designate changes or enhancements to the computer system including the computer hardware, software and other equipment. At such time as we designate the change or enhancement, you may be required to make certain payments to us or our designated suppliers. You must acquire the right to use hardware, software, peripheral equipment and accessories, and arrange for installation, maintenance and support services of the initial, changed or enhanced computer system, all at your cost.

If your computer system does not meet our standards and requirements and we agree to provide computer support or assistance to you, you must pay us a fee (currently, \$100 per hour) in connection with any support or assistance we provide.

The initial cost of the computers, network devices, printer, software, training, GPS tracking systems and setup is approximately \$8,000 to \$15,000.

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. We maintain and upgrade the EZshred software and any other workflow software that we host or support in the future through the Information Technology Services Fee.

We have the right to inspect and audit, or cause to be inspected and audited, your compliance with our computer system and technology requirements. If you are found to be non-compliant with such requirements, we may obtain the necessary hardware and/or software on your behalf, at your expense (Section 4.5(c) of the Franchise Agreement)

We do not require you to buy or use electronic cash registers

Training Program

Before you open your Proshred Franchise, we will train up to two (2) people from your company without charging you a fee. Initial training at "Proshred University" in Mississauga, Ontario, Canada and one other designated market, 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 Proshred Franchise (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 initial training program consists of up to five (5) days of training at Proshred's National Support Centre in Mississauga, Ontario, Canada, and up to five (5) days of on-site training at the office of our affiliates in Syracuse, New York, New York, New York, Charlotte, North Carolina or at another location we designate, and up to an additional five (5) days of training at your location at the time of opening or just after you open for business. The instructional materials consist of our manuals, PowerPoint presentations, videos, demonstrations and hands-on practice as well as other resources used to introduce you to all important aspects of being a Proshred Franchisee.

Proshred does not charge for this training for up to two (2) people to attend training, 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 (2).

Ron Gable heads our training program. Mr. Gable has extensive management, coaching and training experience, with the last twenty-five (25) years being in similar route-based industries and with business-to-business service firms. Other training instructors will generally have at least three (3) years of experience in the subjects they teach or at least three (3) years of experience working in our industry.

The following table provides detailed information about the initial training program. It does not include the five (5) days of on-site training at the office of our affiliates in Syracuse, New York, New York, New York, Milwaukee, Wisconsin or at any other location we designate.

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Sales Training (including sales technology training)	8 0	20 0	Proshred NSC, Designated Proshred branch and franchise location
Operations Training (including EZ Shred)	10 0	35 0*	Proshred NSC, Designated Proshred branch and franchise location
Marketing Training	8 0	5 0	Proshred NSC Designated Proshred branch and franchise location
Finance Training	6 0	4 0	Proshred NSC, Designated Proshred branch and franchise location
Human Resources Training	6 0	10 0	Proshred NSC, Designated Proshred branch and franchise location

*In addition to the on-the-job operations training we provide, the shredding truck manufacturer may provide additional training at your location when the truck is delivered, and our Workflow management software firm ("EZshred"), will provide additional remote training to you once your facility is open and your human resources have been hired, this training will be in the form of webinars, videos and manual review

We offer additional training and refresher courses through classroom instruction, webinars and/or field visits by our staff to your office. We typically visit each franchise location once every eighteen (18) to twenty-four (24) months for approximately one (1) to (2) to three (3) days. We may also require key personnel of yours, designated by us, to attend and complete up to five (5) days a year of additional training programs or refresher courses at such locations as we determine. We reserve the right to charge you a fee (currently \$200 per person) to attend any additional required training or additional training that results from significant staff turnover. You are responsible for the travel, accommodation and related costs of attendance.

It is important to note that it is the franchisee's responsibility to ensure they and their human resources are proficient in the following programs and systems as a minimum:

- 1 QuickBooks
- 2 Microsoft Windows
- 3 Microsoft Office
- 4 Internet browsers and applications
- 5 Use of smart phones, tablets and other computing devices

We do not provide training or support in the above-mentioned programs or devices areas. In addition, we do not provide training in the area of bookkeeping. The franchisee is responsible for utilizing the Proshred chart of accounts and for conducting its own bookkeeping or procuring this service from local vendors.

Any training provided by us to any of your workers will be limited to training or guidance regarding the operation of the Proshred Franchise in a manner that reflects the customer and client service standards of the Proshred System. You are, and will remain, the sole employer of

your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your workers. You are solely responsible for ensuring that your workers receive adequate training.

Item 12

TERRITORY

You will receive a designated territory consisting of one (1) or more Territory Units (the "Territory"). Your Territory may be defined by counties, by postal zip codes or both. You select your 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 your Territory will be described in Schedule II of your Franchise Agreement. We assist you in this selection by providing business counts and information regarding the proximity of the proposed territory to other Proshred territories.

You will operate the franchise from premises located inside your Territory that are 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, as described under "Site Selection" in Item 11.

Your Territory is not exclusive. You may face competition from other franchisees, from outlets we own or from other channels of distribution or competitive brands we own as described below. Except as described below, we 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.

If we finance a portion of your Initial Franchise Fee 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 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.

We reserve the right to enter into agreements for regional or national accounts, even if such accounts have locations within your Territory. A regional account means any customer that has multiple locations within a geographic region or area. A national account means a customer that has multiple locations across the United States. 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 Franchise. 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 in writing or requested by us in connection with a regional or national account. Your right to sell or provide services to any such customer outside of your Territory will end if we grant to another franchisee 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 Proshred Franchises. In the event of such an acquisition, we will offer you (unless doing so will constitute a violation of another agreement) the opportunity to participate in the acquisition to the extent that the target business is located within your Territory, at a price to be determined by us on an equitable basis taking into consideration factors such as the value of the assets, revenues and profitability and such other factors as we deem to be relevant. If you do not participate in such acquisition, we reserve the right to operate or license to others to operate such competitive business in your 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 inside or outside your Territory.

Commencing with the first full calendar month following the date that you begin operating your Proshred Franchise, you must comply with the following minimum performance levels during the term of your Franchise Agreement:

Period	MPL for the First Territory Unit	MPL for the Second Territory Unit	MPL for the Third Territory Unit
1	\$45,000	-	-
2	\$90,000	\$45,000	-
3	\$135,000	\$90,000	\$45,000
4	\$180,000	\$135,000	\$90,000
5	\$225,000	\$180,000	\$135,000
6	\$270,000	\$225,000	\$180,000
7	\$315,000	\$270,000	\$225,000
8	\$360,000	\$315,000	\$270,000
9	\$405,000	\$360,000	\$315,000
10	\$450,000	\$405,000	\$360,000

The Minimum Performance Level is equal to \$45,000 of Service Revenue per Territory Unit per twelve (12) ~~months~~^{month} period, and is cumulative from year to year, provided, however, that if your Franchise Agreement includes more than one (1) Territory Unit, the obligation to attain such Service Revenue level for each successive Territory Unit will begin in successive twelve (12) month periods following the date the franchised business begins operations. For purposes of the minimum performance levels, "Service Revenue" means Gross Revenue minus revenue from the sale of materials for recycling.

If you have a document shredding and recycling business at the time you sign the Franchise Agreement and you are converting that business to a Proshred Franchise, then the Conversion Deductible (as defined in Item 6) will not be included in the calculation of Service Revenue for the purpose of determining whether you have attained the minimum performance levels. Service Revenue attributed to your acquisition (with our advance approval) of one or more document shredding and recycling businesses and the conversion of those businesses to the Proshred brand after you begin operating the franchise will be included in the calculation of Service Revenue for the purpose of determining whether you have attained the minimum performance levels.

Meeting the Minimum Performance Levels does not suggest that you are sufficiently penetrating the market in your Territory or that your Proshred Franchise will be successful. Rather, the Minimum Performance Levels are threshold minimum amounts.

If you fail to attain your minimum performance level in any twelve (12) month period, you must pay us a Shortfall Royalty. "Shortfall Royalty" means the difference between the royalty we would have received had you met your minimum performance level and the actual Royalty Fee you paid to us (Franchise Agreement, Section 2.4(b)). Additionally, if you fail to attain at least fifty percent (50%) of the minimum performance level in any twelve (12) month period, you must pay us a Shortfall Royalty and we will have the right to terminate the Franchise Agreement if you fail to attain at least seventy-five percent (75%) of the minimum performance level during the next twelve (12) month period. If we terminate the Franchise Agreement, we may (at our option), take over operation of the business, assume your truck lease, purchase any consoles and collect royalty fees on the shortfall (Franchise Agreement, Section 2.4(c)).

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 parent company, PSC, owns the following marks registered on the principal register at the United States Patent and Trademark Office:

Mark	Reg No	Reg Date	Register
PROSHRED	1,710,461	August 25, 1992	Principal
PROSHRED SECURITY (LOGO)	3,337,616	November 20, 2007	Principal
RISC MANAGEMENT	3,345,238	November 27, 2007	Principal
RISC MANAGEMENT PROGRAM	3,397,198	March 18, 2008	Principal
SHREDLOGIC SOFTWARE PROPRIETARY OPERATING SYSTEM	3,528,109	November 4, 2008	Principal
PROSCAN SECURITY (LOGO)	4,548,215	June 10, 2014	Principal
PROSCAN SOLUTIONS (LOGO)	5,165,363	March 21, 2017	Principal

The prior owner of the mark filed all required affidavits and renewed the first of the above registrations. PSC intends to file all required affidavits with the other registrations when they become due.

On ~~January~~ April 1, 2017 ~~2008~~, we entered into an exclusive license agreement with PSC (the "License Agreement"), which granted us the right to use and sublicense the use of the Proshred trademarks in the U.S.A. - The License Agreement remains in effect as long as both Proshred and the licensor remain part of the group of Proshred companies or, upon fifteen (15) days ~~sixty (60) days~~ notice if we cease to do business, materially breach the License Agreement or file for bankruptcy protection. - In consideration of the License Agreement we agreed to pay PSC a royalty equal to forty (40%) of gross revenues ~~\$2,500 upon the execution of each Franchise Agreement and a minimum of ninety percent (90%) of gross revenues~~ ~~all royalties~~ collected from franchisees.

You must follow our rules when you use our marks. You cannot use the Proshred name or mark as part of a corporate name, e-mail address, website address, domain name, and/or other identification of Franchisee in any electronic medium (including social media), 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.

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.

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.

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.

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 or pending patent applications are material to the franchise.

We claim all rights and interests, including all copyrights, to the information contained in the manuals, advertising materials, the Proshred websites and intranet, the EZshred 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. 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 and all such customer information is considered confidential information and is subject to the confidentiality requirements noted in the Franchise Agreement.

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

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. 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 Proshred Franchise and provide direct, on-premises, day-to-day supervision of the operation. Such personnel must complete the initial training program to our satisfaction. 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.

If you are a legal entity such as a corporation or limited liability company rather than an individual or general partnership, then each person who owns or acquires ten percent (10%) or more of the equity or voting interests of your company must execute a guaranty assuming and agreeing to discharge all obligations of the franchisee under the Franchise Agreement. If no person owns ten percent (10%) or more, then persons approved by us whose combined equity interest is equal to or greater than ten percent (10%) will be required to sign this guaranty. Any breach of this guaranty by any such person will be deemed a breach of the Franchise Agreement.

Each manager of your franchised business and each person who receives training from us or otherwise has access to our confidential information who has not signed the guaranty described in the preceding paragraph must sign a written confidentiality and noncompetition agreement with your company in the form of Schedule VIII of the Franchise Agreement. Any breach of such undertaking by any such person will be deemed a breach of the Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may not carry on any business at the premises of your Proshred Franchise other than the franchised business without our prior express written approval. 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. 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. 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 and information management services

When your business reaches a threshold volume that will be described in the manuals, we may require you to install a bailer at the premises of your Proshred Franchise. The manual will also contain security protocols for off-site destruction, which you may perform at the premises of your Proshred Franchise.

During the term of the Franchise Agreement, you may not, either individually or jointly, own, manage or hold an interest in any business operating in the United States or Canada in competition with or similar to the Franchised Business, including recycling, hard drive destruction, baling, scanning, records management and related services, without prior written approval from us (Section 17.1 of the Franchise Agreement).

You may not service customers located outside your Territory except if the customer is a national account. We manage the national account system and we determine prices for national accounts.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a Length of the franchise term	Section 2.1(a)	Ten <u>(10)</u> years
b Renewal or extension of the term	Section 2.3(a)	You may renew for two additional five <u>(5)</u> -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 six (6) to nine (9) months before the end of the term, sign a new agreement, refurbish vehicles and equipment, pay fee, sign a release. You may be asked to sign a contract with materially different terms and conditions than your original contract. We may also require you to sign a Renewal Addendum.
d Termination by you	Section 14.2	You may terminate only if we materially breach the Franchise Agreement and fail to cure the material breach within sixty (60) days after receiving written notice from you.
e Termination by us without "cause"	None	
f Termination by us with "cause"	Section 14.1	We can terminate only if you default.

Provision	Section in Franchise Agreement	Summary
g "Cause" defined — defaults that can be cured	Section 14 1	You have five (5) days to cure the non-submission of reports and non-payment of amounts due and owing, fifteen (15) days to cure defaults for the failure to abide by our standards and requirements in connection with the operation of your business, or failure to meet any requirements or specifications established by us, twelve (12) months to cure a default for failure to attain at least fifty percent (50%) of the Minimum Performance Level, and ten (10) days to cure a default for failure to maintain any insurance coverage
h "Cause" defined — non-curable defaults	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 two percent (2%) (unless inadvertent error), more than two (2) late submissions of a report, failure to pay any amount due within five (5) days, violation of law, false representations to us, failure to record any transaction, failure to attain fifty percent (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 18 1	No restriction on our right to assign
k "Transfer" by you — defined	Section 18 2	Includes transfer of contract or assets or ownership change
l Our approval of a transfer by you	Section 18 2	Proshred may withhold its approval to a transfer unless the conditions in (m) below have been met
m Conditions for our approval of the transfer	Section 18 2	You are in compliance, all franchise fees and royalties are paid, transfer fee is paid, transferee signs our then-current 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, you sign a release
n Our right of first refusal to acquire your business	Section 18 3	We can match any offer for your business from a third party purchaser
o Our option to purchase your business	Section 16 2	On termination or nonrenewal, we may purchase any of your business assets we choose at the fair market value excluding goodwill attributable to our intellectual property We are required to purchase your assets at its fair market value if we do not renew or extend your franchise after the second renewal term and we do not withdraw from the territory
p Your death or disability	Section 18 4	The estate must assign the franchise to an approved buyer within twelve (12) months
q Non-competition covenants during the term of the franchise	Section 17 1	No involvement in competing business anywhere in the U S , Canada or the Middle East

Provision	Section in Franchise Agreement	Summary
r Non-competition covenants after the franchise is terminated or expires	Section 17 2	No competing business for two <u>(2)</u> years (including after assignment), in the Territory and within ten (10) miles of the Territory or of another Proshred franchise in the U S , Canada or the Middle East
s Modification of the Franchise Agreement	Sections 5 6, 6 6 and 20 4	No modifications generally unless signed by the parties, but the Confidential Operations Manuals are 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 Our integration/merger clause does not disclaim the representations in this disclosure document
u Dispute resolution by arbitration or mediation	Section 20 1	All disputes will be mediated and arbitrated in Buffalo, New York (subject to state law)
v Choice of forum	Section 20 18	All disputes will be litigated in Buffalo, New York (subject to state law)
w Choice of law	Section 20 17	New York law applies (subject to state law)

Item 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying, or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular outlet or under particular circumstances.

We have compiled the following information regarding actual revenue, contribution and EBITDA margins and break-even analysis. The following charts and tables are an historic financial performance representation and are not a forecast of your future performance.

Overall System Metrics – Revenue, Contribution Margin, Break-Even & Sales Mix

The following five (5) tables set out the twenty-nine (29)~~seven (27)~~ franchised and company-owned locations open and operating for at least twelve (12) months in 2016~~2015 and 2017~~ 2016 ~~(Two (2) franchises commenced operations in 2016 and are therefore excluded from the analysis in the following tables.)~~

- 1 Scheduled and unscheduled revenue per customer,
- 2 Price received per ton of recycled paper,

- 3 Mix of total sales between scheduled, unscheduled and recycling business, and
- 4 Contribution margin percentage statistics generated by shredding and recycling paper, and
- 5 ~~The number of months in operation for an outlet to break even~~

1(a) Scheduled Revenue per Customer per Month (Note 1)

Franchised Locations

For the twelve (12) months ended Dec 31,	Lowest Outlet	<u>Average</u> System average	Highest outlet	Outlets at or above average # (%)	<u>Median</u> System median	Outlets at or above median # (%)
2016 <u>2017</u>	\$5663	\$96101	\$146168	11(50)13(48%)	\$9597	11(50)15(56%)
2015 <u>2016</u>	\$6364	\$98103	\$153164	9(43)14(52%)	\$97103	11144(52%)

Corporate Locations

<u>For the twelve (12) months ended Dec. 31,</u>	<u>Lowest Outlet</u>	<u>Average</u>	<u>Highest outlet</u>	<u>Outlets at or above average # (%)</u>	<u>Median</u>	<u>Outlets at or above median # (%)</u>
<u>2017</u>	<u>\$86</u>	<u>\$119</u>	<u>\$165</u>	<u>3(43%)</u>	<u>\$107</u>	<u>5(71%)</u>
<u>2016</u>	<u>\$84</u>	<u>\$119</u>	<u>\$168</u>	<u>3(50%)</u>	<u>\$113</u>	<u>3(50%)</u>

1(b) Un-Scheduled Revenue per Customer per Month (Note 2)

Franchised Locations

For the twelve (12) months ended Dec 31,	Lowest Outlet	<u>Average</u> System average	Highest outlet	Outlets at or above average # (%)	<u>Median</u> System median	Outlets at or above median # (%)
2017 <u>2016</u>	\$158466	\$255239	\$370428	11(50)12(44%)	\$258225	11(50)14(52%)
2015 <u>2016</u>	\$166435	\$249233	\$428411	10(48)38%	\$225242	12(57)14(52%)

Corporate Locations

<u>For the twelve (12) months ended Dec 31,</u>	<u>Lowest Outlet</u>	<u>Average</u>	<u>Highest outlet</u>	<u>Outlets at or above average # (%)</u>	<u>Median</u>	<u>Outlets at or above median # (%)</u>
2017	\$198	\$260	\$329	4(57%)	\$264	4 (57%)
2016	\$194	\$240	\$314	3(50%)	\$222	3 (50%)

2 Price per Ton of Recycled Paper (Note 3)

Franchised Locations

<u>For the twelve (12) months ended Dec 31,</u>	<u>Lowest Outlet</u>	<u>AverageSystem average</u>	<u>Highest outlet</u>	<u>Outlets at or above average # (%)</u>	<u>MedianSystem median</u>	<u>Outlets at or above median # (%)</u>
20162017	\$10395	\$138418	\$175445	10(4544)(52%)	\$135417	11 (5014 (52%))
20152016	\$10089	\$118422	\$142454	10(4841)(42%)	\$117420	12 (5744 (52%))

Corporate Locations

<u>For the twelve (12) months ended Dec 31,</u>	<u>Lowest Outlet</u>	<u>Average</u>	<u>Highest outlet</u>	<u>Outlets at or above average # (%)</u>	<u>Median</u>	<u>Outlets at or above median # (%)</u>
2017	\$135	\$145	\$168	2(29%)	\$139	5 (71%)
2016	\$95	\$116	\$145	2(33%)	\$112	3 (50%)

3 Mix of Sales (Note 4)

<u>For the twelve (12) months ended December 31,</u>	<u>Scheduled sales</u>	<u>Unscheduled sales</u>	<u>Recycling</u>	<u>Total</u>
2017	48%	34%	18%	100%
2016	49%	35%	16%	100%
2015	48%	34%	18%	100%

4 Contribution Margin Percentage (Note 5)

Franchised Locations

<u>For the twelve (12) months ended Dec 31,</u>	<u>Lowest Outlet</u>	<u>AverageSystem average</u>	<u>Highest outlet</u>	<u>Outlets at or above average # (%)</u>	<u>MedianSystem median</u>	<u>Outlets at or above median # (%)</u>
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20162017	<u>54</u> 60%	<u>69</u> 70%	<u>80</u> 85%	<u>13</u> (<u>59</u> 14(52%))	<u>71</u> 70%	<u>11</u> (<u>50</u> 14(52%))
2015 2016	<u>60</u> 59%	<u>71</u> 70%	85%	<u>11</u> (<u>52</u> 16(59%))	71%	<u>11</u> (<u>52</u> 15(56%))

Corporate Locations

5 Break-even Analysis (Note 6)

The following table sets out the lowest, highest and average number of months it has taken an outlet to break even at earnings before interest, taxes, depreciation and amortization (EBITDA)-

<u>For the twelve (12) months ended Dec 31</u>	<u>Lowest Outlet</u>	<u>AverageSystem-wide average</u>	<u>Highest -outlet</u>	<u>Outlets at or above average # (%)</u>	<u>MedianSystem median</u>	<u>Outlets at or above median # (%)</u>
<u>2017</u>	<u>65%</u>	<u>69%</u>	<u>73%</u>	<u>5</u> (<u>71</u> %)	<u>70%</u>	<u>4</u> (<u>57</u> %)
<u>Months in operation2016</u>	<u>63%</u> ²	<u>66%</u> ¹⁹	<u>72%</u> ³⁶	<u>2</u> (<u>33</u> 14(52%))	<u>65%</u> ¹⁹	<u>4</u> (<u>67</u> 11(52%))

The above figures contain the results from outlets that commenced operations in 2006 and onward, excluding one outlet that serviced customers owned by PFC, which reduced that outlet's time to break even significantly. The figures above also do not include any outlets that opened before 2006 because accurate break even information for these outlets is not available. Of these twenty one (21) outlets, eleven (11) attained break even in nineteen (19) months or less (representing fifty two percent (52%) of the twenty one (21) outlets)-

5. Profit and Loss Metrics (Note 67)

The following table sets out the information for Proshredthe franchised outlets that meet the following criteria

- 1 Larger Franchised Operations. Average revenue for franchised outlets in operation thirty-six (36) months or more and with three (3) or more shredding trucks (Note 7) -

<u>Average for the Category - Franchised</u>		
<u>For the twelve (12) months ended December 31,</u>	<u>20152016</u>	<u>20162017</u>
Total outlets in the system	<u>29</u> ²⁷	<u>29</u>
Total <u>franchised</u> outlets (with three or more trucks in operation 36 months or more) (Note 8)	<u>12</u>	<u>15</u>
Average number of months in operation	<u>109</u> ¹⁰⁵	<u>104</u> ¹⁰⁹
Average number of paper shredding trucks	<u>5</u>	<u>5</u>
Average number of hard drive shredding trucks	<u>1</u>	<u>1</u>
Average revenue (number and percentage that attained or exceeded the average)	<u>\$1,527</u> 423,000 (<u>5</u> / <u>424</u> / 36%)	<u>\$1,539</u> 477,000 (<u>7</u> / 47%)

Average for the Category - Franchised		
Average contribution margin %	70%	7268%
Average EBITDA margin % (Note 9)	3936%	3937%
Highest Revenue Performance in the Category		
For the twelve(12) months ended December 31,	20152016	20162017
Number of months in operation	116404	128416
Number of paper shredding trucks	109	1140
Number of hard drive shredding trucks	1	1
Revenue	\$3,1402,503,000	\$3,843,000140000
Contribution margin %	7073%	7270%
EBITDA margin % (Note 9)	3944%	4339%
Lowest Revenue Performance in the Category		
For the twelve (12) months ended December 31,	20152016	20152017
Number of months in operation	5047	6550
Number of paper shredding trucks	3	3
Number of hard drive shredding trucks	1	1
Revenue	\$780765,000	\$628780,000
Contribution margin %	7585%	7375%
EBITDA margin % (Note 9)	5163%	2554%

- ~~Profit and Loss Metrics from Outlets with under Three (3) Trucks (Note 7) 10)~~

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3 Smaller Franchised Locations Average revenue for franchised outlets in operation twelve (12) months or more and with less than three (3) shredding trucks (Note 10)

<u>Average for the Category - Franchised.</u>		
<u>For the twelve (12) months ended December 31,</u>	<u>2016</u>	<u>2017</u>
Total outlets in the system	29	29
Total franchised outlets (with under three trucks, in operation 12 months or more) (Note 10)	9	7
Average number of months in operation	65	44
Average number of paper shredding trucks	2	2
Average number of hard drive shredding trucks	1	1
Average revenue (number and percentage that attained or exceeded the average)	\$519,000 (3 / 33%)	\$458,000 (4 / 67%)
Average contribution margin %	71%	64%
Average EBITDA margin % (Note 9)	34%	16%
<u>Highest Revenue Performance in the Category.</u>		
<u>For the twelve (12) months ended December 31,</u>	<u>2016</u>	<u>2017</u>
Number of months in operation	40	87
Number of paper shredding trucks	2	2
Number of hard drive shredding trucks	1	1
Revenue	\$851,000	\$671,000
Contribution margin %	82%	65%
EBITDA margin % (Note 9)	49%	38%
<u>Lowest Revenue Performance in the Category.</u>		
<u>For the twelve (12) months ended December 31,</u>	<u>2016</u>	<u>2017</u>
Number of months in operation	32	19
Number of paper shredding trucks	2	1
Number of hard drive shredding trucks	-	-
Revenue	\$251,000	\$177,000
Contribution margin %	63%	54%
EBITDA margin % (Note 9)	8%	-27%

4 Smaller Corporate Locations Average revenue for corporately operated outlets in operation twelve (12) months or more and with less than three (3) shredding trucks (Note 10).

<u>Average for the Category - Corporate.</u>		
<u>For the twelve (12) months ended December 31,</u>	<u>2016</u>	<u>2017</u>
Total outlets in the system	29	29
Total corporate outlets (with under three trucks, in operation 12 months or more) (Note 10)	3	3
Average number of months in operation	155	160
Average number of paper shredding trucks	2	2
Average number of hard drive shredding trucks	-	-
Average revenue (number and percentage that attained or exceeded the average)	\$594,000 (2 / 67%)	\$727,000 (2 / 67%)
Average contribution margin %	68%	71%
Average EBITDA margin % (Note 9)	33%	41%
<u>Highest Revenue Performance in the Category.</u>		
<u>For the twelve (12) months ended December 31,</u>	<u>2016</u>	<u>2017</u>
Number of months in operation	153	156
Number of paper shredding trucks	2	2
Number of hard drive shredding trucks	-	-
Revenue	\$716,000	\$895,000
Contribution margin %	67%	73%
EBITDA margin % (Note 9)	24%	46%
<u>Lowest Revenue Performance in the Category.</u>		
<u>For the twelve (12) months ended December 31,</u>	<u>2016</u>	<u>2017</u>
Number of months in operation	152	168
Number of paper shredding trucks	2	2
Number of hard drive shredding trucks	-	-
Revenue	\$430,000	\$543,000
Contribution margin %	72%	70%
EBITDA margin % (Note 9)	53%	43%

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. The calculation includes all outlets that have been in operation twelve (12) months or more.
- (2) Un-Scheduled Revenue is the revenue associated with customers that procure shredding service on an ad hoc basis or who conduct annual purging or clean-outs of documents, or items other than paper such as hard drives. Un-Scheduled Revenue per Customer is calculated by taking the revenue from un-scheduled customers and dividing

by the number of customers without regular service. The calculation includes all outlets that have been in operation twelve (12) months or more.

- (3) Each outlet sells its shredded paper to recyclers. The Price per Ton of Recycled Paper is the price the franchised and company-owned businesses received from recyclers for the shredded paper. The recycled paper can be sold to the recycler baled or un-baled (loose). The calculation reflects recycled paper sold to the recycler un-baled. Paper that is sold baled has a different pricing matrix and is usually higher than paper that is sold un-baled. The calculation includes all outlets that have been in operation twelve (12) months or more.
- (4) Mix of sales is the percentage of total sales earned between scheduled revenue, unscheduled revenue and recycling revenue. It does not include averages or medians and does include information from corporate and franchised outlets.
- (5) Contains the results from outlets that have been operating their business for twenty-four (24) months or more. Contribution Margin is calculated by taking all revenue (service and recycling) and subtracting all direct costs associated with shredding and recycling paper. Contribution Margin percentage is calculated by taking the Contribution Margin as calculated above and dividing it by all revenue. Direct Costs associated with shredding and recycling materials typically include driver and helper wages and benefits, fuel to operate the truck, repairs and maintenance of the truck and shredders, insurance of the truck, communication devices on the truck, uniforms, miscellaneous supplies, licensing of the trucks, costs to bale paper (if applicable) and any other costs associated with the truck or baling operation. Contribution Margin does not include debt and interest payments on the shredding truck or depreciation of the shredding truck, nor does it include capital costs related to the purchase of security consoles or bins, or the selling and administrative costs.
- (6) Earnings before interest, taxes, depreciation and amortization ("EBITDA") may not include principal payments on truck financing or capital costs related to the purchase of security consoles or bins.
- (7) Contains the results from outlets that have been operating their business for thirty-six (36) months or more and have three (3) shredding trucks or more. These outlets represent the typical outlet, operating multiple trucks in major metropolitan areas.
- (8) In 2017 nineteen (19) ~~2016 fifteen (15)~~ outlets met the requirement of an outlet as described in Note 7.
- (9) EBITDA does not include charges for wages and perks that are paid to franchisee/owners. EBITDA also does not include interest and or debt service costs, nor does it include the amortization or depreciation of franchise fees, trucks and other assets.
- (10) Contains the results from outlets that have been operating their business for twelve (12) months or more and have less than three (3) shredding trucks. This excludes franchisees in their first year of operation. Two (2) locations in this group were under twenty-four (24) months old.

YOUR RESULTS ARE LIKELY TO DIFFER FROM THOSE CONTAINED IN THIS ITEM 19 THERE IS NO ASSURANCE THAT YOU WILL EARN AS MUCH ~~Your business will be located in a different market where there may be little or no brand awareness. Your revenues may also be affected by factors that include the number, size and types of businesses within a market, the number of competitors within a market and state and local legislation regarding document destruction and recycling.~~

These figures are based upon information submitted to us by our franchisees, which we have not audited or verified for accuracy. Neither we nor our independent certified public accountants have audited or verified any of the figures reported to us. Franchisees are not required to use generally accepted accounting principles when reporting these figures. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

For the purposes of Item 20, we have counted each Territory Unit, as described above in Item 12, as an outlet. Some individual franchisees may own multiple Territory Units.

Table No 1
System-wide Outlet Summary
For Calendar Years ~~2014~~2015 to ~~2017~~2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014 2015	<u>21</u> 20	21	<u>0</u> +1
	2016 2015	21	<u>23</u> 24	+ <u>20</u>
	2017 2016	<u>23</u> 24	<u>22</u> 23	-1+ <u>2</u>
Company-Owned	2014 2015	6	6	0
	2015 2016	6	6	0
	2017 2016	6	<u>7</u> 6	+ <u>10</u>
Total Outlets	2015 2014	<u>27</u> 26	27	<u>0</u> +1
	2016 2015	27	<u>29</u> 27	+ <u>20</u>
	2017 2016	<u>29</u> 27	29	<u>0</u> +2

Table No 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Calendar Years ~~2014~~2015 to ~~2017~~2016

	Year	Number of Transfers
Total	2014 2015	1
	2016 2015	<u>0</u> 1
	2017 2016	0

Table No 3
Status of Franchised Outlets
For Calendar Years ~~2014~~2015 to 20172016

State	Year	Franchised Outlets at Start of Year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Franchised Outlets at End of the Year
AZ	20142015	1	0	0	0	0	0	1
	20162015	1	0	0	0	0	0	1
	20172016	1	0	0	0	0	0	1
CA	20142015	3	0	0	0	0	0	3
	20162015	3	0	0	0	0	0	3
	20172016	3	0	0	0	0	0	3
CO	2014	4	0	0	0	0	0	4
CO	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	20172014	1	0	0	0	0	0	1
CT	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	20172014	1	0	0	0	0	0	1
FL	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	20172014	1	0	0	0	0	0	1
GA	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	20172014	1	0	0	0	0	0	1
IL	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	20172014	1	0	0	0	0	0	1
IN	2015	1	0	0	0	0	0	1
	2016	4	0	0	0	0	0	4
KS	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
MA	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
MD	2014	4	0	0	0	0	0	4
	2016	1	0	0	0	0	0	1
	20172016	1	0	0	0	0	0	1

State	Year	Franchised Outlets at Start of Year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Franchised Outlets at End of the Year
KS MN	2014	10	0	0	0	0	0	10
	2015	10	0	0	0	0	0	10
	2016	10	0	0	0	0	0	10
MO	2014	0	0	0	0	0	0	0
	2015	10	0	0	0	0	0	10
	2016	10	0	0	0	0	0	10
MA	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
MD	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
MN	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
MO	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
NC	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
NJ	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
PA	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
TX	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
VA	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
WA	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Total	2014	21	0	0	0	0	0	21
	2015	21	2	0	0	0	0	23
	2016	23	0	0	0	1	0	22

Table No 4
Status of Company-Owned Outlets
For Calendar Years ~~2014~~2015 to ~~2017~~2016

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
FL	2015 2014	1	0	0	0	0	1
	2016 2015	1	0	0	0	0	1
	2017 2016	1	0	0	0	0	1
NC	2015 2014	1	0	0	0	0	1
	2016 2015	1	0	0	0	0	1
	2017 2016	1	0	0	0	0	1
NY	2014	3	0	0	0	0	3
NY	2015	3	0	0	0	0	3
	2016	3	0	0	0	0	3
	2017 2014	3	0	0	0	0	3
WI	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
NVA	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	1	0	0	1
Totals	2015 2014	6	0	0	0	0	6
	2015	6	0	0	0	0	6
	2016	6	0	0	0	0	6
	2017	7	0	0	0	0	7

Table No 5
Projected Openings as of December 31, ~~2017~~2016

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
OH	0	12	0
TX TX	0	1	0
SC	0	1	0
Total	0	24	0

Exhibit B1 lists the names of all current Proshred franchisees and the addresses and telephone numbers of their outlets as of December 31, ~~2017~~2016

Exhibit B2 lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year, or who has not communicated with us within ten (10) weeks of the issuance date of this Disclosure

Document If you buy a Proshred Franchise, your contact information may be disclosed to other buyers when you leave the franchise system

Exhibit C1 lists, to the extent known, the names, addresses, telephone numbers, e-mail address and website address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed

Exhibit C2 lists the independent franchisee organizations that have asked to be included in this disclosure document

During the last three (3) years, we have signed confidentiality clauses with current franchisees We have signed no confidentiality agreements with former franchisees Each confidentiality clause was a part of an amendment to a Franchise Agreement and prohibits the franchisee from disclosing the negotiated terms In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Proshred You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you

Item 21

FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit D are the audited balance sheets of Proshred as at December 31, ~~2014, 2015, 2016~~ and ~~2017~~2016 and the related statements of income, shareholder's equity and comprehensive income and cash flows for the periods ending December 31, ~~2014, 2015, 2016~~ and ~~2017~~2016, together with an unaudited balance sheet and income statement as of ~~June 30, 2018~~March 31, 2017

Item 22

CONTRACTS

Exhibit E contains copies of the following contracts

- 1 Prospective Franchise Confidentiality and Noncompetition Agreement
- 2 Franchise Deposit Agreement
- 3 Franchise Agreement and Schedules

Exhibit F contains the EZshred License Agreement

Exhibit G contains the Windswept Hosting Agreement

Exhibit H contains the Franchisee Certification

Exhibit I contains the Form Release Agreement

Item 23

RECEIPTS

A detachable form for your use to acknowledge your receipt of this Disclosure Document, including all exhibits, is attached as Exhibit H at the very end of this Disclosure Document You must date and sign this receipt and deliver it to us

EXHIBIT A

**STATE ADMINISTRATORS
AND
AGENTS FOR SERVICE OF PROCESS**

EXHIBIT A**STATE ADMINISTRATORS****AND****AGENTS FOR SERVICE OF PROCESS**

Note Agents for service of process are located at the same address as the state regulatory authorities unless otherwise noted below

State	State Administrator	Agent for Service of Process
California	Securities Regulation Division California Department of Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559	California Department of Oversight
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
Michigan	Attorney General's Office Consumer Protection Division 525 W Ottawa Street, First Floor G Mennen Williams Building Lansing, MI 48909 517-373-7117	
Minnesota	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St Paul, MN 55101-2198 651-539-1600	Minnesota Commissioner of Commerce
New York	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 212-416-8211	Secretary of State 99 Washington Avenue Albany, NY 12231
Washington	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 360-902-8760	Director of Department of Financial Institutions Securities Division
Wisconsin	Wisconsin Division of Securities Department of Financial Institutions 201 W Washington Avenue, Suite 300 Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities

LIST OF OPERATING PROSHRED FRANCHISEES
(as of December 31, ~~2017~~2016)

State	Franchisee Name	Contact	Address	Phone
AZ	Valley Shredding, LLC	Joe and Patty Caradonna	1711 W University Dr Suite 153 Tempe, AZ 85251	480-427-2733
CA	Proshred Orange County	Andrew Parry	17951 Sky Park Circle Bldg 35, Suite D Irvine, CA 92614	949-748-3595
CA	MJT Ventures Corporation	Michael Thompson	5635 W Las Positas Blvd #405 Pleasanton, CA 94588	925-271-7566
CA	BD&T Enterprises, Inc	Todd Hoover & Desiree Chiles	7377 Convoy Ct , Suite C San Diego, CA 92111	858-492-9600
CO	TD Nash Enterprises Inc	Tom & Dorothy Nash	4719 S Santa Fe Circle, Unit 1 Englewood, CO 80110	303-730-2500
CT	Pleasant Point Partners Inc	David Symonds	801 North Main Street Wallingford, CT 06492	203-303-8501
FL	Shredpro US Ltd	Mark MacMillan	4700 140 th Ave N #105 Clearwater, FL 33762	727-573-7772
GA	Professional Data Destruction, LLC	Greg Galvez	5980 Unity Drive, Suite D Norcross, GA 30071	678-580-1155
IL	DuQua Services Inc	Rodney Quasny	7700 Graphics Drive Tinley Park, IL 60477	708-263-4326
IN	KenDel Enterprises Inc	Kenneth Cante	3140 N Shadeland Avenue Indianapolis, IN 46226	317-578-3650
KS	T2 Holdings LLC	Todd & Tricia McCullough	3052 S 24 th St Kansas City, KS 66106	913-327-8889
MA	EOS Approach, LLC	Arlene & Joseph Kelly & Kimberly & Barry Sanborn	75 Post Office Park Wilbraham, MA 01095	413-596-5479
MD	21 st Century Security LLC	Martin & Karen Fisher	1550 Canton Center Drive, Suite A Baltimore, MD 21227	410-242-9224
MN	Minnesota Data Destruction dba Proshred of Minnesota	Mark Lindgren	14451 Highway 7 Minnetonka, MN 55345	952-777-4876
MO	NXV Management, LLC	Nguyen Violette	1988 Innerbelt Business Center Dr Overland, MO 63114	314-778-9595
NC	Klemes Family Holdings Inc	Jim Klemes	3909 Memo Ct Raleigh, NC 27610	919-741-5024
NJ	Daneliz Shredding LLC	Simone and Howard Bryerman	575 Rt 73 N, Cooper Run C3 West Berlin, New Jersey 08091	856-336-2820

State	Franchisee Name	Contact	Address	Phone
PA	G2J LLC	Jim Doerr & Ginny Heron	25 Industrial Blvd Paoli, PA 19301	484-323-2100
TX	P&G Davis, LLC	Angela & Jarrod Davis	2081 Hutton Dr #103 Carrollton, TX 75006	469-930-6044
TX	Texas BEB Investments Corporation	Brock & Emily Bruce	2703 Capricorn Dr , Suite 100 Stafford, TX 77477	832-947-5700
VA	CVA Shredding Inc	Donald & Linda Trumble	2214 Westwood Avenue Richmond, VA 23230	804-798-0020
VA	Nova Shredding LLC	Stephen B Theobald	44845 Falcon PL #104 Sterling, VA 20166	571-262-7621
WA	White Dog Shredding Company	Natalie LaBerge	830 Industry Drive, Building 20, Tukwila, WA, 98188	206-258-2900

**LIST OF PROSHRED FRANCHISEES
SIGNED FRANCHISE AGREEMENTS, BUT OUTLET NOT OPEN
(as of December 31, ~~2017~~2016)**

None

EXHIBIT B-2

LIST OF FORMER PROSHRED FRANCHISEES

~~None~~

If you buy a Proshred Franchise, your contact information may be disclosed to other buyers when you leave the franchise system

Stephen Theobald
Cellphone 703-981-5059
Email Stevet1970@verizon.net

EXHIBIT C

**1 FRANCHISEE ORGANIZATIONS
WE HAVE CREATED, SPONSORED OR ENDORSED**

None as of the date of this disclosure document

2 INDEPENDENT FRANCHISEE ASSOCIATIONS

None as of the date of this disclosure document

FINANCIAL STATEMENTS

EXHIBIT D

Proshred Franchising Corp.

Financial Statements and Report of Independent Chartered
Professional Accountant
(in US dollars)
December 31, 2017 and 2016



REPORT OF INDEPENDENT CHARTERED PROFESSIONAL ACCOUNTANT

To the Shareholder of
Proshred Franchising Corp

Grant Thornton LLP
Suite 501
201 City Centre Drive
Mississauga, ON
L5B 2T4
T +1 416 366 0100
F +1 905 804 0509
www.GrantThornton.ca

We have audited the accompanying financial statements of **Proshred Franchising Corp**, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income (loss) and comprehensive income (loss), statements of changes in shareholder's equity, and statements of cash flows for the years then ended, and the related notes to the financial statements

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Proshred Franchising Corp** as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Grant Thornton LLP

Mississauga, Canada
April 18, 2018

Chartered Professional Accountants
Licensed Public Accountants

Proshred Franchising Corp.

Balance Sheets

As at December 31, 2017 and 2016

(in US dollars)

	2017	2016 as restated note 3
	\$	\$
Assets		
Current assets		
Cash	365,926	408,541
Accounts receivable, net (note 4)	110,033	115,891
Income tax receivable	-	15,984
Prepaid expenses	11,644	8,850
Due from related parties (note 6)	1,192,169	-
Current portion of notes receivable from franchisees (note 5)	67,612	66,603
Total current assets	1,747,384	615,869
Long-term assets		
Equipment	9,502	-
Deferred tax asset (note 7)	-	50,592
Long-term portion of notes receivable from franchisees (note 5)	15,305	81,821
Total long-term assets	24,807	132,413
Total assets	1,772,191	748,282
Liabilities		
Current liabilities		
Accounts payable	13,798	27,488
Income tax payable	23,877	-
Accrued liabilities	241,483	287,274
Due to related parties (note 6)	-	15,188
Total current liabilities	279,158	329,950
Long-term liabilities		
Long-term promissory note (note 6)	1,006,511	-
Total liabilities	1,285,669	329,950
Shareholder's equity		
Capital stock (note 8)	151,000	151,000
Additional paid in capital	99,000	99,000
Retained earnings	236,522	168,332
	486,522	418,332
	1,772,191	748,282

Proshred Franchising Corp.

Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2017 and 2016

	2017 \$	2016 as restated note 3 \$
Revenue		
Franchise territory fees	5,000	171,400
Royalties and service fees (note 6)	2,068,926	1,848,902
Interest income (note 6)	5,672	5,751
	<u>2,079,598</u>	<u>2,026,053</u>
Expenses		
License and management fees (note 6)	1,512,736	1,657,510
Interest expense (note 6)	80,521	-
Selling and marketing costs	34,729	26,347
Professional fees	46,200	52,464
General and administrative costs	255,474	311,399
Broker fees	-	43,670
Tangible depreciation	1,976	-
	<u>1,931,636</u>	<u>2,091,390</u>
Income (loss) before income taxes	<u>147,962</u>	<u>(65,337)</u>
Provision for (recovery of) income taxes (note 7)		
Current	29,180	(6,314)
Deferred	50,592	(28,730)
	<u>79,772</u>	<u>(35,044)</u>
Net income (loss) and comprehensive income (loss) for the year	<u>68,190</u>	<u>(30,293)</u>

Proshred Franchising Corp.

Statements of Changes in Shareholder's Equity For the years ended December 31, 2017 and 2016

(in US dollars)

	Authorized, issued and outstanding common shares (number)	Capital stock \$	Additional paid in capital \$	Retained earnings \$	Total shareholder's equity \$
Balance – December 31, 2015 – as previously stated	1,000	151,000	99,000	93,709	343,709
Prior year adjustment (Note 3)	-	-	-	104,916	104,916
Balance – December 31, 2015 - restated	1,000	151,000	99,000	198,625	448,625
Net loss and comprehensive loss	-	-	-	(30,293)	(30,293)
Balance – December 31, 2016	1,000	151,000	99,000	168,332	418,332
Net income and comprehensive income	-	-	-	68,190	68,190
Balance – December 31, 2017	1,000	151,000	99,000	236,522	486,522

Proshred Franchising Corp.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(in US dollars)

	2017 \$	2016 as restated note 3 \$
Operating activities		
Net income (loss)	68,190	(30,293)
Charges to income not involving cash		
Deferred income taxes	50,592	(28,730)
Tangible depreciation	1,976	-
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	5,858	(3,010)
Decrease (increase) in income tax receivable	39,861	(15,984)
Increase in prepaid expenses	(2,794)	(2,365)
Decrease in accounts payable	(13,690)	(13,755)
(Decrease) increase in accrued liabilities	(45,791)	48,204
	<u>104,202</u>	<u>(45,933)</u>
Investing activities		
Repayment of notes receivable from franchisees	65,507	641
Purchase of equipment	(11,478)	-
	<u>54,029</u>	<u>641</u>
Financing activities		
(Repayment to) advances from related parties	(200,846)	187,719
	<u>(200,846)</u>	<u>187,719</u>
Net change in cash during the year	<u>(42,615)</u>	<u>142,427</u>
Cash – beginning of year	<u>408,541</u>	<u>266,114</u>
Cash –end of year	<u>365,926</u>	<u>408,541</u>
Supplementary cash flow information		
Interest received	5,672	5,751
Income taxes paid	5,303	9,692

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

1 Nature of operations and basis of presentation

Proshred Franchising Corp (the "Company") was incorporated on October 7, 2002 in the state of Delaware. The Company has been licensed to offer and manage Proshred secure mobile document destruction franchises in the United States of America. The Company is a wholly-owned subsidiary of Professional Shredding Corporation ("PSC"), a corporation incorporated in Ontario, Canada, which is itself a wholly-owned subsidiary of RediShred Capital Corp ("RCC"), a company listed on the TSX Venture Exchange, a stock exchange in Canada. As of December 31, 2017, the Company has awarded 29 (2016– 29) locations. Of the 29 locations in operation, 22 are franchised locations, 6 are owned and operated by Redishred Acquisition Inc ("RAI"), a related Company, and 1 is owned by Proshred Charlotte Inc ("PCI"), a related Company.

These financial statements have been prepared for inclusion in the Company's Franchise Disclosure Document in order to be registered to offer Proshred Security Franchises in the United States of America.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and reflect the following significant accounting policies:

Revenue recognition

The Company earns revenue from initial franchise fees paid by franchisees to secure territories for a specific period, and from royalties and service fees paid by franchisees and corporate locations as a percentage of their monthly sales volumes. Initial franchise fees are recognized as revenue when the franchisee has fully executed a franchise agreement, has been provided with the prescribed training and the collection of the initial franchise fee is reasonably assured. Royalties and service fee revenue is accrued monthly based on sales reported by franchisees and corporate locations. Royalties and service fee revenue are recognized when collection is reasonably assured. Interest income on notes receivable from franchisees is recognized in the month earned. Interest income is recognized based on the effective interest method.

License fees

The Company has been licensed for the right to offer franchises in the United States of America from the parent company, PSC. License fees are levied as a percentage of royalty and territory revenues from franchises.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

2 Summary of significant accounting policies (continued)

Advertising costs

Advertising costs are expensed as incurred and totalled \$34,729 for the year ended December 31, 2017 (2016 - \$26,347)

Advertising fund assets and liabilities

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 each location's level of revenue. The revenue, expenses and cash flows of the Ad Fund are not included in the Company's statements of (loss) income 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 December 31, 2017, the Ad Fund was in a net surplus position within accrued liabilities of \$216,862 (2016 - \$239,360), including cash attributable to the Ad Fund amounting to \$154,158 (2016 - \$194,611). Accrued liabilities and cash attributable to the Ad Fund are included in the Company's Balance Sheet.

Income taxes

The Company accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of the Company's assets and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and tax credit carry-forwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

The Company follows ASC 740-10, accounting for uncertainties in income taxes, which prescribes a recognition threshold and measurement process for recording uncertain tax positions taken, or expected to be taken in a tax return, in the financial statements. Additionally, guidance also prescribes treatment for the recognition, classification and disclosure for uncertain tax positions. The Company accrues for the estimated amount of taxes for uncertain tax positions if it is more likely than not that the Company would be required to pay such additional taxes. An uncertain tax position will not be recognized if it has a less than 50% likelihood of being sustained.

Cash

Cash consists of balances with banks.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

2 Summary of significant accounting policies (continued)

Notes receivable from franchisees and accounts receivable

Notes receivable from franchisees and accounts receivable are initially measured at fair value, and subsequently at amortized cost. The Company measures impairments on financing receivables based on the present value of expected future cash flows using a discount value equivalent to the original effective interest rate. For further information, see note 5.

Accounts receivable do not bear interest due to their short-term maturity. Notes receivable from franchisees bear interest as stated in the underlying agreements.

Notes receivable from franchisees are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Notes receivable are written off on a case-by-case basis.

Financial instruments and concentration of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash, to the extent outstanding balances exceed federal insurance limits, accounts receivable and notes receivable from franchisees. Risks associated with cash are mitigated by the Company's maintaining bank deposits with highly rated financial institutions, as determined by independent credit rating agencies.

The Company is subject to credit risk with respect to its accounts receivable and notes receivable from franchisees. The Company performs ongoing credit evaluations, background checks and other financial due diligence to reduce this credit risk. Historically, such losses have been within management's expectations. As of December 31, 2017, 6 franchisees accounted for 59% of the accounts and notes receivable balance (2016 - 6 franchisees accounted for 58% of the accounts and notes receivable balance). For the year ended December 31, 2017, 3 franchisees accounted for 18% of the Company's revenues (2016 - 3 franchisees accounted for 18% of the Company's revenues). As at December 31, 2017, there were no accounts and notes receivable over 90 days old (2016 - \$nil).

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date", or the "exit price". Accordingly, an entity must determine the fair value of an asset or liability based on the assumptions that market participants would use in pricing the asset or liability, not those of the reporting entity itself. Additionally, the fair value hierarchy gives precedence to fair value measurements calculated using observable inputs to those using unobservable inputs. Entities are required to disclose financial instruments measured at fair value according to the hierarchy in each reporting period. The Company elected not to measure any of its financial assets and liabilities at fair value (other than those already measured at fair value) under the accounting standard for the fair value option.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

2 Summary of significant accounting policies (continued)

Equipment and depreciation

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost consists of expenditures directly attributable to the acquisition of the asset including costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Maintenance and repair costs are expensed as incurred.

Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment

2-5 years

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and depreciates separately each such part. The estimated useful lives and amortization method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

Management estimates

The preparation of financial statements in conformity with GAAP requires management to make assumptions and estimates. These assumptions and estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are inherent in, but not limited to, the estimation of the collectability of accounts receivable and notes receivable from franchisees and realization of deferred income tax assets. While management applies its judgment based on assumptions believed to be reasonable under the circumstances and at the time, actual results could vary from these assumptions or had different assumptions been used. The Company evaluates and updates its assumptions and estimates based on new events occurring, additional information being obtained or more experience being acquired.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

3 Restatement of prior period financial statements

During the preparation of the financial statements for the year ended December 31, 2017, the Company identified a prior period adjustment for the year ended December 31, 2016 and prior years. The restatement is being made to correct the balance reported as income tax expense resulting from withholding tax expense incorrectly recorded in the Company's financial statements. As a result, the December 31, 2016 comparative figures have been restated from those previously reported as follows:

	Previously reported	Restated	Increase (Decrease)
Balance Sheets	\$	\$	\$
Due to related parties	148,626	15,188	(133,438)
Retained earnings	34,984	168,332	133,438
Statements of Loss and Comprehensive Loss			
Provision for (recovery of) income taxes – current	22,208	(6,314)	(28,522)
Net loss and comprehensive loss for the year	(58,815)	(30,293)	28,522
Statements of Changes in Shareholder's Equity			
Retained earnings, December 31, 2015	93,709	198,625	104,916
Comprehensive loss	(58,815)	(30,293)	28,522
Retained earnings, December 31, 2016	34,984	168,332	133,438

4 Accounts receivable

	2017 \$	2016 \$
Accounts receivable	110,033	115,891
Allowance for doubtful accounts receivable	-	-
	<u>110,033</u>	<u>115,891</u>

The Company performs ongoing credit evaluations of financial conditions and generally requires no collateral from franchisees. Allowances for doubtful accounts are established based on various factors including credit profiles of franchisees, contractual terms and conditions, historical payments and current economic trends.

Allowances are reviewed monthly by assessing individual accounts receivable over a specific aging and amount and on historical collection experience. Such allowances are based on management's estimate and subject to significant variance to actual results. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

5 Notes receivable from franchisees

Notes receivable arising from the financing of the initial franchise fee by franchisees are as follows

	2017 \$	2016 \$
Note receivable, unsecured, bearing interest at 5 25% per annum with monthly blended payments of principal and interest of \$500 to \$1,500, commencing January 1, 2015 for 42 months and maturing June 1, 2018 Beginning January 1, 2016 to December 31, 2016 monthly blended payments of principal and interest were increased to \$1,600 On November 1, 2016, \$22,050 of accounts receivable balance was consolidated as part of the note receivable The monthly blended payments of principal and interest increase to \$1,900 from January 1, 2017 to June 30, 2017, \$2,400 from July 1, 2017 to December 31, 2017, \$3,000 from January 1, 2018 to June 30, 2018, and \$3,600 July 1, 2018 to December 31, 2018 (the maturity date)	38,217	61,879
Note receivable, unsecured, bearing interest at 8 25% per annum with monthly blended payments of principal and interest of \$670, commencing March 1, 2014 for 36 months and matured during the year	-	1,328
Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$1,481, commencing January 1, 2014 for 36 months and maturing December 1, 2016 The note was amended from June 2, 2016 to December 1, 2016, with payments of interest only made Commencing January 1, 2017, monthly blended payments of principal and interest of \$595 for 34 months and maturing October 1, 2019	12,567	19,020

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

5 Notes receivable from franchisees (continued)

Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$1,821, commencing January 1, 2014 for 36 months and maturing December 1, 2016 The note was amended to reduced monthly blended payments of principal and interest of \$1,079 for 60 months and maturing February 1, 2019	14,716	26,763
Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$829, commencing August 30, 2015 for 36 months and matured during the year	-	5,727
Note receivable, unsecured, bearing interest at 5 00% per annum with monthly blended payments of principal and interest of \$749, commencing November 30, 2016 for 36 months and maturing October 31, 2019	15,720	23,707
Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$852, commencing January 1, 2017 for 12 months and maturing December 31, 2017 The note was paused for 2 months accruing interest only The note matures on February 1, 2018	1,697	10,000
	82,917	148,424
Less Current portion	67,612	66,603
	15,305	81,821

At December 31, 2017, there were no notes receivable that were past due from a franchisee The Company has the right to charge additional interest as a penalty if the franchisee is in default on its payments

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

6 Related party transactions

The amounts due from (to) related parties are comprised of the following

	2017 \$	2016 \$
Due from RAI and PCI	190,469	(92,364)
Due from RCC	1,092,729	961,037
Due (to) PSC	(91,029)	(883,861)
Total due (to) related parties	1,192,169	(15,188)

PSC is the sole shareholder of the Company, which is a wholly-owned subsidiary of RCC. On January 1, 2017, PSC entered into a term promissory note with the Company in the amount of \$1,006,511. The term of the loan is 60 months with a fixed interest rate of 8% per annum. The principal balance is repayable upon maturity with the option to make pre-payments. The Company incurred interest expense of \$80,521 during the year ended December 31, 2017.

RAI is also a wholly-owned subsidiary of PSC. The parties are related as they are all under common control and the Company has the legal right to offset these amounts due from (to) these related parties. The amounts due from (to) RAI, PCI and RCC are non-interest bearing, unsecured and due on demand.

A Director of RCC is the owner of the Tampa Bay, Florida Proshred franchise. At December 31, 2017, there is no accounts receivable balance due from the Director's franchise related to the Tampa Bay operations (2016 - \$432). During the year ended December 31, 2017, the Company earned royalties, service fees, interest income and franchise fees amounting to \$99,135 (2016 - \$142,860) from this franchise. Included in notes receivable from the franchisees is a three year note receivable of \$15,720 outstanding as of December 31, 2017, with an interest rate of 5% per annum.

RAI operates seven of the Company's franchises. All amounts owing at December 31, 2017 have been classified as due from RAI and PCI. Included in due from related parties is an accounts receivable from royalty and service fees at December 31, 2017 totalling \$39,180 (2016 - \$32,990) due from RAI and PCI. During the year ended December 31, 2017, the Company earned royalty and service fees amounting to \$524,161 (2016 - \$403,172) from RAI and PCI.

During the year, PSC recovered salary costs of \$29,875 (2016 - \$30,000) from the advertising fund based on time spent by PSC employees on franchisee advertising and marketing related activities. During the year ended December 31, 2017, PSC license and management fees of \$1,512,738 were incurred (2016 - \$1,657,510).

During the year, PFC incurred rent expense of \$12,000 (2016 - \$12,000) charged by RAI for the use of the Syracuse and New York City office premises for PFC related activities. All related party transactions have been recorded at their exchange amounts.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016

7 Income taxes

The provision for current income taxes differs from the amount computed by applying the statutory federal income tax rate of 25% (2016 – 39%) to income before income taxes. The differences are due to Canadian income taxes, and permanent differences.

As of December 31, 2017, the Company has used its' accumulated losses of \$79,029 to reduce taxable income. The Company has therefore reversed the previously recognized deferred tax asset of \$50,592.

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduces the US federal corporate tax rate from 35% to 21%. The rate change had no impact on the Company's deferred tax balances and no provisional amounts were recorded for this item.

8 Capital stock

Authorized and issued

1,000 common stock of no par value

9 Economic dependence

The Company relies on PSC and RCC for certain management and support services.

10 Subsequent Events

The Company has evaluated subsequent events through April 18, 2018, which is the date the financial statements were available to be issued. Based on such evaluation, no events have occurred that in the opinion of management warrant disclosure in or adjustment to the financial statements.

Proshred Franchising Corp.

Financial Statements and Report of Independent
Chartered Professional Accountant
(in US dollars)
December 31, 2016 and 2015



REPORT OF INDEPENDENT CHARTERED PROFESSIONAL ACCOUNTANT

To the Shareholder of
Proshred Franchising Corp

Grant Thornton LLP
Suite 501
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Mississauga ON
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We have audited the accompanying financial statements of **Proshred Franchising Corp**, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of loss and comprehensive loss, statements of changes in shareholder's equity, and statements of cash flows for the years then ended, and the related notes to the financial statements

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Proshred Franchising Corp** as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Grant Thornton LLP

Mississauga, Canada
March 31, 2017

Chartered Professional Accountants
Licensed Public Accountants

Proshred Franchising Corp.

Balance Sheets

As at December 31, 2016 and 2015

(in US dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash	408,541	266,114
Accounts receivable, net (note 3)	115,891	112,881
Income tax receivable	15,984	-
Prepaid expenses	8,850	6,485
Due from related parties (note 5)	-	67,615
Current portion of notes receivable from franchisees (note 4)	66,603	60,864
Total current assets	615,869	513,959
Long-term assets		
Non-current deferred tax asset (note 6)	50,592	21,862
Long-term portion of notes receivable from franchisees (note 4)	81,821	88,201
Total long-term assets	132,413	110,063
Total assets	748,282	624,022
Liabilities		
Current liabilities		
Accounts payable	27,488	41,243
Accrued liabilities	287,274	239,070
Due to related parties (note 5)	148,626	-
Total current liabilities	463,388	280,313
Total liabilities	463,388	280,313
Shareholder's equity		
Capital stock (note 7)	151,000	151,000
Additional paid in capital	99,000	99,000
Retained earnings	34,894	93,709
	284,894	343,709
	748,282	624,022

The accompanying notes are an integral part of these financial statements

Proshred Franchising Corp.

Statements of Loss and Comprehensive Loss For the years ended December 31, 2016 and 2015

(in US dollars)

	2016 \$	2015 \$
Revenue		
Franchise territory fees	171,400	113,450
Royalties and service fees (note 5)	1,848,902	1,622,708
Interest income (note 5)	5,751	9,375
	<u>2,026,053</u>	<u>1,745,533</u>
Expenses		
License and management fees (note 5)	1,657,510	1,329,682
Selling and marketing costs	26,347	28,372
Professional fees	52,464	35,319
General and administrative costs	311,399	309,310
Broker fees	43,670	37,285
	<u>2,091,390</u>	<u>1,739,968</u>
(Loss) income before income taxes	<u>(65,337)</u>	<u>5,565</u>
Provision for (recovery of) income taxes (note 6)		
Current	22,208	31,267
Deferred	(28,730)	(7,923)
	<u>(6,522)</u>	<u>23,344</u>
Net loss and comprehensive loss for the year	<u>(58,815)</u>	<u>(17,779)</u>

The accompanying notes are an integral part of these financial statements

Proshred Franchising Corp.

Statements of Changes in Shareholder's Equity For the years ended December 31, 2016 and 2015

(in US dollars)

	Authorized, issued and outstanding common shares (number)	Common shares \$	Additional paid in capital \$	Retained earnings \$	Total shareholder's equity \$
Balance – December 31, 2014	1,000	151,000	99,000	111,488	361,488
Comprehensive loss Net loss	-	-	-	(17,779)	(17,779)
Comprehensive loss				(17,779)	(17,779)
Balance – December 31, 2015	1,000	151,000	99,000	93,709	343,709
Comprehensive loss Net loss	-	-	-	(58,815)	(58,815)
Comprehensive loss	-	-	-	(58,815)	(58,815)
Balance – December 31, 2016	1,000	151,000	99,000	34,894	284,894

The accompanying notes are an integral part of these financial statements

Proshred Franchising Corp.

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(in US dollars)

	2016 \$	2015 \$
Operating activities		
Net loss	(58,815)	(17,779)
Charges to income not involving cash		
Deferred income taxes	(28,730)	(7,923)
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(3,010)	(10,649)
(Increase) in income tax receivable	(15,984)	-
(Increase) in prepaid expenses and other assets	(2,365)	(2,628)
(Decrease) increase in accounts payable	(13,755)	20,683
Increase in accrued liabilities	48,204	80,647
	<u>(74,455)</u>	<u>62,351</u>
Investing activities		
Repayment of notes receivable from franchisees	<u>641</u>	<u>60,853</u>
Financing activities		
Payments of note payable	-	(1,790)
Advances from related parties	<u>216,241</u>	<u>9,012</u>
	<u>216,241</u>	<u>7,222</u>
Net change in cash during the year	142,427	130,426
Cash – beginning of year	<u>266,114</u>	<u>135,688</u>
Cash –end of year	<u>408,541</u>	<u>266,114</u>
Supplementary cash flow information		
Interest received	5,751	9,375
Income taxes paid	9,692	6,350

The accompanying notes are an integral part of these financial statements

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

1 Nature of operations and basis of presentation

Proshred Franchising Corp (the "Company") was incorporated on October 7, 2002 in the state of Delaware. The Company has been licensed to offer and manage Proshred secure mobile document destruction franchises in the United States of America. The Company is a wholly-owned subsidiary of Professional Shredding Corporation ("PSC"), a corporation incorporated in Ontario, Canada, which is itself a wholly-owned subsidiary of RediShred Capital Corp ("RCC"), a company listed on the TSX Venture Exchange, a stock exchange in Canada. As of December 31, 2016, the Company has awarded 29 (2015– 28) locations. Of the 29 locations in operation, 23 are franchised locations, five are owned and operated by Redishred Acquisition Inc ("RAI"), a related Company, and one is owned by Proshred Charlotte Inc ("PCI"), a related Company.

These financial statements have been prepared for inclusion in the Company's Franchise Disclosure Document in order to be registered to offer Proshred Security Franchises in the United States of America.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and reflect the following significant accounting policies:

Revenue recognition

The Company earns revenue from initial franchise fees paid by franchisees to secure territories for a specific period, and from royalties and service fees paid by franchisees and corporate locations as a percentage of their monthly sales volumes. Initial franchise fees are recognized as revenue when the franchisee has fully executed a franchise agreement, has been provided with the prescribed training and the collection of the initial franchise fee is reasonably assured. Royalties and service fee revenue is accrued monthly based on sales reported by franchisees and corporate locations. Royalties and service fee revenue are recognized when collection is reasonably assured. Interest income on notes receivable from franchisees is recognized in the month earned. Interest income is recognized based on the effective interest method.

License fees

The Company has been licensed for the right to offer franchises in the United States of America from the parent company, PSC. License fees are levied as a percentage of royalty and territory revenues from franchises.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

2 Summary of significant accounting policies (continued)

Advertising costs

Advertising costs are expensed as incurred and totalled \$26,347 for the year ended December 31, 2016 (2015 - \$28,372)

Advertising fund assets and liabilities

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 each location's level of revenue. The revenue, expenses and cash flows of the Ad Fund are not included in the Company's statements of (loss) income 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 December 31, 2016, the Ad Fund was in a net surplus position within accrued liabilities of \$239,360 (2015 – \$208,486), including cash attributable to the Ad Fund amounting to \$194,611 (2015 - \$127,261). Accrued liabilities and cash attributable to the Ad Fund are included in the Company's Balance Sheet.

Income taxes

The Company accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of the Company's assets and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and tax credit carry-forwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

The Company follows ASC 740-10, accounting for uncertainties in income taxes, which prescribes a recognition threshold and measurement process for recording uncertain tax positions taken, or expected to be taken in a tax return, in the financial statements. Additionally, guidance also prescribes treatment for the recognition, classification and disclosure for uncertain tax positions. The Company accrues for the estimated amount of taxes for uncertain tax positions if it is more likely than not that the Company would be required to pay such additional taxes. An uncertain tax position will not be recognized if it has a less than 50% likelihood of being sustained.

Cash

Cash consists of balances with banks.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

3 Summary of significant accounting policies (continued)

Notes receivable from franchisees and accounts receivable

Notes receivable from franchisees and accounts receivable are initially measured at fair value, and subsequently at amortized cost. The Company measures impairments on financing receivables based on the present value of expected future cash flows using a discount value equivalent to the original effective interest rate. For further information, see note 4.

Accounts receivable do not bear interest due to their short-term maturity. Notes receivable from franchisees bear interest as stated in the underlying agreements.

Notes receivable from franchisees are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Notes receivable are written off on a case-by-case basis.

Financial instruments and concentration of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash, to the extent outstanding balances exceed federal insurance limits, accounts receivable and notes receivable from franchisees. Risks associated with cash are mitigated by the Company's maintaining bank deposits with highly rated financial institutions, as determined by independent credit rating agencies.

The Company is subject to credit risk with respect to its accounts receivable and notes receivable from franchisees. The Company performs ongoing credit evaluations, background checks and other financial due diligence to reduce this credit risk. Historically, such losses have been within management's expectations. As of December 31, 2016, 6 franchisees accounted for 58% of the accounts and notes receivable balance (2015 - 6 franchisees accounted for 61% of the accounts and notes receivable balance). For the year ended December 31, 2016, 3 franchisees accounted for 18% of the Company's revenues (2015 - 3 franchisees accounted for 19% of the Company's revenues). As at December 31, 2016, there were no accounts and notes receivable over 90 days old (2015 - 6% of accounts and notes receivable were over 90 days old and related to three related parties and one franchisee).

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date", or the "exit price". Accordingly, an entity must determine the fair value of an asset or liability based on the assumptions that market participants would use in pricing the asset or liability, not those of the reporting entity itself. Additionally, the fair value hierarchy gives precedence to fair value measurements calculated using observable inputs to those using unobservable inputs. Entities are required to disclose financial instruments measured at fair value according to the hierarchy in each reporting period. The Company elected not to measure any of its financial assets and liabilities at fair value (other than those already measured at fair value) under the accounting standard for the fair value option.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

2 Summary of significant accounting policies (continued)

Management estimates

The preparation of financial statements in conformity with GAAP requires management to make assumptions and estimates. These assumptions and estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are inherent in, but not limited to the estimation of the collectability of accounts receivable and notes receivable from franchisees and realization of deferred income tax assets. While management applies its judgment based on assumptions believed to be reasonable under the circumstances and at the time, actual results could vary from these assumptions or had different assumptions been used. The Company evaluates and updates its assumptions and estimates based on new events occurring, additional information being obtained or more experience being acquired.

3 Accounts receivable

	2016 \$	2015 \$
Accounts receivable	115,891	112,881
Allowance for doubtful accounts receivable	-	-
	<u>115,891</u>	<u>112,881</u>

The Company performs ongoing credit evaluations of financial conditions and generally requires no collateral from franchisees. Allowances for doubtful accounts are established based on various factors including credit profiles of franchisees, contractual terms and conditions, historical payments and current economic trends.

Allowances are reviewed monthly by assessing individual accounts receivable over a specific aging and amount and on historical collection experience. Such allowances are based on management's estimate and subject to significant variance to actual results. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

4 Notes receivable from franchisees

Notes receivable arising from the financing of the initial franchise fee by franchisees are as follows

	2016 \$	2015 \$
Note receivable, unsecured, bearing interest at 5 25% per annum with monthly blended payments of principal and interest of \$500 to \$1,500, commencing January 1, 2015 for 42 months and maturing June 1, 2018 Beginning January 1, 2016 to December 31, 2016 monthly blended payments of principal and interest were increased to \$1,600 On November 1, 2016, \$22,050 of accounts receivable balance was consolidated as part of the note receivable The monthly blended payments of principal and interest increase to \$1,900 from January 1, 2017 to June 30, 2017, \$2,400 from July 1, 2017 to December 31, 2017, \$3,000 from January 1, 2018 to June 30, 2018, and \$3,600 July 1, 2018 to December 31, 2018 (the maturity date)	61,879	56,152
Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$1,481, commencing June 1, 2013 for 36 months and which matured May 1, 2016	-	7,331
Note receivable, unsecured, bearing interest at 8 25% per annum with monthly blended payments of principal and interest of \$670, commencing March 1, 2014 for 36 months and maturing February 1, 2017	1,328	8,922
Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$1,481, commencing January 1, 2014 for 36 months and maturing December 1, 2016 The note was amended from June 2, 2016 to December 1, 2016, with payments of interest only made Commencing January 1, 2017, monthly blended payments of principal and interest of \$595 for 34 months and maturing October 1, 2019	19,020	23,168

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

4 Notes receivable from franchisees (continued)

Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$1,821, commencing January 1, 2014 for 36 months and maturing December 1, 2016 The note was amended to reduced monthly blended payments of principal and interest of \$1,079 for 60 months and maturing February 1, 2019	26,763	38,271
Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$829, commencing August 30, 2015 for 36 months and maturing July 31, 2017	5,727	15,221
Note receivable, unsecured, bearing interest at 5 00% per annum with monthly blended payments of principal and interest of \$749, commencing November 30, 2016 for 36 months and maturing October 31, 2019	23,707	-
Note receivable, unsecured, bearing interest at 4 25% per annum with monthly blended payments of principal and interest of \$852, commencing January 1, 2017 for 12 months and maturing December 31, 2017	10,000	-
	<u>148,424</u>	<u>149,065</u>
Less Current portion	<u>66,603</u>	<u>60,864</u>
	<u>81,821</u>	<u>88,201</u>

At December 31, 2016, there were no notes receivable that were past due from a franchisee The Company has the right to charge additional interest as a penalty if the franchisee is in default on its payments

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

5 Related party transactions

The amounts due from (to) related parties are non-interest bearing, unsecured and due on demand and are comprised of the following

	2016 \$	2015 \$
Due (to) RAI and PCI	(92,364)	(73,472)
Due from RCC	961,037	593,587
Due (to) PSC	(1,017,299)	(452,500)
Total due from related parties	(148,626)	67,615

PSC is the sole shareholder of the Company, which is a wholly-owned subsidiary of RCC. RAI is also a wholly-owned subsidiary of PSC. The parties are related as they are all under common control and the Company has the legal right to offset these amounts due from (to) these related parties.

A Director of RCC is the owner of the Tampa Bay, Florida Proshred franchise. Included in accounts receivable at December 31, 2016, is \$432 (2015 - \$1,939) due from the Director's franchise related to the Tampa Bay operations. During the year ended December 31, 2016, the Company earned royalties, service fees and franchise fees amounting to \$142,860 (2015 - \$88,145) from this franchise. In June 2016, the Director was awarded the Orlando, Florida franchise for a purchase price of US\$50,000. The Company financed 50% of the purchase price. Included in notes receivable from the franchisees is a US\$25,000 three year note receivable at an interest rate of 5% per annum.

RAI operates six of the Company's franchises. All amounts owing at December 31, 2016 have been classified as due from RAI and PCI. Included in due from related parties is an accounts receivable from royalty and service fees at December 31, 2016 totalling \$32,990 (2015 - \$42,353) due from RAI and PCI. During the year ended December 31, 2016, the Company earned royalty and service fees amounting to \$403,172 (2015 - \$347,927) from RAI and PCI.

During the year, PSC recovered salary costs of \$30,000 (2015 - \$20,000) from the advertising fund based on time spent by PSC employees on franchisee advertising and marketing related activities. During the year ended December 31, 2016, PSC license and management fees of \$1,657,510 were incurred (2015 - \$1,329,682).

During the year, PFC incurred rent expense of \$12,000 (2015 - \$12,000) charged by RAI for the use of the Syracuse and New York City office premises for PFC related activities. All related party transactions have been recorded at their exchange amounts.

Proshred Franchising Corp.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

6 Income taxes

The provision for current income taxes differs from the amount computed by applying the statutory federal income tax rate of 39% (2015 – 39%) to income before income taxes. The differences are due to withholding taxes, Canadian income taxes, and permanent differences.

As of December 31, 2016, the Company has accumulated losses of \$79,029 (2015 - \$25,702) available to reduce future years' taxable income in the United States of America. The Company has recognized a deferred tax asset of \$50,592 (2015 - \$21,862).

7 Capital stock

Authorized and issued

1,000 common stock of no par value

8 Economic dependence

The Company relies on PSC and RCC for certain management and support services.

9 Subsequent Events

The Company has evaluated subsequent events through March 31, 2017, which is the date the financial statements were available to be issued. Based on such evaluation, no events have occurred that in the opinion of management warrant disclosure in or adjustment to the financial statements.

Proshred Franchising Corp.

Unaudited Financial Statements
(in US dollars)
June 30, 2018 and 2017

Proshred Franchising Corp.

Balance Sheets

As at June 30, 2018 and December 31, 2017

(in US dollars)

	2018 \$	2017 \$
Assets		
Current assets		
Cash	228,839	365,926
Accounts receivable, net	133,906	110,033
Prepaid expenses	15,593	11,644
Due from related parties	1,869,089	1,192,169
Current portion of notes receivable from franchisees	49,057	67,612
Total current assets	2,296,484	1,747,384
Long-term assets		
Equipment	7,974	9,502
Long-term portion of notes receivable from franchisees	-	15,305
Total long-term assets	7,974	24,807
Total assets	2,304,458	1,772,191
Liabilities		
Current liabilities		
Accounts payable	4,419	13,798
Income tax payable	-	23,877
Accrued liabilities	202,812	241,483
Total current liabilities	207,231	279,158
Long-term liabilities		
Long-term promissory note	1,006,511	1,006,511
Total liabilities	1,213,742	1,285,669
Shareholder's equity		
Capital stock	151,000	151,000
Additional paid in capital	99,000	99,000
Retained earnings	840,716	236,522
	1,090,716	486,522
	2,304,458	1,772,191

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Proshred Franchising Corp.

Statements of Income and Comprehensive Income
For the six months ended June 30, 2018 and 2017

	2018 \$	2017 \$
Revenue		
Royalties and service fees	1,139,377	1,047,911
Interest income	1,735	3,255
	1,141,112	1,051,166
Expenses		
License and management fees	187,613	605,777
Interest expense	40,260	50,326
Selling and marketing costs	29,782	18,059
Professional fees	14,114	12,629
General and administrative costs	121,269	120,018
Tangible depreciation	1,529	-
	394,567	806,809
Income before income taxes	746,545	244,357
Provision for income taxes		
Current	9,062	38,280
Deferred	-	-
	9,062	38,280
Net income and comprehensive income for the period	737,483	206,077

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

EXHIBIT E

AGREEMENTS

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EXHIBIT E-1

**PROSPECTIVE FRANCHISE
CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

**PROSHRED FRANCHISING CORP
PROSPECTIVE FRANCHISEE
CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

Recipient

Date

1 **Purpose of this Agreement** The recipient named above (the "Recipient") has completed a discovery day and is considering entering into a Franchise Deposit Agreement and/or a Franchise Agreement with PROSHRED FRANCHISING CORP, a Delaware corporation with its principal office located at 6505 Mississauga Road, Suite A, Mississauga, ON L5N 1A6, Canada (the "Franchisor"). In the course of the Recipient's due diligence, the Recipient may be attending a two (2) day meeting (the "Orientation") at a PROSHRED office, may have access to portions of the Proshred Intranet, may talk with Proshred franchisees and may receive certain confidential information of the Franchisor. In order to induce the Franchisor to invite the Recipient to attend the Orientation and give the Recipient access to portions of the Proshred Intranet, the Recipient agrees not to disclose to any third party any such information and to comply with the non-compete requirements set forth below.

2 Confidentiality

(a) **Confidential Information** As used herein, the term "Confidential Information" means the Franchisor's know-how, technical knowledge, methods of operation, business and marketing plans and all other information that the Recipient may receive from the Franchisor or Proshred franchisees or any of their employees, agents or representatives, prior to or on or after the date hereof, that is not generally available to the public and that has commercial value to the Franchisor. "Confidential Information" includes, without limitation, the content of all manuals used or approved for use in the operation of the franchised business, the content of all training provided by the Franchisor, all user names and passwords allowing access to the Franchisor's website or the Franchisor's computer network, all assistance provided by the Franchisor relating to the franchised business, all customer lists of the Franchisor and of Proshred franchisees, all other information collected on Proshred databases regarding customers of the Franchisor or of Proshred Franchisees, and all improvements and modifications to the Proshred franchise system developed by the Recipient, as described below. The Recipient acknowledges that all Confidential Information is confidential and proprietary information of the Franchisor.

(b) *Nondisclosure* At all times both during and after the Recipient's due diligence, the Recipient shall keep all Confidential Information in the strictest confidence and shall not disclose any Confidential Information to any third party except as may be set forth in a franchise or other written agreement between the Recipient and the Franchisor and except for any disclosure required by law, in which event the Recipient shall give notice to the Franchisor of the disclosure to be made

(c) *Non-Use* At all times both during and after the Recipient's due diligence, the Recipient shall not use any Confidential Information except for the purpose of fulfilling the Recipient's legitimate obligations relating to the Franchisor's business

(d) *Exceptions* The obligations of confidentiality and non-use described above will not apply to information that, (i) can be clearly shown by the Recipient to have been known to the Recipient on a non-confidential basis prior to its disclosure to the Recipient by the Franchisor or one of its franchisees, (ii) is now, or hereafter becomes, information generally available to the public not due to any act or failure to act by the Recipient, or (iii) can be clearly shown by the Recipient to have been received by Recipient on a non-confidential ~~nonconfidential~~ basis from a third party that is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation

(e) *Disclosures Required by Law* In the event that the Recipient becomes legally compelled to disclose any Confidential Information, the Recipient will (i) promptly notify the Franchisor that such information is required to be disclosed, (ii) use his or her best efforts to obtain legally binding assurance that all those who receive disclosure of such information are bound by an obligation of confidentiality, and (iii) disclose only that portion of the Confidential Information that legal counsel of the Recipient advises is legally required to be disclosed

(f) *Return of Information* Upon the request of the Franchisor, the Recipient will promptly return to the Franchisor, all Confidential Information and all copies thereof in the Recipient's possession or under the Recipient's control, and the Recipient will destroy all copies thereof on the Recipient's computers, disks and other digital storage devices

3 Further Undertakings

~~(a)~~ *Non-competition* Except as may be set forth in a franchise or other written agreement between the Franchisor and the Recipient, the Recipient shall not, either during or for a period of two (2) years following the Recipient's due diligence, operate directly or indirectly, whether as principal, shareholder (except of publicly traded securities), director, officer, manager, employee, consultant, lender, guarantor, representative or agent or in any other capacity any business selling services similar or identical to the Proshred System or otherwise engage in a business which is directly or indirectly competitive with, or similar to that of the Franchised Business (i) within ten (10) miles of the geographic boundaries of the Territory, as defined in the Franchise Deposit Agreement, or (ii) within ten (10) miles of the territory of any other Proshred franchised or

company business in existence in the U S A or Canada at the time such two (2) year period commences

~~_____ (b) *Covenant Not to Solicit* Except as may be set forth in a franchise or other written agreement between the Franchisor and the Recipient, the Recipient shall not, either during or for a period of two (2) years following the Recipient's due diligence, (i) solicit for employment any person who is then employed by a Proshred franchisee or by the Franchisor, or directly or indirectly induce such a person to leave his or her employment, or (ii) divert or attempt to divert any business or past or present customers of the Franchisor or one of its Franchisee to any competing establishment, by direct or indirect inducement~~

4 *Miscellaneous*

(a) *Remedies* Recipient acknowledges that if Recipient fails to comply strictly with any of the above undertakings, the Franchisor will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against Recipient in a court of competent jurisdiction. In the event that the Franchisor prevails in any such litigation, the Recipient shall reimburse the Franchisor for all costs, attorneys' fees and other expenses incurred by the Franchisor in connection therewith

(b) *Notices* All notices, requests, consents and other communications required or permitted by this Agreement shall be in writing and shall be delivered by hand, fax, overnight delivery service, or registered or certified first class mail, to then-current address of the Recipient known by the sender, to the attention of the person then holding the title of the person signing this Agreement on behalf of the recipient. Any such notice, request, consent or other communication shall be deemed given and be effective upon receipt at such address

(c) *Entire Agreement, Amendments* This Agreement constitutes the entire understanding between the parties relating to the subject matter hereof, superseding all prior agreements, arrangements and understandings between the parties relating to its subject matter. This Agreement may not be amended or changed in any way unless such changes are in writing signed by the parties hereto

(d) *Waiver* No delay, omission or failure to exercise any right or remedy provided for herein will be deemed to be a waiver thereof or acquiescence in the event giving rise to such right or remedy. No waiver will be binding unless contained in a writing signed by the party waiving its rights. Any waiver is limited to the specific situation in which it is given and no waiver of any breach or default under this Agreement will be construed as a waiver of any earlier or succeeding breach or default

(e) *Governing Law* This undertaking will be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within the state in which the franchised business is located

PROSHRED FRANCHISING CORP

Recipient

By _____

Signature

Name and Title

Print Name

Date

Address

Date

EXHIBIT E-2

FRANCHISE DEPOSIT AGREEMENT

FRANCHISE DEPOSIT AGREEMENT



Proshred Franchising Corp
~~6559 Mississauga Rd, Suite B (before June 2017)~~
6505 Mississauga Rd , Suite A (after June 2017)
Mississauga, Ontario L5N 1A6
Canada

Phone 866-379-5028 Fax 908-812-9448

Applicant _____
Date Submitted _____
Desired Territory _____

PROSHRED FRANCHISING CORP

FRANCHISE DEPOSIT AGREEMENT

1 Purpose of this Agreement This Agreement sets forth the terms and conditions upon which the undersigned applicant (the "Applicant") agrees to make an initial deposit to PROSHRED FRANCHISING CORP, a Delaware corporation (referred to in this Agreement as the "Franchisor") as part of the Applicant's application to become a Proshred franchisee (the "Application"). The Franchisee will not be deemed to have submitted a complete Application until the Franchisor shall have received each of the following, signed by the Applicant where required: (a) this Agreement, (b) the Franchisor's form of Request for Consideration (Application Form), (c) the Deposit described in Section 2 below, and (d) the Prospective Franchisee Confidentiality and Non-competition Agreement. The Franchisee shall submit to the Franchisor such other information as the Franchisor may reasonably request.

2 Deposit Together with this Agreement, the Applicant is submitting to the Franchisor a deposit in the amount of five thousand (\$5,000) dollars (the "Deposit") in the form of a check payable to the Franchisor. As used in this Agreement, the term "Territory Unit" means a geographic area comprised of approximately 10,000 business locations, nonprofit entities and governmental agencies that each have ten (10) or more employees. Each Territory is comprised of one (1) or more Territory Units. By countersigning this Agreement, the Franchisor acknowledges receipt of such check, although collection of the funds represented by the check is subject to bank processing.

3 Use of the Deposit The purpose of the Deposit is to cover the costs of the Franchisor in evaluating the Applicant's qualifications and suitability to become a Proshred ~~Franchisee~~ franchisee in a territory agreeable to both parties. In the event that the parties enter into a Proshred ~~Franchise Agreement~~ franchise agreement (a "Franchise Agreement"), the Deposit will be deemed to be a partial payment of the initial fee under the Franchise Agreement. If the Franchisor does not approve the Application, or if the Applicant withdraws the Application, or if the parties fail to enter into a Franchise Agreement within sixty (60) calendar days after the Franchisor shall have approved the Application, the Franchisor will refund the Deposit to the Applicant, less all out-of-pocket costs incurred by Franchisor in evaluating Applicant.

4 Desired Area The geographic area in which the Applicant desires to establish a Proshred franchise (a "Franchise") is described on Schedule A attached hereto. This description merely points to the area within which the parties will focus their consideration of a possible Franchise. The Franchisor makes no representation or assurance that area desired by the Applicant will be acceptable to the Franchisor or will be an area in which the Applicant is likely to be successful in operating a Franchise.

5 No Obligation Although the parties agree to evaluate a possible Franchise Agreement in good faith, nothing in this Agreement will be deemed to obligate either party to enter into a Franchise Agreement. The Applicant agrees to submit to the Franchisor or its agent as soon as practicable all information and materials reasonably requested by the Franchisor or its agent in order to permit the Franchisor to evaluate any site proposed by the Applicant. The Franchisor agrees to submit its approval or disapproval of any proposed area within thirty (30) days after the Franchisor receives all such requested information and materials. The Franchisor is not required to inform the Applicant of its reason or reasons for any rejection.

6 **No Grant of Rights** Nothing in this Agreement will be deemed to grant to the Applicant any exclusive or nonexclusive rights or options of any kind in any geographic area

7 **The Applicant's Representations** The Applicant represents that all information submitted by the Applicant as part of the Application is true and correct, and that the financial information submitted as part of the Application fairly reflects applicant's financial position as of the date submitted

8 **Confidentiality** The parties acknowledge that the Applicant has signed a Confidentiality and Non-Competition Agreement, which agreement will remain in full force and effect

9 **Entire Agreement** Except for the Confidentiality and Non-Competition Agreement, which will remain in full force and effect, this Agreement constitutes the entire understanding of the parties and supersedes any prior oral or written agreements between the parties with respect to the subject matter hereof

10 **Governing Law** This Agreement will be governed by and construed in accordance with the laws of the State of New York, without regard to New York's conflict of laws principles

PROSHRED FRANCHISING CORP

APPLICANT

By _____

Signature

Name and Title

Address

Date

Date

Schedule A

Desired Territory

Proshred 20182017 FDD
117425304 81200 201

EXHIBIT E-3

**FRANCHISE AGREEMENT
AND SCHEDULES**

Proshred 2018 2017 FDD

1440000 117425304 9,100,000 99+

FRANCHISE AGREEMENT



Proshred Franchising Corp
~~6559 Mississauga Road, Suite B (before June 2017)~~
6505 Mississauga Road, Suite A & B (after June 2017)
Mississauga, Ontario
L5N 1A6
Toll Free 1-866-379-5028
Phone 416-490-8600 Fax 905-812-9448

Franchisee _____

Date _____

Designated Territory _____

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PROSHRED FRANCHISING CORP

FRANCHISE AGREEMENT

AGREEMENT dated as of _____, 20____, between PROSHRED FRANCHISING CORP, a Delaware corporation with its principal office located at ~~6559 Mississauga Road, Suite B, Mississauga, Ontario L5N 1A6, Canada (before June 2017)~~ or 6050 Mississauga Road, Suite A, Mississauga, Ontario L5N 1A6, Canada ~~(after June 2017)~~ (the "Franchisor"), and _____, a _____ with its principal office located at _____ (the "Franchisee")

PREAMBLE

The Franchisor and its predecessors and affiliates have created and developed a unique and integrated system of material destruction, disposal and recycling of documents and computer-generated and stored information and other sensitive and confidential materials carried on under the trademark PROSHRED® and other trademarks, and has developed goodwill in such name and the business activities represented thereby

The Franchisee desires to establish and operate a Proshred franchise, and the Franchisor desires to grant to the Franchisee the right to do so

Accordingly, the parties agree as follows

1 DEFINITIONS

1.1 For the purposes of this Agreement, the following terms have the following meanings

- (a) **Acquired Business Deduction** – means the average sales of any document shredding or recycling business Franchisee acquires during the Term of this Agreement (with Franchisor's consent) that Franchisee converts and operates as part of its Franchised Business. The Acquired Business Deduction will be calculated by Franchisor and will be equal to the average sales of the acquired business during the twelve (12) months prior to Franchisee's acquisition
- (b) **Advertising Fee** – has the meaning set forth in Section 10.1
- (c) **Advisory Committee** – has the meaning set forth in Section 10.1
- (d) **Affiliate** of a party means a company directly or indirectly controlling, controlled by or under common control with such party. "Control" of another company means the ownership of or the power to vote, directly or indirectly through majority-owned companies, fifty-one percent (51%) or more of the voting stock or voting rights of such other company
- (e) **Agreement** – means this agreement and all instruments supplemental hereto or in amendment hereof
- (f) **Confidential Information** – has the meaning set forth in Section 8(a)

- (g) **Confidential Operations Manuals** – means, collectively, all directives, books, pamphlets, bulletins, and memoranda, prepared by or on behalf of the Franchisor and provided or made available to the Franchisee in tangible form (including a paper hard copy, DVD, video tape, or electronic media, such as a secure website or by e-mail, or other media), setting forth information, advice and standards, requirements, operating procedures, instructions or policies relating to the operation of the Franchised Business or the operation of Proshred franchises generally, and information relating to the Franchisee's other obligations under this Agreement, as same may be revised by the Franchisor from time to time
- (h) **Conversion Deduction** – means the average sales of any document shredding and recycling business Franchisee operates prior to the signing of this Agreement that Franchisee converts and operates as part of its Franchised Business. The Conversion Deduction will be calculated by Franchisor and will be equal to the average sales of the converted business during the twelve (12) - month period prior to Franchisee's conversion of the business to the Proshred System
- (i) **Equipment** – means the shredding machines, computers, telecommunications devices, handheld electronic devices, containers, consoles, bins, boxes and other hardware or machinery that the Franchisor has approved or subsequently approves as meeting the Franchisor's standards for use in the Proshred System
- (j) **Franchised Business** – means the business of selling on-site and/or off-site services for the destruction, disposal, baling, scanning services, breach reporting services, workflow consulting services and recycling of documents and computer-generated and stored information and other sensitive and confidential materials through or in any way related to or affiliated with the Proshred System pursuant to the rights granted to the Franchisee in this Agreement
- (k) **Fund** – has the meaning set forth in Section 10.2
- (l) **Gross Revenue** – means the total dollar value of all goods and services sold or rented by the Franchised Business (including any subsidiary or related company that involves baling, shredding, recycling, scanning, breach reporting, and consulting services related to work-flow management) regardless of whether the amounts are collected and whether payment was made by cash, credit or otherwise. No allowance whatsoever shall be made for bad debts
- (m) **Guarantor and Guaranty** – have the meanings set forth in Section 2.2
- (n) **Information Technology Services Fee** – has the meaning set forth in Section 9.4
- (o) **Initial Fee** – has the meaning set forth in Section 9.1
- (p) **Manager** – has the meaning set forth in Section 2.2
- (q) **Minimum Performance Level** – means the minimum annual Service Revenue levels set forth on Schedule 'III'. If Franchisee has a document shredding and

recycling business at the time this Agreement is signed that Franchisee is converting to a Proshred franchise, then the Service Revenue attributed to the Conversion Deduction will not be included in the calculation of Service Revenue for the purpose of determining whether the Franchisee has attained the Minimum Performance Levels. Service Revenue attributed to acquisitions by Franchisee of one (1) or more document shredding and recycling businesses and the conversion of those businesses to the Proshred brand after the date hereof with the Franchisor's advance approval will be included in the calculation of Service Revenue for purposes of determining whether the Franchisee has attained the Minimum Performance Levels.

- (r) **Marks** – means the trademark “Proshred” together with such other trade names, trademarks, service marks and logos as are listed in the Confidential Operations Manuals or which may be designated by Franchisor from time to time as part of the Proshred System for use by franchisees. Franchisor may create, use and license additional trademarks or substitute different trademarks in the future in conjunction with the operation of the Franchised Business.
- (s) **Premises** – has the meaning set forth in Section 3.
- (t) **Proshred Image** – has the meaning set forth in Section 6.1
- (u) **Proshred System** – means the business method conforming to the standards, systems, concepts, methods and procedures developed and used by the Franchisor, or which may hereafter be developed and used by the Franchisor for the sale and rental of goods and services under the Marks, as set out in the Confidential Operations Manuals. The term “Proshred System” includes, without limiting the generality of the foregoing:
 - (i) the distinguishing characteristics relating to the basic image, appearance, model, design and color of Vehicles and Equipment,
 - (ii) the methods of marketing and selling the services, and
 - (iii) the standards of quality and service.
- (v) **Royalty Fee** – has the meaning set forth in Section 9.2
- (w) **Service Revenue** – means Gross Revenue minus revenue from the sale of materials for recycling.
- (x) **Site** – has the meaning set forth in Section 3.1
- (y) **System Website** – has the meaning set forth in Section 5.7
- (z) **Term** – has the meaning set forth in Section 2.1 hereof.
- (aa) **Territory** – means the geographic area described in Schedule II attached hereto, delineated by postal zip codes, county boundaries or both in which Franchisee may operate its Franchised Business. The Territory consists of the Territory Unit(s) set forth in Schedule II.

- (bb) **Territory Unit** – means a geographic area comprised of approximately 10,000 business locations, nonprofit entities and governmental agencies that each have ten (10) or more employees. Each Territory is comprised of one (1) or more Territory Units.
- (cc) **Transfer Fee** – has the meaning set forth in Section 17.2
- (dd) **Vehicles** – means the shredding trucks, customer service vans, small box trucks, autos or other vehicles that the Franchisor has approved or shall have approved as meeting the Franchisor's standards for use in the Proshred System.

2 GRANT AND RENEWAL OF FRANCHISE

2.1 Grant of Proshred Franchise

(a) Subject to all the terms and conditions of this Agreement, Franchisor hereby grants to the Franchisee, and Franchisee accepts, the right and license to operate a Franchised Business in conjunction with the Marks, under the Proshred System, within the exclusive Territory, from the Premises, for an initial term of ten (10) years commencing on the date of this Agreement, as such term may be renewed. The period of time during which this Agreement remains in effect, including the renewal term, is hereinafter referred to as a "Term".

(b) Franchisor agrees, during the Term, that it will not operate a Proshred business or permit the operation of another Proshred franchise within the Territory provided that the Franchisee is not in material default of this Agreement or of any other agreement with the Franchisor or any Affiliate of the Franchisor and provided further that the Franchisee has met the Minimum Performance Levels.

(c) Franchisee shall not, either directly or indirectly, service any customers outside of the Territory. Notwithstanding the foregoing, the Franchisee may operate the Franchised Business and service customers outside the Territory to the extent that such customer location is not within the designated territory of another Proshred ~~Franchisee~~franchisee or a company-owned Proshred operation (whether such franchise or company-owned operation is that of the Franchisor or an Affiliate). In order to operate any services outside of the Territory, Franchisee must obtain prior written consent from the Franchisor. In the event that the Franchisor grants to another Proshred ~~Franchisee~~franchisee a designated territory in an area containing any customer or customers of the Franchisee located outside of the Territory or opens a company or Affiliate Proshred business in such area, then, in such event, the Franchisee's rights to call upon and service such customer or customers shall immediately terminate and be assigned to the new ~~Franchisee~~franchisee or to the company or its Affiliate, and the Franchisee shall have no further claim or right with respect to such customers or to further service such customers outside of the Territory nor shall it have any right to claim any damage from the Franchisor for any lost business or opportunity. In such event, the Franchisee will assign to the newly-appointed Proshred ~~Franchisee~~franchisee or affiliate all consoles, containers or equipment left in place at the locations of such customers, and the newly-appointed ~~Franchisee~~franchisee will replace any such consoles, containers and equipment assigned by Franchisee with new consoles, containers and/or equipment.

(d) Franchisor reserves the right to enter into agreements for regional or national accounts with customers that have locations within the Territory. For purposes of this

Agreement a regional account means any customer that has multiple locations within a geographic region or area. A national account means a customer that has multiple locations across the United States. Upon Franchisor's request, Franchisee will service such customers at their locations within the Territory and in any nearby locations requested by Franchisor that are not within the assigned territory of another Proshred ~~Franchisee~~ Franchisee. Franchisee agrees to adhere to the terms of any commercially reasonable agreement that Franchisor may enter into with such national or regional customers, as communicated to Franchisee by Franchisor. Franchisee acknowledges and agrees that Franchisor or Franchisor's designee may service a national or regional account located inside Franchisee's Territory without paying Franchisee any compensation.

(e) During the Term, Franchisor or its Affiliate may acquire the shares or assets of a business competitive with the Franchised Business. In the event of such an acquisition:

- (i) Franchisor will offer Franchisee (provided such offer does not violate another agreement) the opportunity to participate in such acquisition to the extent that the target business is located in the Territory, at a price to the Franchisee to be determined by Franchisor on an equitable basis taking into consideration factors such as the value of the assets, revenues and profitability and such other factors as the Franchisor deems to be relevant,
- (ii) if Franchisee decides to participate in such acquisition, Franchisee will sign an agreement to operate the business under the terms of this Agreement, as amended to include such additional business, or if the business is to be conducted under a different trademark than the Marks, under the terms of the then-current form of Franchise Agreement ~~franchise agreement~~ for that brand, and
- (iii) if Franchisee does not participate in such acquisition, Franchisor reserves the right to operate or to license to others the right to operate any such competitive business in the Territory under any trademarks or trade names other than the Marks.

2.2 Guaranty

If Franchisee is a legal entity such as a corporation or limited liability company rather than a sole proprietorship or general partnership, then Franchisor's grant of this franchise is made on the condition that each person who now or later owns or acquires, either legally or beneficially, ten percent (10%) or more of Franchisee's equity or voting interests (the "Guarantor" or "Guarantors"), must execute and deliver to Franchisor a guaranty and assumption agreement in the form attached as Schedule IV (the "Guaranty"). If no person owns ten percent (10%) or more, then persons approved by Franchisor whose combined equity interest is equal to or greater than ten percent (10%) will be the Guarantors. Transfers of interest are restricted in accordance with Section 17.2. Upon Franchisor's request at any time, Franchisee will furnish Franchisor with a list of all holders of legal and beneficial interests in Franchisee's company, together with descriptions of the type of interests owned and percentage amounts, and the names, addresses and telephone numbers of the owners, certified as correct in the manner the Franchisor specifies. If any of Franchisee's general partners, managers, officers or directors ceases to serve as such or if any new person becomes a general partner, manager, officer or director after the date of this Agreement, Franchisee will notify Franchisor of

such change within ten (10) days Any breach of a Guaranty will be deemed to be a breach of this Agreement

2.3 Renewal

(a) Subject to the provisions of this section, the Franchisee will have the right to renew the franchise for two (2) additional consecutive five (5) year terms on the same terms and conditions as those on which the Franchisor is customarily granting new franchises at the time of each renewal if at the time of each renewal all of the following conditions are fulfilled

- (i) Franchisee delivers written notice to Franchisor not less than six (6) months and not more than nine (9) months prior to the end of the then-current term to renew the franchise for an additional period of five (5) years,
- (ii) Franchisee shall not at the expiration of the then-current term be in material default of this Agreement or any other contract between Franchisee and Franchisor or any of its Affiliates, and in particular, shall not have defaulted in payment of any sums owing to Franchisor or any of its Affiliates or any suppliers designated by Franchisor (regardless of whether Franchisee has cured such default), except in a case of a bona fide dispute over a sum owing to a supplier designated by Franchisor,
- (iii) Franchisee enters into Franchisor's then current form of Proshred franchise agreement and executes all other documents then used by the Franchisor in granting Proshred franchises (which may contain terms substantially different from those herein contained including, but not limited to higher Royalty Fees, Advertising Fees and Information Technology Service Fees, but which will not obligate Franchisee to pay a further Initial Fee to renew beyond that described in subsection 2.3(a)(vii),) unless this requirement is waived by written notice from Franchisor, in which case the terms hereof (except for any further option to renew beyond that provided for herein) shall remain in full force and effect for the immediately succeeding renewal term,
- (iv) Franchisee and all Guarantors execute a general release, in a form prescribed by Franchisor, of any and all claims against the franchisor and its affiliates and their respective officers, directors, agents and employees,
- (v) Franchisee continues to operate Franchised Business from the Premises or an alternate location, which the Franchisor shall have approved in writing, which approval will not be unreasonably withheld,
- (vi) Franchisee refurbishes, at Franchisee's expense, all Vehicles and Equipment, and the Premises, to meet Franchisor's then current standards and image for the Proshred System, and
- (vii) Franchisee pays to Franchisor all unpaid accounts plus a renewal fee determined by Franchisor, in an amount equal to twenty five percent (25%) of the then-current Base Fee (as defined in Section 9.1) for a new franchise

For the purposes hereof, the Franchisee shall be deemed to have declined to renew the franchise if the Franchisee fails to pay the amounts required under subsection 2 3(a)(vii) or to execute and return to the Franchisor the Franchisor's then current form of Proshred Franchise Agreement~~franchise agreement~~ and all other documents required by the Franchisor for renewal of the franchise, within thirty (30) days after the Franchisor has delivered them to the Franchisee following the Franchisee's exercise of its right hereunder. In the event that this Agreement is not renewed in the manner described above, it will expire at the end of the then-current term except as otherwise provided in Section 2 3(c)

(b) In the event that the Franchisor intends not to approve a renewal on the basis of a default pursuant to Section 2 3(a)(ii), the Franchisor shall so notify the Franchisee at least one hundred eighty (180) days before the expiration of the then-current Term. In such event, the Franchisor need not give the Franchisee an opportunity to cure. If the Franchisor shall have sent such a notice of nonrenewal, the Franchisee shall have the right, until the date of expiration, to sell the Franchised Business in the manner described in Section 2 3(d)

(c) The Franchisor shall deliver to the Franchisee the then-current form of Proshred Franchise Agreement~~franchise agreement~~ after Franchisor receives written notice from Franchisee of its desire to renew. In the event that the Franchisee desires to renew but objects to the new form of Proshred Franchise Agreement~~franchise agreement~~, the Franchisee shall notify the Franchisor in writing of the Franchisee's specific objections within thirty (30) days after the Franchisee receives the then-current form of agreement. If the parties shall then be unable to resolve their differences before the expiration date, or if the Franchisee notifies the Franchisor before the expiration date that the Franchisee prefers to sell the Franchised Business, then this Agreement will be deemed to have been renewed for a period of twelve (12) months, during which time the Franchisee shall have the right to sell the Franchised Business in the manner described in Section 2 3(d)

(d) If the Franchisee has the right to sell the Franchised Business pursuant to Sections 2 3(b) or (c), such sale shall be in accordance with the terms of Section 18 2. If the Franchisor approves such sale pursuant to Section 18 2, the Franchisor may grant a new franchise to the transferee for the full term set forth in the then-current franchise agreement, subject to the Franchisor's right of first refusal under Section 18 3

(e) Notwithstanding the foregoing, the Franchisor reserves the right not to renew this Agreement by giving notice to the Franchisee at least one hundred eighty (180) days before the expiration of the initial term to the effect that (i) the Franchisor intends to withdraw from selling its services in the Territory and (ii) the Franchisor will not seek to enforce any post-term covenant under Article 17 of this Agreement provided that the Franchisee does nothing to damage or diminish the goodwill inherent in the Marks as long as this Agreement remains in effect

(f) Notwithstanding the foregoing, the Franchisor reserves its right to terminate this Agreement pursuant to Article 14, subsections (b) through (m), both (i) in lieu of declining to renew pursuant to Section 2 3(b), and (ii) after notice of declining to renew, upon any new occurrence of the events described in any of the subsections (b) through (m) of Article 14

2.4 Minimum Performance Levels

(a) The parties acknowledge and agree that the Minimum Performance Levels constitute levels of Service Revenue that are realistic and attainable. The parties further acknowledge and agree that meeting the Minimum Performance Levels does not suggest that Franchisee is sufficiently penetrating the market in its Territory or that its Franchised Business will be successful. In calculating the Minimum Performance Levels, the Franchisee's Service Revenue will include the Service Revenue of any business acquired by the Franchisee pursuant to the terms of Section 9.6 (a), but will not include any Service Revenue attributable to the Conversion Deduction (as defined in Section 1.1(h)).

(b) In the event that the Franchisee fails to attain the Minimum Performance Level in any twelve (12)-month period, Franchisee will pay Franchisor the Shortfall Royalty. For purpose of this Agreement, Shortfall Royalty means the difference between the royalties Franchisor would have received had Franchisee met its Minimum Performance Level and the actual Royalty Fee paid by Franchisee.

(c) In the event that the Franchisee does not attain at least seventy-five percent (75%) of the Minimum Performance Levels in any twelve (12)-month period, Franchisee must pay the shortfall. If Franchisee attains between fifty percent (50%) and seventy-five percent (75%) of the Minimum Performance Levels in any twelve (12)-month period, Franchisor will have the right to modify the size of Franchisee's Territory. In the event that the Franchisee does not attain at least fifty percent (50%) of the Minimum Performance Level in any twelve (12)-month period, Franchisor may terminate this Agreement pursuant to Article 14.1(r).

(d) The Franchisee will pay any Shortfall Royalty described above in full to the Franchisor within thirty (30) days following the end of the twelve (12)-month period in which the shortfall occurred.

3 PREMISES

3.1 Location

The Franchisee shall operate the Franchised Business only at the location described in Schedule II, or if such location is not described in Schedule II, then at a location approved by the Franchisor in accordance with Section 3.2 that is within the Territory. Such location of the Franchised Business is referred to in this Agreement as the "Site", and the physical office of the Franchised Business at the Site is referred to as the "Premises". The Franchisee may not relocate the Franchised Business or operate the Franchised Business from any location other than the Site without the Franchisor's prior written approval. The Franchisee may not carry out any business at the Premises other than the Franchised Business. In the event that the Franchisee's Territory is large enough to require two (2) offices in the Franchisor's reasonable judgment to enable the Franchisee to increase market share and improve operating efficiencies in the Territory, the Franchisor shall have the right to require the Franchisee to operate separate offices from two (2) Sites within the Territory, both of which must be approved by the Franchisor in accordance with this Article 3.

3 2 Site Selection

(a) The Franchisee is solely responsible for selecting the Site. The Franchisor merely approves the Site if it is acceptable, and such approval does not mean that the Franchisor makes any guarantee concerning the success of such Site. If a Site is set forth in Schedule II, the Franchisee acknowledges that, before signing this Agreement, the Franchisee (with or without the Franchisor's assistance) located and the Franchisor approved the Site. If the Franchisor has not already approved a site proposed by the Franchisee when the Franchisor signs this Agreement, the Franchisee must propose to the Franchisor, within one hundred twenty (120) days after the date of this Agreement, a site within the Territory that is acceptable to the Franchisor. The Franchisor may not unreasonably withhold approval of any site that meets the Franchisor's standards. If a site is not approved within one hundred twenty (120) days after the date of this Agreement, the Franchisor may terminate this Agreement or grant an extension of time to locate a site.

(b) If the Franchisee intends to lease or sublease the Premises for the Franchised Business, the Franchisee must submit the Franchisee's proposed lease to the Franchisor for the Franchisor's prior written approval. If the Franchisor does not have a copy of the signed lease or sublease, the Franchisee must deliver such copy to the Franchisor within fourteen (14) days after it is signed by the Franchisee and the lessor.

(c) Within sixty (60) days after the Franchisor approves a site, the Franchisee must, at the Franchisee's expense, complete the acquisition or lease arrangements to acquire or lease the approved Premises. The Franchisee is solely responsible, at the Franchisee's own expense, for obtaining any necessary financing and all required building, utility, sign, health, sanitation, business and other permits and licenses required to operate the Franchised Business and construct all required improvements to the Site and the Premises.

4 DEVELOPMENT OF THE TERRITORY

4 1 Commencement of the Business

(a) Except in the case of a renewal where the Franchised Business is already in operation, the Franchisee shall commence operation of the Franchised Business within sixty (60) days after (i) Franchisor approves the Site, or (ii) Franchisee completes the training program described in Section 5 1. The Franchisor may terminate this Agreement in accordance with Article 14 in the event that the Franchisee fails to commence operation of the Franchised Business within such sixty (60) day period, unless such delay results from a cause outside of the Franchisee's control, in which event the provisions of Section 20 14 will apply.

(b) The Franchisee may not commence operation of the Franchised Business until

- (i) all of the Franchisee's obligations pursuant to Sections 3 2 are fulfilled,
- (ii) the Franchisor determines that the Premises ~~have~~has been constructed, furnished, equipped and decorated in accordance with the Franchisor's requirements,
- (iii) the Franchisee's personnel have each completed the initial training to the Franchisor's satisfaction,

- (iv) the Franchisee has furnished the Franchisor with certificates of insurance and copies of all insurance policies or such other evidence of insurance coverage as the Franchisor reasonably requests, as well as with copies of all bonds that may be required under state or local law,
- (v) the Franchisee has furnished the Franchisor with a business plan to the Franchisor's satisfaction that includes, at a minimum, projections regarding profits and losses, cash flow statements and a detailed balance sheet, and
- (vi) the Franchisee receives the Franchisor's approval of the opening in writing. The Franchisor may grant or withhold such approval as Franchisor deems appropriate.

4.2 Vehicle Acquisition and Financing

The Franchisee shall provide the Franchisor from time to time with such proof as the Franchisor may reasonably require to establish that the Franchisee has adequate financial resources and credit to obtain the Vehicle(s) and to meet the annual Minimum Performance Levels set forth in Schedule III. If the Franchisee is unable to afford or finance the estimated costs for purchasing or leasing the Vehicle(s) or otherwise meet its obligations under this Agreement, the Franchisor, at its sole option, may terminate this Agreement in accordance with Article 14.1.

If Franchisee leases or finances the shredding truck, the lease for the shredding truck must contain an addendum substantially in the form of Schedule V.

4.3 Delays and Unavailability of Vehicles

The Franchisor shall not be liable for any delay by a supplier authorized by the Franchisor in the manufacture or delivery of Vehicles or Equipment to the Franchisee.

4.4 Franchisee's Assistance

The Franchisee agrees to execute and deliver promptly to suppliers authorized by the Franchisor all instruments and documents necessary in the reasonable judgment of the Franchisor to facilitate the purchase of the Vehicles and other Equipment as herein provided.

4.5 Equipment and Signage Specifications

(a) To ensure uniformity among all Proshred franchisees, the Franchisee agrees to use in the operation of the Franchised Business only such Vehicles and Equipment as the Franchisor shall have approved as meeting the performance, serviceability and warranty requirements of the Proshred System. All such Vehicles and Equipment shall be purchased from suppliers designated or approved by the Franchisor as meeting the Franchisor's standards. The Franchisee further agrees to place or display on all Vehicles and Equipment and at the Premises only such signs, emblems, lettering, and logos and agrees to use in the operation of the Franchised Business only such invoices, order forms, receipts and other paper goods, as are from time to time specified or approved in writing by the Franchisor. If the Franchisee proposes to use any vehicle, equipment or any other item that is not approved by

the Franchisor, the Franchisee shall first notify the Franchisor and shall submit to the Franchisor sufficient specifications, photographs, drawings and other information to enable the Franchisor to determine whether such item complies with the Franchisor's specifications and standards. The Franchisor shall communicate such determination to the Franchisee in writing within a reasonable time.

(b) The Franchisee shall install such computer and communications equipment including, without limitation, facsimile, telephone, modem, e-mail, GPS tracking systems, handhelds and their applications, e-commerce, customer relationship management software and technology, anti-virus software, and such other software and Internet capabilities, pursuant to such licenses or terms, as the Franchisor shall specify or approve from time to time during the Term, at the sole expense of the Franchisee. The Franchisee agrees to continually update its software and back up all data used in the Franchised Business in accordance with the Franchisor's requirements as those may be modified by the Franchisor from time to time. The Franchisor has the right, as often as the Franchisor deems appropriate, to access the Franchisee's computer system, including, without limitation, all web tools, and to retrieve and use in its business all information relating to the Franchised Business, including but not limited to customer lists, pricing information and service details.

(c) Franchisee agrees to comply with the IT requirements set forth in the Confidential Operations Manuals. Franchisee is responsible for complying with all laws that are applicable to the technology used in the operation of the Franchised Business, including all data protection and security laws as well as payment card industry (PCI) compliance. Franchisor has the right to inspect and audit, or cause to be inspected and audited, Franchisee's compliance with Franchisor's computer system and technology requirements. If Franchisee is found to be non-compliant with such requirements, Franchisor may obtain the necessary hardware and/or software on Franchisee's behalf, at Franchisee's expense.

4.6 Other Supplies

The Franchisee agrees to use in the operation of the Franchised Business only such employee uniforms, employee security badges and signage as the Franchisor shall have prescribed or approved, from suppliers prescribed or approved by the Franchisor. Franchisee acknowledges and agrees the Franchisor is not responsible or liable for any delays, problems or issues relating to the Franchisee's use or relationship with an approved supplier.

5 TRAINING AND OPERATING ASSISTANCE

5.1 Initial Training

Except in the case of a renewal where the Franchisee has already been operating the Franchised Business, as soon as practicable following execution of this Agreement, each Guarantor and any other persons primarily responsible for the day to day operation of the Franchised Business shall enroll in an initial training program, offered by the Franchisor, covering the operation of a Proshred franchise. Before commencing such training program, each enrollee who has not signed the Guaranty described in Section 2.2 shall have executed an agreement with the Franchisee substantially in the form of Schedule VI before performing any work for the Franchised Business or otherwise having access to the Confidential Information, as described in Section 8(b). The initial training program shall run no more than fifteen (15) days and consists of up to five (5) days of training at "Proshred University" in Mississauga, Ontario,

Canada, up to five (5) days of on-site training at the office of our affiliates in Syracuse, New York, New York, New York, Charlotte, North Carolina or at another location we designate, and up to an additional five (5) days of training at the Premises at the time of opening or just after opening. The Franchisee shall be responsible for all its expenses incurred in connection with the initial training program including, without limitation, travel, accommodation, meal expenses and training supplies provided by the Franchisor, but the Franchisor shall not charge a fee for up to two (2) people to attend the training program for the first Territory Unit and one (1) additional person for each additional Territory Unit in the Territory.

5.2 Completion of Training Program/Termination

The personnel of Franchisee who enroll in the initial training program pursuant to Section 5.1 shall complete such training program to the satisfaction of the Franchisor.

5.3 Hiring and Training of Employees by the Franchisee

The Franchisee shall hire and train, at the Franchisee's expense, all employees engaged in the Franchised Business, and the Franchisee shall be exclusively responsible for the terms of their employment and compensation. The Franchisee shall ensure that employees attend all employee training programs required by the Franchisor or employee training programs conducted by the Franchisee with the Franchisor's consent. The Franchisor shall have the right to charge a reasonable fee for conducting such staff training programs, and the Franchisee will pay such fee upon receipt of the Franchisor's bill therefor in each instance. The Franchisor reserves the right to charge the Franchisee for additional training as a result of significant staff turnover within the prior year. The Franchisee shall at all times maintain a sufficient number of trained employees, as may be directed by the Franchisor from time to time, to service the Franchisee's customers and to meet the Minimum Performance Levels. The Franchisee shall conduct a background review of each prospective employee's criminal, motor vehicle, medical and credit histories, and shall verify that all employees who are responsible for driving Vehicles have valid driver's licenses and good driving records before hiring such employees.

The Franchisor shall not be liable to the Franchisee, any employee or prospective employee of the Franchisee, or any third party for any act or omission of the Franchisee or any employee or agent of the Franchisee, and the Franchisee shall indemnify, hold harmless and defend the Franchisor against and from any and all claims, demands and actions arising from any act or omission of the Franchisee or any employee or agent of the Franchisee (including, without limitation, refusal to hire or discrimination claims or claims asserted by third parties for intentional torts allegedly committed by any employee or agent of the Franchisee).

Franchisee acknowledges that it is operating an independent business and is solely responsible for the control and management of the Franchised Business, including, but not limited to, the hiring and discharging of employees, tax withholdings, training, supervising, and setting and paying wages and benefits to employees. Franchisee further acknowledges that Franchisor has no power, responsibility or liability with respect to the hiring or discharging of employees, tax withholdings or setting or paying wages or related matters. No employee of the Franchisee will be deemed to be an employee of the Franchisor for any purpose whatsoever, and nothing in any aspect of the Proshred System or the Marks in any way shifts any employee or employment related responsibility from the Franchisee to the Franchisor. As between the Franchisor and the Franchisee, the Franchisee is solely responsible for the safety and well-being of its employees and the customers of the Franchised Business.

5.4 Ongoing Training

Such key personnel of the Franchisee as the Franchisor may designate shall attend and complete such ongoing training courses at such location or locations as the Franchisor may reasonably require from time to time, provided that such key personnel shall not be obligated to attend more than a total of five (5) days of such programs during any one (1) calendar year. The Franchisee shall exclusively be responsible for the travel, accommodation and related costs of attendance at such programs. If the Franchisee has failed to meet or does not appear able to meet the Minimum Performance Level in any twelve (12)-month period, the Franchisor may require one (1) or more key personnel of the Franchisee, as designated by the Franchisor, to attend additional initial training or to participate in a mentor training program given by another franchisee designated by the Franchisor. Franchisee is, and will remain, the sole employer of its employees at all times, including during all training programs, and is solely responsible for all employment decisions and actions related to its workers. Franchisor is— solely responsible for ensuring that its workers receive adequate training.

5.5 Operating Assistance

At no additional cost to the Franchisee, the Franchisor shall furnish to the Franchisee from time to time such advice and assistance in connection with the operation of the Franchised Business as Franchisor deems necessary. Operating assistance may consist of advice and guidance with respect to

- (a) methods and procedures for the collection, handling and shredding of customer materials, and for the storage and sale of shredded materials,
- (b) such additional services as the Franchisor may approve from time to time,
- (c) the purchase, operation, maintenance and use of Equipment, uniforms and other materials used in the Franchised Business,
- (d) formulating and implementing advertising and promotional 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 the Franchisee requires any additional assistance, or assistance concerning specific problems related to the Franchised Business, the Franchisor shall be entitled to charge the Franchisee a reasonable fee for providing such assistance.

5.6 Confidential Operations Manuals

The Franchisor has developed and the Franchisor will either make available online or lend to the Franchisee during the Term operating manuals for Proshred franchisees (the "Confidential Operations Manuals") containing mandatory specifications, standards, procedures

and rules for the supply of Proshred services and the operation of the Franchised Business prescribed from time to time by the Franchisor and containing information relative to other obligations of the Franchisee hereunder. Any required specification, standards, procedures and rules are intended to protect the Franchisor's interest in the Marks and not to assume or exercise any control over the day to day operation of the Franchised Business, which remains in the sole control of the Franchisee. The Franchisee shall operate the Franchised Business strictly in accordance with the Confidential Operations Manuals. The required standards generally will be set forth in the Confidential Operations Manuals or other written materials. The Confidential Operations Manuals also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. The Franchisee may follow the recommendations or guidelines or some other suitable alternative, provided the Franchisee meets and complies with the required standards. In other instances, no suitable alternative may exist. In order to protect the Franchisor's interests in the Proshred System and Marks, the Franchisor reserves the right to determine if the Franchisee is meeting a required standard and whether an alternative is suitable to any recommendations or guidelines. The Franchisor shall have the right to add to, and otherwise modify, the Confidential Operations Manuals from time to time to reflect changes in the standards of authorized services, the Proshred Image (as hereinafter defined), or the operation of the Franchised Business and to take into account regional differences. The Franchisee shall accept, implement and adopt all such modifications at the Franchisee's own cost. In the event that the Franchisor lends a hard copy of the Confidential Operations Manuals to the Franchisee, the Franchisee shall keep the Confidential Operations Manuals up to date with replacement pages and insertions as instructed by the Franchisor. The Confidential Operations Manuals contain confidential and proprietary information of the Franchisor. The Franchisee agrees not to make any copies of the Confidential Operations Manuals but may print out one (1) copy of each individual page of any online version for the Franchisee's use in accordance with this Section 5.6. The Franchisee acknowledges that the Franchisee has no property or other rights or claims of any kind in or to, any element of the Proshred System, the Marks or any matters dealt with in the Confidential Operations Manuals and that all disclosures made to the Franchisee or any personnel of the Franchisee relating to the Proshred System and including, without limitation, the specifications, standards, procedures, training information and the entire contents of the Confidential Operations Manuals are communicated to them solely on a confidential basis and as trade secrets, in which the Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, the Franchisee agrees to maintain the confidentiality of all such information at all times during and after the Term and shall not disclose any of the contents of the Confidential Operations Manuals or any information whatsoever with respect to the Franchisee's or Franchisor's business or the Proshred System other than as may be required to enable the Franchisee to conduct the Franchised Business. The Franchisee further agrees not to use any such information in any other business or in any manner not specifically approved in writing by the Franchisor. The Franchisee acknowledges that the Confidential Operations Manuals are, and shall remain, the property of the Franchisor. The Franchisee shall promptly return the Confidential Operations Manuals (or any printed pages of any electronic version) to the Franchisor upon the expiration or termination of this Agreement. All references herein to this Agreement shall include the provisions of the Confidential Operations Manuals and all such mandatory specifications, standards, procedures and rules, and such additions and modifications thereto.

5.7 Website

As used in this Agreement, the term "Website" means an interactive electronic document (including social media), series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

- (a) Franchisor will have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Trademarks, and any or all of the services and products offered by the Proshred System (the "System Website"). Franchisor will have the sole right to control all aspects of the System Website, including without limitation its design, content, functionality, links to the System Website of third parties, legal notices, and policies and terms of usage. Franchisor also will have the right to discontinue operation of the System Website at any time.
- (b) Franchisor will have the right, but not the obligation, to designate one (1) or more web page(s) to describe Franchisee and/or the Franchised Business, with such web page(s) to be located within Franchisor's System Website. Franchisee must comply with Franchisor's policies with respect to the creation, maintenance and content of any such webpages, and Franchisor will have the right to refuse to post and/or discontinue posting any content and/or the operation of any webpage.
- (c) Franchisee may not establish a separate Website or engage in any other forms of electronic media, including social media, without Franchisor's prior written approval. If approved to establish a Website or engage in other forms of electronic media, including social media, Franchisee must comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website or other electronic media. Franchisee specifically acknowledges and agrees that any Website or other electronic media owned or maintained by or for the benefit of Franchisee will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval. All content established as part of the Website or other electronic media (including all login information and administrator credentials), whether created by Franchisor or any person or entity on behalf of Franchisor, is the sole property and exclusive right of Franchisor, even if developed by Franchisee, and Franchisee must give Franchisor administrator access to such content.
- (d) Franchisor will have the right to modify the provisions of this Section 5.7 relating to Websites and/or the System Website as Franchisor determines necessary or appropriate.

Additionally, Franchisee may not use the Trademarks or any abbreviation or other name associated with Franchisor and/or the Proshred System as part of any e-mail address, website address, domain name, and/or other identification of Franchisee in any electronic medium (including social media), except with Franchisor's prior written approval. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other

electronic media (including social media) without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements

If Franchisee engages any third-party vendors on activities related to the operation of the System Website (for example, search optimization firms), then such third-party vendor must be approved by Franchisor and comply with all requirements, ~~and~~ procedures and reporting requirements the Franchisor sets forth in this Agreement and the Confidential Operations Manuals. Any breach of the aforementioned requirements and procedures by such third-party vendor will be deemed a breach of this Agreement by the Franchisee.

6 IMAGE AND OPERATING STANDARDS

6.1 Condition and Appearance of Vehicles

The Franchisee agrees to maintain the condition and appearance of the Vehicle(s) in accordance with the standards and requirements of the Franchisor (as specified in the Confidential Operations Manuals or otherwise) for the appearance of all Vehicles (the "Proshred Image"), including, without limitation, the use of the Franchisor's colors and display of all exterior Vehicle signage. The Franchisee agrees, at its expense, to effect such refurbishing of the Vehicle(s) as the Franchisor, from time to time, requires to maintain the Proshred Image, including, without limitation, the replacement of worn out or obsolete Equipment, and the repair or repainting of the exterior of the Vehicle(s). Without limiting the generality of the foregoing, the Franchisor may require that all Vehicles be repainted and that all Vehicles have new decals applied at least once every five (5) years. If at any time in the Franchisor's reasonable judgment the general state of repair, or the appearance or cleanliness of the Equipment, does not meet the then applicable Proshred Image and standards, the Franchisor may so notify the Franchisee specifying the action to be taken by the Franchisee to correct such deficiency. If the Franchisee fails or refuses to initiate within thirty (30) days after receipt of such notice, and thereafter diligently continue, a bona fide program to complete any such required maintenance, repainting, replacement or repair, the Franchisor shall have the right (in addition to their other rights), but shall not be obligated, to effect such maintenance, repairs, painting, and replacements of Equipment on behalf of the Franchisee and the Franchisee shall pay the entire cost thereof on demand.

6.2 Authorized Services

(a) The Franchisee acknowledges that the goodwill associated with the Marks, the Proshred System and Proshred Image is dependent on strict compliance with the Franchisor's directions with respect to the delivery of services to Proshred customers. The Franchisee shall offer to its customers all services, and only those services, designated by the Franchisor from time to time, and shall provide such services strictly in accordance with the standards and specifications described by the Franchisor in the Confidential Operations Manuals and during the training program. The Franchisor shall have the right to add to, or subtract from, the range of services that may be provided by Proshred franchisees from time to time. The Franchisee shall immediately refrain from selling such services that the Franchisor advises are not, or are no longer, approved by the Franchisor.

(b) The Franchisee acknowledges that the success of the Proshred System depends upon the adherence by the Franchisee to the Proshred System including, but not limited to

purchasing the required Vehicles and Equipment, selling only designated services, and meeting the prescribed standards of quality, service and cleanliness

6.3 Volume Rebates

The Franchisee acknowledges and agrees that the Franchisor may receive, from designated suppliers, periodic volume discounts, allowances and rebates as a result of the Franchisee's purchases, and the Franchisee further acknowledges and agrees that the Franchisor shall be entitled to retain any such discounts, allowances or rebates to off-set any amounts owed by Franchisee or use the discounts, allowances or rebates to promote or further develop the System

6.4 Standards of Service and Operation

The Franchisee and the Franchisee's employees shall at all times give prompt, courteous, friendly, and efficient service to all customers and clients. The Franchisee and the Franchisee's employees shall in all dealings with all customers, clients and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. The Franchisee agrees not to deviate from the standards, specifications and operating procedures set for the operation of the Franchised Business as specified in the Confidential Operations Manuals including, without limitation, the

- (a) methods and procedures for collecting, handling, shredding, transporting, storing and disposing of materials and providing other approved services,
- (b) use of all Equipment,
- (c) safety, maintenance, cleanliness, function and appearance of the Vehicle(s),
- (d) uniforms or clothes and badges to be worn by, and general appearance of, the employees of the Franchisee,
- (e) use of the Marks,
- (f) maintenance of adequate working capital,
- (g) limiting of security interests in, pledges of, or dealing with, the assets used in the Franchised Business,
- (h) compliance with all federal, state and local laws, rules and regulations applicable to the Franchised Business, including without limitation, all laws regarding transportation, environment, employment, wages, salaries, health or employee benefits, whether now in force or hereinafter enacted, and to make all contributions that may be required or demanded under or by virtue of such laws, rules or regulations,
- (i) honoring of credit card services,
- (j) identification of the Franchisee on all Vehicles and at the Premises as a Proshred franchisee and as the owner of the Franchised Business,

- (k) content, style and media of any advertising conducted by the Franchisee,
- (l) attendance by the Franchisee at all Franchisor conferences and meetings,
- (m) maintenance of the staffing levels required to develop and serve the Territory,
- (n) hours of operation,
- (o) maintaining an adequate number of Vehicles required to serve the Territory and an adequate inventory of consoles, bins and boxes, and of other items of Equipment, to serve the Territory,
- (p) participation in such special promotions as the Franchisor from time to time requires,
- (q) replacement of such items of Equipment and Vehicles as may become obsolete or otherwise mechanically impaired, or the addition of any new Equipment, including without limiting the foregoing any new computer hardware or software required to comply with the Franchisor's current standards from time to time, which new Equipment may require Franchisee to pay a fee,
- (r) payment of all outstanding bills, accounts, taxes and other amounts payable in connection with the Franchised Business promptly when same shall be due and payable except in cases of a bona fide dispute with a third party over such bill or amount,
- (s) strict adherence to the exclusive use of all Proshred business forms for correspondence and invoicing, and
- (t) strict adherence to all policies and codes of conduct the Franchisor may issue from time to time especially relating to Franchisee's use of the System Website, the internet and/or any social media platforms

6.5 Full Time and Attention

At least one (1) of the persons who shall have successfully completed the initial training program pursuant to Section 5.1 or a subsequent, similar training program offered by the Franchisor, shall actively devote his or her full time, attention and effort to the Franchised Business and provide direct, on-premises, day-to-day supervision of the operation at all times. Such personnel will ensure at all times the proper management of staff, condition of Equipment and Vehicles, and proper levels of customer service in accordance with the Confidential Operations Manuals and this Agreement. The Franchisee will use its best efforts to ensure that such personnel, at all times, faithfully, honestly and diligently perform the Franchisee's obligations hereunder, continuously exert their best efforts to promote and enhance the Franchised Business and do not engage in any business or other activity that will conflict with any obligations hereunder. No personnel who complete such training and continues to be involved in the Franchised Business shall take on any other business responsibilities that would be inconsistent with the proper operational requirements and best interest of the Franchised Business, nor will they, during the Term, have any interest as an owner, shareholder, (except of

publicly traded securities), director, officer, employee, consultant, lender, representative or agent, or in any other capacity, in any materials destruction or shredding business (except the operation of the Franchised Business and other Proshred franchises)

6.6 System Changes

The Franchisee acknowledges that the Proshred System must continue to evolve in order to reflect changing markets and to meet new and changing business demands, and that accordingly variation and additions to the Proshred System may be required from time to time in order to preserve and enhance the Proshred System. Accordingly, the Franchisee agrees that the Franchisor may from time to time hereafter, upon notice and acting reasonably and uniformly with respect to all its franchisees and company-owned Proshred operations, add to, subtract from or otherwise modify or change the system, including, without limitation, the adoption and use of new or modified Marks, services, Equipment, Vehicles, computer hardware or software and new techniques and methodologies relating to the promotion and marketing of various materials destruction and shredding services. The Franchisee agrees promptly to accept and implement all such additions, modifications and changes at the Franchisee's sole cost and expense.

7 INSURANCE

(a) The Franchisee shall procure, and maintain in full force and effect throughout the Term, at the Franchisee's sole cost, insurance policies written by insurers designated or reasonably approved by the Franchisor. The insurer shall maintain an A.M. Best rating of A- (Excellent) or better. Policies shall cover all insurance required by the Vehicle Lease(s), in addition to a minimum of the following insurance which may be adjusted from time to time by the Franchisor:

- (i) Insurance of the generally accepted "all risk" form upon all personal property and assets of every description and kind used in the Franchised Business in the amount of the full insurable value thereof,
- (ii) Umbrella insurance policy of not less than One Million Dollars (\$1,000,000) for comprehensive general liability and property damage, including personal and bodily injury liability, contractual liability, owned and non-owned automobile liability with a policy limit of not less than Two Million Dollars (\$2,000,000) per occurrence,
- (iii) Workers' compensation coverage containing statutory limits as required by the state of domicile with employer's liability coverage limits of not less than Two Million Dollars (\$2,000,000) each accident / each employee / policy limit, with respect to the Franchised Business and any employee or other person performing work on behalf of the Franchisee,
- (iv) Third party employee dishonesty bond with a policy limit of not less than Twenty-Five Thousand Dollars (\$25,000) per occurrence,
- (v) Professional liability insurance that is specific to the destruction industry in a form approved by the Franchisor prior to binding and with a policy limit of not less than One Million Dollars (\$1,000,000), and

(vi) All other insurance required by law

(b) All such insurance policies

(i) shall name the Franchisor as additional named insured for comprehensive general liability (CG 20 29 11 85), automobile liability and umbrella liability policies as their interests may appear,

(ii) shall provide that the Franchisor receive thirty (30) days prior written notice of change, termination, expiration or cancellation, and

(iii) shall be the primary insurance for all losses, and shall not be limited in any way by the insurance that the Franchisor may choose to place

(c) The Franchisee shall promptly report all claims, or potential claims, against the Franchisee, or Franchisor to his insurer and the Franchisor. Prior to commencing business, and annually thereafter, the Franchisee shall submit to the Franchisor a copy or certificate or other acceptable proof of such insurance

(d) The Franchisor may, from time to time, reasonably determine and increase the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards, the need for greater coverage as the Franchised Business expands, and other relevant circumstances. If the Franchisee at any time fails or refuses to maintain in effect any insurance coverage required by the Franchisor, or to furnish satisfactory evidence thereof, the Franchisor, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of the Franchisee, in which event the Franchisee shall promptly execute any applications or other forms of instruments required to obtain any such insurance. The Franchisee agrees to pay to the Franchisor, on demand, any costs incurred and premiums paid by the Franchisor in obtaining such insurance. The placement of insurance by the Franchisee shall not relieve the Franchisee of its obligations under Section 19.2

8 TRADE SECRETS OF THE FRANCHISOR

(a) The Franchisee acknowledges that the knowledge of the operation of a Proshred franchise is derived from information disclosed to the Franchisee by the Franchisor pursuant to this Agreement during the training course and in the Confidential Operations Manuals, and that such information, along with all customer lists of the Franchisee and other franchisees of the Franchisor, and all other information collected on Proshred databases regarding customers of the Franchisee, of other franchisees and of the Franchisor, is proprietary, confidential and a trade secret of the Franchisor ("Confidential Information"). The Franchisee agrees to maintain the absolute confidentiality of all Confidential Information at all times both during the Term and after the expiration or termination of this Agreement and will not use any such information in any other business or in any manner not specifically authorized or approved in writing by the Franchisor.

(b) The Franchisee shall procure from each Manager, from each person who becomes a Manager or otherwise needs access to Confidential Information during the Term, from all sales and office staff and from such other employees as the Franchisor shall require from time

to time, an agreement substantially in the form of Schedule VII not to use or disclose to any third party any Confidential Information and to comply with the noncompete requirements set forth in Section 16 of this Agreement for the period of time set forth therein. Such agreements will not be required from anyone who has signed the Guaranty. The Franchisee shall deliver a counterpart of each signed agreement in the form of Schedule VI to the Franchisor. No person may attend any training by the Franchisor or be granted access to any Confidential Information who shall not have signed such an agreement or the Guaranty. Employees who have signed such an agreement may be granted access to Confidential Information only to the extent necessary for the operation of the Franchised Business. The Franchisee will ensure that each person who has signed an agreement in the form of Schedule VI complies with the terms of such agreement during the period that he or she is employed by the Franchisee. Any breach of such agreement by any such person will be deemed a breach of this Agreement.

(c) The Franchisee shall notify the Franchisor promptly in writing if the Franchisee learns of any unauthorized use of the Confidential Information. The Franchisor is not obligated to take any action but will respond to this information as the Franchisor deems appropriate.

(d) Upon the Franchisor's request, the Franchisee will promptly return to the Franchisor all Confidential Information and all copies thereof in the Franchisee's possession or under the Franchisee's control, and the Franchisee will destroy all copies thereof on the Franchisee's computers, disks and other digital storage devices.

(e) The obligations of confidentiality and non-use described above will not apply to information that (i) is or becomes generally known in the mobile shredding business in the U.S.A. other than through disclosure by the Franchisee or any of the Franchisee's personnel or representatives, or (ii) can be clearly shown by the Franchisee to have been received by the Franchisee on a nonconfidential basis from a third party that is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation.

9 INITIAL FEE, ROYALTIES AND SERVICE FEES

9.1 Initial Fee

(a) The Franchisee shall pay to the Franchisor upon execution of this Agreement an initial fee in the amount indicated in Schedule II. The Initial Fee Franchisee will pay for each Territory Unit will vary based on the size of the Territory Unit. All franchisees pay a base initial fee of thirty-five thousand dollars (\$35,000) (the "Base Fee") for each Territory Unit purchased. If Franchisee's Territory Unit includes more than 10,000 locations with ten (10) or more employees, Franchisee's Base Fee will be increased based upon the number of additional locations (over 10,000) included in its Territory Unit. If Franchisee's Territory Unit only includes 10,000 locations with ten (10) or more employees then Franchisee's Initial Fee will be the Base Fee. The Initial Fee will be reduced by fifty percent (50%) to the extent that the Territory constitutes the business area of the Franchisee's existing document shredding and recycling business that the Franchisee is converting to a Proshred franchise, or to the extent that the Territory is expanded during the term of this Agreement into the business area of another document shredding and recycling company as the result of the Franchisee's acquisition of such other company and its conversion to a Proshred franchise after the date hereof, provided that such acquisition is approved in advance by the Franchisor.

The Initial Fee will be paid in two (2) installments. The first installment of five thousand dollars (\$5,000) (for more than one (1) Territory Unit) is due when Franchisee submits its Franchise Deposit Agreement to Franchisor. The balance of the Initial Fee is due when Franchisee signs this Agreement. The Initial Fee shall be deemed to be fully earned by the Franchisor upon execution of this Agreement and is nonrefundable under any circumstances. The Franchisee shall make such payment either by check or wire transfer to the Franchisor in full or, if the parties so agree, a portion of such payment shall be evidenced by a promissory note in the form of Schedule VII.

(b) In the event that the Franchisee fails to make any payment of principal or interest on the promissory note referred to in Section 9.1(a) when due, the Franchisor will have the right and in lieu of collecting the unpaid balance of the promissory note, to reduce the number of Territory Units that comprise the Territory by a fraction equal to the ratio of the unpaid principal of the promissory note to the total Initial Fee payable hereunder and to change the boundaries of the Territory to reflect this reduction in a manner determined solely by the Franchisor.

9.2 Royalty Fee

(a) In consideration of the continuing use of the Proshred System, the Franchisee shall pay to the Franchisor throughout the Term, commencing in the first full month after Franchisee begins operating the Franchised Business, a fee (the "Royalty Fee") equal to the greater of six hundred and fifty dollars (\$650)~~\$650~~ per month or as calculated below:

Total Monthly Gross Revenue	Royalty Fee
For Franchisee's first \$0 to \$750,000 of Gross Revenue	6.5% of Gross Revenue
For Franchisee's next \$750,001 to \$1,250,000 of Gross Revenue	5.0% of Gross Revenue
For Franchisee's next \$1,250,001 to \$2,000,000 of Gross Revenue	3.5% of Gross Revenue
For any remaining Gross Revenue over \$2,000,000	1.5% of Gross Revenue

For purposes of calculating the Royalty Fee, the following will be excluded from Gross Revenue:

- (i) 100% of any Conversion Deduction,
- (ii) 50% of any Acquired Business Deduction, and
- (iii) all sales and use tax.

The Franchisee shall participate, at the Franchisee's cost, in such automatic payment or electronic funds transfer programs as the Franchisor may require for the payment of all amounts owed to the Franchisor. In this regard, the Franchisee will execute from time to time all documents required by the Franchisor in order that automatic payments or withdrawals may be made to the Franchisor. The Franchisee authorizes the Franchisor to have access to such account balances from which automatic payments or withdrawals are made.

Franchisor will collect a fine of One Hundred Dollars (\$100) per day late fee if the Franchisee fails to make royalty payments on time. All late fees collected for this reason and in this manner will be contributed to the Advertising Fund.

9.3 Remittances for Other Franchisees

The Franchisee acknowledges that the Franchisee will, from time to time, receive remittances intended for other franchisees, and in order to avoid any delays in forwarding the funds to the respective destination, the Franchisee agrees to follow the procedures set out in the Confidential Operations Manuals. The Franchisee further acknowledges that the handling of other franchisees' funds is a sensitive issue, and that failure to follow the procedures will subject the Franchisee to financial penalties, including but not limited to, a fine of One Hundred Dollars (\$100) per occurrence. Furthermore, the failure to follow such procedures shall cause the Franchisee to be in breach of this Agreement.

9.4 Information Technology Services Fee

In addition to the Royalty Fee, the Franchisee shall pay to the Franchisor, throughout the Term, a monthly Information Technology Services Fee (the "Information Technology Services Fee") in an amount that is the greater of Nine Hundred Dollars (\$900) per month or an amount determined by Franchisor each calendar year. The Information Technology Services Fee will be calculated based upon the pro rata share (among franchisees) of the actual costs incurred by Franchisor to provide technology services and support. The Franchisee shall pay the Information Technology Services Fee at the same time and in the same manner as the Royalty Fee. ~~A One Hundred Dollar (\$100) per day late fee will be collected by Franchisor if the Franchisee fails to make royalty payments on time. All late fees collected in this manner will be added to the Advertising Fund.~~

Franchisee acknowledges that there may be other fees due to third party vendors for required technology. As of the date the parties entered into this Agreement, such fees include monthly hosting services provided by Windswept Integrated Technologies Inc. ("Windswept") in a current amount of \$299 per month, plus costs related to the purchase of software that will reside on the host server. You also must use in your Business our designated CRM/Technology Platform, provided by _____, for which you will pay an initial set up fee of \$1,100 and a monthly fee of between \$199 and \$300 a month or more, depending on volume.

9.5 Computer Support and Assistance Fee

If Franchisee fails to purchase a computer system that meets Franchisor's standards and requirements and Franchisor or its agent agrees to provide computer support and assistance, Franchisor may charge Franchisee its then-current computer support and assistance fee. Nothing in this Section 9.5 relieves Franchisee of its obligation to obtain a computer system that meets Franchisor's standards and requirements.

9.6 Payment of Debts and Taxes

Franchisee agrees to pay promptly when due (i) all payments, obligations, assessments and taxes due and payable to Franchisor and its affiliates, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your Franchised Business, (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Franchised Business, and (iii) all accounts and other indebtedness of every kind incurred by Franchisee in operating the Franchised Business. In the event Franchisee defaults in making any such payment, Franchisor may, but is not required to, pay the same on

Franchisee's behalf and Franchisee agrees to promptly reimburse Franchisor on demand for any such payment

Franchisee also will pay all state and local taxes, including, without limitation, taxes denominated as income or franchise taxes, that may be imposed on Franchisor as a result of its receipt or accrual of the Initial Fee, Royalty Fee, Information Technology Services Fee, Advertising Fee, or other fees that are referenced in this Agreement, whether assessed against Franchisee through withholding or other means or paid by Franchisor directly. In either case, Franchisee must pay Franchisor (and to the appropriate governmental authority) such additional amounts as are necessary to provide Franchisor, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that Franchisor would have received or accrued had such withholding or other payment, whether by Franchisee or by Franchisor, not been required

9.7 Acquisitions by the Franchisee

(a) The Franchisor encourages acquisitions by the Franchisee of other document shredding and recycling companies in the Territory after the date hereof, provided that all such acquisitions are approved in advance by the Franchisor and otherwise comply with the terms and conditions of this Section 9.7 or Section 2.1(e). The Franchisor agrees not to unreasonably withhold its approval to any such acquisition. Upon granting its approval, the Franchisor shall provide such assistance as the Franchisee may request and the Franchisor may approve to facilitate the acquisition, such as valuation, negotiation and the like.

(b) Upon the completion of any acquisition by the Franchisee in accordance with Section 9.7 (other than the acquisition of a business to be operated under a different trade name pursuant to Section 2.1(e)), the newly-acquired business will become part of the Franchised Business, subject to the terms and conditions of this section and this Agreement. The Franchisee agrees, promptly after any such acquisition, at the Franchisee's expense:

- (i) to cease all use by the newly-acquired business of all trade names, trademarks, websites and domain names such business had used before the acquisition, rebrand the business as part of the Franchised Business and forward all e-mail and telephone calls to the Franchised Business,
- (ii) to upgrade all newly-acquired trucks and equipment to the Franchisor's then-current standards and to paint and identify such trucks and equipment in accordance with the Franchisor's then-current specifications, or to dispose of such trucks and equipment and replace them with new trucks and equipment that meet such standards, and
- (iii) to enter all customers of the newly-acquired business into our then-current proprietary software as customers of the Franchised Business, and to service and invoice all such customers through and as part of the Franchised Business, from the Premises described in Section 3.1

10 ADVERTISING AND PROMOTION

10.1 Advertising Fee

In addition to all other fees required to be paid hereunder, the Franchisee shall pay to the Franchisor an advertising fee (the "Advertising Fee") in an amount that is the greater of seven hundred and fifty dollars (\$750) per month or as determined by the Franchisor each calendar year after consultation with the Advisory Committee (described below)

The Advertising Fee will be calculated based upon the pro rata share (based upon the number of Proshred franchisees and company-owned or affiliate-owned Proshred businesses operating at the beginning of the calendar year) of the budgeted advertising expenses for the next calendar year. To the extent the Advertising Fee is based on Franchisee's Gross Revenue, for purposes of calculating the Advertising Fee, the following will be excluded from Gross Revenue

- (i) 100% of any Conversion Deduction
- (ii) 50% of any Acquired Business Deduction, and
- (iii) all sales and use taxes

The Franchisor will use the Advertising Fee for developing and implementing sales, marketing, advertising and promotional materials, campaigns or programs in accordance with Section 10.2. The Franchisor will appoint a group of franchisee representatives to act as an advisory committee (the "Advisory Committee") to assist the Franchisor in managing and administering these campaigns and programs. The Advisory Committee may advise and make recommendations, but will not act as a policy-making board and will have no authority to direct the management or administration of any campaigns or programs. The Franchisor shall determine or approve the rules under which the Advisory Committee functions. The Advertising Fee will be submitted to the Franchisor together with the Royalty Fee in the manner described in Section 9.2.

10.2 Advertising Fund

(a) The Franchisor shall establish and administer an advertising fund (the "Fund"), subsidized by the Advertising Fee, for such regional, national or international advertising campaigns or programs as the Franchisor may deem necessary or appropriate. The Franchisor shall direct all such advertising programs, as it deems appropriate. The Fund shall be used and expended for media costs, commissions, market research costs, brand positioning research, creative and production costs, including without limitation the costs of creating promotions and artwork, printing costs, point of sale materials, the costs of preparing and producing video, audio and written advertising materials, administering national and regional advertising programs, and engaging advertising, promotion and marketing agencies to assist Franchisor, the costs of maintaining the Proshred toll-free telephone number (this does not include actual usage by Franchisee), the costs of supporting public relations, market research and other advertising, promotion and marketing activities, costs for maintaining and improving the System Website or similar services, ISO certification, maintaining an inventory of uniforms or other items for sale to franchisees, maintaining memberships in industry associations, and other costs relating to public relations, advertising, sales contests, marketing and promotional programs undertaken by

the Franchisor. The Fund may also be used for the hiring of sales personnel who are assigned to obtaining national or regional accounts on behalf of some or all Proshred franchisees. No part of the Fund will be used specifically to solicit new prospective franchisees. The Franchisor may reimburse itself a reasonable amount out of such Fund, not exceeding fifteen percent (15%) of any expenditures from the Fund in any year, for providing the services of its staff and the cost of office supplies, telephone, advertising, agency fees and other items as the Franchisor may reasonably deem necessary to administer the Fund. This fifteen percent (15%) limitation does not apply to the costs referenced above for national or regional accounts. Without in any way limiting the foregoing, the Franchisor may, but is in no way obliged to, utilize the Fund or a portion thereof for advertising and promotion on the Internet or similar services including creation and maintenance fees for websites. A statement of the operations of the Fund shall be prepared annually and shall be made available to the Franchisee upon request, the cost of which Statement to be paid by the Fund.

(b) The Fund is intended to enhance general public recognition, acceptance and use of the Proshred System. In administering the Fund, the Franchisor and its designees undertake no obligation to make expenditures on behalf of or for the benefit of the Franchisee that are equivalent or proportionate to the Franchisee's contribution, or to ensure that any particular franchisee or group of franchisees benefit directly or pro rata from Fund expenditures. The Franchisee acknowledges and agrees the Franchisor undertakes no obligation in administering the Fund to ensure that any particular franchisee, including the Franchisee, benefits directly or pro-rata from the creation or use of such advertising and promotional materials. Except as expressly set out herein, the Franchisor assumes no direct or indirect liability or obligation to the Franchisee, fiduciary or otherwise, with respect to the maintenance, direction or administration of the Fund.

(c) The Franchisor will separately account for the Fund monies, but the Franchisor may commingle such monies with the Franchisor's other monies or maintain the Fund monies in one or more separate accounts. The Fund will not be used to defray any of the Franchisor's general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as the Franchisor may incur in activities related to the administration of each Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Fund. The Franchisor may spend, on behalf of the Fund, in any fiscal year, an amount greater or less than the aggregate contribution of all Proshred franchisees to the Fund in that year, and the Fund may borrow from the Franchisor or others at reasonable interest rates to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended.

(d) The Franchisor has the right, but not the obligation, to establish a separate entity to operate the Fund at any time. Any such entity will have all of the rights and duties with respect to the Fund that the Franchisor has under this section. The Fund will not be deemed a trust, and the Franchisor will have no fiduciary obligation to the Franchisee in connection with the collection of fees for or the administration of the Fund.

10.3 Participation in Advertising Campaigns

The Franchisor has the right to require advertising cooperatives to be formed, changed, dissolved or merged. The Franchisee shall fully participate in all such advertising campaigns, sales promotions, prize contests, special offers, direct mail programs, corporate account

programs and other programs, national, regional, or local in nature (including the introduction of new services, cross-promotions, or other marketing programs directed or approved by the Franchisor), as the Franchisor may prescribe from time to time. The Franchisee shall be responsible for the costs of such participation. In addition, the Franchisee shall honor any coupons, or other authorized promotional offers of the Franchisor at the Franchisee's sole cost unless otherwise specified in writing by the Franchisor. The Franchisee acknowledges that the advertising campaigns and sales promotions may vary from region to region and that all other franchisees of the Franchisor using the Proshred System will not necessarily be required to participate in the campaigns and promotions in which the Franchisee participates. Nothing herein will be deemed to require the Franchisee's costs described in this Section 10.3 to exceed the limits described in Sections 10.1 and 10.5.

10.4 Online Directories

The Franchisor in coordination with the Franchisee shall arrange, or at the Franchisor's request the Franchisee shall arrange, and the Franchisee shall pay, for the placement in all online directories as the Franchisor shall determine, of an advertisement of a size and design approved by the Franchisor and a listing for the Franchised Business in which the name "Proshred" and the telephone, fax or e-mail addresses designated by the Franchisor shall be given prominent display, and no other names or numbers shall be used in such advertising. If other Proshred territories are served by the same directories, the Franchisor may require a group listing of all such Proshred franchisees and may arrange such listing on the Franchisee's behalf. The costs of such listing shall be allocated among such franchisees by the Franchisor and the franchisees shall pay their pro rata share thereof based upon their relative numbers of Territory Units. All listings in any directories must be approved by the Franchisor.

10.5 Local Advertising

(a) The Franchisee agrees to conduct a grand opening public relations and advertising program for the Franchised Business during the period commencing on or before and ending ninety (90) days after its opening and to expend at least \$7,500 to \$10,000 for such program. Such public relations and advertising program will include email campaigns, the participation in pay per click programs, the purchase of direct mail marketing materials and brochures, the preparation of press releases, sales and promotional materials and mailing lists. The Franchisor will provide the Franchisee with guidelines and lists of suppliers and consult with the Franchisee on the grand opening public relations and marketing programs, but it will be the Franchisee's sole responsibility to develop and implement this program. The Franchisee must submit all advertising and promotional materials to the Franchisor for approval prior to use.

(b) In addition to contributions to the Fund, the Franchisee shall expend annually on local advertising, sales and promotion of the Franchised Business (in addition to the online directory advertising described in Section 10.4) a minimum of three percent (3%) of the Franchisee's Gross Revenue, but in no event less than One Thousand Five Hundred Dollars (\$1,500) per month. The amount Franchisee expends on its grand opening public relations and advertising program will count towards Franchisee's minimum local advertising requirement. Prior to using any advertising or promotional materials, the Franchisee shall submit such materials to the Franchisor for prior approval, and the Franchisee will not use any such materials without such approval. All such advertising and promotional materials shall (i) display the Marks in any printed material only in the form authorized by the Franchisor and otherwise be used only in their proper form, (ii) be in the style and format required by the

Franchisor for the form of advertising and/or promotion to be used, (iii) use the type of print required by the Franchisor, (iv) comply with any other advertising and/or promotional criteria established by the Franchisor from time to time including the use of designated telephone and fax numbers and e-mail addresses, (v) be conducted only in a manner reflecting favorably upon the Franchised Business and the Franchisor, (vi) not be deceptive, untrue or misleading, and (vii) not be inconsistent with any advertising or promotional campaigns being conducted by the Franchisor or another franchisee of the Franchisor operating a premises using the Proshred System

(c) Notwithstanding the Franchisor's approval of a form of advertisement or promotion being used by the Franchisee, if the Franchisor subsequently for any reason determines the Franchisee's advertising or promotion no longer meets the foregoing requirements, the Franchisee shall cease forthwith all use of such advertising or promotion and make any required changes at the Franchisee's cost.

(d) Notwithstanding anything herein to the contrary, if for any reason the Franchisor desires to conduct the local advertising or promotion of the Franchisee, the Franchisor shall have the right to do so on behalf of and at the expense of the Franchisee. If the Franchisor exercises this right, the Franchisee shall pay to the Franchisor in advance and upon receipt of invoice, such amount as the Franchisor estimates is required to be spent on advertising and/or promotions under this Agreement, for the period or periods the Franchisor takes over such advertising. In the event the amounts paid by the Franchisee are in excess of the amounts in fact required to be expended, the Franchisor shall reimburse the Franchisee any excess within thirty (30) days of establishing the actual amounts, but in the event such amounts are less than those required to be expended, the Franchisee shall pay any such deficiency within seven (7) days of receipt of invoice

10 6 Display of Trademarks

The Franchisee agrees to display on all Vehicles and on the Premises such advertising signage containing the Marks as shall be specified from time to time in the Confidential Operations Manuals or otherwise in writing by the Franchisor. The Franchisee shall display on its Vehicles and at its place of business, and in such other manner as the Franchisor may specify from time to time, a statement that the franchised business is independently owned and operated by the Franchisee. The Franchisee further agrees that it will not identify itself as being the Franchisor, a subsidiary, division, partner, joint venture, agent or employee of the Franchisor

10 7 Internet Advertising

Except as set forth in Section 5 7, the Franchisee shall not at any time advertise the Franchised Business on a Website or use the Marks to promote any part of the Proshred System in any Website or as a domain name or part of a domain name without the Franchisor's prior written consent

Franchisor, in coordination with the Franchisee, shall arrange, or at the Franchisor's request, the Franchisee shall arrange, and the Franchisee shall pay, for the placement of advertisements with Internet search engine firms as the Franchisor mandates. The costs of such listing shall be allocated among such franchisees by the Franchisor and the Franchisees shall pay their pro rata share based upon their relative numbers of Territory Units

10.8 National Account Program

At Franchisor's request, Franchisee shall participate fully in any Regional and National Account sales programs that the Franchisor may establish in accordance with the terms of the Confidential Operations Manuals. Under certain circumstances, Franchisor or Franchisor's designee may provide services to a national or regional account customer located inside Franchisee's Territory without paying Franchisee any compensation. Such national accounts may call for specific pricing, service schedules, numbers of consoles, billing and credit terms that are different than the Franchisee's standard terms. In the event that payment is centralized, the Franchisor shall ensure that the Franchisee receives fair compensation for the Franchisee's services to such regional and national customers.

11 RECORDS AND REPORTING

11.1 Bookkeeping, Accounting and Records

The Franchisee shall maintain a bookkeeping, accounting, and record keeping system for the Franchised Business, which shall conform to the requirements prescribed by the Franchisor, using such bookkeeping, accounting and reporting forms as the Franchisor may specify from time to time. Without limiting the generality of the foregoing, the Franchisee shall retain all invoices, payroll records, check stubs, bank deposit receipts, cash disbursement journals and general ledgers recorded or stored by means of any device, including electronic form. The Franchisee shall keep such original documents throughout the Term, and for at least seven (7) years after their creation (or such longer period as may be required by law), at the head office of the Franchised Business or at another location of which the Franchisor shall be kept advised and be provided with access for audit purposes.

11.2 Reports and Tax Returns

The Franchisee shall furnish to the Franchisor in the form from time to time prescribed by the Franchisor

- (a) by the tenth (10th) day of each month a report of the Franchisee's Gross Revenue for the preceding month, signed by the Guarantor or another management-level person responsible for the operation of the Franchised Business,
- (b) by the tenth (10th) day of each month an income and expense statement for the preceding month, including a sales report from either QuickBooks or EZShred,
- (c) within sixty (60) days after the end of each fiscal year of the Franchisee, a statement of Gross Revenue, profit and loss, a balance sheet and source and application of funds from the beginning of that fiscal year, reviewed by a certified public accountant and approved by the Franchisee (note that each fiscal year's tax returns do not satisfy this requirement),
- (d) by the tenth (10th) day of each month a report showing the quantity of waste paper and other recycled items processed (in pounds or tons) and the gross value (before processing) of the recycled items, in the preceding month,

- (e) by the tenth (10th) day of each month a report of the count on the hour meter attached to the shredding equipment on each Vehicle and other operational data as specified by the Franchisor, and
- (f) such other reports, records, calculations and indices as the Franchisor may, from time to time, reasonably require, including all tax returns that are in any way related to the Franchised Business

12 INSPECTION AND AUDITS

12.1 The Right to Inspect and Audit

The Franchisor or its designated representatives shall at all times during the Term, and for a period of twelve (12) months after the expiration or termination hereof, have the right, at reasonable intervals, to inspect or audit the books and records of the Franchisee relating to the business franchised hereby, and to take excerpts therefrom. During the Term, the Franchisor or its designated representative shall also have the right, with or without prior notice, to enter upon any premises used by the Franchisee in connection with the franchised business in order to observe the Franchisee's methods of operation. The Franchisee shall cooperate with the Franchisor or its representatives during all inspections and shall take all steps reasonably necessary to correct any deficiencies within the time specified by the Franchisor. In addition, the Franchisor will have the right to conduct periodic customer satisfaction surveys and to use mystery or secret shoppers to ensure compliance with system standards. If the Franchisee shall at any time cause an audit of the Franchised Business to be made by a certified public accountant, the Franchisee shall supply the Franchisor with a copy of such audit without demand and without cost or expense to the Franchisor. Any evaluation or inspection conducted by the Franchisor is not intended to exercise, and does not constitute, control over the Franchisee's day-to-day operation of the Franchised Business or to assume any responsibility for the Franchisee's obligations under this Agreement.

12.2 Discrepancies

If any inspection demonstrates a deficiency in any payments due to the Franchisor pursuant to this Agreement, the Franchisee shall pay the deficiency within fifteen (15) days after receipt of the audit report or inspection report plus interest from the date the understated amount was due at the rate described in Section 20.11. If any such inspection demonstrates an overpayment, the Franchisor shall either refund such overpayment to the Franchisee or credit it toward future sums payable to the Franchisor hereunder as they fall due.

12.3 Cost

All inspections and audits described in Section 12.1 shall be at the expense of the Franchisor, provided, however, that in the event that any such inspection demonstrates that the amount the Franchisee actually paid to the Franchisor in any twelve (12)-month period is at least two (2%) percent less than the amount due to the Franchisor for such period pursuant to this Agreement, or if the inspection or audit is made necessary by the failure of the Franchisee to furnish reports, financial statements, tax returns or schedules as herein required, then the entire expense thereof shall be borne by the Franchisee. Such expense shall include, but not be limited to, the amounts charged by the independent accountants or others, as well as the

travel, lodging, meals, salaries and other expenses of the personnel who performed the inspection or audit, regardless if they are Franchisor's personnel or an independent agent

12.4 Other Information

The Franchisee hereby authorizes the Franchisor to make such inquiries of the Franchisee's bankers, suppliers and trade creditors as the Franchisor may require in order to obtain information and copies of documents concerning the Franchised Business and the Franchisee hereby directs such persons and companies to provide to the Franchisor such information and copies of documents pertaining to the Franchised Business as the Franchisor may request. The Franchisee agrees to execute and deliver such directions, authorizations or other documents as the Franchisor may require in order to permit the appropriate persons to disclose or release such information and documents to the Franchisor.

13 TRADEMARKS

13.1 Ownership of the Marks

The Franchisee's right to use the Marks is derived solely from, and subject to the terms and conditions of this Agreement, such right is limited to the operation of the Franchised Business in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by the Franchisor. The Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, directly or indirectly, the Franchisor's application for, or registration of, or the validity or enforceability of, any of the Marks. The Franchisee agrees that its usage of the Marks and any goodwill established thereby shall inure to the exclusive benefit of the Franchisor. The Franchisee further agrees that after the termination or expiration of this Agreement, it will not directly or indirectly at any time or in any manner identify any other business as a licensee or franchisee of the Franchisor (or former licensee or franchisee of the Franchisor), or itself as a franchisee (or former franchisee) of, or otherwise associated with, the Franchisor, except for any businesses owned and operated under valid and enforceable Proshred franchise agreements which have not been terminated, nor will it use, or attempt to influence others to use, in any manner or for any purpose, any of the Marks, similar words or designs, or any colorable imitation thereof.

The Franchisee will use its best efforts to preserve the value and validity of the Marks and of any registration thereof and in particular will

- (a) endeavor to promote and create goodwill in the provision of services under the Marks,
- (b) conduct its business in accordance with the standards and specifications set out by the Franchisor, and
- (c) give to the Franchisor such information as to the Franchisee's use of the Marks as the Franchisor may reasonably require and otherwise render to the Franchisor such assistance as may be reasonably necessary for the Franchisor to obtain and maintain registration of the Marks.

13.2 Limitations on the Franchisee's Use of the Marks

All stationery and business cards used by the Franchisee shall conform to the Franchisor's standards and specifications. All contracts entered into by the Franchisee shall clearly indicate that the Franchisee is executing such contract as an independently owned and operated business entity. If local laws require that the Franchisee file a certification that it is conducting business under an assumed or trade name, the Franchisee shall state in such filing that the Franchisee is "a franchisee of Proshred Franchising Corp." All stationary, invoices, advertisements, business cards or other like materials used in the business shall contain only such phone numbers, fax numbers or e-mail addresses, as shall be designated by the Franchisor. The Franchisee shall not use any of the Marks, similar words or colorable imitation thereof as part of any corporate name or with any other prefix, suffix or other modifying words, terms, designs or symbols (other than as required herein or with logos licensed to the Franchisee hereunder), or in any modified form, nor may the Franchisee use any of the Marks in connection with the sale of any unauthorized service or in any other manner not explicitly authorized in writing by the Franchisor. The Franchisee shall display such symbol or symbols as the Franchisor may designate beside any or all of the Marks.

13.3 Modifying the Marks

The Franchisor has the right to modify or change any Mark from time to time upon written notice to the Franchisee specifically referring to this Agreement and describing such modification or change. Such right will include the right to use a trademark that is entirely different from "Proshred" and the right to require the Franchisee to use one or more additional logos and marks, provided, however, that the Franchisor will make all such changes in the Marks only for good faith marketing, trademark or other reasons on a uniform basis for all Proshred franchisees in the U.S.A. The Franchisee agrees, upon notice from the Franchisor, to regard each such modified, changed, new or additional trademark as being within the definition of "Marks" hereunder, and to adopt and use each such trademark at the Franchisee's expense in accordance with the terms and conditions of this Agreement. The Franchisor will not be obligated to reimburse the Franchisee for any loss of revenue or expenses caused by any such modification or change.

13.4 Notification of Infringements and Claims

The Franchisee shall promptly notify the Franchisor of any apparent infringement of, or challenge to, the Franchisee's use of any of the Marks and any claim by any person of any rights to any of the Marks that may come to the Franchisee's attention. In the event of any such apparent infringement, challenge or claim, the Franchisee shall not communicate with any person other than the Franchisee's own counsel and the Franchisor and its counsel in connection therewith. The Franchisor shall have the right to take such action as it deems appropriate and the exclusive right to control any litigation or administrative proceeding arising out of any infringement of, or challenge or claim to, any of the Marks or in any way related to the Marks. Any damages or other benefits arising out of any such infringement, challenge or claim shall accrue exclusively to the benefit of the Franchisor. The Franchisee shall cooperate with the Franchisor in any such action and shall execute such documents, and do all acts necessary or incidental to such action, as the Franchisor may reasonably request, at the Franchisor's cost for the Franchisee's reasonable out of pocket expenses.

13.5 Copyright

The Franchisee acknowledges that the Franchisor has developed, and may further develop during the Term, the Confidential Operations Manuals as well as advertising materials, designs, and other creative works for use in the Proshred System. The Franchisee acknowledges that the Franchisor retains all right, title and interest thereto under the copyright law and further, that the Franchisee is licensed to use such copyrighted materials solely in accordance with the terms and during the Term. The Franchisee shall notify the franchisor promptly in writing if the Franchisee learns of any unauthorized use of the Franchisor's copyrights. The Franchisor is not obligated to take any action but will respond to this information as the Franchisor deems appropriate.

13.6 Reasonableness of Protection of the Marks

The Franchisee hereby acknowledges and agrees that the covenants and agreements given by the Franchisee pursuant to this Article 13 are reasonable, having regard to the necessity of the Franchisor to protect its interests and rights in the Marks and the integrity thereof. Accordingly, the Franchisee agrees that the Franchisor, aside from any other rights and remedies to which it may be entitled under this Agreement, may enforce its rights under this Agreement by means of injunctive relief, including preliminary injunction, by any court of competent jurisdiction.

13.7 System Improvements by Franchisee

All ideas, concepts, techniques, or materials concerning the Proshred System or your Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or one of its owners or employees, must be promptly disclosed to Franchisor and will be deemed to be our sole and exclusive property, part of the Proshred System, and works made-for-hire for Franchisor. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee must assign ownership of that item, and all related rights to that item, to Franchisor and must take whatever action (including signing an assignment agreement or other documents) Franchisor requests to show its ownership or to help Franchisor obtain intellectual property rights in the item.

14 TERMINATION OF FRANCHISE

14.1 Termination by Franchisor [A1]

The Franchisor shall have the right to terminate this Agreement effective immediately (unless otherwise specified herein or in the notice of termination) without obligation to refund any portion of the Initial Fee upon delivery of notice of termination to the Franchisee if the personnel of Franchisee who enroll in the initial training program pursuant to Section 5.1 fail to complete such training program to the satisfaction of the Franchisor, or if the Franchisee

- (a) becomes insolvent or is unable to pay its debts as they become due, is adjudicated a bankrupt, or a petition in bankruptcy or reorganization is filed by or against it and any such petition is not discharged within sixty (60) days after it is filed, or a permanent or temporary receiver or trustee for all or substantially all of the Franchisee's property is appointed by any court, or if the Franchisee makes an assignment for the benefit of its creditors or an arrangement pursuant to any

bankruptcy law, unless termination on such grounds is not permitted under the bankruptcy law,

- (b) fails to pay Royalty Fee, Information Technology Fee, Advertising Fee or any additional amounts owed to the Franchisor and does not correct such failure within five (5) days after written notice (which shall describe the action that the Franchisee must take to comply) is delivered to the Franchisee,
- (c) fails to locate a Site acceptable to the Franchisor within one hundred twenty (120) days after the date of this Agreement,
- (d) fails to open the franchise for business by the later of (i) sixty (60) days after the Franchisor approves a Site or (ii) sixty (60) days after the completion of initial training,
- (e) voluntarily abandons the franchise by failing to operate the business for such period after which it is not unreasonable under the facts and circumstances for the Franchisor to conclude that the Franchisee does not intend to continue to operate the franchise,
- (f) submits on any occasion a report, financial statement, tax return, schedule or other information or supporting record which understates Gross Revenue for any period by more than two percent (2%), unless the Franchisee demonstrates that such understatement resulted solely from inadvertent error,
- (g) fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits such reports more than ten (10) days late on two (2) or more occasions during any twelve (12)-month period,
- (h) operates the Franchised Business in a manner that presents a hazard to customers, employees or the public after notice from the Franchisor or any regulatory body,
- (i) is more than five (5) days late in its payment of any amount due hereunder or under any promissory note referred to in Section 9.1 and fails to make such payment within five (5) days after the Franchisor shall have notified Franchisee that such payment is past due,
- (j) is more than five (5) days late in its payment of any amount owed to a third party provider of products or services and fails to make such payment within five (5) days after the Franchisor shall have notified the Franchisee that such payment is past due, except in cases of a bona fide dispute over such bill or amount, or if the Franchisee fails to honor on two (2) or more occasions during the Term checks presented for payment or repeatedly and consistently pays any amount due hereunder after its due date,
- (k) sells or offers any unauthorized services after written notice from the Franchisor to cease,

- (l) Franchisee or any of the Franchisee's owners are or have been convicted of, or plead or have pleaded guilty or no contest to, a felony or other crime of moral turpitude, or engage in any dishonest, deceptive or unethical conduct that may, in the Franchisor's opinion, adversely affect the reputation of the franchised business, other franchisees, Franchisor or the goodwill associated with the Marks,
- (m) fails to comply with one (1) or more material requirements of the Franchisor, whether or not corrected after notice, two (2) or more times during any twelve (12) month period,
- (n) has made or makes any material misrepresentation to the Franchisor prior to or following execution of this Agreement, including understating revenue on an audit by more than ten percent (10%) or \$100,000, whichever is greater,
- (o) fails or refuses after notice to cease any conduct which, in the Franchisor's sole judgment, adversely affects the Marks,
- (p) fails to record any sale of any goods or services or other transaction in the manner required by the Franchisor so that the effect is an under reporting of Gross Revenue,
- (q) fails to report the receipt of a remittance intended for another franchisee in the manner set out in the Confidential Operations Manuals,
- (r) appears in the reasonable judgment of the Franchisor, applying generally accepted accounting principles, to be in danger of becoming insolvent unless within thirty (30) days after notice of default under this subsection the Franchisee demonstrates to the satisfaction of the Franchisor that it is not in danger of becoming insolvent, and that it is financially able to fulfill all of its obligations to customers, the Franchisor and all other creditors,
- (s) fails to attain at least fifty percent (50%) of its Minimum Performance Level for any calendar year and during the following calendar year fails to attain at least seventy-five percent (75%) of its Minimum Performance Level,
- (t) fails to comply with any other material provision of this Agreement or any other specification, standard or operating procedure prescribed by the Franchisor and does not correct such failure within fifteen (15) days after written notice (which shall describe the action that the Franchisee must take to comply) is delivered to the Franchisee,
- (u) fails or refuses to maintain any insurance coverage required by the Franchisor under Section 7 and does not correct such failure within ten (10) days after written notice (which shall describe the action that the Franchisee must take to comply) is delivered to the Franchisee, or
- (v) Franchisee or any of its Affiliates is party to any other franchise agreement now or hereafter in effect with the Franchisor or any of its Affiliates that is terminated

due to a breach by the Franchisee or any other event similar to those described above

Upon the Franchisor's delivery to the Franchisee of notice of any of the above-noted defaults, the Franchisor shall be entitled, at its sole option, to enter the Territory and to operate and manage the Franchised Business of the Franchisee for the Franchisee's account until this Agreement is terminated or assigned to a party acceptable to the Franchisor, or until the Franchisor returns control over the Franchised Business to the Franchisee to be operated in accordance herewith. In the event that the Franchisor so operates the Franchised Business, it shall account to the Franchisee for all Gross Revenues from such operation less its reasonable expenses incurred, and a reasonable management fee determined by the Franchisor, for its operation of the Franchised Business. If the default is a result of a felony under subsection (l) above and/or understating revenue under subsection (n) above, the Franchisor shall be entitled, at its sole option, to immediately enter the Territory and to assume complete operation and management of the Franchised Business of the Franchisee, and will compensate the Franchisee the fair market value for all trucks and consoles (excluding goodwill), less reasonable expenses incurred.

The Franchisee shall indemnify the Franchisor against all claims arising against the Franchisor as a result of the Franchisor's management of the Franchised Business, except for claims arising out of the Franchisor's negligence or intentional wrongdoing. Notwithstanding the Franchisor's management of the Franchised Business, the Franchisor may terminate this Agreement in accordance with the terms of this Article 14 at any time after the occurrence of one (1) of the events referred to in this Article 14.

14.2 Termination by Franchisee

Franchisee may terminate this Agreement as a result of a material breach of this Agreement by Franchisor if (i) Franchisee provides Franchisor with written notice of such material breach, and (ii) Franchisor fails to cure the breach within sixty (60) days after receiving written notice of such material breach, or if such material breach is not capable of cure within such sixty (60) day period, Franchisor has commenced actions to cure such material breach within sixty (60) days after receiving written notice of such material breach. Franchisee's termination of this Agreement will not release or modify its post-termination obligations under Sections 15 or 17, or Franchisor's rights under Section 16 of this Agreement.

15 THE FRANCHISEE'S RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

15.1 Payment of Amounts Owed to the Franchisor and other Creditors

The Franchisee agrees to pay on the effective date of termination or expiration of this Agreement all amounts owed to the Franchisor, its Affiliates and the Franchisee's trade and other creditors that are then unpaid.

15.2 Return of Manuals and Retention of Records

The Franchisee agrees that upon termination or expiration of this Agreement, it will immediately return to the Franchisor all copies of the Confidential Operations Manuals together with all forms, stationery, business cards, advertising material and other printed matter used in

the operation of the Franchised Business. The Franchisee shall retain all business records (including all accounting records stored by means of any device, including electronic form) for at least seven (7) years after their creation (or such longer period as may be required by law) and shall keep the Franchisor advised of the location of such records and allow the Franchisor or its agent access to those records for audit purposes. In addition to its rights under Section 12.1 above, the Franchisor shall have the right to inspect such records after the expiration or termination of this Agreement at any time during normal business hours upon three (3) days' prior notice to the Franchisee.

15.3 Cancellation of Assumed Names/Transfer of Phone Numbers

The Franchisee agrees that upon termination or expiration of this Agreement, it shall cease all use of the Marks. The Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of the Franchisee's right to use any telephone number and any classified, online or other telephone directory listings associated with the Marks and to authorize the transfer of same to the Franchisor or a new franchisee. The Franchisee acknowledges that as between the Franchisor and the Franchisee, the Franchisor has the sole rights to, interest in, and ownership of all Internet URLs, domain names, telephone and fax numbers and directory listings (including, but not limited to telephone or online directory advertising) associated with the Marks. Franchisee must transfer all Internet URLs and domain names to Franchisor upon termination or expiration of this Agreement.

16 TEMPORARY OPERATION AND PURCHASE BY THE FRANCHISOR

16.1 Temporary Operation by the Franchisor

If

- (a) the Franchisee is absent from the operation of the Franchised Business for more than thirty (30) days or abandons the Franchised Business,
- (b) the Franchisee is an individual who dies or becomes permanently incapacitated, or if the Guarantor dies or becomes permanently incapacitated, and the franchise is not properly assigned pursuant to Section 17.4 hereof,
- (c) the Franchisee materially breaches any of the standards and specifications for the operation of a Proshred franchise, or
- (d) the Franchisor has given notice of termination or nonrenewal of the franchise,

the Franchisor shall be entitled, upon notice to the Franchisee, to operate and manage the Franchised Business for the account of the Franchisee until this Agreement is terminated or assigned to a party acceptable to the Franchisor or until the Franchisee resumes control over the Franchised Business and operates it in accordance herewith. If the Franchisor exercises its right to operate and manage the Franchised Business, the Franchisee will give the Franchisor full access to the premises of the Franchised Business and will make its shredding trucks and all other operating assets fully available to the Franchisor to enable the Franchisor to assume the operation and management of the business on a day-to-day basis. No such operation and management by the Franchisor shall continue for more than ninety (90) days without the written consent of the Franchisee or the representative of the Franchisee's estate, provided, however,

that such operation and management may continue as described in Sections 16.2 through 16.9 if the Franchisor exercises its right or obligation to purchase the Franchised Business. If the Franchisor so operates the Franchised Business, it shall account to the Franchisee for all Gross Revenues from such operation less its reasonable expenses incurred in, and a reasonable management fee for, its operation of the Franchised Business.

16.2 Purchase Right

The Franchisor has the right, but not the obligation, to purchase the assets of Franchisee's Franchised Business in either of the following cases:

- (a) if this Agreement is terminated pursuant to Article 14, or
- (b) if this Agreement is not renewed for any reason.

16.3 Purchase Obligation

Upon the expiration or termination of this Agreement, Franchisor may, but is not required to, purchase all or part of the assets of the Franchised Business.

16.4 Exercise of the Purchase Right or Obligation

(a) The Franchisor will exercise its right to purchase all or part of the assets of the Franchised Business by giving written notice to the Franchisee of its intent to purchase. Such notice will state that this Agreement will continue in effect until the closing of Franchisor's purchase of the assets of the Franchised Business, and where appropriate, that the Franchisor retains the right to terminate this Agreement or allow it to expire.

(b) The Franchisor may state in its notice of intent to purchase that such purchase is contingent on one or more reasonable factors, including but not limited to valuation at or below a specified purchase price. Upon the failure of any such contingency, the Franchisee may terminate or this Agreement or allow it to expire.

(c) The Franchisor may exclude from the assets purchased cash or its equivalent and any leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies, and the purchase price will reflect such exclusions.

(d) The Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise.

16.5 Operation of the Business Pending the Purchase

Between the time of the notice and the closing, the Franchisor will have the right, but not the obligation, to operate the Franchised Business on a temporary basis in accordance with Section 16.1. If the Franchisor does not operate the Franchised Business during this period, the Franchisee will continue to operate the Franchised Business according to the terms of this Agreement and will take all steps necessary to protect the goodwill of the business.

16.6 Leasehold Rights

If the Franchisor exercises the right to purchase described in this section, the Franchisee agrees to do any of the following at the Franchisor's election

(a) The Franchisee will assign the Franchisee's leasehold interest in the premises of the Franchised Business to the Franchisor

(b) If the Franchisee is unable to assign the Franchisee's leasehold interest, the Franchisee will enter into a sublease at a fair market rental for the remainder of the lease term on the same terms (including renewal option) as the prime lease

(c) If the Franchisee owns the premises, the Franchisee will lease the premises to the Franchisor at a reasonable commercial rent and according to terms comparable with rental terms for similar leased property in the marketplace where the site of the Franchised Business is located

(d) If owned by Franchisee, the Franchisee will sublease the shredding truck to Franchisor

(e) If leased by Franchisee, Franchisee will cooperate with transitioning its shredding truck and lease agreement to Franchisor

16.7 Purchase Price

(a) Promptly after the Franchisor notifies the Franchisee of its intent to purchase the assets of the Franchised Business, the parties will endeavor to agree on the purchase price, which price will be the fair market value of the assets selected by Franchisor, excluding any goodwill attributed to the Franchisor's intellectual property

(b) If the parties fail to agree on the purchase price within thirty (30) days after the Franchisee receives such notice, then the Franchisor will pay the Franchisee the fair market value of the business, excluding any goodwill attributable to the Franchisor's intellectual property. Such fair market value will be determined by an independent appraiser selected as follows

(c) The Franchisor will identify by notice to the Franchisee three (3) appraisers acceptable to the Franchisor. By notice to the Franchisor given within five (5) business days after its receipt of such notice from the Franchisor, the Franchisee will select one (1) of these three (3) appraisers to perform the appraisal. If the Franchisee fails to select an appraiser within such five (5) day period, the Franchisee will be deemed to have waived any right to participate in the selection, and the Franchisor may proceed to choose one (1) of the three (3) appraisers identified in such notice to perform the appraisal

(d) The Franchisor and Franchisee will cooperate in providing the appraiser with such information as the appraiser may request to perform the appraisal. The decision of the appraiser will be final and binding

(e) The parties will share the cost of the appraiser equally. The parties will instruct the appraiser to complete the appraisal within thirty (30) days after the appraiser is appointed.

16.8 The Closing

(a) The closing of the purchase described in this section will take place at a location, and on a date, chosen by the Franchisor, acting reasonably, but the closing will not take place later than ninety (90) days after the determination of the purchase price.

(b) On closing, the Franchisee will deliver to the Franchisor such instruments as the Franchisor may request, in a form reasonably acceptable to the Franchisor, transferring to the Franchisor (i) good and merchantable title to the assets purchased, including motor vehicle registrations, free and clear of all liens and encumbrances, with all sales and other transfer taxes paid by the Franchisee, (ii) all licenses and permits of the Franchised Business that are assignable, and (iii) a leasehold interest in (or unencumbered title to) the premises of the Franchised Business and the improvements to such premises. If the Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the parties will endeavor to close the sale with the purchase price held in escrow pending resolution of such issues.

(c) The Franchisor will pay the purchase price at the closing, but will have the right to set off against the purchase price any and all amounts the Franchisee then owes to the Franchisor, and to pay out of the purchase price any of the unpaid creditors of the Franchisee or the Franchised Business.

16.9 Assignment of Purchase Right

The Franchisor has the unrestricted right to assign this right or obligation to purchase the Franchised Business.

17 RESTRICTIVE COVENANTS

17.1 Covenant Not to Compete During the Term

The Franchisee agrees that during the Term, the Franchisee shall not, either individually or in partnership or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any business operating in the U.S.A. or Canada in competition with or similar to the Franchised Business as carried on from time to time during the Term unless Franchisee receives prior written approval from Franchisor.

17.2 Non-Competition After Termination

Following the expiration or the termination of this Agreement for whatever reason or its assignment by the Franchisee, the Franchisee shall not, for a period of two (2) years, operate directly or indirectly, whether as principal, shareholder (except of publicly traded securities), director, officer, manager, employee, consultant, lender, guarantor, representative or agent or in any other capacity any business selling services similar or identical to the Proshred System or

otherwise engage in a business which is directly or indirectly competitive with, or similar to that of the Franchised Business

- (a) within ten (10) miles of the geographic boundaries of the Territory, or
- (b) within ten (10) miles of the territory of any other Proshred franchised or company business in existence in the U S A or Canada at the time such two (2) year period commences

17 3 Reasonableness of Restrictions

The Franchisee agrees that the restrictions in Article 17 are reasonable, and that these restrictions shall be enforceable to the maximum extent permitted in accordance with Section 20 2

17 4 Covenant Not to Solicit

The Franchisee agrees that during the Term, and for a period of two (2) years following the expiration or the termination of this Agreement for any reason, the Franchisee will not

- (a) solicit for employment any person who is then employed by a Proshred franchisee or by the Franchisor, or directly or indirectly induce such a person to leave his or her employment, or
- (b) divert or attempt to divert any business or past or present customers of the Franchised Business to any competing establishment, by direct or indirect inducement

18 ASSIGNMENT, TRANSFER AND ENCUMBRANCE

18 1 By the Franchisor

Franchisor may transfer or assign all or any part of its rights and obligations herein to a third party (the "Third Party") The Franchisee agrees to execute any forms the Franchisor may reasonably request to effectuate any transfer or assignment by the Franchisor If Franchisor transfers or assigns all or any part of its rights and obligations herein to a Third Party, the following provision may apply

- (a) Notwithstanding any other provisions of this Agreement or any other agreement between Franchisee and Franchisor, if a Third Party makes a bona fide, arm's length offer (a "Qualifying Offer") to acquire substantially all of Franchisor's assets, including all or a portion of the Proshred franchisees, Franchisor (or the Third Party following such acquisition) shall have the right (but not the obligation) to purchase substantially all of the Franchisee's assets used in connection with the Franchised Business (the "Purchased Assets")
- (b) The purchase price (the "Purchase Price") for the Purchased Assets shall be equal to an amount obtained by multiplying the Aggregate Revenue Multiplier by the purchase price payable by the Third Party to the Franchisor in connection with the Third Party Offer, provided, however, that during the first thirty-six (36)

months of Franchisee's operation of the Franchised Business, the Purchase Price will not be less than the Franchisee's Initial Investment

- (c) As used in subpart (b) above, the following terms have the following meanings

"Aggregate Revenue Multiplier" shall mean a fraction (i) the numerator of which is equal to the Franchisee's total Gross Revenues for the 12-month period prior to the date of the Purchase Notice (defined below), and (ii) the denominator of which is the Franchisor's total gross revenues during the same twelve (12) month period, multiplied by eighty-five percent (85%)

"Initial Investment" means those costs necessary to begin operation of the Proshred franchise and operate the franchise during the initial phase of the business as outlined in Item 7 of the Proshred franchise disclosure document, plus a management fee of \$100,000. For purposes of calculating the additional funds portion of the Initial Investment and assuming Franchisee can provide Franchisor with proper verification of the actual amounts spent, the additional funds estimate may be calculated at up to three (3) times the amount noted in Item 7. For purposes of this calculation, additional funds will not include any owner draws, dividends, compensation, perks or other benefits

- (d) Franchisor agrees that the purchase price payable by the Third Party to the Franchisor shall be determined based on a valuation of the business using then industry standards for sales of comparable businesses which valuation shall include a weighing of market value, earnings value, net asset value and future earnings value in order to obtain a fair and equitable value reflective of the net worth of the Franchise
- (e) Franchisor shall exercise this right by providing written notice ("Purchase Notice") to the Franchisee that the Franchisor has received a Qualifying Offer from the Third Party. The Franchisor is not required to disclose the identity of the Third Party or the terms and conditions of the Qualifying Offer in the Purchase Notice. The Purchase Notice shall include a summary of the proposed purchase price for the Purchased Assets, including the amounts calculated in accordance with subpart (b) above. The Purchase Notice shall be accompanied by a statement of the auditors of the Franchisor certifying the calculations, based on the data made available to the Franchisor by the Franchisee and by the Franchisor relating to the Third Party Offer. This statement shall be binding on the parties hereto
- (f) The closing of the purchase shall take place at a location, and on a date, chosen by the Franchisor, acting reasonably and shall be completed in accordance with all applicable bulk sales legislation. The closing may be completed at the same time and be conditional upon the completion of the transactions contemplated by the Third Party Offer. On closing, the Franchisee shall deliver to the Franchisor such purchase agreements (containing customary representations, warranties and indemnities), instruments, in such form, as may be requested by Franchisor including but not limited to motor vehicle registrations and transfers of title for the said assets, in a form acceptable to the Franchisor, acting reasonably. The Franchisee shall be required to deliver good marketable title to the Purchased Assets free and clear of all encumbrances whatsoever and the Franchisee shall

be entitled to set off against the purchase price any amount then owed by the Franchisee, and to pay out of the purchase price any of the unpaid trade creditors of the Business

- (g) In the event that the Franchisee believes that the Franchisor shall not have calculated the Purchase Price equitably in accordance with subparts (b) and (d), the Franchisee shall have the right, upon notice to the Franchisor, to require that an independent third party review the calculation of the Purchase Price and determine an equitable price in accordance with such principles. Once the parties agree on who such independent third party will be, the Franchisor shall engage the services of such independent third party to make such determination, and the Franchisor will pay such independent third party's fees by deducting such fees from the Purchase Price

18.2 By the Franchisee

The Franchisee acknowledges that the Franchisor, in granting this franchise and the rights and interests under this Agreement, has relied on among other things, the character, background, qualifications and financial ability of the Managers. Accordingly, this Agreement, any agreement entered into pursuant hereto, the Franchisee's rights and interests hereunder and the property and assets owned and used by the Franchisee in connection with the Franchised Business and any shares, stock or interest in the Franchisee or any corporation or other entity having an interest in the Franchisee or the Franchised Business, shall not be voluntarily or involuntarily, directly or indirectly sold, pledged, assigned, transferred, shared, subdivided, subfranchised, encumbered, transferred or disposed of in any way (including, without limitation, in the event of the death of the Guarantor), in whole or in part, without the prior written approval of the Franchisor, which approval will be based upon the Franchisor's then-current criteria for the approval of new franchisees. The Franchisor may withhold consent unless the following conditions have been met:

- (a) the Franchisee shall not be in material default under this Agreement and shall pay to the Franchisor a transfer fee determined by the Franchisor, which will not exceed one-half the then-current Base Fee for the number of Territory Units in the Territory (the "Transfer Fee") along with all outstanding debts or amounts owing to the Franchisor or any Affiliates of the Franchisor,
- (b) transferee shall execute the Franchisor's then current Franchise Agreement, and other documents then used by the Franchisor in granting franchises, which Agreement and documents may contain provisions substantially different from those contained in the Franchisee's current agreements (including, without limiting the foregoing, a higher Royalty Fee and Information Technology Fee, and greater expenditures for advertising and promotion),
- (c) the transferee, in the case of an asset sale, shall purchase all of the Franchisee's assets used in the Franchised Business in compliance with all applicable bulk sales legislation and, whether an asset sale or sale of equity, shall assume and adequately provide for the payment of all of the Franchisee's business liabilities where applicable unless such liabilities have been paid prior to the closing of the transaction of purchase and sale, and evidence of such purchase shall have been provided to the Franchisor, and

- (d) the transferee shall meet the Franchisor's criteria for Proshred franchisees generally, having adequate financial resources and otherwise being capable of operating the Franchised Business and, without limiting the foregoing, the transferee shall complete and pass the Franchisor's then current training program, the transferee may not be a direct competitor of the Franchisor or its franchisees, the transferee shall submit a business plan to the Franchisor in such detail so as to allow the Franchisor to determine whether the proposed transferee possesses the required level of business skill, experience and acumen necessary to operate the Franchised Business, and the transferee shall submit to the Franchisor a net worth statement or financial statement as well as the Franchisor's standard form application,
- (e) a copy of the agreement of purchase and sale and all related documents shall be sent to the Franchisor and the terms thereof shall have been approved by the Franchisor as being commercially reasonable taking into account that the transferee must be able to earn a reasonable rate of return on its investment based on the Franchisor's general knowledge of the operation of the Proshred System and the costs associated therewith, including debt and interest charges as well as the actual reported Gross Revenue,
- (f) the proposed transferee shall provide such personal guarantees as the Franchisor may request, consistent with the Franchisor's then-current policies for guarantees from new franchisees, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into,
- (g) the transferee shall agree to make all reasonable capital expenditures requested by the Franchisor to upgrade and modernize the Vehicles and Equipment so as to reflect the then current image of the Proshred System, and
- (h) the Franchisee and all Guarantors will execute the Franchisor's then-current general release of any and all claims against the Franchisor and its subsidiaries and affiliates and their respective officers, directors, agents and employees, to the extent permitted by applicable law

18.3 Franchisor's Right of First Refusal

If the Franchisee shall at any time desire to sell the assets of the Franchised Business or any territory, or if the owners of the Franchisee shall at any time desire to sell all issued and outstanding shares of capital stock or other equity interest in the Franchisee, the Franchisee shall obtain a bona fide, written offer to make such purchase from a responsible and fully disclosed purchaser, and shall submit an exact copy of such offer to the Franchisor. The Franchisor shall have the first right, but not the obligation, exercisable by written notice to the Franchisee given within fifteen (15) days from the date of delivery of such offer to the Franchisor, to purchase the assets of the Franchised Business or such territory or all of the shares or other equity interest, as the case may be, for the price and on the terms and conditions contained in such offer, provided that

- (a) there shall be deducted from the purchase price the amount of any commissions or fee that would otherwise have been payable to any broker, agent or other intermediary in connection with the sale of such property to the transferee, and
- (b) the Franchisor shall have the right to substitute cash for any other form of consideration specified in the offer and to pay in full the entire purchase price at the time of closing

If the Franchisor declines or fails to exercise such right within such fifteen (15) day period and the sale to such purchaser is not completed within ninety (90) days after delivery of such offer to the Franchisor, the Franchisor shall again have the right of first refusal herein provided. The Franchisor's consent to a transfer of any interest subject to the restrictions of this Section shall not constitute a waiver of any claim it may have against the assignor, nor shall it be deemed a waiver of the Franchisor's right to demand exact compliance with any of the terms of this Agreement by the assignee.

18.4 Death or Incapacity of the Franchisee

Where the Franchisee or the Guarantor is one individual, upon his or her death or permanent incapacity (which shall be deemed to have occurred if, due to mental or physical infirmity, he or she fails to actively participate in the Franchised Business for a total of thirty (30) days at any time or times during any consecutive twelve (12) month period during the Term), the Franchisee, or his estate, shall assign the franchise and the Franchised Business to a third party approved by the Franchisor within twelve (12) months of the occurrence of any such event. Such assignment (including without the limitation transfer by will or inheritance) shall be subject to the same terms and conditions as an assignment by the Franchisee of this Agreement to a third party transferee pursuant to Section 17.2, but without the requirement to pay a Transfer Fee if the transfer is by will or inheritance.

18.5 Legend on Shares

The Franchisee, if a corporation, shall have all outstanding shares endorsed with the following legend printed conspicuously on each certificate:

"The transfer of this certificate is restricted under the terms and conditions of a franchise agreement with Proshred Franchising Corp., a copy of which is available at the office of the corporation."

19 INDEMNIFICATION

19.1 By the Franchisor

The Franchisor shall, during the Term and after the termination or expiration of the franchise, indemnify the Franchisee, its officers, directors, shareholders, employees and agents, and hold them harmless from and against all damages, losses, claims, expenses and costs (including full legal costs and disbursements, investigation and living expenses and witness fees) for which the Franchisee is held liable or which the Franchisee incurs, in the defense of any litigation commenced against the Franchisee as a direct result of its proper use of the Marks in accordance herewith, provided that the Franchisee has timely notified the Franchisor of such action or threatened action. The Franchisor shall have the right to participate in, and to control,

such litigation or proceeding (including the right to compromise or settle such litigation or proceeding) to the extent that the Franchisor deems necessary or advisable

19.2 By the Franchisee

The Franchisee shall, during the Term and after the termination or expiration of this Agreement, indemnify the Franchisor and its Affiliates, their officers, directors, shareholders, employees and agents, and hold them harmless against all damages, losses, claims, actions, liability, expenses and costs for which they are held liable, or which they incur (including full legal costs, on a solicitor/client basis, and disbursements, travel, investigation, living expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of

- (a) a breach of this Agreement, or any other agreement among the parties, by the Franchisee,
- (b) any injury to, or loss of property of, any person in, or on, any commercial vehicle operated by the Franchised Business,
- (c) the Franchisee's taxes, expenses, losses, costs and liabilities of the Franchised Business,
- (d) any negligent or willful action or omission of the Franchisee, its employees, agents, servants, contractors or others for whom the Franchisee is legally responsible,
- (e) any advertising or promotional material distributed, broadcast or in any way disseminated by the Franchisee, or on behalf of the Franchisee, unless such material has been produced or approved in writing by the Franchisor, or
- (f) any untrue representation warranty the Franchisee may make or give to a customer, creditor, or to a purchaser of the Franchised Business (whether written or oral, express or implied), other than representations made by the Franchisor

20 MISCELLANEOUS

20.1 Dispute Resolution

The following provisions apply with respect to dispute resolution

A Mediation Before any party may bring an action in court or against the other, or commence an arbitration proceeding (except as noted in Section 20.1(C) below), the parties must first meet to mediate the dispute. Specifically, no litigation or arbitration action may be commenced until the earlier of thirty (30) days from written notice by one party to the other of a request to initiate mediation, or the mutual agreement by both parties that mediation has been unsuccessful. The mediation will be held in the city in Buffalo, New York. Any such mediation will be non-binding and conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Prior to the mediation, each party involved in the mediation must sign the standard confidentiality agreement designated by Franchisor or the mediator. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the dispute or any related matter. Mediation is a compromise negotiation

and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purposes, provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation. The parties will share equally all fees and expenses of the mediator.

B Arbitration Except as qualified below, any dispute between Franchisee and Franchisor or any of Franchisor's or Franchisee's affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or Franchisee's Franchised Business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association pursuant to its then-current commercial arbitration rules and procedures. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties must submit all claims to the jurisdiction of the courts. The arbitration must take place in Buffalo, New York. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least five (5) years of significant experience in franchise law. A judgment may be entered upon the arbitration award by any state or federal court in the state where the arbitration is conducted or the state where Franchisee's Franchised Business is located. The decision of the arbitrator will be final and binding on all parties to the dispute, however, the arbitrator may not under any circumstances (1) stay the effectiveness of any pending termination of this Agreement, (2) assess punitive or exemplary damages, or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set.

This arbitration provision is self-executing. Specifically, the arbitration may proceed, and the arbitrator has jurisdiction, regardless of whether any party fails to actively participate or appear. In the event that any party fails without good cause (i) to appear at any properly noticed arbitration proceeding, or (ii) to make payment in full of its share of the required arbitration fees and costs within ten (10) days after notice and demand, absent a previously issued court order to the contrary, then the arbitrator or the organization/entity administering the arbitration shall be authorized to enter a final award against such party in the nature of a default judgment or otherwise, notwithstanding the failure to appear or to make the required payment.

C Exceptions to Arbitration Notwithstanding Section 20 1(B), the parties agree that the following claims will not be subject to arbitration:

1 any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder.

2 any action in ejectment or for possession of any interest in real or personal property.

D Costs of Enforcement, Defense and Attorneys' Fees The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, or the Franchised Business will be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accounting and attorneys' fees (whether such fees be incurred by outside counsel or a staff attorney), expert witness fees, arbitration administrative charges, arbitrator's compensation, and any other costs and expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement. Further, if Franchisor incurs expenses in connection with Franchisee's failure to pay when due amounts owing to Franchisor, to submit when due any reports, information or supporting records, failure to comply with post-termination obligations, including the covenant not to compete, or any other failure to comply with this Agreement, Franchisee shall reimburse Franchisor for any such costs and expenses incurred including but not limited to attorneys' and accounting fees and collection agency fees

20.2 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement

20.3 Compliance with Law

If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew, this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions. It is the Franchisee's responsibility to make sure that it is in compliance with all laws that are applicable to any technology used in the operation of the Franchised Business, including all data protection or security laws as well as payment card industry compliance

20.4 Waiver of Obligations, Amendments

Either party hereto may waive any obligation of, or restriction placed upon, the other under this Agreement. No acceptance by the Franchisor of any payment by the Franchisee and no failure, refusal or neglect of the Franchisor or the Franchisee to exercise any right under this Agreement or to insist upon full compliance by the other party with its obligations hereunder, including without limitation, any specification, standard or operating procedure, shall constitute a waiver of any provision of this Agreement. Any waiver granted by the Franchisor shall be in writing and shall be without prejudice to any other rights the Franchisor may have, and may be revoked at any time, and for any reason, by written notice. Any modification or amendment to this Agreement, except as noted above, shall be in writing signed by all parties hereto

20.5 The Franchisee May Not Withhold Payments

The Franchisee agrees that the Franchisee will not, on grounds of an alleged non-performance by the Franchisor of any of its obligations or any other reason, withhold payment of any amount whatsoever to the Franchisor or its Affiliates. No endorsement or statement on any

check or payment of any sum less than the full sum due to the Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and the Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. The Franchisor may apply any payments made by the Franchisee against any past due indebtedness of the Franchisee as the Franchisor may see fit.

20.6 Continuing Obligations

All obligations of the parties hereto which expressly or by their nature survive the expiration or termination of this franchise shall continue in full force and effect, notwithstanding in particular, and without limiting the generality of the foregoing, the provisions of Section 5.6 and Articles 13 and 17 shall survive termination or expiration of this Agreement.

20.7 Rights of Parties are Cumulative

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party of any right or remedy hereunder shall preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.

20.8 Construction

The headings of the several sections and paragraphs hereof are for convenience or reference only and do not define, limit or construe the contents of such sections or paragraphs. All dollar amounts herein described are in U.S. dollars. When calculating the date upon which or the time within which any act is to be done pursuant to this Agreement, if the date calculated is a non-business day, the period in question shall end on the next business day.

20.9 Franchisor Rights and Reasonable Business Judgment

Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the Proshred System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the express limitations set forth in this Agreement.

Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises Reasonable Business Judgment in making its decision or exercising its rights. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the Proshred System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the Proshred System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the Proshred System.

20 10 Independent Contractors

The parties hereto expressly disclaim any relationship between them of agency or partnership and acknowledge and agree that they are independent contractors and no training or supervision given by, or assistance from, the Franchisor shall be deemed to negate such independence. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the others (except by the Franchisor in advertising as provided for herein) nor shall the Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of the Franchised Business, whether caused by the Franchisee's negligent or willful action or failure to act. The Franchisor shall have no liability for any sale, use, excise, income, property or other tax levied upon the Franchised Business or in connection with the services performed or business conducted by the Franchisee or any expenses incurred by the Franchisee.

20 11 Late Payments

Any payment that is not made by the date it is due constitutes grounds for termination of this Agreement as provided in Article 14. The Franchisee acknowledges that this subsection does not constitute the Franchisor's agreement to accept any payments after they are due or the Franchisor's commitment to extend credit to the Franchisee or otherwise finance the operation of the Franchised Business.

20 12 Entire Agreement

This Agreement and the agreements executed simultaneously with this Agreement contain the entire understanding of the parties and supersede any and all prior oral or written agreements between the Franchisor and the Franchisee on the matters contained in this Agreement, provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by the Franchisor in the latest franchise disclosure document that the Franchisor furnished to the Franchisee. Except for changes permitted under this Agreement to be made unilaterally by the Franchisor, no amendment to this Agreement will be binding unless such amendment is in writing and executed by the parties.

20 13 Notices

Any notice, request, demand, approval, consent or other communication which the parties hereto may be required or permitted to give to the other parties shall be in writing and shall be served either personally or by prepaid, certified or registered mail or by overnight delivery service or fax or email to the other parties at the addresses specified on page one hereof, or at such other addresses as either party shall have designated by notice to the others. Any such communication is deemed to have been given or made on the day upon which it is received, or, if mailed then on the third business day following the date of mailing, as the case may be.

20 14 Force Majeure

Neither party hereto shall be liable for any loss or damage suffered by or caused to the other due to any delay in the due performance of the terms hereof when such delay is caused by or results from an event or occurrence beyond its reasonable control, including but not limited to strikes, lock-outs, civil disturbances, sabotage, blockades, insurrections, vandalism,

riots, Acts of God, or declared or undeclared war, or terrorism (but not including the financial inability on the part of the affected party) No delay caused by or resulting from any such event or occurrence shall constitute a default hereunder provided that the party affected (a) endeavors to give written notice to the other party containing reasonable particulars of the event or occurrence in question and the effect of such event or occurrence as it relates to the obligations of the affected party hereunder, (b) the party affected by the delay makes reasonable efforts to correct the reason for such delay and (c) any such delay shall extend performance only so long as such event or occurrence is in progress Notwithstanding the foregoing, if any such inability to perform shall persist for a period of six (6) months or more, either of the parties hereto may terminate this Agreement by giving notice thereof with immediate effect

20 15 Joint and Several Liability

In the event that there is more than one individual Franchisee, or if the Franchisee should consist of more than one (1) legal entity, the Franchisee's liability hereunder, shall be both joint and several A breach hereof by one such entity or Franchisee shall be deemed to be a breach by both or all

20 16 Successors and Assigns

This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, administrators, executors and permitted successors and assigns

20 17 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within the State of New York, without regard to New York's conflicts of laws principles, provided, however, that nothing herein will be deemed to extend the application of the New York Franchise Sales Act to the sale of franchises outside of the State of New York

20 18 Choice of Venue

Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Paragraph 20 1, must be brought in the state or federal district court located in the county or district encompassing Buffalo, New York Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts The provisions of this subparagraph will survive the termination of this Agreement Franchisee is aware of the business purposes and needs underlying the language of this subparagraph, and with a complete understanding thereof, agrees to be bound in the manner set forth

20 19 Representations and Warranties of the Franchisee

The Franchisee represents and warrants as follows and acknowledges that the Franchisor is relying upon such representations and warranties in making its decision to enter into this agreement

- (a) The Franchisee has or has made firm arrangements to obtain funds required to commence, open and operate the Franchised Business and is financially and otherwise able to accept the risks attendant upon entering into this Agreement
- (b) All statements made by the Franchisee in writing in connection with the Franchisee's application for the grant of a Proshred franchise were true when made and continue to be true as of the date of this Agreement
- (c) No material financial obligations of the Franchisee, whether actual or contingent, are outstanding as of the date of this Agreement other than those disclosed to the Franchisor by the Franchisee in writing
- (d) The Franchisee is not a party to or subject to any court or administrative order or action of any governmental authority that would limit or interfere in any way with the performance by the Franchisee of any obligation hereunder
- (e) The Franchisee is not a party to any litigation or legal proceedings other than those that the Franchisee has disclosed to the Franchisor in writing
- (f) Neither the Franchisee nor any of its owners are or have been convicted by a trial court of, or pled guilty or no contest to, a felony or any other crime or offense
- (g) The Franchisee is not insolvent and has sufficient funds to pay its bills incurred in the ordinary course of business
- (h) The Franchisee, in cases where the Franchisee has more than one owner, has entered into an agreement with all owners of the Franchisee and such agreement contains, and will contain in any future amendments, a mechanism to settle disputes between or among the owners. Upon the Franchisor's request, the Franchisee shall deliver a copy of such agreement to the Franchisor
- (i) The Franchisee is owned or controlled, and has the shareholders, members or partners and management, as set forth in Schedule I

The foregoing representations and warranties do not include minor traffic violations, which the Franchisee need not disclose to the Franchisor

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates set forth below with effect as of the date stated on the first page hereof

PROSHRED FRANCHISING CORP

[Franchisee]

By _____

By _____

Title _____

Title _____

Date _____

Date _____

SCHEDULE I

FRANCHISEE OWNERS AND MANAGEMENT

The Franchisee is *[check one]*

- _____ (a) an individual
 _____ (b) a corporation
 _____ (c) a limited liability company
 _____ (d) a partnership
 _____ (e) other

State of incorporation _____

State of formation _____

Explain _____

The following persons are the owners and managers of the Franchisee

Name & Address

Office
(or LLC manager)

*Director, partner
or LLC member*

Percentage Ownership

1

X

SCHEDULE II

THE TERRITORY

The Territory shall be located within the following political and/or geographical boundaries

Number of Territory Units

Initial Fee

Location of the Franchised Business (the "Site" for the "Premises")

A "Territory Unit" means a geographic area comprised of approximately 10,000 business locations, nonprofit entities, and governmental agencies and the like that each have ten (10) or more employees

SCHEDULE III**MINIMUM PERFORMANCE LEVEL**

Period	MPL for the First Territory Unit	MPL for the Second Territory Unit	MPL for the Third Territory Unit
1	\$45,000	-	-
2	\$90,000	\$45,000	-
3	\$135,000	\$90,000	\$45,000
4	\$180,000	\$135,000	\$90,000
5	\$225,000	\$180,000	\$135,000
6	\$270,000	\$225,000	\$180,000
7	\$315,000	\$270,000	\$225,000
8	\$360,000	\$315,000	\$270,000
9	\$405,000	\$360,000	\$315,000
10	\$450,000	\$405,000	\$360,000

The Minimum Performance Level is equal to \$45,000 of Service Revenue per Territory Unit per twelve (12)-month period commencing with the first full calendar month following the date that the Franchised Business begins operations, and is cumulative from year to year, provided, however, that if this Agreement includes more than one (1) Territory Unit, the obligation to attain such Service Revenue level for each successive Territory Unit will begin in successive twelve (12)-month periods following the date the Franchised Business begins operations

SCHEDULE IV

PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the arbitration and other dispute resolution provisions of the Agreement

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including but not limited to the non-compete provisions in Section 17, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement

The undersigned waives (1) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed, and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability

In addition, the undersigned consents and agrees that (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person, and (2) such liability will not be diminished, relieved or otherwise affected by franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns

FRANCHISEE _____

PERSONAL GUARANTORS

Individually

Print Name

Address

City State Zip Code

Zip Code

Telephone

Individually

Print Name

Address

City State

Telephone

SCHEDULE V

ADDENDUM TO SHREDDING TRUCK LEASE

TO LEASE DATED _____ ("Lease")

BY AND BETWEEN _____ ("Company")

AND _____ ("Franchisee")

RE RIGHTS OF PROSHRED FRANCHISING CORP ("Franchisor")

Franchisor and Franchisee are parties to a Proshred franchise agreement dated as of _____ (the "Franchise Agreement"), pursuant to which Franchisor has granted to Franchisee a franchise to operate a Proshred franchise (the "Franchised Business")

Company and Franchisee have entered into a lease for a shredding truck dated _____ (the "Shredding Truck Lease")

Company and Franchisee agree to amend the terms of the Shredding Truck Lease as follows

1 *Proprietary Marks* Company permits Franchisee to use and display all proprietary marks, signs and related components of the Franchisor's system that the Franchisor may from time to time prescribe for the Franchised Business on the shredding truck

2 *Franchisor's Rights Upon Breach of Franchise Agreement* Company acknowledges that the Franchise Agreement grants Franchisor certain rights to assume Franchisee's Shredding Truck Lease in the event of a default by Franchisee under the Franchise Agreement. Upon any such assumption of the Shredding Truck Lease by Franchisor, Franchisor will give Company notice of the assumption of the Lease and Franchisor will thereafter be bound by all of the terms and conditions in the Shredding Truck Lease and Company agrees to recognize Franchisor as the new licensee under the Shredding Truck Lease. Franchisor will have the right thereafter to assign its interest in the Shredding Truck Lease to another approved Proshred franchisee with Company's approval, which will not be unreasonably withheld or delayed and will not be subject to the imposition of any fee by Company. Following any such assignment, Franchisor will have no further liability or obligation under the Shredding Truck Lease. Any assumption of the Shredding Truck Lease by Franchisor or subsequent assignment of the Shredding Truck Lease by Franchisor will not release Franchisee from its obligations under the Shredding Truck Lease. Unless and until Franchisor exercises its rights under the Franchise Agreement and the provisions of the Addendum and agrees in writing to assume the Shredding Truck Lease, Franchisor will have no liability or obligation under the Shredding Truck Lease.

3 *Franchisor's Rights Upon Default by Franchisee* Company shall serve Franchisor with a copy of any notice of default or breach of the Shredding Truck Lease at the same time Company serves Franchisee with such notice. Company agrees not to terminate the Shredding Truck Lease based on Franchisee's breach or default under the Shredding Truck Lease until it has given Franchisor written notice identifying the breach or default and at least twenty (20) days after expiration of the period during which Franchisee may cure such default to cure the breach or default. Franchisor has the right, but not the duty, to cure such default. In addition, in such event, without Company's consent, Franchisor may immediately take possession of the shredding truck as the licensee under the Shredding Truck Lease. Franchisor will have the right thereafter to assign its

interest in the Shredding Truck Lease to another approved Proshred franchisee with Company's approval, which will not be unreasonably withheld or delayed and will not be subject to the imposition of any fee by Company. Following any such assignment, Franchisor will have no further liability or obligation under the Shredding Truck Lease. If Franchisor elects not to cure the breach or default, Company may proceed directly against Franchisee in the manner provided in the Shredding Truck Lease, but will have no remedy against Franchisor.

4 *Additional Covenants* Company agrees not to (a) accept Franchisee's voluntary surrender of the Shredding Truck Lease without prior notice to Franchisor, or (b) amend the Shredding Truck Lease without Franchisor's prior written consent.

5 *Modification of Lease* Without Franchisor's prior written consent, Company and Franchisee may not modify, supplement, terminate, renew or extend the Shredding Truck Lease, nor may Company consent to any transfer of the Shredding Truck Lease by Franchisee.

6 *Notices* Any notices given to Franchisor pursuant to this Addendum must be in writing and must be given in compliance with the notice provision of the Shredding Truck Lease. Franchisor's address for any such notice is as follows:

Proshred Franchising Corp
65056559 Mississauga Road, Suite AB
Mississauga, Ontario L5N 1A6, Canada

7 *Effect* This Addendum amends and is a part of the Shredding Truck Lease. In the event of a conflict between the terms of the Shredding Truck Lease and the terms set forth in this Addendum, the terms set forth in this Addendum will govern.

8 *Miscellaneous* This Addendum will be binding upon, and will inure to the benefit of, the parties hereto and their successors, assigns, heirs and person representatives. This Addendum sets forth the entire agreement of the parties with respect to Franchisor's rights, superseding any and all prior agreements and understandings between or among the parties relating to the subject matter of this Addendum. This Addendum may be amended only by written agreement signed by each of the parties.

PROSHRED FRANCHISING CORP

[Franchisee]

By _____

By _____

Title _____

Title _____

Date _____

Date _____

[Company]

By _____

Title _____

Date _____

SCHEDULE VI

EMPLOYEE CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

_____ Recipient	_____ Date
_____ Recipient's Position with Franchisee	_____ Franchisee

1 Purpose of this Agreement The franchisee named above (the "Franchisee") has entered into a Franchise Agreement with PROSHRED FRANCHISING CORP, a Delaware corporation with its principal office located at 65056559 Mississauga Road, Suite AB, Mississauga, Ontario L5N 1A6, Canada (the "Franchisor") The recipient named above (the "Recipient") holds the position indicated above with the Franchisee In such position, the Recipient will or may have access to certain confidential information of the Franchisor In order to induce the Franchisor to enter into the Franchise Agreement, the Franchisee agreed to obtain from each of its owners, directors, managers and others who may have access to any confidential information of the Franchisor an agreement not to disclose to any third party any such information and to comply with the noncompete requirements set forth below

2 Confidentiality

(a) *Confidential Information* As used herein, the term "Confidential Information" means the Franchisor's know-how, technical knowledge, methods of operation, business and marketing plans and all other information that the Recipient may receive from the Franchisee or the Franchisor or any of their employees, agents or representatives, prior to or on or after the date hereof, that is not generally available to the public and that has commercial value to the Franchisor "Confidential Information" includes, without limitation, the content of all manuals used or approved for use in the operation of the franchised business, the content of all training provided by the Franchisor, all user names and passwords allowing access to the Franchisor's website or the Franchisor's computer network, all assistance provided by the Franchisor relating to the franchised business, all customer lists of the Franchisee and other franchisees of the Franchisor, all other information collected on Proshred databases regarding customers of the Franchisee, of other franchisees and of the Franchisor, and all improvements and modifications to the Proshred franchise system developed by the Recipient, as described below The Recipient acknowledges that all Confidential Information is confidential and proprietary information of the Franchisor

(b) *Nondisclosure* At all times both during and after the term of the Franchise Agreement, the Recipient shall keep all Confidential Information in the strictest confidence and shall not disclose any Confidential Information to any person other than Franchisee's employees, agents or representatives who have signed confidentiality agreements with or undertakings to the Franchisor substantially in the form of this undertaking and who have a legitimate need to know such information, except for any disclosure required by law, in which event Recipient shall give notice to the Franchisor of the disclosure to be made

(c) *Non-Use* At all times both during and after the term of the Franchise Agreement, Recipient shall not use any Confidential Information except for the purpose of fulfilling Recipient's legitimate obligations relating to the Franchisee's business

(d) *Exceptions* The obligations of confidentiality and non-use described above will not apply to information that, (i) can be clearly shown by the Recipient to have been known to Recipient on a non-confidential basis prior to its disclosure to the Recipient by the Franchisee or the Franchisor, (ii) is now, or hereafter becomes, information generally available to the public not due to any act or failure to act by the Recipient, or (iii) can be clearly shown by the Recipient to have been received by Recipient on a nonconfidential basis from a third party that is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation

(e) *Disclosures Required by Law* In the event that the Recipient becomes legally compelled to disclose any Confidential Information, the Recipient will (i) promptly notify the Franchisor that such information is required to be disclosed, (ii) use his or her best efforts to obtain legally binding assurance that all those who receive disclosure of such information are bound by an obligation of confidentiality, and (iii) disclose only that portion of the Confidential Information that legal counsel of the Recipient or the Franchisee advises is legally required to be disclosed

(f) *Return of Information* Upon the request of the Franchisor or the Franchisee, the Recipient will promptly return to the Franchisor or the Franchisee, as the case may be, all Confidential Information and all copies thereof in the Recipient's possession or under the Recipient's control, and the Recipient will destroy all copies thereof on the Recipient's computers, disks and other digital storage devices

3 Further Undertakings

(a) *Improvements* Recipient agrees that if Recipient makes an improvement to the Franchisor's business system or method, such improvement shall be the property of the Franchisor and the Recipient shall promptly disclose such improvement to the Franchisee or to the Franchisor with reference to this undertaking. The Recipient hereby assigns its rights in all such improvements to the Franchisor and agrees to sign any documents that the Franchisor may reasonably request from time to time to evidence such assignment

(b) *Noncompetition During the Term* The Recipient agrees that during the term of the Franchise Agreement, the Recipient shall not, either individually or in partnership or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any business operating in the U S A or Canada in competition with or similar to the franchised business as carried on from time to time by the Franchisee or the Franchisor

(c) *Noncompetition After the Term* Following the expiration or the termination of the Franchise Agreement, or in the event of a transfer as defined in the Franchise Agreement by the Franchisee, the Recipient shall not, for a period of two (2) years, operate directly or indirectly, whether as principal, shareholder (except of publicly traded securities), director, officer, manager, employee, consultant, lender, guarantor, representative or agent or in any other capacity any business selling services similar or identical to the Proshred System or otherwise

engage in a business which is directly or indirectly competitive with, or similar to that of the Franchised Business (i) within ten (10) miles of the geographic boundaries of the Territory, as defined in the Franchise Agreement, or (ii) within ten (10) miles of the territory of any other Proshred franchised or company business in existence in the U S A or Canada at the time such two (2) year period commences

(d) *Covenant Not to Solicit* The Recipient agrees that during the term of the Franchise Agreement, and for a period of two (2) years following the expiration or the termination of the Franchise Agreement for any reason, the Recipient shall not (i) solicit for employment any person who is then employed by a Proshred franchisee or by the Franchisor, or directly or indirectly induce such a person to leave his or her employment, or (ii) divert or attempt to divert any business or past or present customers of the Franchisee to any competing establishment, by direct or indirect inducement

4 Miscellaneous

(a) *Franchisor Third-Party Beneficiary* The Recipient and the Franchisee acknowledge and intend that the covenants contained in this Agreement shall directly benefit the Franchisor, who shall be a third-party beneficiary thereof, entitled to enforce the provisions thereof in the Franchisor's own name without the Franchisee as a party in any action filed for such purpose, and shall further be entitled to all remedies provided in Section 4(b)

(b) *Remedies* Recipient acknowledges that if Recipient fails to comply strictly with any of the above undertakings, the Franchisor will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against Recipient in a court of competent jurisdiction. In the event that the Franchisor prevails in any such litigation, the Recipient shall reimburse the Franchisor for all costs, attorneys' fees and other expenses incurred by the Franchisor in connection therewith

(c) *Notices* All notices, requests, consents and other communications required or permitted by this Agreement shall be in writing and shall be delivered by hand, fax, overnight delivery service, or registered or certified first class mail, to then-current address of the recipient known by the sender, to the attention of the person then holding the title of the person signing this Agreement on behalf of the recipient. Any such notice, request, consent or other communication shall be deemed given and be effective upon receipt at such address

(d) *Entire Agreement, Amendments* This Agreement constitutes the entire understanding between the parties relating to the subject matter hereof, superseding all prior agreements, arrangements and understandings between the parties relating to its subject matter. This Agreement may not be amended or changed in any way unless such changes are in writing signed by the parties hereto

(e) *Waiver* No delay, omission or failure to exercise any right or remedy provided for herein will be deemed to be a waiver thereof or acquiescence in the event giving rise to such right or remedy. No waiver will be binding unless contained in a writing signed by the party waiving its rights. Any waiver is limited to the specific situation in which it is given and no waiver of any breach or default under this Agreement will be construed as a waiver of any earlier or succeeding breach or default

(f) *Governing Law* This undertaking will be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within the state in which the franchised business is located

[Franchisee]

Recipient

By _____

Print Name

Title _____

By _____

Signature

Date _____

Address

Date _____

SCHEDULE VII

PROMISSORY NOTE

\$ _____
Amount Date

For value received, the undersigned, _____, jointly and severally if more than one (the "Maker"), hereby unconditionally promises to pay to the order of PROSHRED FRANCHISING CORP, a Delaware corporation with its principal office located at 65056559 Mississauga Road, Suite AB, Mississauga, Ontario L5N 1A6, Canada (the "Franchisor"), the principal sum of _____ (\$ _____), plus interest from the date hereof at an annual rate of _____%, in accordance with the attached payment schedule

Manner of Payment – All payments of principal and interest on this Note shall be made by check or by wire transfer (as specified by the Franchisor) payable to the Franchisor at the address set forth above or at such other address as the Franchisor shall designate to the Maker in writing. Each payment shall be credited first against accrued interest and second against the unpaid principal amount. Payments shall be made in United States dollars.

Prepayment – Maker may prepay all or any portion of the outstanding principal balance due under this Note on any date without penalty. Any partial prepayments shall be applied to installments of principal in inverse order of their maturity.

Events of Default – The occurrence of any one of the following events shall constitute an event of default hereunder ("Event of Default"): (a) If the Maker fails to pay when due any payment of principal or interest on this Note, (b) if the Maker materially breaches the Franchise Agreement between the Maker and the Franchisor (the "Franchise Agreement"), or (c) the Franchise Agreement is terminated for any reason.

Remedies – Upon the occurrence of an Event of Default, the Franchisor may, at its option, (a) by written notice to the Maker, declare the entire unpaid principal balance of this Note, together with all accrued interest thereon, immediately due and payable regardless of any prior forbearance, and (b) exercise any and all rights and remedies available to the Franchisor under applicable law, including, without limitation, the right to collect from the Maker all sums due under this Note plus compound interest at the rate of one and one-half percent (1.5%) per month, or the highest rate allowed by law, whichever is less, from and after the occurrence of the Event of Default. The Maker shall pay all reasonable costs and expenses incurred by or on behalf of the Franchisor in connection with the Franchisor's exercise of any or all of its rights and remedies under this Note, including, without limitation, reasonable attorneys' fees. The rights and remedies of the Franchisor under this Note shall be cumulative.

Waiver - No waiver that the Franchisor may give will be applicable except in the specific instance in which it is given. The Maker hereby waives presentment, protest, notice of protest, notice of dishonor and any and all other notices or demands in connection with this note. All amounts payable hereunder shall be made without deduction by way of set-off, counterclaim or otherwise.

Governing Law - This Note will be governed by the laws of the State of New York without regard to its conflict of laws principles

IN WITNESS WHEREOF, the Maker has executed and delivered this Note as of the date first stated above

[Maker]

[Maker]

PAYMENT SCHEDULE

<i>Payment Number</i>	<i>Date</i>	<i>Amount Due</i>
1		
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EXHIBIT F

EZSHREDEZESHRED LICENSE AGREEMENT

SOFTWARE LICENSE AGREEMENT

This Agreement made and entered into by and between EZshred LLC, an Ohio Limited Liability Company (EZ) with its principal mailing address of PO Box 8, Chesterland, Ohio 44026 and PROSHRED of <> (Client) with its principal place of business located at <address>

- A EZ is the owner, developer and possessor of rights to software and supporting documentation referred to as EZ Software distributed, developed and/or produced by EZ
- B Client desires to obtain from EZ the rights to use the EZ Software listed in the attached Exhibit A
- C By executing and submitting this Agreement, Client is applying for a license with respect to EZ Software which application EZ may accept or reject at its sole discretion. EZ's acceptance if any shall be evidenced by its execution of this Agreement by its duly authorized representative. Therefore, EZ and Client intending to be legally bound agree as follows

1 DEFINITIONS

Capitalized terms not defined within other sections of this Agreement have the following meaning

- 1.1 EZ Software means all computer software programs, codes, and other data and documents delivered to Client and identified as EZshred™ Software or programs, embodied in any form, including, but not limited to object form, machine readable or printed form. EZ Software also includes any modification or update to supplement, enhance or replace such delivered program
- 1.2 Enhancements means small improvements contained in releases or updates that do not change the primary version number of the Licensed Software. Enhancement releases are defined by changes in the fractioned designation of any specific version, i.e. Enhancements X.1 to X.2. EZ has sole discretion over designating a new release as an enhancement or as a new version upgrade
- 1.3 Licensed Software means the EZ Software and other software licensed by the Agreement as listed on Exhibit A
- 1.4 Upgrades means significant changes of the Licensed Software and are sold to Clients for an additional fee. Upgrades are designated by a change in the version number i.e. Version 6.x to Version 7.x. EZ has the sole and absolute discretion to designate software as an upgrade

2 LICENSE

- 2.1 Upon acceptance, EZ hereby grants Client, a non-transferable and nonexclusive right to use the Licensed Software at either of a SINGLE location upon receipt of a Single User License or Multiple User License from EZ
- 2.2 A separate license is required for each location at which Client will use the Licensed Software. Client may purchase additional licenses for other locations owned and operated by the Client at pricing as described in the then current Exhibit B
- 2.3 This Agreement, the license granted in this Agreement and any of the Licensed Software to which this Agreement applies may not be assigned, sold, or otherwise transferred to new owners or another person or entity without the written consent of EZ, [which may be reasonably withheld]. The transfer of effective controlling voting power of Client (irrespective of the type of entity involved) is deemed to be an assignment, sale and transfer of the license granted by this Agreement and of the Licensed Software
- 2.4 No Client may market, sell, lease, transfer, assign, permit the use of, or grant any interest in the License or the Licensed Software to any location or any third party except as provided in this Agreement. [EZ may cancel 30 days after written notice any license for violation of any section of this Agreement if client has not resolved the violation to EZ's reasonable satisfaction within said 30 days]. In addition, EZ may seek any legal or equitable remedy available against Client for any violation of any term or provision of the License
- 2.5 EZ is and shall remain, the sole and exclusive owner of the Licensed Software and have all proprietary rights in all EZ Software, instructional manuals and supporting materials relating thereto, included but not limited to all processes, ideas, data and printed material supplied by EZ to Client

3 TERM AND TERMINATION

- 3.1 This Agreement shall be effective from the latest date of signing by a party and shall continue thereafter until terminated, pursuant to other provisions of this Agreement. This Agreement shall apply to all EZ Software now and in the future delivered by EZ to Client
- 3.2 Termination of this Agreement or License for any reason shall not relieve Client of its obligations of confidence, protection, and security, its restrictions on copying, modification and use as provided in this Agreement with respect to any EZ Software, Client's financial obligation described in Exhibit B (executed EZshred Software Implementation Proposal) or any liability for breach of this Agreement
- 3.3 This Agreement shall terminate upon Default by a party wherein a "Default" means any one or more of the following events: (i) a party files a petition for relief under any chapter of the United States bankruptcy laws, (ii) involuntary proceedings under the United States bankruptcy laws are commenced by creditors against a party, (iii) the distribution, exchange, or offer or promise to distribute or exchange one or more copies whether in source code or machine readable form, of the Licensed Software by Client whether by sale, license, lease or otherwise, and whether or not any consideration is received for any such transfer or offer or promise, (iv) one of the parties voluntarily dissolves or attempts to dissolve itself as a corporation or (v) a material breach of a term or condition of this Agreement
- 3.4 Upon termination of this Agreement for any reason, the Client shall have fifteen (15) days from the receipt of notice of termination as provided for above to deliver to EZ all copies including all of the machine readable and source code copies (including, but not limited to, all archival and backup copies) and listings for the Licensed Software plus all documentation therefore

4 INITIAL INSTALLATION and TRAINING

- 4.1 Initial software installation, training and ongoing support shall be supplied by EZ for or with respect to Client as identified on the then current Exhibit B. Client support, outside the terms of an ongoing, purchased EZ support plan is available from EZ upon special request for costs to be determined at the time of request
- 4.2 Software installation and training cannot take place until this Agreement is executed by both parties

5 FEES AND CHARGES

- 5.1 The Client agrees to pay EZ for use of the Licensed Software and for other services as required, the fee(s) as noted on Exhibit B (executed EZshred Software Implementation Proposal) to this Agreement (the License Fee(s)). EZ may change and supplement Exhibit B at its discretion
- 5.2 Programming and support time billed for emergency support, system crashes, network, printer, third party software or other hardware support will be prepaid
- 5.3 All fees which are not paid in advance will be due upon receipt of invoice. All payment plans are invoiced monthly (when paid via credit card, or ACH) or Yearly (when paid via check). Any invoice unpaid after 30 days from the invoice date will receive a warning. If any one invoice goes unpaid for 45 days from the invoice date or if Client receives a second warning at any time during the payment plan, Client will forfeit use of EZ Software, and all remaining payments described in Exhibit B will become due immediately

6 PROTECTIONS AND SECURITY

- 6 1 Client acknowledges the valuable and confidential nature of the Licensed Software, instructional manuals and supporting materials, and that trade secrets are embodied in the Licensed Software. Client shall use its best efforts to maintain the confidentiality and secrecy of the Licensed Software and the instructional manuals and supporting materials. Client shall not disclose, provide or otherwise make available to third parties for any purpose any EZ Software, instructional manuals or supporting materials in any form without the prior written consent of EZ. Client shall not modify the EZ Software without prior written consent of EZ. This Section 6 1 shall survive termination of this License Agreement.
- 6 2 Client, and its owners and managers, will not directly or indirectly, alone, together or in association with others, either as a principal, agent, owner, shareholder, officer, director, partner, employee, lender, investor or in any other capacity, engage in, have a financial interest in or be in any way connected or affiliated with, or render advice or services to, any business engaged in competition with EZ during the term of this Agreement and for a period of ten (10) years thereafter.
- 6 3 EZ may adopt from time to time such mechanical or electronic methods that EZ deems necessary to control the unauthorized use, duplication or distribution of the Licensed Software.
- 6 4 EZ agrees to maintain confidentiality of all Clients' data and records.
- 6 5 Copy Restrictions. (a) Client may make one (1) copy of the Licensed Software for backup purposes. (b) In no event does the copying permitted under this Agreement include the right to decompile, disassemble, or electronically transfer the Licensed Software, or to translate the Licensed Software into another computer language. You may not copy the documentation. (c) You agree to include the copyright notice set forth on the label of the media and embodied in the Licensed Software on any copy of the Licensed Software in any form, in whole or in part.
- 6 6 Duty to Backup Data. IT IS CLIENTS RESPONSIBILITY TO MAINTAIN PERIODIC BACKUP COPIES OF ALL DATA AND PROGRAMS USED IN CONJUNCTION WITH THE LICENSED SOFTWARE TO PREVENT CATASTROPHIC LOSS.

7 RESTRICTION ON USE

- 7 1 Client shall not print or copy, duplicate, alter or modify in any form, in whole or part any EZ Software, instructional manuals or supporting materials without EZ's written permission.
- 7 2 Any copies of Licensed Software, manuals or materials made by Client in any form under permission by EZ shall be the sole and exclusive property of EZ and shall become subject to all terms and conditions of this Agreement.
- 7 3 All copies of Licensed Software, manuals or materials shall remain in the possession, custody and control of Client at Client's place of business during the terms of this Agreement.
- 7 4 EZ shall have the right to inspect at any reasonable time during normal business hours any copies of EZ Software, instructional manuals and supporting materials, made by the Client.

8 WARRANTY OF EZ SOFTWARE

- 8 1 If the Licensed Software contains errors, EZ shall correct the errors at its own expense, upon receipt of reasonable written notice from Client, providing the errors were not caused by or attributed to Client's improper use or application of the Licensed Software or Client's failure to follow EZ instructions and training. CORRECTION OF ERRORS OR REPLACEMENT OF THE EZ SOFTWARE SHALL BE THE SOLE REMEDY AVAILABLE TO CLIENT.
- 8 2 Error notices must be received in writing within a reasonable time not to exceed 90 days of delivery of the EZ Software to Client.

9 LIMITATION OF REMEDY AND LIABILITY

- 9 1 CLIENT AGREES THAT THE FOREGOING WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES OF EZ'S LICENSED SOFTWARE, AND EZ DISCLAIMS ALL OTHER WARRANTIES EXPRESSED OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS, OR ADEQUACY FOR ANY PARTICULAR PURPOSE OR USE OF QUALITY OR PRODUCTIVENESS OR OF CAPACITY.
- 9 2 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, EZ SHALL NOT OR UNDER ANY CIRCUMSTANCES, BE LIABLE TO CLIENT FOR CONSEQUENTIAL, INCIDENTAL, LOST PROFITS, LOST SAVINGS OR SPECIAL DAMAGES, EVEN IF EZ HAS BEEN APPRISED OF THE LIKELIHOOD OF SUCH DAMAGE OCCURRING.
- 9 3 IN NO EVENT SHALL EZ'S LIABILITY (WHETHER BASED ON AN ACTION OR CLAIM IN CONTRACT, TORT, OR OTHERWISE) TO CLIENT ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT EXCEED THE CHARGES PAID BY CLIENT FOR THE PARTICULAR LICENSED SOFTWARE INVOLVED INCLUDING INSTRUCTIONAL MANUALS AND SUPPORTING MATERIAL.

10 MISCELLANEOUS PROVISIONS

- 10 1 EZ has the right to transfer and assign its responsibilities and obligations under this Agreement.
- 10 2 The waiver by EZ of a breach of any provision of this Agreement by Client shall not operate or be construed as a waiver of any subsequent breach by Client.
- 10 3 In the event that any provision of this Agreement is found invalid or unenforceable under any statute or rule of law, it shall not affect the validity or enforceability of any other provision of this agreement.
- 10 4 This Agreement constitutes the entire agreement between EZ and the Client and supersedes all previous communications, representations or agreements, either oral or written, with respect to the subject matter. No representations or statements of any kind made by a representative employee or agent of EZ which are not stated herein, shall be binding on EZ. Any addition or modification to any provisions in this agreement shall only be binding upon the written agreement signed by both EZ and the Client.
- 10 5 Any notice or communication required in this Agreement must be given by receipted physical delivery, by certified United States Postal Service mail, or by receipted courier delivery. Notice or communication will be deemed received on the earlier of its actual receipt or three days after it is given to the delivering carrier.
- 10 6 This agreement shall not constitute an offer until accepted by EZ in Kirtland, Ohio.
- 10 7 This Agreement and all transactions and agreements in connection herewith, shall be governed by, construed in and enforced in accordance with the laws of the State of Ohio, without regard to principles of conflicts of laws. Client acknowledges and agrees to be liable for all costs and expenses incurred by EZ (including reasonable attorneys' fees) related to the enforcement of this Agreement as awarded by court order.

IN WITNESS WHEREOF, the parties have executed this Software License Agreement on the date signed by EZshred LLC

PROSHRED of <?>

EZshred LLC

By _____

By _____

Title _____

Title President

Date _____

Date March 28, 2012

Exhibit A
Licensed Computer Software Program

Relating to the operational software program known as EZshred™

Exhibit B
EZshred Software Implementation Proposal
attached

ANNUAL SUPPORT AGREEMENT

This Support Agreement made and entered into by and between EZshred LLC an Ohio Limited Liability Company (EZ), with its principal mailing address of PO Box 8, Chesterland, Ohio 44026 and PROSHRED of <?> (Client) with its principal place of business located at <address?>

Whereas EZ owner developer and possessor of rights to software and supporting documentation referred to as EZshred Software distributed developed and/or produced by EZ and Client have entered into a Software License Agreement under which the Client obtains from EZ a non exclusive nontransferable license to use the EZ Software listed in the attached Exhibit A including any future Enhancements or additional software instructional manuals or supporting materials furnished

Whereas EZ offers Client certain services and support with respect to the software referenced in the Client License Agreement above on the terms and conditions set forth herein

Therefore, EZ and Client intending to be legally bound agree as follows

1 DEFINITIONS

Capitalized terms not defined within other sections of this Agreement have the following meaning

- 1 1 EZ Software and/or Licensed Software means all computer software programs codes and other data and documents delivered to Client and identified as EZ Software or programs and embodied in any form, including but not limited to object form machine readable or printed form EZ Software also includes any modification or update to supplement enhance or replace such delivered program
- 1 2 Enhancements means small improvements and or Error Corrections contained in releases or updates that do not change the primary version number of the Licensed Software Enhancement releases are defined by changes in the fractioned designation of any specific version i e Enhancements x 1 to x 2
- 1 3 Upgrades means significant changes of the Licensed Software and are sold to Clients for an additional fee Upgrades are designated by a change in the version number, i e Version 6 x to Version 7 x
- 1 4 Error means any failure of the Licensed Program to conform in all material respects to the functional specification for the Licensed Program published from time to time by EZ However any nonconformity resulting from the Customer s misuse or improper use of the Licensed program or combining or merging the Licensed program with any software not supplied by EZ or hardware not authorized to be so combined or merged by EZ shall not be considered an Error
- 1 5 Error Correction means either a software modification or addition that when made or added to the Licensed Program establishes material conformity to the Licensed Program published manual or a procedure or routine that when observed in the regular operation of the Licensed Program eliminates the practical adverse effect on Client of such nonconformity
- 1 6 Standard Working Hours means the hours between 8 00 a m and 5 00 p m Eastern Standard/Daylight times Monday through Friday excluding regularly scheduled EZ holidays
- 1 7 Nonstandard Working Hours means all hours of all days not referenced in 1 6 above
- 1 8 Support means responding to the needs described in 2 1 through 2 7
- 1 9 Training means the instruction provided by EZ on how to operate the software for its intended use
- 1 10 Retraining means the training of new and/or retraining of previously trained client employees
- 1 11 Designated User is a Client employee specifically named as such in Exhibit B

2 SCOPE OF SERVICES

- 2 1 During the Agreement term EZ shall maintain a support staff and control center capable of receiving and responding to Designated User questions and corrections as related to the normal operation of the Licensed programs subject to the compensation fixed for each type of service as described in EZ s rate schedule (Exhibit B)
- 2 2 EZ shall be available by telephone during Standard Working Hours to allow Designated Users to report system problems and seek assistance in use of the Licensed Program in accordance with 2 1 ONLY DESIGNATED USERS MAY CALL FOR SUPPORT EZ reserves the right to remove any Client employee from the Designated User list/status for unprofessional behavior as defined by EZ at its sole discretion except for the owner
- 2 3 EZ shall maintain a trained staff capable of rendering the services set forth in this Agreement
- 2 4 EZ agrees to be responsible for using all reasonable diligence in correcting verifiable and reproducible Errors when reported to EZ in accordance with EZ s standard reporting procedures EZ shall verify that such an Error is present and initiate work in a diligent manner toward development of an Error Correction or work around Following completion of the Error Correction EZ shall at its option provide the Error Correction through a temporary work around consisting of sufficient programming and operating instructions to implement the Error Correction and EZ shall include the permanent Error Correction in all subsequent Releases of the Licensed Program EZ shall not be responsible for correcting Errors in any version of the Licensed Program other than the most recent Release of the Licensed Program, provided that EZ shall continue to support prior Releases superseded by recent Releases for a reasonable period sufficient to allow Client to implement the newest Release not to exceed 120 days
- 2 5 EZ may from time to time issue new error correction and Enhancement Releases of the Licensed Program to its Clients generally containing Error Corrections minor Enhancements and in certain instances if EZ so elects upgrades to its Clients generally for an additional charge EZ shall provide Client with one copy of each new Enhancement Release without additional charge EZ shall provide reasonable assistance to help Client install and operate each new Release If such assistance is required to be provided at Client s facility the supplemental charges set forth in (Exhibit B) hereto shall apply
- 2 6 EZ may from time to time offer upgrades to its Clients generally for an additional charge The price of the upgrades will vary depending on the type of Support Plan the Client is on (See current Exhibit B or contact EZ for Pricing Schedule) Not to exceed 10% per annum
- 2 7 EZ agrees to consider and evaluate the development of Enhancements for the specific use of the Clients and shall attempt to respond to Client s request for additional services pertaining to the Licensed Program (including without limitation data conversion and report formatting assistance) provided that such assistance if agreed to be provided shall be subject to supplemental charges as stated in Exhibit B or as mutually agreed to by EZ and Client

3 FEES AND CHARGES

- 3 1 Client agrees to pay EZ its fees and charges based on the rate schedule set forth in Exhibit B hereto EZ reserves the right to change its rate schedule from time to time but not before the anniversary date of one year after support was started Not to exceed 10% per annum
- 3 2 Client agrees to reimburse EZ for travel expense (i e transportation, lodging and meals) and telephone expenses incurred by EZ in rendering services to Client at Client location or anywhere outside EZ s offices as directed by Client under this Agreement EZ shall conform to the standard expense and reimbursement policy as amended from time to time and shall provide backup documentation as called for in EZ s standard expense and reimbursement policy
- 3 3 EZ agrees to invoice Client at the beginning of each calendar month for all fees and charges accrued and all reimbursable expenses incurred during the previous month and Client shall pay the invoiced amount immediately upon receipt of such invoice Any amount not paid within 30 days after the invoice date shall bear interest at the lesser of 1 1/2 percent per month or the highest rate allowed by applicable law

- 3 4 Client agrees to be responsible for procuring installing and maintaining all equipment telephone lines communications interfaces and other hardware (other than the hardware constituting the program control center maintained at EZ's facilities) necessary to operate the Licensed Software and to obtain from EZ the services called for by this Agreement
- 4 TERMINATION
- 4 1 This Agreement shall be effective from the latest date of signing by a party and shall continue thereafter until terminated pursuant to other provisions of this Agreement or by either party in its sole and absolute discretion with thirty (30) days prior written notice to the other party This Agreement shall apply to all EZ Software now and in the future delivered by EZ to Client
- 4 2 Termination of this Agreement shall be immediate upon termination of Software License Agreement
- 4 3 Following termination of this Agreement EZ shall immediately invoice Client for all accrued fees and charges and all reimbursable expenses and Client shall pay the invoiced amount immediately upon receipt of such invoice Client may continue to use any work supplied to Client by EZ for the remaining term of the License Agreement Any amount not paid within 30 days after the invoice date shall bear interest at the lesser of 1-1/2 percent per month or the highest rate allowed by applicable law
- 4 4 Termination of this Agreement or License for any reason shall not relieve Client of its obligations of confidence protection and security or its restrictions on copying and use as provided in this Agreement with respect to any EZ Software
- 5 WARRANTY OF EZ SOFTWARE
- 5 1 If the Licensed Software contains errors EZ shall correct the errors at its own expense upon receipt of reasonable written notice from Client, providing the errors were not caused by or attributed to Client's improper use or application of the Licensed Software or Client's failure to follow the instructional manuals or supporting materials
- 5 2 Error notices must be received in writing or via email within a reasonable time not to exceed 90 days of delivery of the EZ Software to Client
- 6 LIMITATION OF REMEDY AND LIABILITY
- 6 1 CLIENT AGREES THAT THE FOREGOING WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES OF EZ'S LICENSED SOFTWARE AND EZ DISCLAIMS ALL OTHER WARRANTIES EXPRESSED OR IMPLIED INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY FITNESS OR ADEQUACY FOR ANY PARTICULAR PURPOSE OR USE OF QUALITY OR PRODUCTIVENESS OR OF CAPACITY
- 6 2 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, EZ SHALL NOT OR UNDER ANY CIRCUMSTANCES BE LIABLE TO CLIENT FOR CONSEQUENTIAL INCIDENTAL LOST PROFITS LOST SAVINGS OR SPECIAL DAMAGES EVEN IF EZ HAS BEEN APPRISED OF THE LIKELIHOOD OF SUCH DAMAGE OCCURRING
- 6 3 IN NO EVENT SHALL EZ'S LIABILITY (WHETHER BASED ON AN ACTION OR CLAIM IN CONTRACT TORT INDEMNIFICATION OR OTHERWISE) TO CLIENT ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT EXCEED THE CHARGES PAID BY CLIENT FOR THE PARTICULAR LICENSED SOFTWARE INVOLVED INCLUDING INSTRUCTIONAL MANUALS AND SUPPORTING MATERIAL
- 7 MISCELLANEOUS PROVISIONS
- 7 1 EZ has the right to transfer and assign its responsibilities and obligations under this Agreement
- 7 2 The waiver by EZ of a breach of any provision of this Agreement by Client shall not operate or be construed as a waiver of any subsequent breach by Client
- 7 3 In the event that any provision of this Agreement is found invalid or unenforceable under any statute or rule of law they are to that extent to be deemed omitted
- 7 4 This Agreement constitutes the entire agreement between EZ and the Client and supersedes all previous communications representations or agreements either oral or written with respect to the subject matter No representations or statements of any kind made by a representative employee or agent of EZ which are not stated herein, shall be binding on EZ Any addition or modification to any provisions in this agreement shall only be binding upon the written agreement signed by both EZ and the Client
- 7 5 Any notice or communication required in this Agreement must be given by receipted physical delivery, by certified United States Postal Service mail, or by receipted courier delivery Notice or communication will be deemed received on the earlier of its actual receipt or three days after it is given to the delivering carrier
- 7 6 This agreement shall not constitute an offer until accepted by EZ in Kirtland Ohio
- 7 7 This Agreement and all transactions and agreements in connection herewith, shall be governed by, construed in and enforced in accordance with the laws of the State of Ohio, without regard to principles of conflicts of laws Client acknowledges and agrees to be liable for all costs and expenses incurred by EZ (including reasonable attorneys' fees) related to the enforcement of this Agreement

IN WITNESS WHEREOF, the parties have executed this Annual Support Agreement on the date signed by EZshred LLC

PROSHRED of <?>

EZshred LLC

By _____

By

Title _____

Title President

Date _____

Date March 28, 2012

Exhibit A
Licensed Computer Software Program

Relating to the operational software program known as EZshred™

Exhibit B
EZshred Software Implementation Proposal
Attached

EXHIBIT G

WINDSWEPT HOSTING AGREEMENT

SERVER HOSTING AGREEMENT

This Agreement, entered into this day of –20 , by and between

Customer

Address

Telephone

Fax

email

(Hereinafter referred to as Customer) and Windswept Integrated Technologies, Inc , a corporation incorporated under the laws of the Province of Ontario with its offices located at 2150 Thurston Drive, Ottawa, Ontario (hereinafter referred to as Windswept)

1 AGREEMENT

1.1 In consideration of the mutual covenants contained herein, the parties agree as follows

2 PURPOSE

2.1 The purpose of this Agreement is to define the terms under which Windswept will provide Customer with Hosting Services, defined as a) physical space within Windswept's Network Operations Center to house a Windswept-owned and supplied computer system and such other equipment as may be required and identified within this Agreement, (hereinafter Customer's Server"), b) limited physical access to Customer's Server and c) a connection of the Customer's Server to the Internet using Windswept's public network connections

2.2 The scope of services provided to Customer under the terms of this Agreement is specified in Appendix A attached hereto. This Agreement may also include additional Appendices for additional services agreed to by the parties from time to time. Such Appendices, once executed, shall become a part of this Agreement and incorporated herein.

3 EFFECTIVENESS, TERM AND RENEWAL

3.1 This Agreement shall become effective when signed by a duly authorized officer of Windswept. This Customer Agreement shall remain in effect until the services provided herein are terminated, changed or canceled as allowed by the terms and conditions as contained herein.

4 CUSTOMER'S SERVER AND USE RESPONSIBILITIES

4.1 Customer's Server may provide services to Customer and/or its' customers, or the general public, for any legal purpose whatsoever, provided that

4.2 Customer's Server may deliver, only those network services specifically disclosed and agreed to herein. Customer's Server shall not be used as a mail relay and Customer shall ensure that such service is shutdown and,

4.3 Customer's Server shall not exceed the agreed-to Bandwidth limits, or provide services to others which results in use in excess of the agreed to Bandwidth, regardless of whether such use is in the ordinary course of business or results from any unauthorized hacking or use of Customer's Server. Bandwidth limitations and costs are laid out in Appendix A, and

4.4 Customer shall not utilize its Server for the delivery of unsolicited email (spamming) or the spreading of viruses and,

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4 5 Customer is expressly prohibited from, and shall not use the Server or Windswept's network to, violate the security of any computer (or) network, crack passwords or security encryption codes, or transfer or serve any illegal material(s)

4 6 All services provided by Windswept under this Agreement extend to the Customer only, and do not extend to any other person, corporation or entity, regardless of their relationship with Customer and under no circumstances will Windswept be obliged to support third parties

4 7 Customer shall not resell bandwidth or space on the Customer's Server to third parties, but may authorize third party professionals and advisors (i e accountants) to access data on the Customer's Server

4 8 Customer and all other third parties accessing or using Customer's Server shall abide by all of the rules, regulations and policies of Windswept, as well as other networks and computer systems accessed via the Customer's Server, whether operated by Windswept, its suppliers or others. If the Customer is unsure of those policies, it is the Customer's responsibility to ascertain said policies. Customer agrees to indemnify and hold Windswept harmless from any claims resulting from the Customer's use of the service that damages either the Customer or another party or parties

5 CUSTOMER RESPONSIBILITIES FOR EQUIPMENT, APPLICATIONS AND DATA

5 1 Although the Customer is responsible for the ongoing stability and the operation of the Customer's application and server, Windswept's monthly fee includes reasonable support for the ongoing management of stability of Customer's Server and applications

5 2 Windswept will make reasonable efforts to protect and backup Customer's data on a regular basis, however Windswept is not responsible for the data residing on the Customer's Server. The Customer is responsible for providing Windswept with a reliable 24-hour contact to notify in the event of failure or downtime for maintenance. In the event of a loss of data, Windswept will assist the Customer to rebuild the environment and restore data. Supplied backup information is included in Appendix A

5 3 Customer shall provide Windswept with a list, and replacement value, detailing any and all additional software that is installed, or to be installed, on Customer's Server in Windswept's Network Operations Center

5 4 Customer shall fully insure additional software installed on Customer's Server against all risk of loss, including without limitation, theft, fire, water and earthquake damage. Customer is advised to purchase business interruption insurance to protect against lost revenue from Customer's Server in case of prolonged disruption of services or catastrophe

6 PAYMENT AND CHARGES

6 1 The Customer is responsible for any and all fixed and accumulative charges for their account as, defined in the current Windswept price list

6 2 The account setup fee and first month (30 days) service are charged immediately upon the execution of this Agreement. Once the Customer's Server is installed and operational, the thirty (30) day period begins. Thereafter, hosting fees are billed on a monthly basis. The first such invoice may include appropriate charges or credits to Prorate the service period to the end of the month. Incidental support or additional fees will be charged as the service is performed

6 3 Invoices for Hosting Services are invoiced and payable in advance for the term of the Hosting Services. Hosting Services are subject to suspension for any account thirty (30) or more days past due and become subject to a re-activation fee. Windswept may impose a late charge on invoiced amounts over 30 days outstanding equal to 1 5% per month of the unpaid until the entire balance is paid in full

6 4 Windswept agrees to notify Customer at least ninety (30) days in advance of any price increase which affects any services provided to Customer under this Agreement

7 LIMITATION OF LIABILITY

7.1 Windswept exercises no control whatsoever over the content of the information passing through its network. Windswept makes no warranties of any kind, whether expressed or implied, for the service(s) it is providing. Windswept also disclaims any warranty of merchantability or fitness for a particular purpose. Windswept will not be responsible for any damage you suffer. This includes the loss of data resulting from delays, non-deliveries, mis-deliveries, or service interruptions caused by omission or your errors or omissions. Use of any information obtained via Windswept's network is at your own risk. Windswept specifically denies any responsibility for the accuracy or quality of information obtained through its services.

7.2 Windswept's liability hereunder for any losses or damages suffered by Customer or its customers with respect to the products and services or any other item under this Customer Agreement, whether direct or indirect, from any cause whatsoever, shall be limited to the amount paid by Customer to Windswept for products and services ordered hereunder for a single billing period only. Windswept shall not be liable for any lost profits or for any claim or demand against the Customer by any other party based on any expressed, implied or claimed warranties by Windswept not specifically set forth in this Agreement.

7.3 IN NO EVENT SHALL WINDSWEPT BE LIABLE FOR CONSEQUENTIAL DAMAGES EVEN IF WINDSWEPT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES

7.4 No action, regardless of form, arising out of this or any other Windswept Agreement or the transactions contemplated herein or therein, may be brought by Customer more than one (1) year after the cause of action has occurred.

7.5 Customer shall indemnify, defend and hold harmless Windswept, its directors, employees and agents from any action brought against them by any third-party in connection with this Agreement, or any other Agreement between Customer and a third-party from any claims resulting from the use of the service by you or any of your customers or others throughout your chain of distribution, including end-users. Customer shall pay all damages and reasonable legal fees arising as a result of Customer's use or misuse of any rights granted herein.

8 COMPLIANCE WITH LAWS

8.1 Customer shall at all times comply with all applicable laws and regulations of The United States and all other governmental entities governing, restricting or otherwise pertaining to the use, distribution, exporting or import of data, products, services and/or technical data.

8.2 Windswept's network may only be used for lawful purposes. Transmission of any material in violation of any Federal, Provincial or other governmental regulation is prohibited. This includes, but is not limited to, copyrighted material, material legally judged to be threatening or obscene, or material protected by trade secret.

9 TERMINATION

9.1 Windswept shall have the right to immediately suspend or terminate this Agreement during any investigation of Acceptable Use Policy or Agreement violations, misrepresentation of the services offered by Customer's Server, inappropriate use, use of excessive system or network resources which adversely affects the performance, security or reliability of the Windswept network, or nonpayment of service fees. In the event that Windswept suspends or cancels service, Windswept will make a reasonable effort to notify the emergency contact supplied by the Customer, for remedy, prior to the actual event.

9.2 Windswept shall have the right to suspend or terminate this Agreement for any reason, by providing the Customer with 90 days written notice.

9.3 The Customer must cancel with 90 days written notice sent to the address of Windswept in this Agreement. Customer agrees that Windswept has the right to delete all data files or other information that is stored on the Customer's Servers, on behalf of Customer, if either the Customer or Windswept cancels this account, for any reason.

10 MISCELLANEOUS PROVISIONS

10.1 This Customer Agreement is being executed by Customer at the address provided for herein, and by Windswept in the Province of Ontario, Canada, and is governed by, and shall be construed in accordance with the laws of the Province of Ontario. Venue for any litigation or claim hereto shall be the Ontario Courts in Ottawa, Ontario.

10.2 If any sentence, paragraph, clause or combination of the same in this Customer Agreement is held by a court or other governmental body of competent jurisdiction to be unenforceable, invalid or illegal in any jurisdiction, such sentence, paragraph, clause or combination shall be deemed deleted from this Customer Agreement and the remainder of this Customer Agreement shall remain binding on the parties as if such unenforceable, invalid or illegal sentence, paragraph, clause or combination had not been contained herein.

10.3 In the event litigation is required to force compliance with, or address any breach of this Agreement, the parties agree that the prevailing party shall be entitled to legal fees and costs actually incurred.

10.4 Relationship. Nothing in this Customer Agreement or to be done pursuant to its terms and conditions is intended to, or shall, create a partnership or joint venture, for tax purposes or otherwise, between Windswept and Customer. Customer is and shall remain fully and solely responsible for all of its employees and assumes full responsibility for all costs and liabilities incurred in connection with the termination of such employees for any reason whatsoever.

11 MODIFICATION

11.1 This Agreement shall constitute the entire Agreement between Customer and Windswept pertaining to Customer's Server. This Agreement shall not be modified or altered except by a written instrument duly executed by Customer and by an authorized officer of Windswept.

Appendix A

This Appendix forms part of, and shall be construed in accordance with, the Server Hosting Agreement dated _____, _____ between Windswept and _____ (Customer")

1 Scope of Services (base package)

- Band width sufficient for 5 users
- Daily backup of EZshred, Quickbooks, ACT! and data folders
- 150 GB of server space to host EZshred, Quickbooks, ACT! and data folders
- 3 power users (includes MS office Std , Exchange license with 2GB mail storage, server login and Remote desktop license
- 2 standard users (includes Exchange license with 2GB mail storage, server login and Remote desktop license)
- 1 Windows hosted server license
-

2 Pricing

- \$299 00 USD per month for base 5 user package defined in 1 above *
- \$4 00 USD per month for managed anti-virus for each workstation and / or notebook (Windows or MAC) that connects to the server *
- \$40 00 USD per month for each additional standard user over the base 2
 - o Includes Remote desktop license, server login, Exchange license with 2GB mail storage
- \$65 00 USD per month for each additional power user over the base 3
- Includes Remote desktop license, server login, MS Office Std, Exchange license with 2GB mail storage \$10 00 USD per month for each additional 2GB of mailbox storage over the base 2GB
- \$50 00 USD per month for each additional 50GB of server space over the base 150GB
- \$15 00 USD per month for each additional Exchange mailbox / alias
 - o Includes Exchange license and 2GB mail storage

* Indicates that the item is a mandatory purchase

ACCEPTED BY CUSTOMER

ACCEPTED BY WINDSWEPT

Authorized Signature(s)

Authorized Signature(s)

Print/Type Name

Print/Type Name

Title/Date

Title/Date

EXHIBIT H

FRANCHISEE CERTIFICATION

**FRANCHISEE CERTIFICATION FOR
PROSHRED FRANCHISE AGREEMENT**

As you know, you and we are entering into a Franchise Agreement for the operation of a PROSHRED Franchisefranchise. The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations

- 1 Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least fourteen (14) calendar days prior to signing the Franchise Agreement? Check one ☐ Yes ☐ No If no, please comment _____
- 2 Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement? Check one ☐ Yes ☐ No If no, please comment _____
- 3 Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? Check one ☐ Yes ☐ No If no, please comment _____
- 4 Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document? Check one ☐ No ☐ Yes If yes, please state in detail the oral, written or visual claim or representation- _____
- 5 Has any employee or other person speaking on behalf of Proshred Franchising Corp made any written or oral statement or promise concerning the likelihood of success that you should or might expect to achieve from operation of a PROSHRED Franchisefranchise? Check one ☐ No ☐ Yes If yes, please state in detail the oral, written claim or representation _____
- 6 Did any employee or other person speaking on behalf of Proshred Franchising Corp make any statement or promise regarding the costs involved in operating a PROSHRED Franchisefranchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document? Check one ☐ Yes ☐ No If yes, please comment _____
- 7 Did any employee or other person speaking on behalf of Proshred Franchising Corp make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any PROSHRED location or business, or the likelihood of success at your PROSHRED Franchisefranchise? Check one ☐ Yes ☐ No If yes, please state in detail the oral, written or visual claim or representation _____

- 8 Do you understand that the franchise granted is for the right to operate a PROSHRED Franchisefranchise within a particular Territory only and that we and our affiliates have the right to issue franchises or operate competing businesses for or at any other location outside your Territory and through alternative channels of distribution? Check one ☐ Yes ☐ No If no, please comment _____
- 9 Do you understand that the Franchise Agreement and Disclosure Document contain the entire agreement between you and us concerning the PROSHRED Franchisefranchise meaning that any prior oral or written statements not set out in the Franchise Agreement or Disclosure Document will not be binding? Check one ☐ Yes ☐ No If no, please comment _____
- 10 Have you had adequate opportunity to discuss the benefits and risks of operating a PROSHRED Franchisefranchise with an attorney, accountant or other professional advisor? Check one ☐ Yes ☐ No If no, please comment _____
- 11 Do you understand that there are risks associated with operating a PROSHRED Franchisefranchise and are you comfortable undertaking those risks? Check one ☐ Yes ☐ No If no, please comment _____
- 12 Have you conducted your own independent investigation of the PROSHRED Franchisefranchise and have not relied solely upon any oral or written representation about the franchise made by Franchisor, including assessing market conditions and investigation the PROSHRED reputation in your geographic area? Check one ☐ Yes ☐ No If no, please comment _____
- 13 In conducting your independent investigation of the PROSHRED Franchisefranchise, did you conduct any analysis of the competition you are likely to face in your geographic area? Check one ☐ Yes ☐ No If no, please comment _____
- 14 Do you understand that the success or failure of your PROSHRED Franchisefranchise will depend in large part upon your skills and experience, your business acumen, your location, the local market for the services offered by your PROSHRED Franchisefranchise, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your PROSHRED Franchisefranchise may change? Check one ☐ Yes ☐ No If no, please comment _____
15. Do you understand that your business may be located in a market where there may be little or no brand awareness? Further, do you understand that your revenues may be affected by factors that include the number, size and types of businesses within a market, the number of competitors within a market and state and local legislation regarding document destruction and recycling? Check one ☐ Yes ☐ No. If no, please comment. _____
- 16-15- Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in the Franchise Agreement and that an injunction is an appropriate remedy to protect the interest of the PROSHRED system if you violate the covenant(s)? Further, do you under-

stand that the term "you" for purposes of the non-compete covenants is defined broadly, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement? Check one ☐ Yes ☐ No If no, please comment _____

- 16 Do you understand that any training, support, guidance or tools we provide to you as part of the franchise are for the purpose of protecting the PROSHRED system, brand and trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters? Check One ☐ Yes ☐ No If no, please comment _____

- 17 Have all your questions about the PROSHRED Franchise been answered to your satisfaction? Check on ☐ Yes ☐ No If not, please comment _____

- 18 On the receipt pages of your Disclosure Document you identified _____
as the franchise sellers involved in this franchise sales process Are the franchise sellers identified above the only franchise sellers involved with this transaction? Check one ☐ Yes ☐ No If no, please identify any additional franchise sellers involved with this transaction _____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH

NOTE IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT

Signed _____
Print Name _____
Date _____

Signed _____
Print Name _____
Date _____

APPROVED ON BEHALF OF
PROSHRED FRANCHISING CORP

Signed _____
Print Name _____
Date _____

By _____
Title _____
Date _____

*All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended nor shall they act as a release, estoppel or waiver of liability incurred under the Maryland Franchise Registration and Disclosure Law

Proshred 20182047 FDD

EXHIBIT I

FORM OF GENERAL RELEASE

RELEASE OF CLAIMS

For and in consideration of the Agreements and covenants described below, Proshred Franchising Corp ('Franchisor') and _____ ('Franchisee') enter into this Release of Claims ('Agreement')

RECITALS

A Franchisor and Franchisee entered into a Franchise Agreement dated _____,

B [NOTE Describe the circumstances relating to the release]

C Subject to and as addressed with greater specificity in the terms and conditions set forth below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement

AGREEMENTS

1 **Consideration** [NOTE Describe the consideration paid/provided]

2-3 [NOTE Detail other terms and conditions of the release]

4 **Release of Claims by Franchisor** [NOTE Only included in the event of a termination or transfer] Except as provided below, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee for any post-termination obligations, including any indemnification, confidentiality or covenant not to compete obligations contained in the Franchise Agreement. Further, this release does not release Franchisee from any obligations he may have under this Agreement.

5 **Release of Claims by Franchisee** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

6 **Reservation of Claims Against Non-Settling Parties** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7 **Entire Agreement** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement

8 **Voluntary Nature of Agreement** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms

9 **Governing Law and Jurisdiction** This Agreement will be construed and enforced in accordance with the law of the state of _____

10 **Attorneys' Fees** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach

Dated _____, 20____

PROSHRED FRANCHISING CORP

By _____

Its _____

Dated _____, 20____

FRANCHISEE _____

By _____

EXHIBIT J

STATE ADDENDA

Proshred 20182017 FDD

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CALIFORNIA ADDENDUM

Item 17 – RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

According to Item 17(h), ~~17h~~, the Franchise Agreement provides for termination upon the franchisee's bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

According to Item 17(r), ~~17r~~, the Franchise Agreement requires you not to compete with us for a period of two (2) years after the Franchise Agreement is terminated or expires. This provision may not be enforceable under California law.

According to Item 17(w), ~~17w~~, the Franchise Agreement provides that New York law applies. For California franchises, California law will apply.

The page that follows will constitute an addition to the Franchise Agreement for California.

CALIFORNIA ADDENDUM TO PROSHRED FRANCHISE AGREEMENT

between

PROSHRED FRANCHISING CORP

and

This Addendum modifies and amends the Proshred Franchise Agreement dated as of _____, between Proshred Franchising Corp and _____ (the "Franchise Agreement")

Notwithstanding anything to the contrary contained in the Franchise Agreement, the Franchise Agreement will be governed by and construed in accordance with the laws of the State of California

IN WITNESS WHEREOF, the parties have executed this Addendum on the dates set forth below but with effect as of the date of the Franchise Agreement

PROSHRED FRANCHISING CORP

[Franchisee]

By _____

By _____

Title _____

Title _____

Date _____

Date _____

HAWAII ADDENDUM

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

MINNESOTA ADDENDUM

Cover Page and Item 17

~~MINN. STAT. §80C.21 AND MINN. RULE 2860.4400J PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA. IN ADDITION, NOTHING IN THE DISCLOSURE DOCUMENT OR AGREEMENT CAN ABROGATE OR REDUCE ANY OF YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C, OR YOUR RIGHTS TO ANY PROCEDURE, FORUM, OR REMEDIES PROVIDED FOR BY THE LAWS OF THE JURISDICTION.~~

Item 13—TRADEMARKS

~~——— We will protect your right to use our trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.~~

Item 17—RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

~~——— With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days' notice for non-renewal of the Franchise Agreement.~~

~~According to Item 17m, we may require as a condition to a transfer that you sign an assignment agreement in the form of Exhibit E4. The assignment agreement contains a general release. Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release. Accordingly, this requirement will not apply in Minnesota.~~

~~——— The agreements you sign give us the right to obtain injunctive relief (Sections 13.6 and 20.1 of the Franchise Agreement, Section 7(a) of the Software License & Maintenance Agreement, and Section 4(a) of the Confidentiality and Non-Competition Agreement). Under Minnesota Rule 2860.4400J, a franchisee cannot consent to the franchisor obtaining injunctive relief. Accordingly, these provisions are understood to mean that we have the right to seek injunctive relief.~~

MINNESOTA ADDENDUM TO PROSHRED FRANCHISE AGREEMENT

between

PROSHRED FRANCHISING CORP.

and

This Addendum modifies and amends the Proshred Franchise Agreement dated as of _____, between Proshred Franchising Corp and _____ (the "Franchise Agreement").

1 We will protect your right to use our trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

2 We will comply with Minn Stat Sec 80C 14, Subds 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days' notice for non-renewal of the Franchise Agreement.

3 The parties agree that all disputes that cannot be resolved amicably will be resolved by the federal and state courts located in the State of Minnesota in any action arising under or relating to the Franchise Agreement.

4 Nothing in this agreement will abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5 Sections 13.6 and 20.1 of the Franchise Agreement, Section 7(a) of the Software License & Maintenance Agreement (Schedule VII), and Section 4(a) of the Confidentiality and Non-Competition Agreement (Schedule VIII), give us the right to obtain injunctive relief. Under Minnesota Rule 2860.4400J, a franchisee cannot consent to the franchisor obtaining injunctive relief. Accordingly, these provisions are understood to mean that we have the right to seek injunctive relief.

6 The acknowledgments contained in Section 20.19 of the Franchise Agreement are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Minnesota Statutes, Chapter 80C.

~~_____ IN WITNESS WHEREOF, the parties have executed this Addendum on the dates set forth below but with effect as of the date of the Franchise Agreement~~

PROSHRED FRANCHISING CORP _____ [Franchisee]

By _____ By _____

Title _____ Title _____

Date _____ Date _____

NEW YORK ADDENDUM

~~THE STATE OF NEW YORK REQUIRES US TO DISCLOSE THE FOLLOWING INFORMATION~~

Item 3—LITIGATION

~~Neither Proshred nor any predecessor nor any person identified in Item 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against them alleging a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.~~

~~Neither Proshred nor any predecessor nor any person identified in Item 2 above has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, been convicted of or pleaded nolo contendere to a misdemeanor charge or been the subject of a civil action alleging violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.~~

~~Neither Proshred nor any predecessor nor any person identified in Item 2 above is subject to any injunctive or restrictive order or decree relating to the franchise or under a federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, or is subject to any order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to an injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.~~

Item 4—BANKRUPTCY

~~Other than the Chapter 11 proceeding of Mini Tankers USA, Inc., during the ten-year period immediately preceding the date of this disclosure document, neither Proshred nor any predecessor nor any person identified in Item 2 above has (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code, (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after such person held this position.~~

Item 17—RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

~~The following subsection of Item 17 will apply to New York franchises:~~

Assignment of contract by us	Section 18.4	No restriction on our right to assign except that we will assign only to an assignee who in our good faith judgment is willing and financially able to assume our obligations under the Franchise Agreement.
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WASHINGTON ADDENDUM TO PROSHRED FRANCHISE AGREEMENT

between

PROSHRED FRANCHISING CORP.

and

This Addendum modifies and amends the Proshred Franchise Agreement dated as of _____, between Proshred Franchising Corp. and _____ (the "Franchise Agreement").

- 1 _____ The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because (a) the offer or sale of the franchise to Franchisee was made in the State of Washington, (b) Franchisee is a resident of the State of Washington, and/or (c) the Franchised Business will be located or operated in the State of Washington.
- 2 _____ The State of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 ("Act"), which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor including the areas of termination and renewal of your franchise. There also may be court decisions which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.
- 3 _____ In any arbitration involving a franchise purchased in the State of Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
- 4 _____ In the event of a conflict of laws, the provisions of the Act shall prevail.
- 5 _____ A release or waiver of rights executed by Franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.
- 6 _____ Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
- 7 _____ Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

~~IN WITNESS WHEREOF, the parties have executed this Addendum on the dates set forth below but with effect as of the date of the Franchise Agreement.~~

~~PROSHRED FRANCHISING CORP~~ _____ ~~[Franchisee]~~

By _____ By _____

Title _____ Title _____

Date _____ Date _____

EXHIBIT K

RECEIPTS

When you receive this Proshred Franchise Disclosure Document, please sign and return one (1) copy of the Acknowledgement of Receipt page to our headquarters office. Proshred cannot process your application until we receive a properly signed receipt.

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Proshred Franchising Corp. offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Proshred Franchising Corp. gives you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa and Michigan require that Proshred Franchising Corp. gives you this Disclosure Document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Proshred Franchising Corp. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Proshred Franchising Corp., located at ~~6550 Mississauga Rd, Suite B, Mississauga, Ontario L5N 1A6, Canada (before June 2017)~~ or 6505 Mississauga Rd, Suite A, Mississauga, Ontario L5N 1A6 Canada ~~(after June 2017)~~; (866) 379-5028.

Issuance Date ~~October 16, 2018~~ June 5, 2017

The name, principal business address and telephone number of each seller offering the franchise is Jeff Hasham, ~~6550 Mississauga Rd, Suite B, Mississauga, Ontario L5N 1A6, Canada (before June 2017)~~ or 6505 Mississauga Rd, Suite A, Mississauga, Ontario L5N 1A6 Canada ~~(after June 2017)~~; (866) 379-5028, and _____

Proshred Franchising Corp. authorizes the respective state agencies identified on Exhibit A and the agent for service of process identified in Item 1 to receive service of process for it.

I have received the Proshred Franchising Corp. Franchise Disclosure Document dated ~~October 16, 2018~~ June 5, 2017. This disclosure document included the following Exhibits:

A	State Administrators and Agents For Service of Process	F	EZshred License Agreement
B	List of Franchisees	G	Windswept Hosting Agreement
C	Franchisee Organizations	H	Franchise Certification
D	Financial Statements	I	Form Release Agreement
E	Agreements	J	State Addenda
		K	Receipts

Proposed territory _____

Return this receipt to

Proshred Franchising Corp.

~~6550 Mississauga Rd, Suite B (before June 2017)~~

6505 Mississauga Rd, Suite A ~~(after June 2017)~~

Mississauga, Ontario L5N 1A6 Canada

Signature _____

Print name _____

Date _____

Proshred 20182017 FDD

Form 44 117425304 8/10/2017

Fax 905-812-9448

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Proshred Franchising Corp. offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Proshred Franchising Corp. gives you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa and Michigan require that Proshred Franchising Corp. gives you this Disclosure Document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Proshred Franchising Corp. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Proshred Franchising Corp., located at ~~6559 Mississauga Rd, Suite B, Mississauga, Ontario L5N 1A6, Canada (before June 2017)~~ or 6505 Mississauga Rd, Suite A, Mississauga, Ontario L5N 1A6, Canada, ~~(after June 2017)~~, (866) 379-5028.

Issuance Date October 16, 2018 ~~June 5, 2017~~

The name, principal business address and telephone number of each seller offering the franchise is Jeff Hasham, ~~6559 Mississauga Rd, Suite B, Mississauga, Ontario L5N 1A6, Canada (before June 2017)~~ or 6505 Mississauga Rd, Suite A, Mississauga, Ontario L5N 1A6, Canada, ~~(after June 2017)~~, (866) 379-5028, and _____.

Proshred Franchising Corp. authorizes the respective state agencies identified on Exhibit A and the agent for service of process identified in Item 1 to receive service of process for it.

I have received the Proshred Franchising Corp. Franchise Disclosure Document dated October 16, 2018 ~~June 5, 2017~~. This disclosure document included the following Exhibits:

A	State Administrators and Agents For Service of Process	F	EZshred License Agreement
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C	Franchisee Organizations	H	Franchise Certification
D	Financial Statements	I	Form Release Agreement
E	Agreements	J	State Addenda
		K	Receipts

Proposed territory _____

Return this receipt to _____

Proshred Franchising Corp.

~~6559 Mississauga Rd, Suite B (before June 2017)~~

6505 Mississauga Rd, Suite A _____ ~~(after June 2017)~~ Date _____

Mississauga, Ontario L5N 1A6 Canada

Signature _____

Print name _____

Proshred 20182017 FDD

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Fax 905-812-9448