

WINMARK CORP
Form 424B2
December 03, 2007

Filed Pursuant to Rule 424(b)(2)

Registration No. 333-133393

PROSPECTUS

WINMARK CORPORATION

\$3,500,000 Three Month Renewable Unsecured Notes

\$3,500,000 Six Month Renewable Unsecured Notes

\$11,000,000 One Year Renewable Unsecured Notes

\$10,000,000 Two Year Renewable Unsecured Notes

\$13,000,000 Three Year Renewable Unsecured Notes

\$2,000,000 Four Year Renewable Unsecured Notes

\$6,000,000 Five Year Renewable Unsecured Notes

\$1,000,000 Ten Year Renewable Unsecured Notes

Three and Six Month Renewable Unsecured Subordinated Notes

One, Two, Three, Four, Five and Ten Year Renewable Unsecured Subordinated Notes

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We are offering an aggregate principal amount of up to \$50 million of our renewable unsecured subordinated notes. Notes with certain terms may not always be available because we reserve the right to reject any subscription, and during the course of the offering, we will not issue more than the aggregate principal for each type of note listed above. The offering will be made on a continuous basis, and is expected to continue for a period in excess of 30 days. We will establish interest rates on the securities offered in this prospectus from time to time in prospectus supplements. Once you purchased a note, changes in interest rates will not affect the interest rate you receive up to maturity. The notes are unsecured obligations and your right to payment is subordinated in right of payment to all of our existing or future senior, secured, unsecured and subordinate indebtedness and other of our financial obligations. Upon maturity, the notes will be automatically renewed for the same term as your maturing note at an interest rate that we are offering at that time to other investors with similar aggregate note portfolios for notes of the same term, unless we or you elect not to have them renewed. If notes of the same term are not then being offered, the interest rate upon renewal will be the rate specified by us on or before maturity, or the rate of the existing note if no such rate is specified. The interest rate on your renewed note may be different than the interest rate on your original note.

After giving you thirty days advance notice, we may redeem all or a portion of the notes for their original principal amount plus accrued but unpaid interest. You or your representative also may request us to repurchase your notes prior to maturity; however, unless the request is due to your death or total permanent disability, we may, in our sole discretion, decline to repurchase your notes, and will, if we do elect to repurchase your notes, charge you a penalty of up to three months of interest on notes with three month maturities and up to six months of interest on all other notes. Our obligation to repurchase notes prior to maturity for any reason in a single calendar quarter is limited to the greater of \$1 million or 2% of the aggregate principal amount of all notes outstanding at the end of the previous quarter.

The notes will be marketed and sold through Sumner Harrington Ltd., which is acting as our selling agent for the notes. The notes will not be listed on any securities exchange or quoted on Nasdaq or any over-the-counter market. Sumner Harrington Ltd. does not intend to make a market in the notes and we do not anticipate that a market in the notes will develop. There will be significant restrictions on your ability to transfer or resell the notes.

Sumner Harrington Ltd. also will act as our servicing agent in connection with our ongoing administrative responsibilities for the notes. We have not requested a rating for the notes; however, third parties may independently rate them.

The notes are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation or any other governmental or private fund or entity.

This prospectus may be used to offer and sell securities only if accompanied by the prospectus supplement that describes the interest rate and maturity for those securities. This prospectus may also be accompanied by other prospectus supplements in addition to an interest rate prospectus supplement.

An investment in the securities described in this prospectus involves risks. Please see **Risk Factors** on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated November 29, 2007

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	Per Note	Total
Public Offering Price	100%	100%
Selling Agent Commissions	3%	3%
Proceeds to Winmark, before expenses	97%	97%

The selling agent will not receive the entire 3% gross commission on notes with terms of less than two years unless the notes are successively renewed for a total term of two years or more. See Plan of Distribution for a description of additional compensation payable to the selling agent and its affiliates in connection with services rendered in offering and selling the notes, serving as servicing agents and providing and managing the advertising and marketing functions related to the sale of the notes. There will be no underwriting discount.

Sumner Harrington Ltd. is not required to sell any specific number or dollar amount of notes but will use its best efforts to sell the notes offered.

We will issue the notes in book-entry or uncertificated form. Subject to certain limited exceptions, you will not receive a certificated security or a negotiable instrument that evidences your notes. Sumner Harrington Ltd. will deliver written confirmations to purchasers of the notes. Wells Fargo Bank, National Association will act as trustee for the notes.

Sumner Harrington Ltd.

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ABOUT THIS PROSPECTUS

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This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf process, we may sell an aggregate of up to \$50,000,000 of our renewable unsecured subordinated notes from time to time in various maturities noted on the cover of this prospectus, and with varying interest rates. This prospectus provides you with a general description of those securities. We will also provide you with a prospectus supplement that will contain specific information about the terms of the notes we are offering. The prospectus supplement may also provide you with information about us. When we refer in this prospectus to the prospectus supplement, we mean the specific prospectus supplement that applies to the securities we are offering to you. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the prospectus supplement together with the additional information described under the heading Where You Can Find More Information.

The registration statement that contains this prospectus (including the exhibits to the registration statement) contains additional information about our company and the securities offered under this prospectus. That registration statement can be read at the SEC web site or at the SEC offices mentioned under the heading Where You Can Find More Information.

PROSPECTUS SUMMARY

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This section is a summary of certain information selected from this prospectus, including information incorporated by reference. This summary is an overview and does not contain all of the information you should consider. Therefore, you should also read the more detailed information set out in the prospectus supplement, this prospectus, and our financial statements and other information incorporated by reference into this prospectus and prospectus supplement. Except when we are discussing repayment obligations under the notes, which are solely obligations of Winmark Corporation, the terms we, our, and us refer to Winmark Corporation and our consolidated subsidiaries.

WINMARK CORPORATION

Business of Winmark Corporation. We develop and franchise value-oriented retail concepts for stores that buy, sell, trade and consign quality used and new merchandise. Each franchise emphasizes consumer value by offering high quality used merchandise at substantial savings and by purchasing or accepting as trade customers used goods that have been outgrown or are no longer used. We offer new merchandise to supplement used goods. We are also engaged in the business of providing non-cancelable leases for high-technology and business-essential equipment to both larger organizations and smaller companies. We started our equipment leasing operations in April of 2004, and we are currently in the early stages of building this portion of our business.

We have over 850 franchised stores across North America. Franchisees are required to operate their businesses according to the systems, specifications, standards, and formats we develop for each brand. We train our franchisees on how to operate the business and provide continuing support and service to the brand. We have four retail brands:

Play It Again Sports buys, sells and trades quality used and new sporting goods and equipment;

Once Upon a Child buys and sells used and new children's clothing, toys, furniture and other accessories;

Music Go Round buys, sells and trades quality used musical instruments and equipment;

Plato's Closet buys and sells gently used, brand-name clothing and accessories for teens and young adults.

As of September 29, 2007, we had 381 Play It Again Sports franchises, 266 Once Upon a Child franchises, 39 Music Go Round franchises and 209 Plato's Closet franchises. Our franchisees are required to sign ten year franchise agreements. We believe that the franchise agreement renewals are one indicator, among others, to assist us in evaluating our business and preserving future royalties. During the nine month period ended September 29, 2007, we renewed 25 franchise agreements of the 28 franchise agreements that were available for renewal.

We operate a middle-market equipment leasing business through our wholly-owned subsidiary Winmark Capital Corporation, and a small-ticket financing business through our wholly-owned subsidiary Wirth Business Credit, Inc. (formerly known as Winmark Business Solutions, Inc.). Our middle-market leasing business serves large and medium-sized businesses and focuses on assets which generally have a cost of more than \$250,000. Our small-ticket financing business serves small businesses and focuses on assets which generally have a cost of \$5,000 to \$250,000. We generate equipment leases primarily through business alliances, equipment vendors and directly from customers. We offer our small-ticket financing products through a network of franchisees that operate under the name Wirth Business Credit. As of September 29, 2007, we had 35 Wirth Business Credit Franchises.

THE OFFERING

<i>Issuer</i>	Winmark Corporation
<i>Trustee</i>	Wells Fargo Bank, National Association
<i>Selling and Servicing Agent</i>	Sumner Harrington Ltd.
<i>Securities Offered</i>	Renewable Unsecured Subordinated Notes in the following amounts: \$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.

The notes represent our unsecured promise to repay principal at maturity and to pay interest during the term or at maturity. By purchasing a note, you are lending money to us. Notes for each of the above terms will not always be available because we will not issue more than the aggregate principal listed above for each note.

Method of Purchase

Prior to your purchase of notes, you will be required to complete a subscription agreement that will set forth the principal amount of your purchase, the term of the notes and certain other information regarding your ownership of the notes. The form of subscription agreement is filed as an exhibit to the registration statement of which this prospectus is a part. As our servicing agent, Sumner Harrington Ltd. will mail you written confirmation that your subscription has been accepted.

Denomination

You can choose the denomination of the notes you purchase in any principal amount of \$1,000 or more, including odd amounts.

Offering Price

100% of the principal amount per note.

Rescission Right

You can rescind your investment within five business days of the postmark date of your purchase confirmation without incurring an early redemption penalty. 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, you will be able to rescind your investment subject to the conditions set forth in this prospectus. See Description of the Notes Rescission Right for additional information.

Maturity

You can generally choose maturities for your notes of 3 or 6 months or 1, 2, 3, 4, 5 or 10 years; however, notes with certain terms may not always be available.

Interest Rate

The interest rate paid on the notes will be established at the time you purchase them, or at the time of renewal, based upon the rates we are offering in our latest interest rate supplement to this prospectus, and will remain fixed throughout each term. We may offer higher rates of interest to investors with larger aggregate note portfolios, as set forth in the then current interest rate supplement.

Interest Payment Dates

You can choose to receive interest payments monthly, quarterly, semiannually, annually or at maturity. If you choose to receive interest payments monthly, you can choose the day on which you will be paid. You may change the interest payment schedule or interest payment date once during the term of your note.

Principal Payment

We will not pay principal over the term of the notes. We are obligated to pay the entire principal balance of the outstanding notes upon maturity.

Payment Method

Principal and interest payments will be made by direct deposit to the account you designate in your subscription documents.

Renewal or Redemption on Maturity

Upon maturity, the notes will be automatically renewed for the same term at the interest rate we are offering at that time to other investors with similar aggregate note portfolios for notes of the same maturity, unless we notify you prior to the maturity date that we intend to repay the notes. You may also notify us within 15 days after the maturity date that you want your notes repaid. This 15-day period will be automatically extended if you would otherwise be required to make the repayment election 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.

If similar notes are not being offered at the time of renewal, the interest rate upon renewal will be the rate specified by us on or before the maturity date, or the rate of your existing notes if no such rate is specified. The interest rate being offered upon renewal may, however, be different than the interest rate on your original note. See Description of the Notes Renewal or Redemption on Maturity.

Optional Redemption or Repurchase

After giving you 30 days prior notice, we may redeem the notes at a price equal to their original principal amount plus accrued but unpaid interest.

You or your representative may request us to repurchase your notes prior to maturity; however, unless the request is due to your death or total permanent disability, we may, in our sole discretion, decline to repurchase your notes, and will, if we elect to repurchase your notes, charge you a penalty of up to three months of interest for notes with a three-month maturity and up to six months of interest for all other notes. The total principal amount of notes that we will be required to repurchase prior to maturity, for any reason in any calendar quarter, will be limited to the greater of \$1 million or 2% of the total principal amount of all notes outstanding at the end of the previous quarter.

See Description of Notes Redemption or Repurchase Prior To Stated Maturity.

Consolidation, Merger or Sale

Upon any consolidation, merger or sale of our company, we will either redeem all of the notes or our successor will be required to assume our obligation to pay principal and interest on the notes pursuant to the indenture. For a description of these provisions see Description of the Notes Consolidation, Merger or Sale.

Ranking; No Security

The notes:

are unsecured;

rank junior to our existing and future senior debt, including debt we may incur under our existing and future credit facilities;

rank junior to our existing and future secured debt;

rank junior to our existing and future subordinated

debt, except for offerings of additional renewable unsecured subordinated notes which will rank equally with the notes; and

rank junior to other of our financial obligations, including obligations we may incur in connection with our investments, acquisitions, and obligations in connection with discounted lease rentals.

As of September 29, 2007, we had outstanding debt senior to the notes under our credit facility with LaSalle Bank of \$13.5 million. This facility permits us to draw up to \$25 million from time to time for certain purposes, and up to \$50 million if we satisfy certain conditions. This credit facility is secured by substantially all of our assets. If we draw on the LaSalle credit facility, our obligation to repay LaSalle would be senior to our obligation to repay the notes.

Restrictive Covenants

The indenture governing the notes contains limited restrictive covenants. These covenants:

require us to maintain a positive net worth; and

prohibit us from paying dividends on our capital stock if there is an event of default with respect to the notes or a payment of the dividend would result in an event of default.

The covenants set forth in the indenture are more fully described under Description of the Notes Restrictive Covenants. These covenants have significant exceptions.

Use of Proceeds

If all the notes are sold, with original or aggregate maturities of two years or more, we would expect to receive approximately \$47 million of net proceeds from this offering after deducting the selling agent's commissions and estimated initial offering expenses payable by us. The exact amount of net proceeds may vary considerably depending on how long the notes are offered and other factors. We intend to use the net proceeds to provide capital to grow and expand our leasing portfolio, to acquire businesses or assets, to repurchase our common stock from time to time as we may deem prudent and for other general corporate purposes. Until the capital is deployed, we will invest the proceeds in short term investment grade financial instruments. See Use of Proceeds.

Absence of Public Market and Transfer Restrictions

There is no existing market for the notes.

Sumner Harrington Ltd. has advised us that it does not intend to make a market in the notes after the completion of this offering and we do not anticipate that a secondary market for the notes will develop. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes in any automated dealer quotation system.

You will be able to transfer or pledge the notes only with our prior written consent. See Description of the Notes Transfers.

Book Entry

The notes will be issued in book entry or uncertificated form only. Except under limited circumstances, the notes will not be evidenced by certificated securities or negotiable instruments. See Description of the Notes Book Entry Registration and Transfer.

RISK FACTORS

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You should carefully consider the risks involved in deciding whether to invest in the notes we are offering, including the risk factors and those risks described in our Form 10-K for the year ended December 30, 2006 and in our Form 10-Q s for the fiscal quarters ended March 30, June 30, and September 29, 2007. You should also consider the other information in this prospectus and any prospectus supplement as well as other documents incorporated by reference.

The risks described below set forth the material risks associated with the purchase of notes and our company, as well as factors that may influence the outcome of any forward looking statement. Before you invest in the notes, you should carefully consider these risk factors, as well as the other information contained in this prospectus and in the documents incorporated by reference into this prospectus.

RISK FACTORS RELATING TO THE NOTES

The notes may not be a suitable investment for all investors.

The notes may not be a suitable investment for you, and we advise you to consult your investment, tax and other professional financial advisors prior to purchasing notes. The characteristics of the notes, including maturity, interest rate and lack of liquidity, may not satisfy your investment objectives. The notes may not be a suitable investment for you based on your ability to withstand a loss of interest or principal or other aspects of your financial situation, including your income, net worth, financial needs, investment risk profile, return objectives, investment experience and other factors. Prior to purchasing any notes, you should consider your investment allocation with respect to the amount of your contemplated investment in the notes in relation to your other investment holdings and the diversity of those holdings.

You lack priority in payment on the notes, which rank junior to substantially all of our existing and future debt and other financial obligations.

Your right to receive payments on the notes is junior to the extent we incur indebtedness now or in the future. Your notes will be subordinated to the prior payment in full of all of our other debt and financial obligations, including our obligations to make capital contributions in connection with our investments in other private companies. As of September 29, 2007, we had \$13.5 million in outstanding indebtedness to LaSalle Bank, under a credit facility that permits us to draw up to \$25 million from time to time, and up to \$50 million if we satisfy certain conditions. Any amount that we draw under the credit facility will be senior to your notes while it remains outstanding. We also may obtain additional indebtedness at any time that will rank senior to the notes you purchase. Further, we have in the past, and expect in the future, to enter into funding commitments in connection with acquisitions and investments. Our obligations under these types of arrangements may continue for several years following an acquisition or investment, and will rank senior to your notes. In addition, we have in the past and will continue to enter into non-recourse discounting of lease rentals with financial institutions at fixed interest rates. These obligations are also senior to your notes. Because of the subordination provisions of the notes, in the event of our bankruptcy, liquidation or dissolution, our assets would be available to make payments to you under the notes only after all payments had been made on all of our secured and unsecured indebtedness and other obligations that are senior to the notes. Sufficient assets may not remain after all such senior payments have been made to make any payments to you under the notes, including payments of interest when due or principal upon maturity.

There will be no trading market for the notes, which may make it difficult to transfer your notes.

Your ability to liquidate your investment is limited because of transfer restrictions, the lack of a trading market and the limitation on repurchase requests prior to maturity. Your notes may not be transferred without our prior written consent. In addition, there will be no trading market for the notes. Due to the restrictions on transfer of the notes and the lack of a market for the sale of the notes, even if we permitted a transfer, you

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might be unable to sell, pledge or otherwise liquidate your investment. Except in the case of death or total permanent disability, repurchases of the notes prior to maturity are subject to our approval and to repurchase penalties of up to three months interest on notes with three-month maturities and up to six months interest on notes with maturities of six months or longer. The total principal amount of notes that we would be required to repurchase in any calendar quarter, for any reason,

will be limited to the greater of \$1 million or 2% of the aggregate principal amount of all notes outstanding at the end of the previous quarter. See Description of the Notes.

The notes will have no sinking fund, security, insurance or guarantee.

There is no sinking fund, security, insurance or guarantee of our obligation to make payments on the notes. The notes are not secured by any of our assets. We will not contribute funds to a separate account, commonly known as a sinking fund, to make interest or principal payments on the notes. The notes are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation, or any other governmental or private fund or entity. Therefore, if you invest in the notes, you will have to rely only on our cash flow from operations and other sources of funds for repayment of principal at maturity or redemption and for payment of interest when due. If our cash flow from operations and other sources of funds are not sufficient to pay the notes, then you may lose all or part of your investment. The notes are not expected to be rated by any rating agency such as Fitch's, Moody's or Standard & Poor's.

The notes will automatically renew unless you request repayment.

Upon maturity, the notes will be automatically renewed for the same term as your maturing note and at an interest rate that we are offering at that time to other investors with similar aggregate note portfolios for notes of the same term, unless we notify you prior to the maturity date that we intend to repay the notes or you notify us within 15 days after the maturity date that you want your notes repaid. This 15-day period will be automatically extended if you would otherwise be required to make the repayment election 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. If notes with the same term 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. The interest rate on your renewed note may be lower than the interest rate of your original note. 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. Any requests for repurchases after your notes are renewed will be subject to our approval and to repurchase penalties and the limitations on the amount of notes we would be willing to repurchase in any calendar quarter.

We have the right to incur substantial indebtedness that is senior to the notes, which may affect our ability to repay the notes.

We have now and, after we sell these notes, will continue to have the right to incur a substantial amount of indebtedness. If we incur substantial indebtedness it could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes by, among other things:

increasing our vulnerability to general adverse economic and industry conditions;

requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing amounts available for working capital, capital expenditures and other general corporate purposes;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

placing us at a competitive disadvantage compared to our competitors that have less debt; and

limiting our ability to borrow additional funds.

Although we believe we will generate sufficient free cash flow to service any debt we incur and our obligations under the notes, there is no assurance that we will be able to do so. If we do not generate sufficient operating profits, our ability to make required payments on our senior debt, as well as on the debt represented by the notes described in this prospectus, may be impaired.

Our management has broad discretion over the use of proceeds from the offering.

Although we expect to use the proceeds from the offering to grow our leasing portfolio, acquire businesses or assets, and repurchase our common stock, the indenture does not require us to do so. The proceeds of the offering will also be used for other general corporate purposes, which may include the payment of general and administrative expenses. Because no specific allocation of the proceeds will be required in the indenture, our management will have broad discretion in determining how the proceeds of the offering will be used and may choose not to use the funds to pay down debt that is senior to the notes. See Use of Proceeds.

We are subject to many restrictions in our credit facility with LaSalle Bank.

The terms of our credit facility impose significant operating and financial restrictions on us and our subsidiaries and require us to meet certain financial tests including tests related to tangible net worth. As of the end of each month our tangible net worth cannot be less than the sum of the tangible net worth of the previous month plus 50% of our net income for the month, if positive. We also must maintain a ratio of earnings before income taxes, depreciation and amortization less capital expenditures and taxes divided by interest expense of at least 2.0 to 1.0. As of the end of each quarter our maximum senior leverage ratio cannot exceed 3.0 to 1.0. This means that the ratio of the amount of debt at any time under the LaSalle facility compared to our tangible net worth must be no higher than 3.0 to 1.0. The LaSalle Bank credit facility's terms and restrictions may also be amended or supplemented from time to time without requiring any notice to or consent of the holders of the notes or the trustee. These restrictions may have an adverse impact on our business activities, results of operations and financial condition. These restrictions may also significantly limit or prohibit us from engaging in certain transactions, including the following:

using the credit facility for certain acquisitions or investments or to support our leasing business unless approved by LaSalle Bank;

incurring or guaranteeing additional indebtedness;

restricting the amount of rental payments we make under operating leases in any year to \$1 million;

paying dividends or other distributions to our stockholders or redeeming, repurchasing or retiring our capital stock or subordinated obligations;

creating or permitting liens on our assets or the assets of our subsidiaries except for capital leases on leased property and liens incurred in connection with purchase money security interests;

issuing or selling capital stock of our subsidiaries;

transferring or selling our assets;

engaging in mergers or consolidations unless certain conditions are satisfied, including the consent of LaSalle Bank, the business we want to acquire is in our industry, the absence of any defaults, pro forma compliance with all ratios and at least \$3 million of loan availability;

permitting a change of control of our company;

liquidating, winding up or dissolving our company;

changing our name or the nature of our business, or the names or nature of the business of our subsidiaries; and
engaging in transactions with our affiliates outside the normal course of business.

These restrictions may limit our ability to obtain additional sources of capital, which may limit our ability to repay the notes. In addition, the failure to comply with any of the covenants of our credit facility or the indenture or to maintain certain indebtedness ratios would cause a default under our credit facility and may cause a default under the indenture or our other debt agreements that may be outstanding from time to time. A default, if not waived, could result in acceleration of the related indebtedness, in which case such debt would become immediately due and payable. A continuing default or acceleration of our credit facility, the indenture or any other debt agreement, will likely cause a default under the indenture and other debt agreements that otherwise would not be in default, in which case all such related indebtedness could be accelerated. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance our indebtedness. Even if any new financing is available, it may not be on terms that are acceptable to us or it may not be sufficient to refinance all of our indebtedness as it becomes due. Complying with these covenants may cause us to take actions that are not favorable to holders of the notes. See Description of the Notes - Restrictive Covenants.

You will have only limited protection under the indenture.

In comparison to the restrictive covenants that are imposed on us by our credit facility with LaSalle Bank and other borrowing arrangements, the indenture governing the notes contains relatively minimal restrictions on our activities. In addition, the indenture contains only limited events of default other than our failure to pay principal and interest on time. Because there are only very limited restrictions and limited events of default under the indenture, we will not be restricted from issuing additional debt senior to your notes or be required to maintain any ratios of assets to debt in order to increase the likelihood of timely payments to you under the notes. Further, if we default in the payment of the notes or otherwise under the indenture, you will likely have to rely on the trustee to exercise your remedies on your behalf. You may not be able to seek remedies against us directly. See Description of the Notes - Events of Default.

Our right to redeem the notes prior to maturity may result in reinvestment risk for you.

We have the right to redeem any note at any time prior to its stated maturity upon 30 days' written notice to you. The notes will be redeemed at 100% of the principal amount plus accrued but unpaid interest up to but not including the redemption date. Any such redemption may have the effect of reducing the income or return on investment that any investor may receive on an investment in the notes by reducing the term of the investment. If this occurs, you may not be able to reinvest the proceeds at an interest rate comparable to the rate paid on the notes. See Description of the Notes - Redemption or Repurchase Prior To Stated Maturity.

Sumner Harrington Ltd. may not remain the selling agent for the notes if the distribution and management agreement is terminated.

The distribution and management agreement between us and Sumner Harrington Ltd. may be terminated by us upon prior notice. Therefore, it is not certain Sumner Harrington Ltd. will be responsible for the marketing, sale and administration of the notes for the duration of this offering. Other parties, including our company, may take over the functions currently provided by Sumner Harrington Ltd. Therefore, you should not rely on Sumner Harrington Ltd. continuously being responsible for marketing, selling and administering the notes.

You may be required to pay taxes on accrued interest on notes prior to receiving a sufficient amount of cash interest payments.

If you choose to have interest on your note paid at maturity and the term of your note exceeds one year, you may be required to pay taxes on the accrued interest prior to our making any interest payments to you. In addition, if you choose to have interest on your note paid monthly, quarterly, semiannually or annually, the amount of interest income reported to the Internal Revenue Service may differ from the sum of your cash interest payments in some years. You should consult your tax advisor to determine your tax obligations.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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This prospectus, including the documents that are incorporated by reference into this prospectus, contain forward-looking statements regarding our plans, expectations, estimates and beliefs. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings or results from those presently anticipated or projected. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as believe, expect, anticipate, intend, plan, estimate, or words of similar meaning, or future or conditional verbs such as will, would, should, could or may.

Forward-looking statements give our expectations or predictions of future conditions, events or results. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. A number of factors, many of which are beyond our control, could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. The important factors that could cause our actual results to include those discussed in Risk Factors in this prospectus and those discussed in Risk Factors in any prospectus supplement and in our SEC filings that are incorporated by reference. We

encourage you to read these sections carefully. We will not necessarily update information in this prospectus or incorporated by reference into this prospectus if any forward-looking statement turns out to be inaccurate. We do not undertake and specifically decline any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

RATIO OF EARNINGS TO FIXED CHARGES

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Nine Months Ended
9/29/07 9/30/06

Fiscal Year Ended