

BSQUARE CORP /WA
Form SC 13G
June 16, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 13G

**Under the Securities Exchange Act of 1934
(Amendment No.)***

BSQUARE CORPORATION

(Name of Issuer)

Common Stock

(Title of Class of Securities)

11776U300

(CUSIP Number)

June 10, 2010

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications:

Taylor H. Wilson, Esq.
Haynes and Boone, LLP
2323 Victory Avenue, Suite 700
Dallas, Texas 75219
(214) 651-5000

CUSIP No. 11776U300

1 NAMES OF REPORTING PERSONS
Palologic Capital Management, LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2
(a)
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

5 SOLE VOTING POWER
NUMBER OF 0

6 SHARED VOTING POWER
SHARES BENEFICIALLY OWNED BY 857,600

7 SOLE DISPOSITIVE POWER
EACH REPORTING PERSON 0

8 SHARED DISPOSITIVE POWER
WITH: 857,600

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
857,600

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.4%¹

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO/HC

¹ Based upon 10,184,797 shares of common stock outstanding as of April 30, 2010, as disclosed in the Form 10-Q for the quarter ended March 31, 2010 filed by the issuer with the U.S. Securities and Exchange Commission on May 13, 2010.

CUSIP No. 11776U300

1 NAMES OF REPORTING PERSONS
Palogic Value Fund, L.P.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2
(a)
(b)

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EACH REPORTING PERSON 0

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o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.4%²

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

² Based upon 10,184,797 shares of common stock outstanding as of April 30, 2010, as disclosed in the Form 10-Q for the quarter ended March 31, 2010 filed by the issuer with the U.S. Securities and Exchange Commission on May 13, 2010.

CUSIP No. 11776U300

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(a)
(b)

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Delaware

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NUMBER OF 0

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EACH REPORTING PERSON 0

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o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.4%³

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN/HC

³ Based upon 10,184,797 shares of common stock outstanding as of April 30, 2010, as disclosed in the Form 10-Q for the quarter ended March 31, 2010 filed by the issuer with the U.S. Securities and Exchange Commission on May 13, 2010.

CUSIP No. 11776U300

1 NAMES OF REPORTING PERSONS
Ryan L. Vardeman

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2
(a)
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
United States

5 SOLE VOTING POWER
NUMBER OF 0

6 SHARED VOTING POWER
SHARES BENEFICIALLY OWNED BY 857,600

7 SOLE DISPOSITIVE POWER
EACH REPORTING PERSON 0

8 SHARED DISPOSITIVE POWER
WITH: 857,600

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
857,600

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.4%⁴

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN/HC

⁴ Based upon 10,184,797 shares of common stock outstanding as of April 30, 2010, as disclosed in the Form 10-Q for the quarter ended March 31, 2010 filed by the issuer with the U.S. Securities and Exchange Commission on May 13, 2010.

Item 1.

(a) Name of Issuer

BSQUARE CORPORATION

(b) Address of Issuer's Principal Executive Offices

110 110th Avenue NE, Suite 200, Bellevue, Washington 98004

Item 2.

(a) Name of Person Filing

This statement is jointly filed by and on behalf of each of Palogic Capital Management, LLC, Palogic Value Fund, L.P., Palogic Value Management, L.P. and Ryan L. Vardeman. Palogic Value Fund is the record and direct beneficial owner of the securities covered by this statement. Palogic Value Management is the general partner of, and may be deemed to indirectly beneficially own securities owned by, Palogic Value Fund. Palogic Capital Management is the general partner of, and may be deemed to indirectly beneficially own securities owned by, Palogic Value Management. Ryan Vardeman is the sole Member of, and may be deemed to indirectly beneficially own securities owned by, Palogic Capital Management.

Each reporting person declares that neither the filing of this statement nor anything herein shall be construed as an admission that such person is, for the purposes of Sections 13(d) or 13(g) of the Act, the beneficial owner of any securities covered by this statement.

(b) Address of Principal Business Office or, if none, Residence

The address of the principal business office of each of the reporting persons is 1700 Pacific Avenue, Suite 4535, Dallas, Texas 75201.

(c) Citizenship

See Item 4 on the cover page(s) hereto.

(d) Title of Class of Securities

Common Stock

(e) CUSIP Number

11776U300

Item 3. If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is:

- (a) A Broker or dealer registered under Section 15 of the Act (15 U.S.C. 78o).
- (b) A Bank as defined in Section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c) An insurance company as defined in Section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d) An investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

- (e) o An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f) o An employee benefit plan or endowment fund in accordance with §240.13d- 1(b)(1)(ii)(F);
- (g) o A parent holding company or control person in accordance with §240.13d- 1(b)(1)(ii)(G);
- (h) o A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) o A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) o A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);
- (k) o A group, in accordance with §240.13d-1(b)(1)(ii)(K).

Item 4. Ownership.

(a) **Amount beneficially owned:** See Item 9 on the cover page(s) hereto.

(b) **Percent of class:** See Item 11 on the cover page(s) hereto.

(c) **Number of shares as to which such person has:**

(i) **Sole power to vote or to direct the vote:** See Item 5 on the cover page(s) hereto.

(ii) **Shared power to vote or to direct the vote:** See Item 6 on the cover page(s) hereto.

(iii) **Sole power to dispose or to direct the disposition of:** See Item 7 on the cover page(s) hereto.

(iv) **Shared power to dispose or to direct the disposition of:** See Item 8 on the cover page(s) hereto.

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following o.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not Applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

Not Applicable

Item 8. Identification and Classification of Members of the Group

Not Applicable

Item 9. Notice of Dissolution of Group

Not Applicable

Item 10. Certifications

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: June 16, 2010

PALOGIC CAPITAL MANAGEMENT, LLC

By: /s/ Ryan L. Vardeman
Name: Ryan L. Vardeman
Title: Sole Member

PALOGIC VALUE FUND, L.P.

By: Palogic Value Management, L.P., its general partner

By: Palogic Capital Management, LLC, its general partner

By: /s/ Ryan L. Vardeman
Name: Ryan L. Vardeman
Title: Sole Member

PALOGIC VALUE MANAGEMENT, L.P.

By: Palogic Capital Management, LLC, its general partner

By: /s/ Ryan L. Vardeman
Name: Ryan L. Vardeman
Title: Sole Member

RYAN L. VARDEMAN

/s/ Ryan L. Vardeman

EXHIBIT INDEX

Exhibit	Description of Exhibit
99.1	Joint Filing Agreement (furnished herewith).

ions of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939. The following is a summary of the material provisions of the indenture. For a complete understanding of the notes, you should review the definitive terms and conditions contained in the indenture, which include definitions of certain terms used below. A copy of the indenture has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part and is available from us at no charge upon request. The notes will be subordinated in right of payment to the prior payment in full of all our secured, unsecured, senior and subordinate debt and other financial obligations, including contingent or deferred payment obligations incurred in connection with acquisitions, whether outstanding on the date of the indenture or incurred following the date of the indenture. Subject to limited restrictions contained in the indenture discussed below, there is no limit under the indenture on the amount of additional debt we may incur. See [Subordination](#) below.

The notes are not secured by any collateral or lien and we are not required to establish or maintain a sinking fund to provide for payments on the notes. See [No Security; No Sinking Fund](#) below. In addition, the notes are not bank certificates of deposit and are not insured by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation or any other agency or company. You may select the amount (subject to a minimum principal amount of \$1,000) and term (ranging from 3 months to 10 years) of the notes you would like to purchase when you subscribe; however, depending upon our capital requirements, we may not always offer notes with the requested terms. See [Denomination and Term](#) below. We will determine the rate at which we will pay you interest on the notes at the time of subscription and the rate will be fixed for the term of your note. Currently available rates will be set forth in interest rate supplements to this prospectus. The interest rate will vary based on the term to maturity of the note you purchase and the total principal amount of all notes owned by you and your immediate family. We may change the interest rates at which we are offering new or renewed notes based on market conditions, the demand for notes and other factors. See [Interest Rate](#) below.

Upon acceptance of your subscription to purchase notes, our servicing agent will create an account in a book-entry registration and transfer system for you, and credit the principal amount of your subscription to your account. Our servicing agent will send you a purchase confirmation that will indicate our acceptance of your subscription. You will have five business days from the postmark date of your purchase confirmation to rescind your subscription. If your subscription is rejected by us or our servicing agent, or if you rescind your subscription during the rescission period, all funds deposited will be promptly returned to you without any interest. See [Book-Entry Registration and Transfer and Rescission Right](#) below. Investors whose subscriptions for notes have been accepted and anyone who subsequently acquires notes in a qualified transfer are referred to as [holders](#) or [registered holders](#) in this prospectus and in the indenture. We may modify or supplement the terms of the notes described in this prospectus from time to time in a supplement to the indenture and a supplement to this prospectus. Except as set forth under [Amendment, Supplement And Waiver](#) below, any modification or amendment will not affect notes outstanding at the time of such modification or amendment.

Certain of our officers, directors, and their affiliates have purchased notes from time to time from the selling agent. The investing directors and officers purchased notes on the same terms and conditions as those available to the public, and have agreed that in the event of a default, they would vote their notes in accordance with the majority of principal amount of notes outstanding other than notes held by officers and directors. There can be no assurance that any of our officers and directors or their affiliates will purchase notes in the future or that they will waive any rights in the event of a default.

Denomination

You may purchase notes in the minimum principal amount of \$1,000 or any amount in excess of \$1,000. You will determine the original principal amount of each note you purchase when you subscribe. You may not cumulate purchases of multiple notes with principal amounts less than \$1,000 to satisfy the minimum denomination requirement.

Terms to Maturity

The maximum aggregate principal amount of each note we may offer is as follows:

- \$3,500,000 worth of three month notes;
- \$3,500,000 worth of six month notes;
- \$11,000,000 worth of one year notes;
- \$10,000,000 worth of two year notes;
- \$13,000,000 worth of three year notes;
- \$2,000,000 worth of four year notes;
- \$6,000,000 worth of five year notes;
- \$1,000,000 worth of ten year notes;

You will select the term of each note you purchase when you subscribe. You may purchase multiple notes with different terms by filling in investment amounts for more than one term on your subscription agreement. However, we may not always sell notes with all of the above terms to maturity.

Interest Rate

The rate of interest we will offer to pay you on notes at any particular time will vary based upon market conditions, and will be determined by the length of the term of the notes, the total principal amount of all notes owned by you and your immediate family, our capital requirements and other factors described below. The interest rate on a particular note will be determined at the time of subscription or renewal, and then remain fixed for the original or renewal term of the note. We will establish and may change the interest rates payable for notes of various terms and at various investment levels in an interest rate supplement to this prospectus. The notes will earn incrementally higher interest rates when, at the time they are purchased or renewed, the aggregate principal amount of the note portfolios of the holder and the holder's immediate family is at least \$25,000, \$50,000, \$75,000 or \$100,000. But, in case of a renewal, the interest rates payable at the time may be lower due to market conditions. The interest rates payable at each level of investment will be set forth in an interest rate supplement to this prospectus. Immediate family members include parents, children, siblings, grandparents, and grandchildren. Members of sibling families are also considered immediate family members if the holder's sibling is also a note holder. An investor must identify his or her immediate family members in the subscription agreement in order to use their notes to determine the interest rate for such investor's notes. Interest rates we offer on the notes may vary based on numerous factors in addition to length of the term and aggregate principal amount.

These factors may include, but are not limited to:

- the desire to attract new investors;
- whether the notes exceed certain principal amounts;
- whether the notes are being renewed by existing holders; and
- whether the notes are beneficially owned by persons residing in particular geographic localities.

Computation of Interest

We will compute interest on notes on the basis of a 365-day calendar year. Interest will compound daily and accrue from the date of purchase. The date of purchase will be the date we receive and accept funds if the funds are received prior to 12:01 p.m. central time on a business day, or the next business day if the funds are received on a non-business day or at or after 12:01 p.m. central time on a business day. Our business days are Monday through Friday, except for legal holidays in the State of Minnesota.

Interest Payment Dates

At the time your subscription agreement is completed, you may elect to have interest paid either monthly, quarterly, semiannually, annually or at maturity. If you choose to have interest paid monthly, you may elect the day of the month on which interest will be paid, subject to our approval. For all other payment periods, interest will be paid on the same day of the month as the purchase date of your note. You will not earn interest on any rescinded note. See **Rescission Right** below for additional information on your right to rescind your investment.

The period or day of interest payment for each note may be changed one time only by the holder during the term of the note, subject to our approval. Requests to change the election must be made in writing to our servicing agent and will be effective no later than the first business day following the 45th day after the election change request is received. No specific change in election form is required and there is no charge to change the election once during the term of a note. Any interest not paid on an interest payment date will be paid at maturity.

Place and Method of Payment

We will pay principal and interest on the notes by direct deposit to the account you specify in your subscription documents. We will not accept subscription agreements from investors who are unwilling to receive their interest payments via direct deposit. If the foregoing payment method is not available, principal and interest on the notes will be payable at our principal executive office or at such other place as we may designate for payment purposes.

Servicing Agent

We have engaged Sumner Harrington Ltd., the investment banking firm that is helping us sell the notes, to act as our servicing agent for the notes. Sumner Harrington Ltd.'s responsibilities as servicing agent will involve certain administrative and customer service functions for the notes that we are responsible for performing as the issuer of the notes. For example, as our servicing agent, Sumner Harrington Ltd. will serve as our registrar and transfer agent and will manage all aspects of the customer service function for the notes, including handling all phone inquiries, mailing investment kits, meeting with investors, processing subscription agreements, issuing quarterly investor statements and redeeming and repurchasing notes. In addition, as servicing agent, Sumner Harrington Ltd. will provide us with monthly reports and analysis regarding the status of the notes, the marketing efforts and the amount of notes that

remain available for purchase and also will have the ability to exercise discretion with respect to rejecting subscription agreements.

Other duties of Sumner Harrington Ltd. as our servicing agent under the distribution and management agreement are described throughout this section and under Plan of Distribution. As compensation for its services as servicing agent, we will pay Sumner Harrington Ltd. an annual portfolio management fee equal to 0.25% of the weighted average daily principal balance of the notes so long as Sumner Harrington Ltd. is engaged as our servicing agent, subject to certain maximum payment provisions set forth below in Plan of Distribution. The ongoing fee will be paid monthly.

The distribution and management agreement may be terminated by either party by prior notice. Sumner Harrington Ltd.'s duties and compensation as selling agent under this agreement are described under Plan of Distribution. You may contact our servicing agent with any questions about the notes at the following address and telephone number:

Sumner Harrington Ltd.

11100 Wayzata Boulevard, Suite 170
Minneapolis, MN 55305
Telephone: (800) 234-5777
Fax: (952) 546-5585

Book-Entry Registration and Transfer

The notes are issued in book entry form, which means that no physical note is created. Evidence of your ownership is provided by written confirmation. Except under limited circumstances described below, holders will not receive or be entitled to receive any physical delivery of a certificated security or negotiable instrument that evidences their notes. The issuance and transfer of notes will be accomplished exclusively through the crediting and debiting of the appropriate accounts in our book-entry registration and transfer system. Our servicing agent will maintain the book-entry system.

The holders of the accounts established upon the purchase or transfer of notes will be deemed to be the owners of the notes under the indenture. The holder of the notes must rely upon the procedures established by the trustee to exercise any rights of a holder of notes under the indenture. Our servicing agent will regularly provide the trustee with information regarding the establishment of new accounts and the transfer of existing accounts. Our servicing agent will also regularly provide the trustee with information regarding the total amount of any principal and/or interest due to holders with regard to the notes on any interest payment date or upon redemption.

On each interest payment date, the servicing agent will credit interest due on each account and direct payments to the holders. The servicing agent will determine the interest payments to be made to the book-entry accounts and maintain, supervise and review any records relating to book-entry beneficial interests in the notes.

Book-entry notations in the accounts evidencing ownership of the notes are exchangeable for actual notes in principal denominations of \$1,000 and any amount in excess of \$1,000 and fully registered in those names as we direct only if:

- we, at our option, advise the trustee in writing of our election to terminate the book-entry system, or
- after the occurrence of an event of default under the indenture, holders of more than 50% of the aggregate outstanding principal amount of the notes advise the trustee in writing that the continuation of a book-entry system is no longer in the best interests of the holders of notes and the trustee notifies all registered holders of the occurrence of any such event and the availability of certificated securities that evidence the notes.

Subject to the exceptions described above, the book-entry interests in these securities will not be exchangeable for fully registered certificated notes.

Rescission Right

A purchaser of notes has the right to rescind his or her investment, without penalty, upon written request to our servicing agent within five business days from the postmark date of the purchase confirmation (but not upon transfer or automatic renewal of a note). You will not earn interest on any rescinded note. We will promptly return any funds sent with a subscription agreement that is properly rescinded. A written request for rescission, if personally delivered or delivered via electronic transmission, must be received by our servicing agent on or prior to the fifth business day following the mailing of written confirmation by us of the acceptance of your subscription. If mailed, the written request for rescission must be postmarked on or before the fifth business day following the mailing of such written confirmation by us.

In addition, if your subscription agreement is accepted by our servicing agent at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective, our servicing agent will send to you at your registered address a notice and a copy of the post-effective amendment once it has been declared effective. You will have the right to rescind your investment upon written request to our servicing agent within five business days from the postmark date of the notice that the post-effective amendment has been declared effective. We will promptly return any funds sent with a subscription agreement that is properly rescinded without penalty, although any interest previously paid on the notes being rescinded will be deducted from the funds returned to you upon rescission. A written request for rescission, if personally delivered or delivered via electronic transmission, must be received by our servicing agent on or prior to the fifth business day following the mailing of the notice that the post-effective amendment has been declared effective. If mailed, the written request for rescission must be postmarked on or before the fifth business day following the mailing of such notice.

The limitations on the amount of notes that can be redeemed early in a single calendar quarter described under Redemption or Repurchase Prior to Stated Maturity below do not affect your rescission rights.

Right to Reject Subscriptions

Our servicing agent may reject any subscription for notes in its sole discretion. If a subscription for notes is rejected, we will promptly return any funds sent with that subscription, without interest.

Renewal or Redemption on Maturity

Approximately 15, but not less than 10 days prior to maturity of your note, our servicing agent will send you a notice at your registered address indicating that your note is about to mature and whether we will allow automatic renewal of your note. If we allow you to renew your note, our servicing agent will also send to you a current interest rate supplement and a current prospectus or prospectus supplement if the prospectus has changed since the delivery of this prospectus in connection with your original subscription or any prior renewal. The interest rate supplement will set forth the interest rates then in effect. The notice will recommend that you review the prospectus and any prospectus supplement, along with the interest rate supplement, prior to exercising one of the below options. If we do not send you a new prospectus, a new prospectus will be sent to you upon request. Unless the election period is extended as described below, you will have until 15 days after the maturity date to exercise one of the following options:

- You can do nothing, in which case your note will automatically renew for a new term equal to the original term at the interest rate in effect at the time of renewal. If your note pays interest only at

maturity, all accrued interest will be added to the principal amount of your note upon renewal. For notes with other payment options, interest will be paid on the renewed note on the same schedule as the original note.

- You can elect repayment of your note, in which case the principal amount will be repaid in full along with any accrued but unpaid interest. If you choose this option, your note will not earn interest on or after the maturity date.
- You can elect repayment of your note and use all or part of the proceeds to purchase a new note with a different term or principal amount. To exercise this option, you will need to complete a subscription agreement for the new note and mail it along with your request to our servicing agent. The issue date of the new note will be the maturity date of the old note. Any proceeds from the old note that are not applied to the new note will be sent to you.
- If your note pays interest only at maturity, you can receive the accrued interest that you have earned during the note term just ended while allowing the principal amount of your note to roll over and renew for the same term at the interest rate then in effect. To exercise this option, you will need to call, fax or send a written request to our servicing agent.

The foregoing options will be available to holders until termination or redemption under the indenture and the notes by either the holder or us. Interest will accrue from the first day of each renewed term. Each renewed note will retain all its original provisions, including provisions relating to payment, except that the interest rate payable during any renewal term will be the interest rate that is being offered at that time to other holders with similar aggregate note portfolios for notes of the same term as set forth in the interest rate supplement delivered with the maturity notice. If similar notes are not then being offered, the interest rate upon renewal will be the rate specified by us on or before the maturity date, or the rate of the existing note if no such rate is specified.

If we notify the holder of our intention to repay a note at maturity, we will pay the holder the principal amount and any accrued but unpaid interest on the stated maturity date. Similarly, if, within 15 days after a note's stated maturity date (or during any applicable extension of the 15 day period, as described below), the holder requests repayment with respect to a note, we will pay the holder the principal amount of the note plus accrued but unpaid interest up to, but not including, the note's stated maturity date.

In the event that a holder's regularly scheduled interest payment date falls after the maturity date of the note but before the date on which the holder requests repayment, the holder may receive interest payments that include interest for periods after the maturity date of the note. If this occurs, the excess interest will be deducted from our final payment of the principal amount of the note to the holder. We will initiate payment to any holder timely requesting repayment by the later of the maturity date or five business days after the date on which we receive such notice from the holder. Because payment is made by ACH transfer, funds may not be received in the holder's account for 2 to 3 business days. Requests for repayment should be made to our servicing agent in writing.

From time to time we will be required to file post-effective amendments to the registration statement of which this prospectus is a part to update the information it contains. If you would otherwise be required to elect to have your notes renewed or repaid following their stated maturity at a time when we have determined that a post-effective amendment must be filed with the Securities and Exchange Commission but such post-effective amendment has not yet been declared effective, the period during which you can elect renewal or repayment will be automatically extended until ten days following the postmark date of a notice that will be sent to you at your registered address by the servicing agent that the post-effective amendment has been declared effective. In the event that a holder's regularly scheduled interest payment date falls after the maturity date of the note but before the date on which the holder requests repayment, the holder may receive an interest payment that includes interest for periods after the maturity date of the

note. If this occurs, the excess interest will be deducted from our final payment of the principal amount of the note to the holder. All other provisions relating to the renewal or redemption of notes upon their stated maturity described above shall remain unchanged.

Redemption or Repurchase prior to Stated Maturity

The notes may be redeemed prior to stated maturity only as set forth in the indenture and described below. The holder has no right to require us to prepay or repurchase any note prior to its maturity date as originally stated or as it may be extended, except as indicated in the indenture and described below.

Redemption by Us

We have the right to redeem any note at any time prior to its stated maturity upon 30 days written notice to the holder of the note. The holder of the note being redeemed will be paid a redemption price equal to the outstanding principal amount thereof plus accrued and unpaid interest up to but not including the date of redemption without any penalty or premium. We may use any criteria we choose to determine which notes we will redeem if we choose to do so. We are not required to redeem notes on a pro rata basis.

Repurchase Election upon Death or Total Permanent Disability

Notes may be repurchased prior to maturity, in whole and not in part, at the election of a holder who is a natural person (including notes held in an individual retirement account), by giving us written notice within 45 days following the holder's total permanent disability, as established to our satisfaction, or at the election of the holder's estate, by giving written notice within 45 days following his or her death. Subject to the limitations described below, we will repurchase the notes within 10 days after the later to occur of the request for repurchase or the establishment to our satisfaction of the holder's death or total permanent disability. The repurchase price, in the event of such a death or total permanent disability, will be the principal amount of the notes, plus interest accrued and not previously paid up to but not including the date of repurchase. If spouses are joint registered holders of a note, the right to elect to have us repurchase will apply when either registered holder dies or suffers a total permanent disability. If the note is held jointly by two or more persons who are not legally married, none of these persons will have the right to request that we repurchase the notes unless all joint holders have either died or suffered a total permanent disability. If the note is held by a person who is not a natural person such as a trust, partnership, corporation or other similar entity, the right to request repurchase upon death or total permanent disability does not apply.

Repurchase at request of holder. In addition to the right to elect repurchase upon death or total permanent disability, a holder may request that we repurchase one or more of the holder's notes prior to maturity, in whole and not in part, at any time by giving us written notice. Subject to approval, at our sole discretion, and the limitations described below, we will repurchase the holder's note(s) specified in the notice within 10 days of receipt of the notice. The repurchase price, in the event we elect to repurchase the notes, will be the principal amount of the note, plus interest accrued and not previously paid (up to but not including the date of repurchase), minus a repurchase penalty. The early repurchase penalty for a note with a three month maturity is the interest accrued on such note up to the date of repurchase, not to exceed three months of simple interest at the existing rate. The early repurchase penalty for a note with a maturity of six months or longer is the interest accrued on such note up to the date of repurchase, not to exceed six months of simple interest at the existing rate. The penalty for early repurchase may be waived or reduced at the discretion of our servicing agent.

Limitations on requirements to repurchase. Our obligation to repurchase notes prior to maturity for any reason will be subject to a calendar quarter limit equal to the greater of \$1 million or 2% of the total principal amount of all notes outstanding at the end of the previous calendar quarter. This limit includes

any notes we repurchase upon death or total permanent disability of the holder and any notes that we repurchase pursuant to the holders' right to elect repurchase. Repurchase requests will be honored in the order in which they are received, to the extent possible, and any repurchase request not honored in a calendar quarter will be honored in the next calendar quarter, to the extent possible, since repurchases in the next calendar quarter are also subject to these limits. For purposes of determining the order in which repurchase requests are received, a repurchase request will be deemed made on the later of the date on which it is received by us or, if applicable, the date on which the death or total permanent disability is established to our reasonable satisfaction.

Modifications to repurchase policy. We may modify the policies on repurchase in the future. No modification will affect the right of repurchase applicable to any note outstanding at the time of any such modification.

Transfers

The notes are not negotiable debt instruments and, subject to certain exceptions, will be issued only in book-entry form. The purchase confirmation issued upon our acceptance of a subscription is not a certificated security or negotiable instrument, and no rights of record ownership can be transferred without our prior written consent. Ownership of notes may be transferred on our register only as follows:

- The holder must deliver written notice requesting a transfer to our servicing agent signed by the holder(s) or such holder's duly authorized representative on a form to be supplied by our servicing agent.
- We must provide our written consent to the proposed transfer.
- We or our servicing agent may require a legal opinion from counsel satisfactory to the servicing agent that the proposed transfer will not violate any applicable securities laws.
- We or our servicing agent may require a signature guarantee in connection with such transfer.

Upon transfer of a note, our servicing agent will provide the new holder of the note with a purchase confirmation that will evidence the transfer of the account on our records. We or our servicing agent may charge a reasonable service charge in connection with the transfer of any note.

Quarterly Statements; Investor Relations

Our servicing agent will provide holders of the notes with quarterly statements, which will indicate, among other things, the account balance at the end of the quarter, interest credited, redemptions or repurchases made, if any, and the interest rate paid during the quarter. These statements will be mailed not later than the 10th business day following the end of each calendar quarter. Our servicing agent may charge such holders a reasonable fee to cover the charges incurred in providing such information.

Our servicing agent will also manage customer service and investor relations with respect to the notes. The servicing agent will manage:

- Prospectus delivery and subscription procedures;
- Inquiries from note holders;
- Changes in address or account changes for note holders;
- Preparing and issuing renewal and maturity notices for outstanding notes;
- Reports and analyses to us, the trustee and note holders as applicable.

The servicing agent will also direct the paying agent to make interest and principal payments on the notes, and direct the trustee to issue Form 1099INTs to note holders. The servicing agent expects to develop a web site to facilitate online offers and sales of notes.

Subordination

The indebtedness evidenced by the notes, and any interest thereon, is subordinated in right of payment to all of our senior debt. Senior debt means all of our secured, unsecured, senior or subordinate indebtedness including commitments to extend senior debt, as well as other financial obligations of the company, whether outstanding on the date of this prospectus or incurred after the date of this prospectus, whether such indebtedness is or is not specifically designated as being senior debt in its defining instruments, other than the existing notes and future offerings of additional renewable unsecured subordinated notes issued under this indenture which will rank equally with the notes. Senior debt also includes discounted lease rentals that we have incurred in the past and will incur in the future from time to time.

The provisions of the indenture governing subordination of the notes to senior debt may not be amended or terminated without the consent of each holder of senior debt. Also, the subordination provisions cannot be terminated or revoked until all senior debt is paid in full and all commitments to extend senior debt have terminated.

Until all of our senior debt has been fully paid and all obligations of any senior lender to extend credit to us have terminated, we cannot provide holders of the notes or the trustee with any security or guarantee of payment of the notes. In addition, if the trustee or note holders obtain any security for repayment from us while senior debt is outstanding, any senior debt holder is entitled to have such security terminated and assigned to senior debt holders. The indenture prevents note holders or the trustee from challenging the priority or validity of any senior debt holders' lien over our assets or senior debt holders' priority over note holders in any legal proceeding. Any documents, agreements or instruments evidencing or relating to any senior debt may be amended, restated, supplemented and/or renewed from time to time without requiring any notice to or consent of any holder of notes or any person or entity acting on behalf of any such holder or the trustee.

The indenture does not prevent holders of senior debt from disposing of, or exercising any other rights with respect to, any or all of the collateral securing the senior debt. As of December 30, 2006, we had approximately \$19.4 million of availability under our credit facility with LaSalle Bank that we could draw upon, and if we were to borrow from LaSalle Bank, this debt would be senior to the notes. We can draw up to \$25 million from LaSalle Bank if we satisfy certain conditions. We and our subsidiaries have granted LaSalle Bank a continuing security interest in all assets that we currently hold or subsequently acquire to secure our obligations under the credit facility.

We have in the past, and expect in the future to enter into payment arrangements in connection with acquisitions or investments that may involve contingent obligations or commitments. We also have in the past, and will in the future enter into non-recourse discounting of lease rentals with financial institutions at fixed interest rates. Our obligations under these types of arrangements may continue for several years following an acquisition, investment or lease, and will rank senior to your notes. As of December 30, 2006, our discounted lease rentals totaled approximately \$0.20 million. The terms of the notes or the indenture do not impose any limitation on the amount of senior debt or other indebtedness we may incur, although our existing senior debt agreements may restrict us from incurring new senior debt.

The notes are not guaranteed by any of our subsidiaries. Accordingly, in the event of a liquidation or dissolution of one of our subsidiaries, creditors of that subsidiary will be paid in full, or provision for such payment will be made, from the assets of that subsidiary prior to distributing any remaining assets to us as a shareholder of that subsidiary. Therefore, in the event of liquidation or dissolution of a subsidiary, no

assets of that subsidiary may be used to make payment to the holders of the notes until the creditors of that subsidiary are paid in full from the assets of that subsidiary.

In the event of any liquidation, dissolution or any other winding up of us, or of any receivership, insolvency, bankruptcy, readjustment, reorganization or similar proceeding under the U.S. Bankruptcy Code or any other applicable federal or state law relating to bankruptcy or insolvency, or during the continuation of any event of default on the senior debt, no payment may be made on the notes until all senior debt has been paid in full or provision for such payment has been made to the satisfaction of the senior debt holders. If any of the above events occurs, holders of senior debt may also submit claims on behalf of holders of the notes and retain the proceeds for their own benefit until they have been fully paid, and any excess will be turned over to the holders of the notes. If any distribution is nonetheless made to holders of the notes, the money or property distributed to them must be paid over to the holders of the senior debt to the extent necessary to pay senior debt in full.

We will not make any payment, direct or indirect (whether for interest, principal, as a result of any redemption or repurchase, at maturity, on default, or otherwise), on the notes and any other indebtedness being subordinated to the payment of the notes, and neither the holders of the notes nor the trustee will have the right, directly or indirectly, to sue on or to enforce the indenture or the notes, if a default or event of default under any senior debt has occurred and is continuing, or if any default or event of default under any senior debt would result from such payment, in each case unless and until:

- all defaults and events of default have been cured or waived or have ceased to exist and would not result from any payment on the notes; or
- the end of the period commencing on the date the trustee receives written notice of default from a holder of the senior debt and ending on the earlier of:
 - the trustee's receipt of a valid waiver of default from the holder of senior debt; or
 - the trustee's receipt of a written notice from the holder of senior debt terminating the payment blockage period.

Provided, however, that if any of the blockage events described above has occurred, a senior debt holder may not block payments for more than 180 days out of any 360 day period. But, this 180-day limit applies only to senior debt holders that join in a notice to block payment due to a senior debt default. If other senior debt holders do not join or give notice of a payment blockage, these non-joining senior debt holders may, if applicable, assert a default and a 180-day period will be calculated in accordance with the notice of default provided by such non-joining senior debt holder.

In addition to being unable to make payments on the notes, in case of default on any senior debt, we cannot issue any new notes or renew any existing notes without a waiver from the holder of senior debt or a written notice from the senior debt holder terminating the payment blockage period.

Following, waiver or termination of all blockage periods described above, the trustee may thereafter sue on and enforce the indenture and the notes as long as any funds paid as a result of any such suit or enforcement action shall be paid toward the senior debt until it is indefeasibly paid in full before being applied to the notes.

Until all senior debt is paid in full or commitments to extend senior debt have terminated, note holders cannot exercise any right to subrogate, or stand in the shoes, of a senior debt holder with respect to any distributions on senior debt. The indenture also requires that note holders agree that senior debt holders have no liability to note holders for actions that senior debt holders take in good faith to assert a default on senior debt, collect senior debt or foreclose on security on senior debt.

No Security; No Sinking Fund

The notes are unsecured, which means that none of our tangible or intangible assets or property, nor any of the assets or property of any of our subsidiaries, has been set aside or reserved to make payment to the holders of the notes in the event that we default on our obligations to the holders. In addition, we will not contribute funds to any separate account, commonly known as a sinking fund, to repay principal or interest due on the notes upon maturity or default.

Restrictive Covenants

The indenture contains certain limited restricted covenants that require us to maintain certain financial standards and restrict us from certain actions as set forth below.

The indenture provides that, so long as the notes are outstanding:

- we will maintain a positive net worth; and
- we will not declare or pay any dividends or other payments of cash or other property to our shareholders (other than a dividend paid in shares of our capital stock on a pro rata basis to all our shareholders) unless no default and no event of default with respect to the notes exists or would exist immediately following the declaration or payment of the dividend or other payment.

Consolidation, Merger or Sale

The indenture generally permits a consolidation or merger between us and another entity. It also permits the sale or transfer by us of all or substantially all of our property and assets. These transactions are permitted if:

- the resulting or acquiring entity, if other than us, is a United States corporation, limited liability company or limited partnership and assumes all of our responsibilities and liabilities under the indenture, including the payment of all amounts due on the notes and performance of the covenants in the indenture; and
- immediately after the transaction, and giving effect to the transaction, no event of default under the indenture exists.

If we consolidate or merge with or into any other entity or sell or lease all or substantially all of our assets, according to the terms and conditions of the indenture, the resulting or acquiring entity will be substituted for us in the indenture with the same effect as if it had been an original party to the indenture. As a result, the successor entity may exercise our rights and powers under the indenture, in our name and we will be released from all our liabilities and obligations under the indenture and under the notes.

Events of Default

The indenture provides that each of the following constitutes an event of default:

- failure to pay interest on a note within 15 days after the due date for such payment (whether or not prohibited by the subordination provisions of the indenture);
- failure to pay principal on a note within 10 days after the due date for such payment (whether or not prohibited by the subordination provisions of the indenture);
- our failure to observe or perform any material covenant, condition or agreement or our breach of any material representation or warranty, but only after we have been given notice of such failure or breach and such failure or breach is not cured within 30 days after our receipt of notice;

- defaults in certain of our other financial obligations that are not cured within 30 days; and

22

- certain events of bankruptcy or insolvency with respect to us.

If any event of default occurs and is continuing (other than an event of default involving certain events of bankruptcy or insolvency with respect to us), the trustee or the holders of at least a majority in principal amount of the then outstanding notes may by notice to us declare the unpaid principal of and any accrued interest on the notes to be due and payable immediately. So long as any senior debt is outstanding, however, and a payment blockage on the notes is in effect, a declaration of this kind will not be effective, and neither the trustee nor the holders of notes may enforce the indenture or the notes, except as otherwise set forth above in Subordination . In the event senior debt is outstanding and no payment blockage on the notes is in effect, a declaration of this kind will not become effective until the earlier of:

- the day which is five business days after the receipt by us and the holders of senior debt of such written notice of acceleration; or
- the date of acceleration of any senior debt.

In the case of an event of default arising from certain events of bankruptcy or insolvency, with respect to us, all outstanding notes will become due and payable without further action or notice. Holders of the notes may not enforce the indenture or the notes except as provided in the indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the notes notice of any continuing default or event of default (except a default or event of default relating to the payment of principal or interest) if the trustee in good faith determines that withholding notice would have no material adverse effect on the holders.

The holders of a majority in aggregate principal amount of the notes then outstanding by notice to the trustee may, on behalf of the holders of all of the notes, waive any existing default or event of default and its consequences under the indenture, except:

- a continuing default or event of default in the payment of interest on, or the principal of, a note held by a non-consenting holder; or
- a waiver that would conflict with any judgment or decree.

We are required to deliver to the trustee within 120 days of the end of our fiscal year a certificate regarding compliance with the indenture, and we are required, upon becoming aware of any default or event of default, to deliver to the trustee a certificate specifying such default or event of default and what action we are taking or propose to take with respect to the default or event of default.

Amendment, Supplement and Waiver

Except as provided in this prospectus or the indenture, the terms of the indenture or the notes then outstanding may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any existing default or compliance with any provision of the indenture or the notes may be waived with the consent of the holders of a majority in principal amount of the then outstanding notes.

Notwithstanding the foregoing, an amendment or waiver with any of the following consequences will not be effective unless each note holder consents:

- reduces the aggregate principal amount of notes whose holders must consent to an amendment, supplement or waiver;
- reduces the principal of or changes the fixed maturity of any note or alters the repurchase or redemption provisions or the price at which we shall offer to repurchase or redeem the note;

- reduces the rate of or changes the time for payment of interest, including default interest, on any note;
- waives a default or event of default in the payment of principal or interest on the notes, except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the then outstanding notes and a waiver of the payment default that resulted from such acceleration;
- makes any note payable in money other than that stated in this prospectus;
- makes any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of notes to receive payments of principal of or interest on the notes;
- makes any change to the subordination provisions of the indenture that has a material adverse effect on holders of notes;
- modifies or eliminates the right of the estate of a holder or a holder to cause us to repurchase a note upon the death or total permanent disability of a holder; or
- makes any change in the foregoing amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any holder of the notes, we and the trustee may amend or supplement the indenture or the notes:

- to cure any ambiguity, defect or inconsistency;
- to provide for assumption of our obligations to holders of the notes in the case of a merger, consolidation or sale of all or substantially all of our assets;
- to provide for additional uncertificated or certificated notes;
- to make any change that does not adversely affect the legal rights under the indenture of any such holder, including but not limited to an increase in the aggregate dollar amount of notes which may be outstanding under the indenture;
- to modify our policy regarding repurchases elected by a holder of notes prior to maturity and our policy regarding repurchase of the notes prior to maturity upon the death or total permanent disability of any holder of the notes, but such modifications shall not materially adversely affect any then outstanding notes; or
- to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act.

The Trustee

Wells Fargo Bank, National Association has agreed to be the trustee under the indenture. The indenture contains certain limitations on the rights of the trustee, should it become one of our creditors, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any claim as security or otherwise. The trustee will be permitted to engage in other transactions with us.

Subject to certain exceptions, the holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee. The indenture provides that in case an event of default specified in the indenture shall occur and not be cured, the trustee will be required, in the exercise of its power, to use the degree of care of a reasonable person in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless the holder shall have offered to the trustee security and

indemnity satisfactory to it against any loss, liability or expense.

24

Resignation or Removal of the Trustee

The trustee may resign at any time, or may be removed by the holders of a majority of the aggregate principal amount of the outstanding notes. In addition, upon the occurrence of contingencies relating generally to the insolvency of the trustee or the trustee's ineligibility to serve as trustee under the Trust Indenture Act of 1939, as amended, we may remove the trustee. However, no resignation or removal of the trustee may become effective until a successor trustee has accepted the appointment as provided in the indenture.

Reports to Trustee

Our servicing agent will provide the trustee with quarterly reports containing any information reasonably requested by the trustee. These quarterly reports will include information on each note outstanding during the preceding quarter, including outstanding principal balance, interest credited and paid, transfers made, any redemption or repurchase and interest rate paid.

No Personal Liability of our or our Servicing Agent's Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of ours or our servicing agent, will have any liability for any of our obligations under the notes, the indenture or for any claim based on, in respect to, or by reason of, these obligations or their creation. Each holder of the notes waives and releases these persons from any liability, including any liability arising under applicable securities laws. The waiver and release are part of the consideration for issuance of the notes. We have been advised that the waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Service Charges

We and our servicing agent may assess service charges for changing the registration of any note to reflect a change in name of the holder, multiple changes in interest payment dates or transfers (whether by operation of law or otherwise) of a note by the holder to another person.

Additional Securities

We may offer additional classes of securities with terms and conditions different from the notes currently being offered in this prospectus. We will amend or supplement this prospectus if and when we decide to offer to the public any additional class of security under this prospectus. If we sell the entire principal amount of notes offered in this prospectus, we may register and sell additional notes by amending this prospectus, but we are under no obligation to do so.

Variations by State

We may offer different securities and vary the terms and conditions of the offer (including, but not limited to, different interest rates and service charges for all notes) depending upon the state where the purchaser resides.

Interest Withholding

We will withhold 28% (which rate is scheduled to increase to 31% for payments made after December 31, 2010) of any interest paid to any investor who has not provided us with a social security number, employer identification number, or other satisfactory equivalent in the subscription agreement (or another document) or where the Internal Revenue Service has notified us that backup withholding is otherwise required. See Material Federal Income Tax Consequences - Reporting and Backup Withholding.

Lack of Liquidity

There is not currently a trading market for the notes, and we do not expect that a trading market for the notes will develop.

Satisfaction and Discharge of Indenture

The indenture shall cease to be of further effect upon the payment in full of all of the outstanding notes and the delivery of an officer's certificate to the trustee stating that we do not intend to issue additional notes under the indenture or, with certain limitations, upon deposit with the trustee of funds sufficient for the payment in full of all of the outstanding notes.

Reports

We currently file annual reports on Form 10-K containing financial statements and quarterly reports on Form 10-Q containing financial information for the first three quarters of each fiscal year. We also furnish or file current reports on Form 8-K for certain events involving our business. We will send copies of these reports, at no charge, to any holder of notes who requests them in writing.

Paying Agent

We have appointed Wells Fargo to serve as paying agent for the notes. At our or the servicing agent's direction, Wells Fargo will pay principal and interest on the notes under the terms of any applicable note, pursuant to the indenture and prospectus. Wells Fargo must pay only amounts that we deposit for payment on the notes. We will pay all fees and expenses in connection with the paying agent's services. Wells Fargo must maintain certain records of note holders' subscriptions and payments. We have also agreed to indemnify Wells Fargo against any claims that arise from its services as paying agent except for claims resulting from the paying agent's negligence, bad faith or willful misconduct.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion describes the material federal income tax consequences relating to the purchase of the notes from us and ownership and disposition of the notes. The discussion is based upon the current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), regulations issued under the Code and judicial or ruling authority, all of which are subject to change that may be applied retroactively. The discussion does not deal with note owners other than original purchasers from us. The discussion assumes that the notes are held as capital assets within the meaning of Section 1221 of the Code and does not discuss the federal income tax consequences applicable to all categories of investors, including banks, tax-exempt organizations, insurance companies, dealers in securities or currencies, persons that will hold notes as a position in a hedging, straddle or conversion transactions, or persons that have a functional currency other than the U.S. dollar, some of which may be subject to special rules. If a partnership holds notes, the tax treatment of a partner will generally depend on the status of the partner and on the activities of the partnership. Our counsel is of the opinion that the following discussion of federal income tax consequences is correct in all material respects. An opinion of our counsel, however, is not binding on the Internal Revenue Service or the courts, and no rulings on any of the issues discussed below will be sought from the Internal Revenue Services. **You should consult your own tax advisor to determine the specific federal, state, local and any other tax consequences applicable to you relating to your purchase, ownership and disposition of the notes.**

Interest Income On The Notes

Subject to the discussion below applicable to non-U.S. holders, stated interest on a note will be includible in your gross income as ordinary interest income at the time it is accrued or received in accordance with your method of accounting for United States federal income tax purposes.

If you hold a note issued with original issue discount (OID), the provisions of Sections 1271 through 1273 and 1275 of the Code will apply to that note. In general, a note will be issued with OID if its term exceeds one year and interest is paid at maturity. Even if you are a cash method holder, you must include in your gross income, as ordinary income, the daily portion of such OID attributable to each day that you hold the note pursuant to the applicable Code Sections and Treasury regulations promulgated thereunder. This requirement generally will result in the accrual of income before the receipt of cash attributable to that income.

Treatment Of Dispositions Of Notes

Upon the sale, exchange, retirement or other taxable disposition of a note, you will recognize taxable gain or loss in an amount equal to the difference between the amount realized on the disposition and your adjusted tax basis in the note. Your adjusted tax basis of a note generally will equal your original cost for the note, increased by any accrued but unpaid interest you previously included in income with respect to the note and reduced by any principal payments you previously received with respect to the note. Any gain or loss will be capital gain or loss, except for gain representing accrued interest not previously included in your income. The capital gain or loss will be long-term capital gain or loss if the note has been held for more than one year. Capital gain or loss from a note held for one year or less will be short-term capital gain or loss. Capital losses generally may be used only to offset capital gains.

Non-U.S. Holders

Generally, if you are a nonresident alien individual or a non-U.S. corporation and do not hold the note in connection with a United States trade or business, interest paid or accrued on the notes will be treated as portfolio interest and therefore will be exempt from United States federal income tax. In that case, you will be entitled to receive interest payments on the notes free of United States federal income tax provided that you periodically provide us with a statement on applicable IRS forms certifying under penalty of perjury that you are not a United States person and provide your name and address. In addition, in that case you will not be subject to United States federal income tax on gain from the disposition of a note unless you are an individual who is present in the United States for 183 days or more during the taxable year in which the disposition takes place and certain other requirements are met. Interest paid to or accrued by a non-U.S. person are not subject to U.S. withholding tax if the income is effectively connected with a United States trade or business conducted by that person and we are provided a properly executed IRS Form W-8ECI. Such effectively connected income will, however, generally be subject to the regular United States income tax. Holders of notes should consult their tax advisors regarding the procedures whereby they may establish an exemption from withholding.

Reporting And Backup Withholding

We will report annually to the Internal Revenue Service and to holders of record that are not exempted from the reporting requirements any information that may be required with respect to interest paid or required to be accrued on the notes. Under certain circumstances, as a holder of a note, you may be subject to backup withholding currently at a 28% rate. Under current law, after December 31, 2010, the backup withholding rate is scheduled to increase to 31%. Backup withholding may apply to you if you are a United States person and, among other circumstances, you fail to furnish on IRS Form W-9 or a substitute Form W-9 your Social Security number or other taxpayer identification number to us.
Backup

withholding may apply, under certain circumstances, if you are a non-U.S. person and fail to provide us with the statement necessary to establish an exemption from federal income and withholding tax on interest on the note. Backup withholding, however, does not apply to payments on a note made to certain exempt recipients, such as corporations and tax-exempt organizations, and to certain non-U.S. persons. Backup withholding is not an additional tax and may be refunded or credited against your United States federal income tax liability, provided that you furnish certain required information.

This federal tax discussion is included for general information only and may not be applicable depending upon your particular situation. You should consult your own tax advisor with respect to the specific tax consequences to you of the purchase, ownership and disposition of the notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in federal or other tax laws.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a distribution and management agreement between us and Sumner Harrington Ltd., Sumner Harrington Ltd. has agreed to serve as our selling agent and to use its best efforts to sell the notes on the terms set forth in this prospectus. The selling agent is not obligated to sell any minimum amount of notes or to purchase any of the notes.

The selling agent proposes to offer the notes to the public on our behalf on the terms set forth in this prospectus and the prospectus supplements that we file from time to time. The selling agent plans to market the notes directly to the public through newspaper, radio, internet, direct mail and other advertising. In addition, our selling agent will manage certain administrative and customer service functions relating to the notes, including handling all inquiries from potential investors, mailing investment kits, meeting with investors, processing subscription agreements and responding to all written and telephonic questions relating to the notes. Upon prior written notice to the selling agent, we may elect to use a different selling agent or perform these duties ourselves. The selling agent's servicing responsibilities are described under Description of the Notes Servicing Agent.

We have agreed to reimburse the selling agent for its out-of-pocket expenses incurred in connection with the offer and sale of the notes, including document fulfillment expenses, legal and accounting fees, regulatory fees, due diligence expenses and marketing costs. Under the terms of the distribution and management agreement, we also will pay our selling agent a commission equal to 3.00% of the principal amount of all notes sold. For notes with maturities of two years or more, the entire 3.00% commission will be paid to the selling agent at the time of issuance and no additional commission will be paid upon renewal. For notes with maturities of less than two years, the gross 3.00% commission will be paid in pro rata installments upon the original issuance and each renewal, if any, over the first two years. Accordingly, the selling agent will not receive the entire 3.00% gross commission on notes with terms of less than two years unless the notes are successively renewed for two years. The selling agent may engage or allow selected brokers or dealers to sell notes for a commission, at no additional cost to us.

Under the distribution and management agreement, we have also agreed to pay Sumner Harrington Ltd. an annual portfolio management fee equal to 0.25% of the weighted average principal balance of the notes outstanding for its services as servicing agent. In exchange for the annual portfolio management fee, Sumner Harrington Ltd. will manage all customer service functions concerning the notes and act as an agent between us and the purchasers and holders of the notes. The annual portfolio management fee also covers all costs relating to maintenance of the investor relationship after the purchase of notes. This includes, among other things, addressing all investor inquiries regarding the notes, the preparation of all confirmations, notices and statements to purchasers and holders of the notes, the coordination of interest payments with us and the paying agent, the establishment and maintenance of records relating to the notes, the preparation of all reports, statements and analyses regarding the notes, and all out-of-pocket expenses

for the printing and mailing of confirmations, notices and statements to the purchasers and holders of the notes. See Description of the Notes Servicing Agent. This ongoing fee will be paid monthly. The amount of this fee will depend upon a number of variables, including the pace at which notes are sold, the terms of the notes sold and whether the notes are redeemed or repurchased.

The distribution and management agreement may be terminated by either us or Sumner Harrington Ltd. upon giving prior notice.

The selling agent will only be compensated to the extent that notes are sold in the offering. The table below summarizes the maximum possible amounts of compensation or reimbursement that we will pay the selling agent for services rendered in offering and selling the notes and serving as the servicing agent with regard to the notes. While actual amounts may differ from the percentages and amounts shown in the table, in no event will the total commission plus the total cost of the remaining line items exceed 6.00% of the aggregate principal amount of the notes sold. Further, in no event will the aggregate portfolio management fee exceed 2.25% of the aggregate principal amount of the notes sold, nor will the total of all other items of compensation or reimbursement exceed 0.75% of the aggregate principal amount of the notes sold.

Compensation and Reimbursement			% of Offering	Amount(1)
Total commissions			3.00 % ⁽²⁾	\$ 1,500,000
Selling agent's legal counsel fees			0.15 %	\$ 75,000
Document fulfillment expenses			0.60 %	\$ 300,000
Maximum portfolio management fee			2.25 %	\$ 1,125,000
Total			6.00 %	\$ 3,000,000

(1) All amounts assume the sale of 100% of aggregate principal amount of notes offered and represent the maximum possible amount payable to the selling agent or its affiliate over the entire term of the offering. If less than 100% of the aggregate principal amount of the notes are sold in the offering, the amounts actually paid to the agent for commissions and annual portfolio management fees will be less. In no event will the compensation paid to the selling agent for commissions, annual portfolio management fees and other categories exceed the percentage amounts shown, as applied to the notes actually sold.

(2) Assumes that each note with a term of less than two years is successively renewed for a total of two years.

The distribution and management agreement provides for reciprocal indemnification between us and the selling agent, including the selling agent's and our officers, directors and controlling persons, against civil liabilities in connection with this offering, including certain liabilities under the Securities Act of 1933, as amended. Insofar as indemnification for liabilities arising under the Securities Act may be permitted pursuant to such indemnification provisions, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Prior to the offering, there has been no public market for the notes. We do not intend to list the notes on any securities exchange or include them for quotation on Nasdaq. The selling agent is not obligated to make a market in the notes and does not intend to do so. We do not anticipate that a secondary market for the notes will develop.

The foregoing is a summary of the material provisions relating to selling and distribution of the notes in the distribution and management agreement. The provisions of the distribution and management agreement relating to our retention of Sumner Harrington Ltd. to act as our servicing agent in performing our ongoing administrative responsibilities for the notes are described under Description of the Notes.

Any amendment to the distribution and management agreement will be filed as an exhibit to an amendment to the registration statement of which this prospectus is a part.

LEGAL OPINIONS

Lindquist & Vennum P.L.L.P. will issue an opinion regarding the legality of the securities offered by this prospectus.

EXPERTS

The consolidated financial statements as of December 30, 2006 and for the year then ended incorporated by reference in this Post-Effective Amendment No. 1 to Form S-1 have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their report with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing.

The consolidated balance sheet of Winmark Corporation and subsidiaries as of December 31, 2005 and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the years in the two year period ended December 31, 2005 have been incorporated by reference herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon authority of said firm as experts in accounting and auditing.

We have agreed to indemnify and hold KPMG LLP harmless against and from any and all legal costs and expenses incurred by KPMG in successful defense of any legal action or proceeding that arises as a result of KPMG's consent to the incorporation by reference of its audit report on our past financial statements incorporated by reference in this registration statement.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

We incorporate by reference into this prospectus certain information that we have filed with the SEC, which means that we disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Some information contained in this prospectus updates the information incorporated by reference. In case of a conflict or inconsistency between information set forth in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. We incorporate by reference the documents listed below:

- Annual report on Form 10-K for the year ended December 30, 2006 filed on March 20, 2007 (including information specifically incorporated by reference into our Form 10-K from our 2006 annual report to shareholders and from our definitive proxy statement for our 2007 annual meeting of shareholders filed on March 21, 2007); and
- Definitive proxy statement for our 2007 annual meeting of shareholders filed on March 21, 2007.

We will provide to each person, including any beneficial owner of the notes, to whom this prospectus is delivered, a copy of any or all reports or documents that have been incorporated by reference in this prospectus contained in the registration statement but not delivered with the prospectus upon written or

oral request. We will deliver these reports or documents at no cost to the requester. You may request these reports or documents by writing to or telephoning us at:

Winmark Corporation
Attn: Chief Financial Officer
4200 Dahlberg Drive, Suite 100
Minneapolis, Minnesota 55422-4837
(763)520-8500

You may also request these documents via email at Winmark.information@WinmarkCorporation.com.

You may also get these documents from our website under Investor Relations, click on SEC Filings, at www.winmarkcorporation.com/secfilings.aspx.

You should rely only on the information included or incorporated by reference in this prospectus or the prospectus supplement. We have not authorized anyone else to provide you with different information. We may only use this prospectus to sell securities if we also deliver a prospectus supplement. We are only offering these securities in states where the offer is permitted. You should not assume that the information in this prospectus or the prospectus supplement is accurate as of any date other than the dates on the front of those documents. Information on our website is not a part of this prospectus or a prospectus supplement.

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 14. Other Expenses of Issuance and Distribution**

The following is an estimate, subject to future contingencies, of the expenses to be incurred by the Registrant in connection with the issuance and distribution of the securities being registered:

SEC registration fee	\$ 5,350
NASD filing fee	5,500
Legal fees and expenses*	75,000
Trustee fees and expenses*	10,000
Accounting fees and expenses*	25,000
Blue Sky fees and expenses*	5,000
Printing and engraving fees*	20,000
Selling agent's counsel fees and expenses	75,000
Miscellaneous*	4,150
Total	\$ 225,000

* Estimated pursuant to instruction to Item 511 of Regulation S-K.

ITEM 15. Indemnification of Directors and Officers

Articles of Incorporation. The registrant's Articles of Incorporation provide that no director of the registrant may be personally liable to the registrant or our shareholders for monetary damages for breach of fiduciary duty as a director, except for liability: (i) for any breach of the director's duty of loyalty to us or our shareholders; (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) under sections 302A.559 or 80A.23 of the Minnesota Statutes; (iv) for any transaction from which the director derived any improper personal benefit; or (v) for any act or omission occurring prior to the effective date of this provision in our Articles of Incorporations.

Bylaws and Statutory Provisions. The registrant's Bylaws provide for indemnification of our officers, directors and employees in connection with a proceeding if such person acted in good faith and in a manner reasonably believed to be in and not opposed to our best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. In addition, section 302A.521 of the Minnesota Business Corporation Act provides that a corporation shall indemnify a person made or threatened to be made a party to a proceeding by reason of the former or present official capacity of the person against judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements and reasonable expenses, including attorneys' fees and disbursements, incurred by the person in connection with the proceeding, if, with respect to the acts or omissions of the person complained of in the proceeding, the person:

- (1) has not been indemnified by another organization or employee benefit plan for the same judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements and reasonable expenses, including attorneys' fees and disbursements, incurred by the person in connection with the proceeding with respect to the same acts or omissions;
- (2) acted in good faith;
- (3) received no improper personal benefit and section 302A.255 (Director Conflicts of Interest), if applicable, has been satisfied;

(4) in the case of a criminal proceeding, had no reasonable cause to believe the conduct was unlawful; and

(5) in the case of acts or omissions occurring in the official capacity of a director or, for a person not a director, in the official capacity of an officer, committee member or employee, reasonably believed that the conduct was in the best interests of the corporation, or in the case of acts or omissions occurring in the official capacity of a director, officer, partner, trustee, employee or agent of another organization or employee benefit plan, reasonably believed that the conduct was not opposed to the best interests of the corporation. If the person's acts or omissions complained of in the proceeding relate to conduct as a director, officer, trustee, employee or agent of an employee benefit plan, the conduct is not considered to be opposed to the best interests of the corporation if the person reasonably believed that the conduct was in the best interests of the participants or beneficiaries of the employee benefit plan.

ITEM 16. Exhibits

The following Exhibits are filed or incorporated by reference as part of this Registration Statement:

- 1.1 Distribution and Management Agreement between the Company and Sumner Harrington Ltd. dated June 15, 2006 (Exhibit 1.1)(3)
- 3.1 Articles of Incorporation, as amended (Exhibit 3.1)(1)
- 3.2 By-laws, as amended and restated to date (Exhibit 3.2)(2)
- 4.1 Indenture between the Company and Wells Fargo Bank, National Association dated June 15, 2006 (Exhibit 4.1)(3)
- 4.2 Form of Note (Exhibit 4.2)(3)
- 4.3 Form of Note Confirmation (Exhibit 4.3)(3)
- 4.4 Form of Subscription Agreement (Exhibit 4.4)(3)
- 4.5 Paying Agent Agreement between Wells Fargo Bank, National Association and Winmark Corporation dated June 15, 2006 (Exhibit 4.5)(3)
- 4.6 Current Interest Rates for Renewable Unsecured Subordinated Notes(4)
- 10.1 Asset Purchase Agreement dated January 24, 1992 with Sports Traders, Inc. and James D. Van Buskirk (Van Buskirk) concerning acquisition of wholesale business, including amendment dated March 11, 1992 (Exhibit 10.6 (a))(1)
- 10.2 Retail store agreement dated January 24, 1992 with Van Buskirk (Exhibit 10.6 (b))(1)
- 10.3 Amended and Restated Stock Option Plan for Nonemployee Directors(5)(20)
- 10.4 Employment Agreement with John L. Morgan, dated March 22, 2000 (Exhibit 10.1)(5)(6)
- 10.5 Common Stock Warrant with Sheldon Fleck, dated March 22, 2000 (Exhibit 10.3)(6)
- 10.6 Lease with Stan Koch & Sons Trucking, Inc. for Corporate Headquarters dated July 10, 2000 (Exhibit 10.4)(7)
- 10.7 First Amendment to Employment Agreement with John L. Morgan dated February 18, 2001 (Exhibit 10.26)(5)(8)
- 10.8 2001 Stock Option Plan, including forms of stock option agreements (Exhibit 10.27)(4)(7)
- 10.9 Amendment to Lease with Stan Koch & Sons Trucking for corporate headquarters dated June 25, 2003 (Exhibit 10.17)(9)
- 10.10 Amendment No. 2 to Lease with Stan Koch & Sons Trucking for corporate headquarters dated November 29, 2004 (Exhibit 10.19)(10)
- 10.11 Second Amendment to Employment Agreement with John L. Morgan dated March 23, 2006 (Exhibit 10.1)(5)(11)
- 10.12 Third Amendment to Employment Agreement with John L. Morgan dated December 15, 2006 (Exhibit 10.1)(5)(12)
- 10.13 Amendment No. 1 to the 2001 Stock Option Plan(2)(5)

II-2

- 10.14 Credit Agreement among Winmark Corporation, the Subsidiaries of the Company and LaSalle Bank National Association dated September 30, 2004 (Exhibit 10.1)(13)
- 10.15 Amendment to Credit Agreement among Winmark Corporation, the Subsidiaries of the Company and LaSalle Bank National Association dated August 25, 2005 (Exhibit 99.2)(14)
- 10.16 Second Amendment to Credit Agreement among Winmark Corporation, the Subsidiaries of the Company and LaSalle Bank National Association dated March 31, 2006 (Exhibit 10.2)(15)
- 10.17 Third Amendment to Credit Agreement among Winmark Corporation, the Subsidiaries of the Company and LaSalle Bank National Association dated May 19, 2006 (Exhibit 10.2)(16)
- 10.18 Separation Agreement with Stephen M. Briggs dated October 25, 2006 (Exhibit 10.1)(5)(17)
- 10.19 Stock Purchase Agreement between Winmark Corporation and Rush River Group, LLC dated May 16, 2006 (Exhibit 10.1)(16)
- 10.20 Securities Purchase Agreement with BridgeFunds Limited dated October 13, 2004 (Exhibit 10.3)(13)
- 10.21 Amendment No. 1 to Securities Purchase Agreement with BridgeFunds Limited dated April 4, 2006 (Exhibit 10.1)(15)
- 10.22 Subscription Agreements for Notes between Winmark Corporation and each of John L. Morgan, Kirk A. MacKenzie and Rush River Group, LLC see Exhibits 4.2 and 4.3 for Forms of Subscriptions and Notes(19)
- 12.1 Statement regarding Ratio of Earnings to Fixed Charges*
- 16.1 Letter from KPMG LLP to the Securities and Exchange Commission regarding change to certifying accountant (Exhibit 16.1)(18)
- 21.1 Subsidiaries: Grow Biz Games, Inc., a Minnesota corporation; Wirth Business Credit, Inc., a Minnesota corporation and Winmark Capital Corporation, a Minnesota corporation (Exhibit 21.1)(2)
- 23.1 Consent of Lindquist & Vennum P.L.L.P., counsel to the Registrant (included as part of Exhibit 5.1)(3)
- 23.2 Consent of Grant Thornton LLP; Independent Registered Public Accounting Firm.*
- 23.3 Consent of KPMG LLP; Independent Registered Public Accounting Firm*
- 24.1 Powers of Attorney (included on signature pages)
- 25.1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of Wells Fargo, National Association (Exhibit 25.1)(3)

(1) Incorporated by reference to the specified exhibit to the Registration Statement on Form S-1, effective August 24, 1993 (Reg. No. 33-65108).

(2) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

(3) Incorporated by reference to the specified exhibit to the Registration Statement on Form S-1, effective June 16, 2006 (Reg. No. 333-133393).

(4) Incorporated by reference to the Prospectus filed pursuant to Rule 424(b)(2) dated June 16, 2006 (Reg. No. 333-133393), as may be amended by subsequent Prospectus filings.

(5) Indicates management contracts, compensation plans or arrangements required to be filed as exhibits.

(6) Incorporated by reference to the specified exhibit to the Quarterly Report on Form 10-Q for the quarter ended March 25, 2000.

(7) Incorporated by reference to the specified exhibit to the Quarterly Report on Form 10-Q for the quarter ended June 24, 2000.

(8) Incorporated by reference to the specified exhibit to Annual Report on Form 10-K for the fiscal year ended December 30, 2000.

(9) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

(10) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 25, 2004.

(11) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

(12) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on December 20, 2006.

(13) Incorporated by reference to the specified exhibit to the Current Report on Form 10-Q for the quarter ended September 25, 2004.

(14) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed August 29, 2005.

(15) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on April 4, 2006.

(16) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on May 19, 2006.

(17) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on October 25, 2006.

(18) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on July 11, 2006.

(19) Incorporated by reference to the Current Reports on Form 8-K filed on July 6, 2006 and July 19, 2006.

(20) Incorporated by reference to the Definitive Proxy Statement dated March 21, 2007 for the annual meeting of shareholders to be held on May 2, 2007.

* Filed Herewith.

ITEM 17. Undertakings

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the

II-4

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maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(i) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(j) the undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act (Act) in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is relying on Rule 403B (§ 230.430B of this chapter):

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) (§ 230.424(b)(3) of this chapter) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) (§ 230.424(b)(2), (b)(5), or (b)(7) of this chapter) as part of a registration statement in

II-5

reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) (§ 230.415(a)(1)(i), (vii), or (x) of this chapter) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement will, as to a purchaser with time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C (§ 230.430C of this chapter), each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§ 230.430A of this chapter), shall be deemed to be part of and included in the registration statements as of the date it is first used after effectiveness. *Provided, however,* that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchase, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchase and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§ 230.424 of this chapter);
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and as duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis and the State of Minnesota, on the 22nd day of March, 2007.

- Winmark Corporation
 By /s/ JOHN L. MORGAN
 Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons on the dates indicated:

Signature	Title	Date
/s/ JOHN L. MORGAN John L. Morgan	Chairman of the Board and Chief Executive Officer (principal executive officer)	March 22, 2007
/s/ BRETT D. HEFFES Brett D. Heffes	Chief Financial Officer and Treasurer (principal financial officer)	March 22, 2007
/s/ GARY STOFFERAHN Gary Stofferahn	Principal Accounting Officer	March 22, 2007
/s/ KIRK A. MACKENZIE Kirk A. MacKenzie	Vice Chairman and Director	March 22, 2007
/s/ WILLIAM D. DUNLAP, JR. William D. Dunlap, Jr.	Director	March 22, 2007
/s/ JENELE C. GRASSLE Jenele C. Grassle	Director	March 22, 2007
/s/ PAUL C. REYELTS Paul C. Reyelts	Director	March 22, 2007
/s/ MARK. L. WILSON Mark. L. Wilson	Director	March 22, 2007

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Winmark Corporation, a Minnesota corporation (the Corporation), does hereby make, constitute and appoint John L. Morgan and Brett D. Heffes or any one of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name and all amendments, including post-effective amendments, thereto, to be filed by the Corporation with the Securities and Exchange Commission (SEC) in connection with the registration under the Securities Act of 1933, as amended, of debt securities of the Corporation, and to file the same, with all exhibits thereto and other supporting documents, with the SEC. The undersigned also grants to said attorneys-in-fact, and each of them full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted. This power of attorney shall remain in effect until revoked in writing by the undersigned.

Signature	Title	Date
/s/ JOHN L. MORGAN John L. Morgan	Chairman of the Board and Chief Executive Officer (principal executive officer)	March 22, 2007
/s/ BRETT D. HEFFES Brett D. Heffes	Chief Financial Officer and Treasurer (principal financial officer)	March 22, 2007
/s/ GARY STOFFERAHN Gary Stofferahn	Principal Accounting Officer	March 22, 2007
/s/ KIRK A. MACKENZIE Kirk A. MacKenzie	Vice Chairman and Director	March 22, 2007
/s/ WILLIAM D. DUNLAP, JR. William D. Dunlap, Jr.	Director	March 22, 2007
/s/ JENELE C. GRASSLE Jenele C. Grassle	Director	March 22, 2007
/s/ PAUL C. REYELTS Paul C. Reyelts	Director	March 22, 2007
/s/ MARK. L. WILSON Mark. L. Wilson	Director	March 22, 2007

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EXHIBIT INDEX

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10.5	Common Stock Warrant with Sheldon Fleck, dated March 22, 2000 (Exhibit 10.3)(6)
10.6	Lease with Stan Koch & Sons Trucking, Inc. for Corporate Headquarters dated July 10, 2000 (Exhibit 10.4)(7)
10.7	First Amendment to Employment Agreement with John L. Morgan dated February 18, 2001 (Exhibit 10.26)(5)(8)
10.8	2001 Stock Option Plan, including forms of stock option agreements (Exhibit 10.27)(5)(7)
10.9	Amendment to Lease with Stan Koch & Sons Trucking for corporate headquarters dated June 25, 2003 (Exhibit 10.17)(9)
10.10	Amendment No. 2 to Lease with Stan Koch & Sons Trucking for corporate headquarters dated November 29, 2004 (Exhibit 10.19)(10)
10.11	Second Amendment to Employment Agreement with John L. Morgan dated March 23, 2006 (Exhibit 10.1)(5)(11)
10.12	Third Amendment to Employment Agreement with John L. Morgan dated December 15, 2006 (Exhibit 10.1)(5)(12)
10.13	Amendment No. 1 to the 2001 Stock Option Plan(2)(5)
10.14	Credit Agreement among Winmark Corporation, the Subsidiaries of the Company and LaSalle Bank National Association dated September 30, 2004 (Exhibit 10.1)(13)
10.15	Amendment to Credit Agreement among Winmark Corporation, the Subsidiaries of the Company and LaSalle Bank National Association dated August 25, 2005 (Exhibit 99.2)(14)
10.16	Second Amendment to Credit Agreement among Winmark Corporation, the Subsidiaries of the Company and LaSalle Bank National Association dated March 31, 2006 (Exhibit 10.2)(15)
10.17	Third Amendment to Credit Agreement among Winmark Corporation, the Subsidiaries of the Company and LaSalle Bank National Association dated May 19, 2006 (Exhibit 10.2)(16)
10.18	Separation Agreement with Stephen M. Briggs dated October 25, 2006 (Exhibit 10.1)(5)(17)
II-9	

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10.19	Stock Purchase Agreement between Winmark Corporation and Rush River Group, LLC dated May 16, 2006 (Exhibit 10.1)(16)
10.20	Securities Purchase Agreement with BridgeFunds Limited dated October 13, 2004 (Exhibit 10.3)(13)
10.21	Amendment No. 1 to Securities Purchase Agreement with BridgeFunds Limited dated April 4, 2006 (Exhibit 10.1)(15)
10.22	Subscription Agreements for Notes between Winmark Corporation and each of John L. Morgan, Kirk A. MacKenzie and Rush River Group, LLC see Exhibits 4.2 and 4.3 for Forms of Subscriptions and Notes(19)
12.1	Statement regarding Ratio of Earnings to Fixed Charges*
16.1	Letter from KPMG LLP to the Securities and Exchange Commission regarding change to certifying accountant (Exhibit 16.1)(18)
21.1	Subsidiaries: Grow Biz Games, Inc., a Minnesota corporation; Wirth Business Credit, Inc., a Minnesota corporation and Winmark Capital Corporation, a Minnesota corporation (Exhibit 21.1)(2)
23.1	Consent of Lindquist & Vennum P.L.L.P., counsel to the Registrant (included as part of Exhibit 5.1)(3)
23.2	Consent of Grant Thornton LLP; Independent Registered Public Accounting Firm*
23.3	Consent of KPMG LLP; Independent Registered Public Accounting Firm*
24.1	Powers of Attorney (included on signature pages)
25.1	Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of Wells Fargo, National Association (Exhibit 25.1)(3)

(1) Incorporated by reference to the specified exhibit to the Registration Statement on Form S-1, effective August 24, 1993 (Reg. No. 33-65108).

(2) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

(3) Incorporated by reference to the specified exhibit to the Registration Statement on Form S-1, effective June 16, 2006 (Reg. No. 333-133393).

(4) Incorporated by reference to the Prospectus filed pursuant to Rule 424(b)(2) dated June 16, 2006 (Reg. No. 333-133393), as may be amended by subsequent Prospectus filings.

(5) Indicates management contracts, compensation plans or arrangements required to be filed as exhibits.

(6) Incorporated by reference to the specified exhibit to the Quarterly Report on Form 10-Q for the quarter ended March 25, 2000.

(7) Incorporated by reference to the specified exhibit to the Quarterly Report on Form 10-Q for the quarter ended June 24, 2000.

(8) Incorporated by reference to the specified exhibit to Annual Report on Form 10-K for the fiscal year ended December 30, 2000.

(9) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

(10) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 25, 2004.

(11) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

- (12) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on December 20, 2006.
- (13) Incorporated by reference to the specified exhibit to the Current Report on Form 10-Q for the quarter ended September 25, 2004.
- (14) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed August 29, 2005.
- (15) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on April 4, 2006.
- (16) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on May 19, 2006.
- (17) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on October 25, 2006.
- (18) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on July 11, 2006.
- (19) Incorporated by reference to the Current Reports on Form 8-K filed on July 6, 2006 and July 19, 2006.
- (20) Incorporated by reference to the Definitive Proxy Statement dated March 21, 2007 for the annual meeting of shareholders to be held on May 2, 2007.

* Filed Herewith.

II-11
