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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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**FORM 10-QSB**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-33169

**WIRELESS RONIN TECHNOLOGIES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Minnesota**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**41-1967918**  
(I.R.S. Employer  
Identification No.)

**5929 Baker Road**  
**Minnetonka, Minnesota 55345**  
**(952) 564-3500**  
(Address of Principal Executive Offices and Issuer's  
Telephone Number, including Area Code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of November 12, 2007, the issuer had outstanding 14,537,705 shares of common stock.

Transitional Small Business Disclosure Format (check one): Yes  No

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## PART I FINANCIAL INFORMATION

## ITEM 1 Financial Statements

WIRELESS RONIN TECHNOLOGIES, INC.  
CONSOLIDATED BALANCE SHEETS

	September 30, 2007	December 31, 2006
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 28,049,486	\$ 8,273,388
Marketable securities — available-for-sale	5,324,175	7,193,511
Accounts receivable, net	3,383,717	1,128,730
Income taxes receivable	290,769	—
Inventories	660,470	255,850
Prepaid expenses and other current assets	245,232	148,024
Total current assets	<u>37,953,849</u>	<u>16,999,503</u>
PROPERTY AND EQUIPMENT, net	1,662,243	523,838
<b>OTHER ASSETS</b>		
Goodwill	2,240,823	—
Restricted cash	450,000	—
Deposits	39,994	22,586
Total other assets	<u>2,730,817</u>	<u>22,586</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 42,346,909</u></b>	<b><u>\$ 17,545,927</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term obligations	\$ 116,391	\$ 106,311
Accounts payable	1,874,749	948,808
Deferred revenue	531,699	202,871
Accrued liabilities	940,297	394,697
Total current liabilities	<u>3,463,136</u>	<u>1,652,687</u>
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligations, less current maturities	89,056	155,456
Total long-term liabilities	<u>89,056</u>	<u>155,456</u>
Total liabilities	3,552,192	1,808,143
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock, \$0.01 par value, 66,666,666 shares authorized		
Preferred stock, 16,666,666 shares authorized, no shares issued and outstanding at September 30, 2007 and December 31, 2006	—	—
Common stock, 50,000,000 shares authorized; 14,457,705 and 9,825,621 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	144,577	98,256
Additional paid-in capital	78,200,843	49,056,509
Accumulated deficit	(39,846,513)	(33,433,713)
Accumulated other comprehensive income	295,810	16,732
Total shareholders' equity	<u>38,794,717</u>	<u>15,737,784</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$ 42,346,909</u></b>	<b><u>\$ 17,545,927</u></b>

See accompanying Notes to Unaudited Financial Statements.

**WIRELESS RONIN TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Sales</b>				
Hardware	\$ 429,578	\$ 395,468	\$ 2,949,816	\$ 963,550
Software	119,179	539,700	472,018	841,246
Services and other	575,176	48,020	953,398	112,618
<b>Total sales</b>	<b>1,123,933</b>	<b>983,188</b>	<b>4,375,232</b>	<b>1,917,414</b>
<b>Cost of sales</b>				
Hardware	263,961	309,298	1,999,669	705,769
Software	1,007	—	1,007	—
Services and other	444,797	22,033	685,376	59,495
<b>Total cost of sales</b>	<b>709,765</b>	<b>331,331</b>	<b>2,686,052</b>	<b>765,264</b>
<b>Gross profit</b>	<b>414,168</b>	<b>651,857</b>	<b>1,689,180</b>	<b>1,152,150</b>
<b>Operating expenses:</b>				
Sales and marketing expenses	715,016	278,973	1,993,191	1,057,790
Research and development expenses	319,945	193,343	827,234	623,883
General and administrative expenses	2,210,632	740,856	5,486,439	2,482,784
Termination of partnership agreement	—	—	653,995	—
<b>Total operating expenses</b>	<b>3,245,593</b>	<b>1,213,172</b>	<b>8,960,859</b>	<b>4,164,457</b>
<b>Operating loss</b>	<b>(2,831,425)</b>	<b>(561,315)</b>	<b>(7,271,679)</b>	<b>(3,012,307)</b>
<b>Other income (expenses):</b>				
Interest expense	(11,758)	(1,602,425)	(32,273)	(2,949,621)
Loss on debt modification	—	—	—	(367,153)
Interest income	467,740	2,346	899,724	8,834
Other	(7,081)	1,403	(8,572)	1,962
<b>Net loss</b>	<b>\$ (2,382,524)</b>	<b>\$ (2,159,991)</b>	<b>\$ (6,412,800)</b>	<b>\$ (6,318,285)</b>
Basic and diluted loss per common share	\$ (0.17)	\$ (2.53)	\$ (0.55)	\$ (7.79)
Basic and diluted weighted average shares outstanding	14,369,262	854,169	11,565,993	811,174

See accompanying Notes to Unaudited Financial Statements.

**WIRELESS RONIN TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Nine Months Ended September 30,	
	2007 (unaudited)	2006 (unaudited)
<b>Cash flows from operating activities</b>		
Net loss	\$ (6,412,800)	\$(6,318,285)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	265,617	629,588
Allowance for doubtful receivables	35,981	21,000
Debt discount amortization	—	1,392,553
Debt discount amortization — related party	—	606,912
Common stock issued for interest expense — related party	—	225,000
Issuance of warrants for short-term borrowings — related parties	—	39,499
Issuance of options and warrants as compensation expense	880,903	540,282
Repricing of warrants	—	81,126
<b>Change in assets and liabilities</b>		
Accounts receivable	(1,689,750)	(278,975)
Income tax receivable	(13,734)	—
Inventories	(404,620)	111,756
Prepaid expenses and other current assets	(27,078)	(12,229)
Deposits	2,495	(4,995)
Accounts payable	897,563	503,409
Deferred revenue	339,257	(1,000,604)
Accrued liabilities	409,964	423,522
Net cash used in operating activities	(5,716,202)	(3,040,441)
<b>Cash flows used in investing activities</b>		
Purchase of McGill-Investment in Subsidiary, net of cash acquired	(2,817,568)	—
Purchases of property and equipment	(1,051,144)	(280,311)
Sales of marketable securities	16,422,597	—
Purchase of marketable securities	(14,564,800)	—
Net cash used in investing activities	(2,010,915)	(280,311)
<b>Cash flows provided by financing activities</b>		
Net change in restricted cash	(450,000)	—
Repayment of long-term debt	(2,416)	—
Net proceeds from bank lines of credit and short-term notes payable	—	4,825,000
Payment for deferred financing costs	—	(864,509)
Payment for prepaid offering costs	—	(354,973)
Proceeds from short-term notes payable — related parties	—	400,000
Proceeds from long-term notes payable	—	195,300
Payments on long-term notes payable and capital leases	(74,401)	(657,336)
Proceeds from issuance of common stock and equity units	27,093,032	—
Proceeds from exercise of options and warrants	904,721	—
Net cash provided by financing activities	27,470,936	3,543,482
Effect of foreign currency exchange rate changes on cash	32,279	—
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>19,776,098</b>	<b>222,730</b>
Cash and cash equivalents at beginning of period	8,273,388	134,587
Cash and cash equivalents at end of period	<u>\$ 28,049,486</u>	<u>\$ 357,317</u>

See accompanying Notes to Unaudited Financial Statements.

**WIRELESS RONIN TECHNOLOGIES, INC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS**

**NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

Wireless Ronin Technologies, Inc. (the "Company") has prepared the condensed consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the United States ("U.S.") Securities and Exchange Commission ("SEC"). The condensed consolidated financial statements include all wholly and majority owned subsidiaries. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to ensure the information presented is not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006.

The Company believes that all necessary adjustments, which consisted only of normal recurring items, have been included in the accompanying financial statements to present fairly the results of the interim periods. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any subsequent interim period or for the year ending December 31, 2007.

***Nature of Business and Operations***

The Company is a Minnesota corporation that provides dynamic digital signage solutions targeting specific retail and service markets. The Company has designed and developed RoninCast®, a proprietary content delivery system that manages, schedules and delivers digital content over a wireless or wired network. The solutions, the digital alternative to static signage, provide business customers with a dynamic and interactive visual marketing system designed to enhance the way they advertise, market and deliver their messages to targeted audiences.

The Company's wholly-owned subsidiary, Wireless Ronin Technologies (Canada), Inc., an Ontario, Canada provincial corporation located in Windsor, Ontario, develops "e-learning, e-performance support and e-marketing" solutions for business customers. E-learning solutions are software-based instructional systems developed specifically for customers, primarily in sales force training applications. E-performance support systems are interactive systems produced to increase product literacy of customer sales staff. E-marketing products are developed to increase customer knowledge of and interaction with customer products.

The Company and its subsidiary sell products and services throughout the world.

***Summary of Significant Accounting Policies***

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

***1. Revenue Recognition***

The Company recognizes revenue primarily from these sources:

- Software and software license sales
- System hardware sales
- Professional service revenue
- Software development services

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- Software design and development services
- Training and implementation
- Maintenance and support contracts

The Company applies the provisions of Statement of Position ("SOP") 97-2, "Software Revenue Recognition," as amended by SOP 98-9 "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions" to all transactions involving the sale of a software license. In the event of a multiple element arrangement, the Company evaluates if each element represents a separate unit of accounting taking into account all factors following the guidelines set forth in Emerging Issues Task Force Issue No. 00-21 ("EITF 00-21") "Revenue Arrangements with Multiple Deliverables."

The Company recognizes revenue when (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred, which is when product title transfers to the customer, or services have been rendered; (iii) customer payment is deemed fixed or determinable and free of contingencies and significant uncertainties; and (iv) collection is probable.

### *Multiple-element arrangements*

The Company enters into arrangements with customers that include a combination of software products, system hardware, maintenance and support, or installation and training services. The Company allocates the total arrangement fee among the various elements of the arrangement based on the relative fair value of each of the undelivered elements determined by vendor-specific objective evidence ("VSOE"). In software arrangements for which the Company does not have VSOE of fair value for all elements, revenue is deferred until the earlier of when VSOE is determined for the undelivered elements (residual method) or when all elements for which the Company does not have VSOE of fair value have been delivered.

The Company has determined VSOE of fair value for each of its products and services. The fair value of maintenance and support services is based upon the renewal rate for continued service arrangements. The fair value of installation and training services is established based upon pricing for the services. The fair value of software and licenses is based on the normal pricing and discounting for the product when sold separately. The fair value of its hardware is based on a stand-alone market price of cost plus margin.

Each element of the Company's multiple element arrangements qualifies for separate accounting with the exception of undelivered maintenance and service fees. The Company defers revenue under the residual method for undelivered maintenance and support fees included in the price of software and amortizes fees ratably over the appropriate period. The Company defers fees based upon the customer's renewal rate for these services.

### *Software and software license sales*

The Company recognizes revenue when a fixed fee order has been received and delivery has occurred to the customer. The Company assesses whether the fee is fixed or determinable and free of contingencies based upon signed agreements received from the customer confirming terms of the transaction. Software is delivered to customers electronically or on a CD-ROM, and license files are delivered electronically. The Company assesses collectibility based on a number of factors, including the customer's past payment history and its current creditworthiness. If it is determined that collection of a fee is not reasonably assured, the Company defers the revenue and recognizes it at the time collection becomes reasonably assured, which is generally upon receipt of cash payment. If an acceptance period is required, revenue is recognized upon the earlier of customer acceptance or the expiration of the acceptance period.

### *System hardware sales*

The Company recognizes revenue on system hardware sales generally upon shipment of the product or customer acceptance depending upon contractual arrangements with the customer. Shipping charges billed to customers are included in sales and the related shipping costs are included in cost of sales.

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### *Professional service revenue*

Included in services and other revenues is revenue derived from implementation, maintenance and support contracts, content development, software development and training. The majority of consulting and implementation services and accompanying agreements qualify for separate accounting. Implementation and content development services are bid either on a fixed-fee basis or on a time-and-materials basis. Substantially all of the Company's contracts are on a time-and-materials basis. For time-and-materials contracts, the Company recognizes revenue as services are performed. For fixed-fee contracts, the Company recognizes revenue upon completion of specific contractual milestones or by using the percentage of completion method.

### *Software development services*

Software development revenue is recognized monthly as services are performed per fixed fee contractual agreements.

### *Software design and development services*

Revenue from contracts for technology integration consulting services where the Company designs/redesigns, builds and implements new or enhanced systems applications and related processes for clients are recognized on the percentage-of-completion method in accordance with American Institute of Certified Public Accountants Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"). Percentage-of-completion accounting involves calculating the percentage of services provided during the reporting period compared to the total estimated services to be provided over the duration of the contract. Estimated revenues for applying the percentage-of-completion method include estimated incentives for which achievement of defined goals is deemed probable. This method is followed where reasonably dependable estimates of revenues and costs can be made. Estimates of total contract revenue and costs are continuously monitored during the term of the contract, and recorded revenue and costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenue and income and are reflected in the financial statements in the periods in which they are first identified. If estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated direct and indirect costs of the contract exceed the estimated total revenue that will be generated by the contract and are included in cost of sales and classified in accrued expenses in the balance sheet.

Revenue recognized in excess of billings is recorded as unbilled services. Billings in excess of revenue recognized are recorded as deferred revenue until revenue recognition criteria are met.

### *Training and implementation*

Training revenue is recognized when training is provided.

### *Maintenance and support contracts*

Included in services and other revenues is revenue derived from maintenance and support. Maintenance and support consists of software updates and support. Software updates provide customers with rights to unspecified software product upgrades and maintenance releases and patches released during the term of the support period. Support includes access to technical support personnel for software and hardware issues.

Maintenance and support revenue is recognized ratably over the term of the maintenance contract, which is typically one to three years. Maintenance and support is renewable by the customer. Rates for maintenance and support, including subsequent renewal rates, are typically established based upon a specified percentage of net license fees as set forth in the arrangement.

## *2. Restricted Cash*

In conjunction with the lease agreement for office space entered into in April 2007, the Company has obtained a letter of credit to support the landlord's upfront investments totaling \$492,000. The letter of credit is collateralized by



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\$400,000 of cash held by the issuing bank. The collateral is reduced over time as the letter of credit is reduced. The term of the Company's letter of credit is 31 months.

In connection with the Company's bank's credit card program, the Company is required to maintain a cash balance of \$50,000.

### *3. Accounts Receivable*

Accounts receivable are unsecured and stated at net realizable value and bad debts are accounted for using the allowance method. The Company performs credit evaluations of its customers' financial condition on an as-needed basis and generally requires no collateral. Payment is generally due 90 days or less from the invoice date and accounts past due more than 90 days are individually analyzed for collectibility. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred based on historical experience and management's evaluation of accounts receivable. If all collection efforts have been exhausted, the account is written off against the related allowance. The allowance for doubtful accounts was \$59,481 and \$23,500 at September 30, 2007 and December 31, 2006, respectively.

### *4. Income tax receivable*

The income taxes receivables owing to the Canadian subsidiary, Wireless Ronin Technologies (Canada), Inc., represent payment to be made by the Ministry of Finance for the Provincial Tax Return for year ending December 31, 2006, current year Scientific Research & Experimental Development tax credit, as well as the current year estimated tax provisions.

### *5. Inventories*

The Company records inventories using the lower of cost or market on a first-in, first-out (FIFO) method. Inventories consist principally of finished goods, product components and software licenses. Inventory reserves are established to reflect slow-moving or obsolete products. There were no inventory reserves at September 30, 2007 and December 31, 2006.

### *6. Goodwill*

The Company has allocated a portion of the purchase price of businesses acquired to goodwill. The Company intends to review the carrying amount of goodwill for impairment annually in the fourth quarter and recognize a charge to net income for any impairment in value. No impairment has been recognized on recorded goodwill as of September 30, 2007.

### *7. Foreign currency*

Foreign denominated monetary assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average exchange rates prevailing during the reporting period. The Company's Canadian subsidiary's functional currency is the Canadian dollar. Translation adjustments result from translating its financial statements into the reporting currency, the U.S. dollar. The translation adjustment has not been included in determining net income, but has been reported separately and will be accumulated in a separate component of equity. The Canadian subsidiary has foreign currency transactions denominated in a currency other than the Canadian dollar. These transactions include receivables and payables that are fixed in terms of the amount of foreign currency that will be received or paid on a future date. A change in exchange rates between the functional currency and the currency in which the transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. That increase or decrease in expected functional currency cash flows is a foreign currency transaction gain or loss that has been included in determining the net income of the period.

### *8. Basic and Diluted Loss per Common Share*

Basic and diluted loss per common share for all periods presented is computed using the weighted average number of common shares outstanding. Basic weighted average shares outstanding include only outstanding common

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shares. Diluted net loss per common share is computed by dividing net loss by the weighted average common and potential dilutive common shares outstanding computed in accordance with the treasury stock method. Shares reserved for outstanding stock warrants and options are not considered in the computation of diluted loss per share for the periods presented because the impact of the incremental shares is antidilutive.

### 9. Accounting for Stock-Based Compensation

The Company's Board of Directors has adopted the 2006 Equity Incentive Plan and the 2006 Non-Employee Director Stock Option Plan, each of which was approved by the Company's shareholders in February 2007. Participants in the Equity Incentive Plan may include employees, officers, directors, consultants, or independent contractors who the compensation committee determines shall receive awards under the plan. The Equity Incentive Plan authorizes the grant of options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), the grant of options that do not qualify as incentive stock options, restricted stock, restricted stock units, stock bonuses, stock appreciation rights, performance awards, dividend equivalents, warrants and other equity based awards. The number of shares of common stock originally reserved for issuance under the Equity Incentive Plan was 1,000,000 shares. Our board has proposed that the shareholders approve an increase in the number of shares which may be granted under the Equity Incentive Plan from 1,000,000 to 1,750,000 at the annual meeting scheduled for November 15, 2007. The Non-Employee Director Stock Option Plan provides for the grant of options to members of the Company's Board of Directors who are not employees of the Company or its subsidiaries. The number of shares of common stock originally reserved for issuance under the Non-Employee Director Stock Option Plan was 510,000 shares.

As of September 30, 2007, the Company had 132,507 shares available for issuance under the Equity Incentive Plan and 280,000 shares available for issuance under the Non-Employee Director Stock Option Plan. The Equity Incentive Plan expires on March 30, 2016 and the Non-Employee Director Stock Option Plan expires on April 14, 2016. Prior to the approval of the plans, the Company issued options to purchase 724,333 shares of the Company's common stock under the Equity Incentive Plan and options to purchase 230,000 shares of the Company's common stock under the Non-Employee Director Stock Option Plan. On the date the plans were approved, the Company determined the final fair value related to these options. In the first nine months of 2007, the Company issued options to purchase 175,660 shares of the Company's common stock to employees under the Equity Incentive Plan. Share-based compensation expenses were \$148,554 and \$91,735 for the quarters ended September 30, 2007 and 2006, respectively, and \$880,903 and \$621,408 for the nine months ended September 30, 2007 and 2006, respectively. The Company estimates that an additional \$158,827 of share-based compensation will be recognized for the remainder of 2007.

The fair value of each award is estimated on the date of the grant using the Black-Scholes option-pricing model, assuming no expected dividends and the following assumptions:

	<u>2007 Grants</u>	<u>2006 Grants</u>
Expected volatility factors	97.0 to 97.9%	61.7%
Approximate risk free interest rates	5.0%	5.0%
Expected lives	3.45 to 3.75 Years	5 Years

The Company accounts for equity instruments issued for services and goods to non-employees under SFAS 123(R), "Share-Based Payment"; EITF 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services"; and EITF 00-18, "Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees." Generally, the equity instruments issued for services and goods are shares of the Company's common stock or warrants to purchase shares of the Company's common stock. These shares or warrants generally are fully-vested, nonforfeitable and exercisable at the date of grant and require no future performance commitment by the recipient. The Company expenses the fair market value of these securities over the period in which the related services are received.

### 10. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates of the Company are the allowance for

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doubtful accounts, deferred tax assets, deferred revenue, depreciable lives and methods of property and equipment, valuation of warrants and other stock-based compensation and valuation of recorded goodwill and intangible assets. Actual results could differ from those estimates.

### **NOTE B — ACQUISITION OF MCGILL DIGITAL SOLUTIONS, INC.**

On August 16, 2007, the Company closed the transaction contemplated by the Stock Purchase Agreement by and between the Company, and Robert Whent, Alan Buterbaugh and Marlene Buterbaugh (the "Sellers"). Pursuant to such closing, the Company purchased all of the Sellers' stock in holding companies that own McGill Digital Solutions, Inc. ("McGill"), based in Windsor, Ontario, Canada. The holding companies acquired from the Sellers and McGill were amalgamated into one wholly-owned subsidiary of the Company. The results of operations of McGill have been included in the Company's consolidated financial statements since August 16, 2007. McGill is a provider of custom interactive software solutions used primarily for e-learning and digital signage applications. Most of McGill's revenue is derived from products and solutions provided to the automotive industry.

The Company acquired the shares from the Sellers for an aggregate cash consideration of \$3,130,929, subject to potential adjustments, and 50,000 shares of the Company's common stock. The Company also incurred \$178,217 in direct costs related to the acquisition. In addition, the Company will pay earn-out consideration to the Sellers of up to \$1,000,000 (CAD) and 50,000 shares of the Company's common stock if specified earn-out criteria are met. The earn-out criteria for 2007 are at least \$4,100,000 (CAD) gross sales and a gross margin equal to or greater than 50%. If the 2007 earn-out criteria are met, 25% of the earn-out consideration would be paid. The earn-out consideration for 2008 consists of gross sales of at least \$6,900,000 (CAD) and a gross margin equal to or greater than 50% which, if achieved, would allow the Sellers to earn the remainder of the earn-out consideration.

The Company has accounted for the acquisition of the assets of McGill by utilizing the generally accepted accounting principles of SFAS Nos. 141, "Business Combinations", and 142, "Goodwill and Other Intangible Assets". Under the purchase method of accounting, the assets and liabilities of McGill were recorded as of the acquisition date, at their respective fair values, and consolidated with those of the Company. The preliminary allocation of the net purchase price of the acquisition resulted in goodwill of approximately \$2,072,110. The purchase price allocation is based on preliminary estimates of fair values of assets acquired and liabilities assumed. The Company is in the process of gathering information to finalize its valuation of certain assets, primarily the valuation of any intangible assets that have been acquired. The purchase price allocation will be finalized once the Company has all the necessary information to date. The valuation requires the use of significant assumptions and estimates. These estimates were based on assumptions the Company believes to be reasonable. However, actual results may differ from these estimates.

The \$3,621,146 purchase price of the acquired company, as of the acquisition date consisted of the following:

#### **Item**

Cash payment to the sellers	\$3,130,929
Transaction costs	<u>178,217</u>
Total cash consideration	3,309,146
Stock issuance	<u>312,000</u>
Total purchase price	<u>\$3,621,146</u>

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The Company has preliminarily allocated the total cost of the acquisition, as follows:

<b>Tangible Assets:</b>	
Current Assets (including deposits)	\$1,386,202
Property and Equipment	326,811
<b>Intangible Assets:</b>	
Goodwill	<u>2,072,111</u>
<b>Total Assets Acquired</b>	<b>\$3,785,124</b>
<b>Liabilities Assumed/Incurred:</b>	
Debt	\$ 19,092
Current Liabilities	<u>144,886</u>
<b>Net Assets Acquired</b>	<b>\$3,621,146</b>

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company as if the acquisition of McGill had occurred at January 1, 2006, the beginning of the earliest period presented. The historical consolidated financial information has been adjusted to give the effect to include a decrease in interest income related to the amount paid as the purchase price to the former shareholders of McGill. The unaudited pro forma condensed consolidated financial information is presented for informational purposes only. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the acquisition been completed on the dates indicated. In addition, the unaudited pro forma condensed consolidated financial information does not purport to project the future financial position or operating results of the Company after completion of the acquisition.

### Pro Forma Summary

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
Net Sales	\$ 1,740,811	\$ 2,284,357	\$ 6,575,337	\$ 5,773,580
Cost of sales	942,722	1,028,492	3,687,244	3,093,299
Operating expenses	3,485,477	1,801,022	10,287,421	5,698,639
Interest expense	12,076	1,603,583	33,994	2,951,701
Loss on debt modification	—	—	—	367,153
Interest income	421,296	14,265	761,772	36,314
Other	115,944	26,968	117,435	117,546
Net loss	<u>\$ (2,394,112)</u>	<u>\$ (2,161,443)</u>	<u>\$ (6,788,985)</u>	<u>\$ (6,418,444)</u>
Basic and diluted loss per common share	<u>\$ (0.17)</u>	<u>\$ (2.39)</u>	<u>\$ (0.58)</u>	<u>\$ (7.45)</u>
Basic and diluted weighted average shares outstanding	<u>14,419,262</u>	<u>904,169</u>	<u>11,615,993</u>	<u>861,174</u>

### NOTE C — DOMESTIC AND FOREIGN OPERATIONS

Net sales per geographic region are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
United States	\$ 1,013,008	\$ 955,055	\$ 4,175,291	\$ 1,744,978
Canada	110,925	28,133	199,941	172,436
Total sales	<u>\$ 1,123,933</u>	<u>\$ 983,188</u>	<u>\$ 4,375,232</u>	<u>\$ 1,917,414</u>

**Geographic Segments of Assets**

	Wireless Ronin Canada As of September 30, 2007	Wireless Ronin USA As of September 30, 2007	Consolidated As of September 30, 2007
Current Assets	1,375,613	36,578,236	37,953,849
Property & Equipment	347,797	1,314,446	1,662,243
Other Assets	2,260,730	470,087	2,730,817
Total Assets	<u>3,984,140</u>	<u>38,362,769</u>	<u>42,346,909</u>

Current assets consist primarily of cash equivalents, receivables, inventories, and other current assets. Other assets primarily consist of goodwill, restricted cash, and deposits.

**NOTE D — CONCENTRATION OF CREDIT RISK**

The Company maintains its cash balances with several financial institutions. At times, deposits may exceed federally insured limits.

A significant portion of the Company's revenues are derived from a few customers. Customers with greater than 10% of total sales are represented on the following table:

Customer	Nine Months Ended September 30, 2007	Year Ended December 31, 2006
A	56.1%	*
B	*	11.6%
C	*	15.9%
D	*	11.4%
	<u>56.1%</u>	<u>38.9%</u>

\* Sales to this customer were less than 10% of total sales for the period reported.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. As of September 30, 2007, a significant portion of the Company's accounts receivable was concentrated with one customer. Customers with greater than 10% of total accounts receivable are represented on the following table:

Customer	September 30, 2007	December 31, 2006
A	56.7%	*
B	*	17.7%
C	*	13.1%
D	*	11.5%
E	*	11.4%
	<u>56.7%</u>	<u>53.7%</u>

\* Accounts receivable from this customer were less than 10% of total accounts receivable for the period reported.

**NOTE E — INVENTORIES**

*Inventories consisted of the following:*

	September 30, 2007	December 31, 2006
Finished goods	\$ 394,477	\$ 158,051
Product components and supplies	265,992	97,799
	<u>\$ 660,470</u>	<u>\$ 255,850</u>

The Company has recorded lower of cost or market adjustments on certain finished goods, product components and supplies. The Company recorded expense of \$0 for the quarter ended September 30, 2007 and \$37,410 during the year ended December 31, 2006, respectively, related to market adjustments to cost of sales.

[Table of Contents](#)**NOTE F — DEFERRED REVENUE**

Deferred revenue consisted of the following:

	September 30, 2007	December 31, 2006
Deferred customer billings	\$ 367,263	\$ —
Deferred maintenance	106,334	149,555
Customer deposits	93,462	53,316
Costs and estimated earnings in excess of billings	(35,360)	—
	<u>\$ 531,699</u>	<u>\$ 202,871</u>

During the three months ended March 31, 2007, the Company billed initial deposits for \$832,167 for new business. The Company recognized \$554,679 of the \$832,167 of deposits during the three months ended June 30, 2007 when all elements of the Company's revenue recognition policy were met. The Company deferred an additional \$89,776 of customer billings during the three months ended September 30, 2007. The Company expects to recognize the remaining balance upon completion of the projects.

**NOTE G — ACCRUED LIABILITIES**

Accrued liabilities consisted of the following:

	September 30, 2007	December 31, 2006
Compensation	\$ 270,736	\$ 347,083
Deferred gain on sale leaseback	4,387	30,241
Accrued rent	42,166	—
Accrued remaining lease obligation (Note H)	191,207	—
Due to former owners of subsidiary	322,629	—
Sales tax and other	109,172	17,373
	<u>\$ 940,297</u>	<u>\$ 394,697</u>

During 2004, the Company entered into a sale-leaseback transaction relating to certain property and equipment. The transaction resulted in a gain of \$78,973. The Company deferred this gain and is recognizing it ratably over the three year term of the lease.

The Company accrued \$322,629 for a working capital adjustment related to the purchase price of its acquisition of McGill Digital Solutions, Inc. determined as of the closing date of August 16, 2007.

**NOTE H — REMAINING LEASE OBLIGATION**

On July 9, 2007, the Company moved from its former office space at 14700 Martin Drive in Eden Prairie to its new office space at 5929 Baker Road in Minnetonka. Due to the move occurring during the third quarter of 2007, a liability for the costs that will continue to be incurred under the prior lease for its remaining term without economic benefit to the Company was recognized and measured at the fair value on the cease use date, July 9, 2007. The remaining liability at September 30, 2007 was \$191,207. The prior lease termination date is November 30, 2009. Since the prior lease is an operating lease, the fair value of the liability is based on the remaining lease rentals, reduced by estimated sublease rentals that could be reasonably obtained for the property, even though the Company has not entered into a sublease to date. Other costs included in the fair value measurement are the amortization of the remaining book values of the leasehold improvements on the premises and the listing agent fee paid on the property. The existing rental obligations, additional costs incurred and expected sublease receipts are as follows:

Costs to be incurred:	
Existing rental payments	\$168,188
Expected operating costs to be incurred	\$ 66,430
Unamortized leasehold improvements	\$ 90,397
Listing agent fee	\$ 34,398
Sublease receipts:	
Expected sublease rental income	\$ 84,094
Expected reimbursement of operating costs incurred	\$ 66,430

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As of September 30, 2007 the company has incurred costs of \$18,711 in rent for the former office space. Also, the former office space has not been subleased as of September 30, 2007, but the Company is actively searching for a sub lessee. The Company calculated the present value based on a straight line allocation of the above costs and receipts over the term of the prior lease and a credit-adjusted risk-free rate of 8 percent. The costs listed above have been aggregated in the general and administrative line of the consolidated statement of operations.

### **NOTE I — TERMINATION OF PARTNERSHIP AGREEMENT**

On February 13, 2007, the Company terminated the strategic partnership agreement with Marshall Special Assets Group, Inc. ("Marshall") by signing a Mutual Termination, Release and Agreement. By entering into the Mutual Termination, Release and Agreement, the Company regained the rights to directly control its sales and marketing process within the gaming industry and will obtain increased margins in all future digital signage sales in such industry. Pursuant to the terms of the mutual Termination, Release and Agreement, the Company paid Marshall \$653,995 in consideration of the termination of all of Marshall's rights under the strategic partnership agreement and in full satisfaction of any future obligations to Marshall under the strategic partnership agreement. The termination payment of \$653,995 was recognized as a charge to the Company's first quarter 2007 earnings. Pursuant to the Mutual Termination, Release and Agreement, the Company will pay Marshall a fee in connection with sales of the Company's software and hardware to customers, distributors and resellers for use exclusively in the ultimate operations of or for use in a lottery ("End Users"). Under such agreement, the Company will pay Marshall (i) 30% of the net invoice price for the sale of the Company's software to End Users, and (ii) 2% of the net invoice price for sale of hardware to End Users, in each case collected by the Company on or before February 12, 2012, with a minimum payment of \$50,000 per year for the first three years. Marshall will pay 50% of the costs and expenses incurred by the Company in relation to any test installations involving sales or prospective sales to End Users.

### **NOTE J — FINANCIAL INSTRUMENTS**

The Company periodically uses forward contracts to manage its exposure associated with forecasted international revenue transactions denominated in the United States dollar. These contracts were not designated as hedges and, accordingly, the changes in fair value are reported in income as a component of sales. The Company has entered into various forward contracts to sell U.S. dollars aggregating between \$150,000 and \$300,000, dependent upon the exchange rate prevailing at the expiration of the contracts. The contracts are to mitigate the risk of foreign exchange rate fluctuations between the U.S. dollar and the Canadian dollar. The contracts expire on a periodic basis through December 31, 2007 in amounts between \$50,000 U.S. and \$100,000 U.S. each at exchange rates varying from 1.0550 to 1.072 Canadian dollars for each U.S. dollar.

Pursuant to terms of the Company's agreement with the counterparty to the contracts, the Company's obligations under the contracts may not exceed \$300,000. At September 30, 2007, the fair value of these contracts was not material.

### **NOTE K — SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION**

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cash paid for:		
Interest	\$ 32,273	\$ 427,200
Noncash investing and financing activities:		
Common stock issued for notes payable:		
Related parties	—	202,645
Non related parties	—	58,863
Warrants issued for notes payable:		
Related parties	—	268,872
Non-related parties	—	1,912,197
Beneficial conversion of short-term notes payable	—	1,593,048
Conversion of accounts payable into long-term notes payable-related parties	—	55,000
Conversion of accrued interest into long-term notes payable	—	76,531
Non-cash purchase of fixed assets through capital lease	—	5,910
Stock issued in acquisition of McGill Digital Solutions	312,000	—
Effect of foreign currency exchange rate changes on cash	32,279	—

**NOTE L — FOLLOW-ON OFFERING**

On June 19, 2007, the Company sold 4,290,000 shares and a selling shareholder of the Company sold 1,000,000 shares of the Company's common stock at \$7.00 per share pursuant to a registration statement on Form SB-2, which was declared effective by the SEC on June 13, 2007. The Company obtained approximately \$27.1 million in net proceeds as a result of this follow-on offering.

**NOTE M — SUBSEQUENT EVENT**

On August 10, 2007, the Company announced that its largest customer, NewSight Corporation ("NewSight"), had re-prioritized various elements of its planned digital signage system implementations, including a delay in the rollout of network installations into large, upscale malls, and the launch, installation and operation of digital signage networks in physicians' offices. In connection with NewSight's re-prioritization, the Company agreed to provide digital signage to retrofit 102 stores of an existing network and newly configure approximately 79 stores of a grocery store chain in the Midwest and mid-Atlantic regions, Meijer, Inc. ("Meijer"). In particular, the Company entered into a digital signage agreement with NewSight, effective October 12, 2007, to sell equipment, parts and supplies for 102 Meijer store installations (the "Network") and to provide the Company's software and technology for the Network for which the Company plans to charge NewSight an aggregate of approximately \$575,000. If this amount is not paid when due, the revenue will be deferred and amounts due will become part of the below-described secured promissory note.

Of the approximately \$3.1 million in revenue the Company reported during the second quarter ended June 30, 2007, approximately \$1.8 million was attributable to sales to NewSight. This amount was due and payable, pursuant to 90-day terms, on September 18, 2007. NewSight, which has advised the Company that it is in the process of raising capital, requested that its existing obligation to the Company be reflected by a secured promissory note. In addition to the Company's undertaking to complete the Network for the Meijer stores, the Company agreed to take such note and security interest in certain equipment, as described below.

Effective October 12, 2007, the Company entered into a security agreement with NewSight pursuant to which the Company acquired a security interest in certain collateral of NewSight, including existing and after acquired equipment for digital signage now or hereafter located in the Fashion Square Mall and Asheville Mall, and any grocery store premises operated by Meijer, and all related hardware and software used in connection with the Network and all proceeds from such personal property. Prior to the Company's entry into the security agreement, NewSight executed a secured note in favor of the Company in the original principal amount of \$1,753,826 with a maximum amount of \$2,500,000. Pursuant to the secured note, this debt obligation of NewSight will mature on the first to occur of (1) successful completion of NewSight's financing efforts, or (2) December 31, 2007.

In connection with the security agreement, the Company also entered into a subordination agreement with Prentice Capital Management, LP ("Creditor"), NewSight's principal creditor, acting on its behalf and as collateral agent for certain of its affiliated entities, pursuant to which Creditor has agreed that any rights or liens that Creditor may have or acquire in the collateral secured by the security agreement that the Company entered into with NewSight are junior and subordinate to the Company's security interest in such collateral.



**ITEM 2 Management's Discussion and Analysis or Plan of Operation**

**Forward-Looking Statements**

The following discussion contains various forward-looking statements within the meaning of Section 21E of the Exchange Act. Although we believe that, in making any such statement, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. When used in the following discussion, the words "anticipates," "believes," "expects," "intends," "plans," "estimates" and similar expressions, as they relate to us or our management, are intended to identify such forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from those anticipated. Factors that could cause actual results to differ materially from those anticipated, certain of which are beyond our control, are set forth in this document and in the "Cautionary Statement" section of our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 10, 2007.

Our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking statements. Accordingly, we cannot be certain that any of the events anticipated by forward-looking statements will occur or, if any of them do occur, what impact they will have on us. We caution you to keep in mind the cautions and risks described in this document and in our Cautionary Statement and to refrain from attributing undue certainty to any forward-looking statements, which speak only as of the date of the document in which they appear. We do not undertake to update any forward-looking statement.

**Overview**

Wireless Ronin Technologies, Inc. is a Minnesota corporation that has designed and developed application-specific wireless business solutions. We provide dynamic digital signage solutions targeting specific retail and service markets. We have designed and developed RoninCast, a proprietary content delivery system that manages schedules and delivers digital content over a wireless or wired network. The solutions, the digital alternative to static signage, provide customers with a dynamic and interactive visual marketing system designed to enhance the way they advertise, market and deliver their messages to targeted audiences. We sell our products throughout North America. As of September 30, 2007, we had an accumulated deficit of \$39,846,513.

**Significant Accounting Policies and Estimates**

See "Notes to Unaudited Financial Statements — Note A — Summary of Significant Accounting Policies."

**Three and Nine Months Ended September 30, 2007 Compared to Three and Nine Months Ended September 30, 2006**

Our results of operations and changes in certain key statistics for the three and nine months ended September 30, 2007 and 2006 were as follows:

	Three Months Ended September 30		Increase (Decrease)	Nine Months Ended September 30		Increase (Decrease)
	2007	2006		2007	2006	
Sales	\$ 1,123,933	\$ 983,188	\$ 140,745	\$ 4,375,231	\$ 1,917,414	\$ 2,457,817
Cost of sales	709,765	331,331	378,434	2,686,052	765,264	1,920,788
Gross profit	414,168	651,857	(237,689)	1,689,179	1,152,150	537,029
Sales and marketing expenses	715,016	278,973	436,043	1,993,189	1,057,790	935,399
Research and development expenses	319,945	193,343	126,602	827,234	623,883	203,351
General administrative expenses	2,210,632	740,856	1,469,776	5,486,440	2,482,784	3,003,656
Termination of partnership agreement	—	—	—	653,995	—	653,995
Operating expenses	3,245,593	1,213,172	2,032,421	8,960,858	4,164,457	4,796,401
Operating loss	(2,831,425)	(561,315)	(2,270,110)	(7,271,679)	(3,012,307)	(4,259,372)
Other income (expenses):						
Interest expense	(11,758)	(1,602,425)	1,590,667	(32,273)	(2,949,621)	2,917,348
Loss on debt modification	—	—	—	—	(367,153)	367,153
Interest income	467,740	2,346	465,394	899,724	8,834	890,890
Other	(7,081)	1,403	(8,484)	(8,572)	1,962	(10,534)
	448,901	(1,598,676)	2,047,577	858,879	(3,305,978)	4,164,857
Net loss	<u>\$(2,382,524)</u>	<u>\$(2,159,991)</u>	<u>\$ (222,533)</u>	<u>\$(6,412,800)</u>	<u>\$(6,318,285)</u>	<u>\$ (94,515)</u>

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Net sales per geographic region for the three and nine month periods ended September 30, 2006 and September 30, 2007 were as follows:

	Three Months Ended September 30		Increase (Decrease)	Nine Months Ended September 30		Increase (Decrease)
	2007	2006		2007	2006	
United States	\$1,013,008	\$955,055	\$57,952.81	\$4,175,291	\$1,744,978	\$2,430,313
Canada	110,925	28,133	82,794	199,941	172,436	27,505
Total Sales	<u>\$1,123,933</u>	<u>\$983,188</u>	<u>\$ 140,745</u>	<u>\$4,375,232</u>	<u>\$1,917,414</u>	<u>\$2,457,818</u>

### Sales

Our sales increased by \$140,745 and \$2,457,818 for the three and nine months ended September 30, 2007, compared to the same periods in the prior year. The increases in revenue were due primarily to the timing of orders and the timing of satisfaction of all elements required for revenue recognition. In the second quarter of 2007, we recognized previously deferred revenue of \$554,679 for projects billed but not completed as of June 30, 2007. In the first quarter of 2006, we recognized previously deferred revenue of \$236,000 for a restaurant industry license as a result of signing a new agreement with the customer in March 2006.

### Cost of Sales

Our cost of sales increased by \$378,434 and \$1,920,788 for the three and nine months ended September 30, 2007 compared to the same periods in the prior year. The increases in cost of sales were a direct result of a slight increase in revenue offset by a larger percentage of hardware and other lower margin non-software sales. We also recognized \$30,962 in costs on deferred revenue of \$89,776 during the second quarter of 2007.

### Operating Expenses

Our operating expenses increased by \$2,032,421 and \$4,796,402 for the three and nine months ended September 30, 2007 compared to the same periods in the prior year. The acquisition of McGill accounted for \$273,447 of this increase in operating expenses for both the three and nine month periods ended September 30, 2007. The largest factors in these increases were the below described termination of a partnership agreement for \$653,995 in the first quarter of 2007 and salaries and related costs totaling \$575,430 and \$1,320,062 for the three and nine months ended September 30, 2007 directly related to our increase in headcount from 30 to 59 associates. We incurred additional compensation expense associated with stock options of \$240,278 and \$442,964 for such periods, respectively, as a result of option grants to associates. Our rent increased \$262,424 for the three and nine months ended September 30, 2007 due to moving to larger office space and the write-off of our remaining lease obligation on our former office space. We also increased our advertising costs by \$143,917 and \$367,495 for such periods, respectively, as a result of tradeshow participation and the continued marketing of RoninCast. Our expenses also increased due to higher professional fees of \$412,711 and \$965,249 for the three and nine months ended September 30, 2007, largely due to the expense of being a public entity and growth of our business.

On February 13, 2007, we terminated a strategic partnership agreement with Marshall Special Assets Group, Inc., a company that provides financing services to the Native American gaming industry, by signing a Mutual Termination, Release and Agreement. We paid \$653,995 in consideration of the termination of all rights under the strategic partnership agreement and in full satisfaction of any further obligations under the strategic partnership

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agreement. Going forward, we will pay a fee in connection with sales of our software and hardware to customers, distributors and resellers for use exclusively in the ultimate operations of or for use in a lottery ("End Users"). Under such agreement, we will pay a percentage of the net invoice price for the sale of our software and hardware to End Users, in each case collected by us on or before February 12, 2012, with a minimum annual payment of \$50,000 for three years. We will be reimbursed for 50% of the costs and expenses incurred by us in relation to any test installations involving sales or prospective sales to End Users.

### **Interest Expense**

Interest expense decreased by \$1,590,667 and \$2,917,348 for the three and nine months ended September 30, 2007 compared to the same periods in the prior year. The decreases in interest expense were due to lower debt levels in the first three quarters of 2007 from the first three quarters of 2006. We either converted or paid off all outstanding debt as of December 31, 2006, with the exception of capital leases.

### **Interest Income**

Interest income increased by \$465,394 and \$890,890 for the three and nine months ended September 30, 2007 compared to the same periods in the prior year. The increases in interest income were due to significantly higher cash balances as a result of our initial public offering in November 2006 and the follow-on offering we closed on June 19, 2007.

### **Liquidity and Capital Resources**

#### *Operating Activities*

We do not currently generate positive cash flow. Our investments in infrastructure have been greater than sales generated to date. As of September 30, 2007, we had an accumulated deficit of \$39,846,513. The cash flow used in operating activities was \$5,716,202 and \$3,040,441 for the nine months ended September 30, 2007 and 2006, respectively. Based on our current expense levels, we anticipate that our cash will be adequate to fund our operations for the next twelve months.

#### *Investing Activities*

On August 16, 2007, we closed the transaction contemplated by the Stock Purchase Agreement, dated August 1, 2007, by and between our company, and Robert Whent, Alan Buterbaugh and Marlene Buterbaugh (the "Sellers"). Pursuant to such closing, we purchased all of the Sellers' stock in holding companies that own McGill Digital Solutions, Inc. ("McGill"), based in Windsor, Ontario, Canada.

We acquired the shares from the Sellers for an aggregate cash consideration of \$3,130,929, subject to potential adjustments, and 50,000 shares of our common stock. We also incurred \$178,217 in direct costs related to the acquisition. In addition, we will pay earn-out consideration to the Sellers of up to \$1,000,000 (CAD) and 50,000 shares of our common stock if specified earn-out criteria are met. The earn-out criteria for 2007 are at least \$4,100,000 (CAD) gross sales and a gross margin equal to or greater than 50%. If the 2007 earn-out criteria are met, 25% of the earn-out consideration would be paid. The earn-out consideration for 2008 consists of gross sales of at least \$6,900,000 (CAD) and a gross margin equal to or greater than 50% which, if achieved, would allow the Sellers to earn the remainder of the earn-out consideration.

Using a portion of the net proceeds from our public offerings, we purchased \$16,422,597 and sold \$14,564,800 of marketable securities during the nine months ended September 30, 2007. Such marketable securities consisted of debt securities issued by federal government agencies with maturity dates in 2007.

#### *Financing Activities*

We have financed our operations primarily from sales of common stock, exercise of warrants, and the issuance of notes payable to vendors, shareholders and investors. For the nine months ended September 30, 2007 and 2006, we generated \$27,470,936 and \$3,543,482 from these activities, respectively.

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As of September 30, 2007, we did not have any significant debt, with the exception of capital leases. We plan to use our available cash to fund operations, which includes the continued development of our products, infrastructure and attraction of customers

On June 19, 2007, we sold 4,290,000 shares and a selling shareholder sold 1,000,000 shares of our common stock at \$7.00 per share pursuant to a registration statement on Form SB-2, which was declared effective by the SEC on June 13, 2007. We obtained approximately \$27.1 million in net proceeds as a result of this follow-on offering.

On April 17, 2007, we invested \$50,000 in a bank certificate of deposit that was required for our bank's credit card program. This cash is classified as restricted cash on our balance sheet.

On April 6, 2007, we deposited \$400,000 cash in a bank as collateral for a letter of credit issued to support the landlord's upfront investments totaling \$492,000 in connection with a new lease for office space. The collateral is reduced over time as the letter of credit is reduced. The term of the letter of credit is 31 months.

On March 23, 2007, we contracted with an outside consulting firm to provide implementation assistance in connection with a new accounting system, customer relationship management software, and Sarbanes-Oxley documentation and testing. During the second quarter of 2007, we expanded our scope of services and anticipate these services will cost approximately \$300,000.

We believe we can continue to develop our sales to a level at which we will become cash flow positive. Based on our current expense levels and existing capital resources, we anticipate that our cash will be adequate to fund our operations for the next twelve months.

### **2007 Outlook**

We have been advised by NewSight Corporation, our largest customer during the first nine months of 2007, that NewSight has re-prioritized various elements of its planned digital signage system implementations. In particular, NewSight has delayed the rollout of network installations into large, upscale malls, and the launch, installation and operation of digital signage networks in physicians' offices throughout the U.S. As a new top digital signage priority for NewSight, we have entered into an agreement to provide digital signage to a large grocery store chain in the mid-Atlantic region. In particular, we will retrofit 102 stores of their existing network and newly configure approximately 79 stores. NewSight plans to allocate certain equipment purchased from us during the second quarter of 2007 for these installations. Despite the addition of the grocery store chain installations, NewSight's re-prioritization of pending projects will negatively impact our 2007 revenue from NewSight. On October 3, 2007, we publicly announced that we expect our full year 2007 sales to range from \$6 million to \$8 million.

### **Contractual Obligations**

#### *Operating and Capital Leases*

We lease certain equipment under three capital lease arrangements. The leases require monthly payments in the aggregate of \$11,443, including interest imputed at 16% to 22% per year through December 2009.

We lease approximately 8,610 square feet of office and warehouse space under a five-year operating lease that extends through November 30, 2009. The monthly lease obligation is currently \$6,237 and adjusts annually with monthly payments increasing to \$6,560 in August 2009. We are currently attempting to sub-lease this facility. During the three months ended September 30, 2007, we recognized a liability of \$191,207 for anticipated remaining net costs of this lease obligation. In addition, we lease additional warehouse space of approximately 2,160 square feet. This lease expires in September 2007 and has a monthly payment obligation of \$1,350.

On April 26, 2007, we entered into a lease arrangement for office space. The lease commenced July 9, 2007. The lease is for 67 months and is for approximately 19,000 square feet located in Minnetonka, Minnesota. The lease contains financial terms that adjust over time and extends through January 2013.

We lease equipment under a non-cancelable operating lease that requires monthly payments of \$441 through December 2008.

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Our Canadian subsidiary entered into a lease arrangement for office space commencing on July 1, 2007. The lease is for 24 months and for approximately 14,930 square feet located in Windsor, Ontario, Canada. The lease can be renewed two further terms of two years each with the same terms except that the fixed minimum rent would be fixed by mutual agreement and there would be no further right of renewal.

The following table summarizes our obligations under contractual agreements as of September 30, 2007 and the time frame within which payments on such obligations are due.

Contractual Obligations	Payments due by period				
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Capital lease obligations, including interest	\$ 291,615	\$ 144,696	\$ 137,550	\$ 9,369	\$ —
Operating lease obligations	\$1,267,139	\$ 311,878	\$ 528,113	\$ 365,554	\$ 61,594
Total obligations	<u>\$1,558,754</u>	<u>\$ 456,574</u>	<u>\$ 665,663</u>	<u>\$ 374,923</u>	<u>\$ 61,594</u>

Based on our working capital position at September 30, 2007, we believe we have sufficient working capital to meet our current obligations.

### Off-Balance Sheet Arrangements

Other than as set forth in "Notes to Unaudited Financial Statements — Note A — Summary of Significant Account Policies — Restricted Cash" and the above "Contractual Obligations," we do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," ("FIN 48") an interpretation of FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (i.e. a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. FIN 48 also requires expanded disclosures including identification of tax positions for which it is reasonably possible that total amounts of unrecognized tax benefits will significantly change in the next 12 months, a description of tax years that remain subject to examination by a major tax jurisdiction, a tabular reconciliation of the total amount of unrecognized tax benefits at the beginning and end of each annual reporting period, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate and the total amounts of interest and penalties recognized in the statements of operations and financial position. FIN 48 is effective for public companies for fiscal years beginning after December 15, 2006. Effective January 1, 2007, we adopted FIN 48. Upon adoption, there were no unrecognized income tax benefits and the adoption of FIN 48 had no effect on shareholders' equity. We do not expect any material change or liability associated with uncertain tax positions through December 31, 2007. We recognize accrued interest and penalties related to uncertain tax positions in income tax expense. At January 1, 2007, we had no accruals for the payment of tax related interest and there were no tax interest or penalties recognized in the statement of operations. Our federal and state tax returns are potentially open to examinations for years 2003-2006.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No 115." SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," applies to all entities with available-for-sale or trading securities. For financial instruments elected to be accounted for at fair value, an entity will report the unrealized gains and losses in earnings. SFAS No. 159 is effective

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for fiscal years beginning after November 15, 2007. We are currently assessing the impact SFAS No. 159 will have on our financial statements.

### **Quantitative and Qualitative Disclosures about Market Risk**

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, and accounts receivables. We maintain our accounts for cash and cash equivalents and marketable securities principally at one major bank. We invest our available cash in United States government securities and money market funds. We have not experienced any losses on our deposits of our cash, cash equivalents, or marketable securities.

We currently have outstanding \$205,447 of capital lease obligations at a fixed interest rate. We do not believe our operations are currently subject to significant market risks for interest rates or other relevant market price risks of a material nature.

We are exposed to some risk from fluctuations in foreign currency exchange rates. Since a portion of our operations and revenue occur outside of the United States, and in currencies other than the U.S. dollar, our results can be affected by changes in foreign currency exchange rates. Additionally, these changes can significantly affect intercompany balances that are denominated in different currencies. We periodically use forward contracts to manage our exposure associated with forecasted international revenue transactions denominated in United States dollars. These contracts were not designated as hedges and, accordingly, the changes in fair value are reported in income as a component of sales. We have entered into various forward contracts to sell U.S. dollars aggregating between \$150,000 and \$300,000, dependent upon the exchange rate prevailing at the expiration of the contracts. The contracts are designed to mitigate the risk of foreign exchange rate fluctuations between the U.S. dollar and the Canadian dollar.

### **Subsequent Event**

On August 10, 2007, we announced that our largest customer, NewSight Corporation ("NewSight"), had re-prioritized various elements of its planned digital signage system implementations, including a delay in the rollout of network installations into large, upscale malls, and the launch, installation and operation of digital signage networks in physicians' offices. In connection with NewSight's re-prioritization, we agreed to provide digital signage to retrofit 102 stores of an existing network and newly configure approximately 79 stores of a grocery store chain in the Midwest and mid-Atlantic regions, Meijer, Inc. ("Meijer"). In particular, we entered into a digital signage agreement with NewSight, effective October 12, 2007, to sell equipment, parts and supplies for 102 Meijer store installations (the "Network"), and to provide our software and technology for the Network for which we plan to charge NewSight an aggregate of approximately \$575,000. If this amount is not paid when due, the revenue will be deferred and amounts due will become part of the below-described secured promissory note.

Of the approximately \$3.1 million in revenue we reported during the second quarter ended June 30, 2007, approximately \$1.8 million was attributable to sales to NewSight. This amount was due and payable, pursuant to 90-day terms, on September 18, 2007. NewSight, which has advised us that it is in the process of raising capital, requested that its existing obligation to our company be reflected by a secured promissory note. In consideration of our undertaking to complete the Network for the Meijer stores, we agreed to take such note and security interest in certain equipment, as described below.

Effective October 12, 2007, we entered into a security agreement with NewSight pursuant to which we acquired a security interest in certain collateral of NewSight, including existing and after acquired equipment for digital signage now or hereafter located in the Fashion Square Mall and Asheville Mall, and any grocery store premises operated by Meijer, and all related hardware and software used in connection with the Network and all proceeds from such personal property. Prior to our entry into the security agreement, NewSight executed a secured note in favor of Wireless Ronin in the original principal amount of \$1,753,826 with a maximum amount of \$2,500,000. Pursuant to the secured note, this debt obligation of NewSight will mature on the first to occur of (1) successful completion of NewSight's financing efforts, or (2) December 31, 2007.

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In connection with the security agreement, we also entered into a subordination agreement with Prentice Capital Management, LP ("Creditor"), NewSight's principal creditor, acting on its behalf and as collateral agent for certain of its affiliated entities, pursuant to which Creditor has agreed that any rights or liens that Creditor may have or acquire in the collateral secured by the security agreement that we entered into with NewSight are junior and subordinate to our security interest in such collateral.

### **ITEM 3 Controls and Procedures**

#### **Disclosure Controls and Procedures**

We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2007, our disclosure controls and procedures were effective.

#### **Changes in Internal Control Over Financial Reporting**

On July 1, 2007, we converted to a new Microsoft Dynamics 9.0 Great Plains accounting package. This new financial accounting system enhances our financial accounting and reporting controls over our previous accounting package. There were no other changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**ITEM 1 Legal Proceedings**

Not applicable.

**ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds**

**Unregistered Sales of Equity Securities during the Third Quarter of 2007**

On July 12, 2007, two accredited investors who each held a five-year warrant for the purchase of 20,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of an aggregate of \$64,000 in connection with this warrant exercise.

On July 20, 2007, two accredited investors who each held a five-year warrant for the purchase of 20,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of an aggregate of \$64,000 in connection with this warrant exercise.

On July 23, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of \$32,000 in connection with this warrant exercise.

On July 27, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrants. We obtained gross proceeds of \$32,000 in connection with these warrant exercises.

On August 7, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of \$32,000 in connection with this warrant exercise.

On August 10, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrants. We obtained gross proceeds of \$32,000 in connection with these warrant exercises.

On August 14, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of \$32,000 in connection with this warrant exercise.

On August 16, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrants. We obtained gross proceeds of \$32,000 in connection with these warrant exercises.

On August 21, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of \$32,000 in connection with this warrant exercise.

On August 27, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrants. We obtained gross proceeds of \$32,000 in connection with these warrant exercises.

On August 27, 2007, an accredited investor who held a five-year warrant for the purchase of 5,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of \$16,000 in connection with this warrant exercise.



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On September 13, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of \$32,000 in connection with this warrant exercise.

On September 17, 2007, an accredited investor who held a five-year warrant for the purchase of 10,000 shares of common stock at \$3.20 per share exercised such warrant. We obtained gross proceeds of \$32,000 in connection with this warrant exercise.

On September 18, 2007, an accredited investor who held a five-year warrant for the purchase of 2,554 shares of common stock at \$0.22 per share exercised such warrant. We obtained gross proceeds of \$549.54 in connection with this warrant exercise.

The proceeds of each of the foregoing exercises were applied to working capital for general corporate purposes.

The foregoing issuances were made in reliance upon the exemption provided in Section 4(2) of the Securities Act and/or the safe harbor of Rule 506 under Regulation D. The certificates representing such securities contain restrictive legends preventing sale, transfer or other disposition, unless registered under the Securities Act. The recipients of such securities received, or had access to, material information concerning our company, including, but not limited to, our periodic reports and current reports, as filed with the SEC. Except as set forth above, no discount or commission was paid in connection with the issuance of shares upon the exercise of such warrants.

### **Use of Proceeds**

The SEC declared our registration statement filed on Form SB-2 under the Securities Act (File No. 333-136972) effective on November 27, 2006, in connection with the initial public offering of our common stock, \$.01 par value per share.

As of September 30, 2007, we had applied the net proceeds we received from our initial public offering as follows:

Net Proceeds	\$18,356,047
Repayment of Outstanding Debt and Accrued Interest	1,757,276
Inventory and Product Delivery Costs	3,583,033
Sales and Marketing	2,032,239
Research and Development	770,875
Maintain Facilities, including Lease Obligations	347,853
Management Compensation	439,279
Investment in Subsidiary	2,817,568
Working Capital	<u>5,477,339</u>
Remaining Net Proceeds at September 30, 2007	<u>\$ 1,130,585</u>

As of September 30, 2007, we held the remaining net proceeds in cash and cash equivalents.

### **ITEM 3 Defaults upon Senior Securities**

Not applicable.

### **ITEM 4 Submission of Matters to a Vote of Security Holders**

Not applicable.

### **ITEM 5 Other Information**

Not applicable.

### **ITEM 6 Exhibits**

See "Index to Exhibits."

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WIRELESS RONIN TECHNOLOGIES, INC.

Date: November 14, 2007

By: /s/ John A. Witham  
John A. Witham  
Executive Vice President and Chief Financial Officer

**INDEX TO EXHIBITS**

<u>Exhibit Number</u>	<u>Description</u>
3.1	Articles of Incorporation, as amended, of the Registrant (incorporated by reference to Pre-Effective Amendment No. 1 to our Registration Statement on Form SB-2 filed on October 12, 2006 (File No. 333-136972)).
3.2	Bylaws, as amended, of the Registrant.
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2	Specimen common stock certificate of the Registrant (incorporated by reference to Pre-Effective Amendment No. 1 to our Registration Statement on Form SB-2 filed on October 12, 2006 (File No. 333-136972)).
10	Stock Purchase Agreement by and between the Company, Robert Whent, Alan Buterbaugh and Marlene Buterbaugh, dated August 1, 2007 (incorporated by reference to our Current Report on Form 8-K (File No. 001-33169) filed on August 3, 2007).
31.1	Chief Executive Officer Certification, pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification, pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	Cautionary Statement, dated August 10, 2007 (incorporated by reference to our Current Report on Form 8-K (File No. 001-33169) filed on August 10, 2007).

**BYLAWS  
OF  
WIRELESS RONIN TECHNOLOGIES, INC.**

**ARTICLE 1  
OFFICES, CORPORATE SEAL  
AND SHAREHOLDER CONTROL AGREEMENT**

**Section 1.1 Registered and Other Offices.** The registered office of the Corporation in Minnesota shall be that set forth in the Articles of Incorporation or in the most recent amendment of the Articles of Incorporation or statement of the Board of Directors filed with the Secretary of State of Minnesota changing the registered office in the manner prescribed by law. The Corporation may have such other offices, within or without the State of Minnesota, as the Board of Directors shall, from time to time, determine.

**Section 1.2 Corporate Seal.** If so directed by the Board of Directors by resolution, the Corporation may use a corporate seal. The failure to use such seal, however, shall not affect the validity of any documents executed on behalf of the Corporation. The seal need only include the word "seal", but it may also include, at the discretion of the Board, such additional wording as is permitted by law.

**Section 1.3 Shareholder Control or Voting Agreement.** In the event of any conflict or inconsistency between these Bylaws, or any amendment thereto, and any shareholder control or voting agreement, whenever adopted, such shareholder control or voting agreement shall govern.

**ARTICLE 2  
MEETINGS OF SHAREHOLDERS**

**Section 2.1 Time and Place of Meetings.** Regular or special meetings of the shareholders, if any, shall be held on the date and at the time and place fixed by the Chief Executive Officer, the Chairperson of the Board, or the Board, except that a regular or special meeting called by, or at the demand of a shareholder or shareholders, pursuant to Minnesota Statutes, Section 302A.431, Subd. 2, shall be held in the county where the principal executive office is located.

**Section 2.2 Regular Meetings.** At any regular meeting of the shareholders there shall be an election of qualified successors for directors who serve for an indefinite term or whose terms have expired or are due to expire within six months after the date of the meeting. Any business appropriate for action by the shareholders may be transacted at a regular meeting. No meeting shall be considered a regular meeting unless specifically designated as such in the notice of meeting or unless all the shareholders are present in person or by proxy and none of them

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objects to such designation. Regular meetings may be held no more frequently than once per year.

**Section 2.3 Demand by Shareholders.** Regular or special meetings may be demanded by a shareholder or shareholders, pursuant to the provisions of Minnesota Statutes, Sections 302A.431, Subd. 2, and 302A.433, Subd. 2, respectively. If a regular meeting of shareholders has not been held during the immediately preceding fifteen (15) months, a shareholder or shareholders holding three (3) percent or more of the voting power of all shares entitled to vote may demand a regular meeting of shareholders by written notice of demand given to the Chief Executive Officer or the Chief Financial Officer of the Corporation. A shareholder or shareholders holding ten percent or more of the voting power of all shares entitled to vote may demand a special meeting of shareholders by written notice of demand given to the Chief Executive Officer or Chief Financial Officer of the Corporation and containing the purposes of the meeting. Within thirty (30) days after receipt of the demand by one of those officers, the Board shall cause a special meeting of shareholders to be called and held on notice no later than ninety (90) days after receipt of the demand, all at the expense of the Corporation. If the Board fails to cause a special meeting to be called and held as required by this subdivision, the shareholder or shareholders making the demand may call the meeting by giving notice as required by Minnesota Statutes, Section 302A.435, all at the expense of the Corporation. The business transacted at a special meeting is limited to the purposes stated in the notice of the meeting. Any business transacted at a special meeting that is not included in those stated purposes is voidable by or on behalf of the Corporation, unless all of the shareholders have waived notice of the meeting in accordance with Minnesota Statutes, Section 302A.435.

**Section 2.4 Quorum; Adjourned Meetings.** The holders of a majority of the voting power of the shares entitled to vote at a meeting constitute a quorum for the transaction of business; said holders may be present at the meeting either in person or by proxy. If a quorum is present when a duly called or held meeting is convened, the shareholders present may continue to transact business until adjournment, even though withdrawal of shareholders originally present leaves less than the proportion or number otherwise required for a quorum. In case a quorum shall not be present in person or by proxy at a meeting, those present in person or by proxy may adjourn to such day as they shall, by majority vote, agree upon, and a notice of such adjournment shall be mailed to each shareholder entitled to vote at least five (5) days before such adjourned meeting. If a quorum is present in person or by proxy, a meeting may be adjourned from time to time without notice, other than announcement at the meeting. At adjourned meetings at which a quorum is present in person or by proxy, any business may be transacted at the meeting as originally noticed.

**Section 2.5 Voting.** At each meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote either in person or by proxy. Unless otherwise provided by the Articles of Incorporation, each shareholder shall have one vote for each share held.

**Section 2.6 Proxies:** A shareholder may cast or authorize the casting of a vote by filing a written appointment of a proxy with an officer of the Corporation at or before the meeting at which the appointment is to be effective. The shareholder may sign or authorize the written appointment by telegram, cablegram or other means of electronic transmission, including telephonic transmission; provided that the telegram, cablegram or other electronic transmission

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sets forth or is submitted with information sufficient to determine that the shareholder authorized the appointment. Any copy, facsimile, telecommunication or other reproduction of the original of either the writing or transmission may be used in lieu of the original, provided that it is a complete and legible reproduction of the entire original.

**Section 2.7 Notice of Meetings.** Notice of all meetings of shareholders shall be given to every holder of voting shares, except where the meeting is an adjourned meeting and the date, time and place of the meeting were announced at the time of adjournment, and the adjourned meeting is held not more than one hundred-twenty (120) days after the date fixed for the original meeting date. Notice of regular meetings of shareholders shall be given at least five (5), but not more than sixty (60) days before the date of the meeting. Notice of special meetings of shareholders may be given upon not less than five (5) nor more than sixty (60) days, except that written notice of a meeting at which an agreement of merger is to be considered shall be given to all shareholders, whether entitled to vote or not, at least fourteen (14) days prior thereto. Every notice of any special meeting shall state the purpose or purposes for which the meeting has been called, and the business transacted at all special meetings shall be confined to the purpose stated in the call, unless all of the shareholders are present in person or by proxy and none of them objects to consideration of a particular item of business.

**Section 2.8 Waiver of Notice.** A shareholder may waive notice of any meeting of shareholders. A waiver of notice by a shareholder entitled to notice is effective whether given before, at or after the meeting and whether given in writing, orally or by attendance. Attendance by shareholder at a meeting is a waiver of notice of that meeting, except where the shareholder objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

**Section 2.9 Organization.** The Chairperson of the Board of Directors shall preside at each meeting of shareholders. In the absence of the Chairperson, the meeting shall be chaired by an officer of the corporation in accordance with the following order; Vice Chairperson, Chairperson of the Executive Committee, President, Executive Vice President, Senior Vice President and Vice President. In the absence of all such officers, the meeting shall be chaired by a person chosen by the vote of a majority in interest of the shareholders present in person or represented by proxy and entitled to vote thereat, shall act as Chairperson. The Secretary or in his or her absence an Assistant Secretary or in the absence of the Secretary and all Assistant Secretaries a person whom the Chairperson of the meeting shall appoint shall act as secretary of the meeting and keep a record of the proceedings thereof.

**Section 2.10 Electronic Communications.** A conference among shareholders by any means of communication through which the shareholders may simultaneously hear each other during the conference constitutes a regular or special meeting of the shareholders, if notice in accordance with these Bylaws and Minnesota law is given of a conference to every holder of shares entitled to vote as would be required under these Bylaws and under Minnesota law for a meeting, or such notice is waived in accordance with these Bylaws and Minnesota law, and if the number of shares held by the shareholders participating in the conference would be sufficient to constitute a quorum at the meeting. Participating in a conference by that means constitutes

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presence at a meeting in person or by proxy if all other requirements of Section 302A.449 are met.

Further, a shareholder may participate in a regular or special meeting of the shareholders by any means of communication through which a shareholder, other shareholders so participating, and all shareholders physically present at the meeting may simultaneously hear each other during the meeting. Participating in a meeting by that means constitutes presence at the meeting in person or by proxy if all other requirements of Section 302A.449 are met.

**Section 2.11 Authorization Without a Meeting.** Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting as authorized by law.

**Section 2.12 Record Date.** The Board of Directors may fix (or authorize an officer to fix) a date, not exceeding sixty (60) days preceding the date of any meeting of shareholders, as a record date for the determination of the shareholders entitled to notice of and to vote at such meeting, notwithstanding any transfer of shares on the books of the Corporation after any record date so fixed. When a date is so fixed, only shareholders on that date are entitled to notice and permitted to vote at the meeting of shareholders. The Board of Directors may close the books of the Corporation against the transfer of shares during the whole or any part of such period. If the Board of Directors fails to fix a record date for the determination of the shareholders entitled to notice of and to vote at any meeting of the shareholders, the record date shall be the twentieth (20th) day preceding the date of such meeting.

**Section 2.13 Regulation of Meetings.** The Board of Directors of the Company shall be entitled to make such rules or regulations for the conduct of meetings of shareholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the Chairperson of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such Chairperson, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to shareholders of record of the Company and their duly authorized and constituted proxies, and such other persons as the Chairperson shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comment by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot, unless, and to the extent, determined by the Board of Directors or the Chairperson of the meeting, meetings of shareholders shall not be required to be held in accordance with rules of parliamentary procedure.

### **ARTICLE 3 DIRECTORS**

**Section 3.1 General.** The business and affairs of the Corporation shall be managed by or shall be under the direction of the Board of Directors.

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**Section 3.2 Number, Qualifications and Term of Office.** The initial Board of Directors shall consist of one (1) person. The Board of Directors may, however, increase the number of directors and fill the vacancy or vacancies created thereby. If the number of directors has been increased by the Board of Directors as provided herein, then at the next succeeding meeting of shareholders at which directors are elected, the number of directors to be elected shall be such increased number. Directors need not be shareholders. Directors shall be natural persons. Each of the directors shall hold office until the regular meeting of the shareholders next held after his or her election, until his or her successor shall have been elected and, or until he or she shall resign or shall have been removed as hereinafter provided.

**Section 3.3 Notification of Nominations.** Nominations for the election of directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. Any shareholder entitled to vote for the election of directors at a meeting may nominate persons for election as directors only if written notice of such shareholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company not later than (i) with respect to an election to be held at an annual meeting of shareholders, ninety (90) days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated, (b) a representation that such shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (c) a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder, (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated by the Board of Directors, and (e) the consent of each nominee to serve as a director of the Company if elected. The Chairperson of a shareholder meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

**Section 3.4 Board Meetings: Place and Notice.** Meetings of the Board of Directors may be held from time to time at any place within or without the State of Minnesota that the Board of Directors may designate. In the absence of designation by the Board of Directors, Board meetings shall be held at the principal executive office of the Corporation, except as may be otherwise unanimously agreed orally or in writing or by attendance. Special or regular meetings of the Board of Directors may be called by the Chairperson of the Board, the Chief Executive Officer, or the Chief Financial Officer, upon not less than twenty-four (24) hours notice. Any director may call a Board meeting by giving not less than five (5) business days notice to all directors of the date and time of the meeting. The notice need not state the purpose of the meeting. Notice may be given by mail, telephone, telegram, telecopy or by personal service. If the meeting schedule is adopted by the Board, or if the date and time of a Board meeting has been announced at a previous meeting, no notice is required.

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**Section 3.5 Electronic Communications:** A conference among directors by any means of communication through which the directors may simultaneously hear each other during the conference constitutes a board meeting, if the same notice is give of the conference as would be required by these Bylaws and Minnesota law for a meeting, and if the number of directors participating in the conference would be sufficient to constitute a quorum at the meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

A director may participate in a board meeting not described above by any means of communication through which the director, other directors so participating, and all directors physically present at the meeting may simultaneously hear each other during the meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

**Section 3.6 Waiver of Notice.** A director may waive notice of a meeting of the Board. A waiver of notice by a director is effective, whether given before, at or after the meeting and whether given in writing, orally or by attendance. Attendance by a director at a meeting is a waiver of notice of that meeting, except where the director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, and does not participate thereafter in the meeting.

**Section 3.7 Quorum.** A majority of the directors currently holding office is a quorum for the transaction of business.

**Section 3.8 Vacancies.** Vacancies on the Board resulting from the death, resignation or removal of a director, or by an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors, even though less than a quorum. Each director elected under this Section to fill a vacancy holds office until a qualified successor is elected by the shareholders at the next regular or special meeting of the shareholders.

**Section 3.9 Committees.** The Board may by resolution establish committees in the manner provided by law. Committee members need not be directors. The following committees, if established by the Board, shall have the responsibilities set forth respectively, subject to enlargement or restriction of such responsibilities, as the Board, by resolution, shall determine:

*Audit Committee*

- Recommending the appointment of independent auditors.
- Consulting with the independent auditors on the plan of the audit.
- Reviewing, in consultation with the independent auditors, their report of audit or proposed report of audit and the accompanying management letter.
- Consulting with the independent auditors on the adequacy of internal controls.

*Compensation Committee*

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- Strategically, considers how the achievement of the overall goals and objectives of the corporation can be aided through adoption of an appropriate compensation philosophy and effective compensation program elements.
- Administratively, reviews salary progression, bonus allocations, stock awards and the awards of supplemental benefits and perquisites for key executives against the compensation objectives of the company, given its overall performance.
- Approves the compensation arrangements for the corporation's senior management; also reviews and approves the adoption of any compensation plans in which officers and directors are eligible to participate.

#### *Nominating Committee*

- Searches for and screens candidates for Board vacancies. The committee considers broader issues of composition and organization of the Board, including committee assignments and individual Board membership.
- Evaluates the Board itself and its members and reviews the company's management succession planning.

#### *Finance Committee*

- Stays informed on a timely basis about the company's financial status.
- Evaluates the financial information it receives and develops conclusions as to any plan of action needed.
- Advises corporate management and the full board in financial matters. In some cases, the Finance Committee has the authority to act for the full Board between meetings, but generally it is not empowered to act on its own.

#### *Pension Review Committee*

- Reviews and approves corporate pension policy, formal pension plans and amendments.
  - Reviews actuarial recommendations and makes recommendations regarding the corporation's contribution to the pension plans.
  - Selects asset managers and provides guidance on the specific investment philosophy to be applied to the ongoing management of the funds.
  - Monitors the performance of the corporate pension funds.
  - Monitors government actions with respect to pension governance and reporting requirements.
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#### Strategic Planning (Corporate Objectives)

- Ensures the proper future direction of the corporation by defining the basic corporate and business unit long-term strategic goals vital to the mission of creating shareholder value for the company.
- Develops strategic plans as to how the company will achieve these objectives.
- Monitors the progress of the company in achieving its long-term strategic goals.

#### *Stock Option*

- Assures that the levels and forms of the executive long-term incentive compensation programs are adequate to motivate key management to achieve the corporate long-term strategic goals.
- Involved in the design and approval of the executive long-term incentive compensation programs.
- Administers the timing and determination of the size of grants; also interprets plan provisions with regard to setting performance goals and executing plan award agreements with individuals.

#### *Investments*

- Reviews and approves all major allocations of corporate resources.
- Evaluates the financial implications of all merger, acquisition and divestiture activities.

**Section 3.10 Executive Committee.** The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by these Bylaws, may elect an Executive Committee which shall consist of not less than two Directors, including the Chief Executive Officer. When the Board of Directors is not in session, the Executive Committee shall have all power vested in the Board of Directors by law, by the Articles of Incorporation, or by these Bylaws, provided that the Executive Committee shall not have power to (i) approve or recommend to shareholders action required to be approved by shareholders; (ii) fill vacancies on the Board or on any of its committees; (iii) amend the Articles of Incorporation; (iv) adopt, amend, or repeal the bylaws; (v) approve a plan of merger not requiring shareholder approval; (vi) authorize or approve a distribution, except according to a general formula or method prescribed by the Board of Directors; or (vii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, other than within limits specifically prescribed by the Board of Directors. The Executive Committee shall report at the next regular or special meeting of the Board of Directors all action which the Executive Committee may have taken on behalf of the Board since the last regular or special meeting of the Board of Directors.

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**Section 3.11 Absent Directors.** A director may give advance written consent or opposition to a proposal to be acted on at a Board meeting. If the director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition shall be counted as a vote in favor of, or against, the proposal and shall be entered in the minutes or other record of action of the meeting if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal which the director has consented or objected.

#### **ARTICLE 4 OFFICERS**

**Section 4.1 Number.** The officers of the Corporation shall consist of a Chief Executive Officer and a Chief Financial Officer. The Chief Executive Officer shall preside at all meetings of the shareholders and directors and shall have such other duties as may be prescribed from time to time by the Board of Directors. The Chief Executive Officer shall also see that all orders and resolutions of the Board are carried into effect. The Chief Executive Officer and Chief Financial Officer shall have such other duties as are prescribed by statute. The Board may elect or appoint any other officers it deems necessary for the operation and management of the Corporation, each of whom shall have the powers, rights, duties, responsibilities and terms of office determined by the Board from time to time. Any number of offices or functions of those offices may be held or exercised by the same person. If specific persons have not been elected as President or Secretary, the Chief Executive Officer may execute instruments or documents in those capacities. If a specific person has not been elected to office of Treasurer, the Chief Financial Officer of the Corporation may sign instruments or documents in that capacity.

**Section 4.2 Vice President.** Each Vice President, if one or more are elected, shall have such powers and shall perform such duties as may be specified in the Bylaws or prescribed by the Board of Directors or by the Chairperson of the Board or by the Chief Executive Officer. In the event of the absence or disability of the Chief Executive Officer, Vice Presidents shall succeed to his or her power and duties in the order designated by the Board of Directors.

**Section 4.3 Secretary.** The Secretary, if one is elected, shall be secretary of and shall attend all meetings of the shareholders and Board of Directors and shall record all proceedings of such meetings in the minute book of the Corporation. He or she shall give proper notice of meetings of shareholders and directors. He or she shall perform such other duties as may, from time to time, be prescribed by the Board of Directors, by the Chairperson of the Board, or by the Chief Executive Officer.

**Section 4.4 Election and Term of Office.** The Board of Directors shall from time to time elect a Chairperson of the Board of Directors, Chief Executive Officer and Chief Financial Officer and any other officers or agents the Board deems necessary. Such officers shall hold office until they are removed or their successors are elected and qualified.

**Section 4.5 Delegation of Authority.** An officer elected or appointed by the Board may delegate some or all of the duties or powers of his or her office to other persons, provided that such delegation is in writing.

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**Section 4.6 Compensation of Officers.** An officer shall be entitled only to such compensation as shall be established by written contract or agreement duly approved by or on behalf of the Corporation, or established or approved by resolution of the Board of Directors. Absent such written contract, agreement or resolution of the Board of Directors, no officer shall have a cause of action against the Corporation to recover any amount due or alleged to be due as compensation for services in his or her capacity as an officer of the Corporation.

## **ARTICLE 5 SHARES AND THEIR TRANSFER**

**Section 5.1 Certificates for Shares.** Every shareholder of this Corporation shall be entitled to a certificate, to be in such form as prescribed by law and adopted by the Board of Directors, certifying the number of shares of the Corporation owned by him or her. The certificates shall be numbered in the order in which they are issued and shall be signed by the Chief Executive Officer and Secretary of the Corporation; provided, however, that when the certificate is signed by a transfer agent or registrar, the signatures of any of such officers upon the certificate may be facsimiles, engraved or printed thereon, if authorized by the Board of Directors. Such certificate shall also have typed or printed thereon such legend as may be required by any shareholder control agreement. Every certificate surrendered to the Corporation for exchange or transfer shall be canceled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so canceled.

**Section 5.2 Transfer of Shares.** Transfer of shares on the books of the Corporation may be authorized only by the shareholder named in the certificate, or the shareholder's legal representative, or the shareholder's duly authorized attorney in fact, and upon surrender of the certificate or the certificates for such shares. The Corporation may treat, as the absolute owner of shares of the Corporation, the person or persons in whose name or names the shares are registered on the books of the Corporation.

**Section 5.3 Lost Certificates.** Any shareholder claiming that a certificate for shares has been lost, destroyed or stolen shall make an affidavit of that fact in such form as the Board of Directors shall require and shall, if the Board of Directors so requires, give the Corporation a sufficient indemnity bond, in form, in an amount, and with one or more sureties satisfactory to the Board of Directors, to indemnify the Corporation against any claims which may be made against it on account of the reissue of such certificate. A new certificate shall then be issued to said shareholder for the same number of shares as the one alleged to have been destroyed, lost or stolen.

## **ARTICLE 6 STOCK TRANSFER RESTRICTIONS**

A shareholder shall not sell, give, pledge or otherwise transfer or dispose of any of his or her shares of stock in the Corporation, whether now owned or subsequently acquired, except as provided in this Article.

**Section 6.1 Voluntary Lifetime Transfers.** If a shareholder desires to sell any of his or her shares (such shareholder being referred to in this Article 6 as the "Selling Shareholder"), and

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he or she has received a bona fide offer to purchase the same, such shareholder shall give written notice to the Corporation and the other shareholders of such fact, giving the name and address of the proposed purchaser or transferee and of the number of shares to be sold (such number of shares being referred to in this Article 6 as the "Sale Shares") accompanied by satisfactory written evidence of the offer to purchase indicating both purchase price and payment terms (such offer being referred to in this Article 6 as the "Purchase Offer").

**Section 6.2 Right of Corporation to Purchase Shares.** For a period of thirty (30) days after the aforesaid notice, the Corporation shall have the first right to buy all or a portion of the Sale Shares on the same terms and conditions as those contained in the Purchase Offer. Said right shall be exercised by delivering to the Selling Shareholder a writing specifying the number of shares to be purchased by the Corporation. If the shares to be purchased by the Corporation comprise all of the Sale Shares, the written notice of exercise shall also designate a place and time for a closing which shall be within thirty (30) days thereafter. If the shares to be purchased by the Corporation comprise less than all of the Sale Shares, the closing of the purchase shall occur at the same place and time as the closing specified in Section 6.3. At the closing, the Corporation shall pay to the Selling Shareholder the purchase price for the Sale Shares purchased in accordance with the payment terms contained in the Purchase Offer, and the Selling Shareholder shall deliver to the Corporation stock certificates, duly endorsed for transfer, representing the same.

**Section 6.3 Right of Shareholders to Purchase.** For a period of fifteen (15) days beginning with the termination of the aforesaid thirty (30) day period, the other shareholders shall have the right to buy on the same terms and conditions as those contained in the Purchase Offer, the portion of the Sale Shares which the Corporation did not elect to purchase. Each shareholder who exercises his or her right of purchase shall have the right to buy the same proportion of said portion of the Sale Shares as his or her holding of shares of stock in the Corporation bears to the total number of shares of stock held by all shareholders who exercise their respective rights of purchase. Said right of purchase shall be exercised by delivering to the Selling Shareholder written notice specifying the number of shares to be purchased and designating a common place and time for closing which shall be within ten (10) days thereafter. At the closing, each shareholder who has exercised his or her right of purchase shall pay to the Selling Shareholder the purchase price for the shares purchased in accordance with the payment terms contained in the Purchase Offer, and the Selling Shareholder shall deliver to each such shareholder stock certificates, duly endorsed for transfer, representing the number of Sale Shares purchased by him or her.

**Section 6.4 Sale of All Shares.** Notwithstanding the foregoing, unless the Corporation and/or the other shareholders elect to purchase all of the Sale Shares as above provided, the Selling Shareholder shall not be required to sell to them any of the Sale Shares; instead, the Selling Shareholder shall be entitled for a period of forty-five (45) days following the expiration of the purchase right of the other shareholders, to sell the Sale Shares to the proposed purchaser in accordance with the terms of the Purchase Offer. Shares purchased by the proposed purchaser shall remain subject to the provisions of this Article 6.

**Section 6.5 Involuntary Transfer.** In the case of the involuntary sale or other involuntary transfer or disposition of the shares of a shareholder, this Article 6 shall apply in the

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following manner: immediately upon the acquisition of such shares of stock, the transferee thereof shall furnish written notice to the Corporation and the other shareholders (in care of the Corporation at its business headquarters) indicating that such transferee has acquired the shares and the price and payment terms therefor accompanied by satisfactory evidence of the same. Upon receipt of such notice, the Corporation and the other shareholders, successively, shall have the right to purchase all or such part as they may determine of the shares acquired by the transferee in the manner heretofore provided in Sections 6.2 and 6.3 of this Article 6 in the case of a Selling Shareholder, the purchase price and payment terms for such shares to be the same as those which were applicable to the transaction by which the transferee acquired the shares. Shares which are not purchased from the transferee shall remain subject to the restrictions of Sections 6.2 and 6.3 of this Article 6.

**Section 6.6 Death of Shareholder.** In the case of the death of a shareholder, the provisions of this Article 6 shall apply in the following manner. To the extent that the legal representative of the deceased shareholder's estate desires to sell any of the shares of the deceased shareholder, the first right of purchase heretofore conferred under Sections 6.2 and 6.3 of this Article 6 on the Corporation and the other shareholders shall be fully applicable. To the extent that the legal representative of the deceased shareholder's estate desires to distribute such shares to the beneficiaries of the estate, he or she shall be permitted to do so without being required to first offer such shares to the Corporation and the other shareholders, but the shares of stock so acquired by the beneficiaries of the estate shall remain fully subject to the restrictions of this Article 6.

For the purposes hereof, the purchase price of each of the shares subject to option under this Section 6.6, hereinafter called "Value", shall be determined annually by the Board of Directors effective as of the 31st day of December (the last day of the corporation's fiscal year) in the year 2000, and as of the 31st day of December of each year thereafter (the "Valuation Date") for as long as this bylaw provision shall be enforced, and such Value shall be communicated to the shareholders within ten (10) days of its determination. To determine such Value, which for the purposes hereof is intended to be the substantial equivalent of the fair market value of each share, the Board of Directors shall be guided by and shall rely upon a written valuation appraisal of the fair market value of each share made by an independent appraiser of recognized standing, knowledgeable respecting such matters. The independent appraiser shall, in addition to other factors, take into consideration the non-public market for the shares, liquidity issues and all other relevant factors. The Board of Directors, however, may in the exercise of its business judgment take into consideration in setting the Value all relevant facts and circumstances affecting such determination. Value determined as of the Valuation Date next preceding the event giving rise to the offer to sell, shall apply to the transaction regardless of when the closing takes place.

The cash surrender value of all life insurance policies insuring the lives of shareholders shall be included as assets of the Corporation, but the proceeds of such life insurance policies shall be excluded. Except as modified herein, the same generally accepted accounting principles and practices which have been consistently applied in the preparation of financial statements of the Corporation shall be employed in determining Value. Appropriate adjustment of the Value shall be made for changes in the capital structure of the Corporation, including any stock dividend, split-up or recapitalization occurring after the determination of Value.

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**Section 6.7 Legend on Certificates.** It is intended that the provisions of this Section 6 shall apply to all shares of the Corporation whether now outstanding or subsequently issued, and there shall be conspicuously endorsed on each certificate representing such shares a legend reading as follows:

"The shares represented by this certificate are not transferable or assignable except in accordance with the bylaws of this corporation, a copy of which may be viewed at the corporation's registered office."

**Section 6.8 Remedies Not Exclusive.** In view of the fact that the shares of stock of this Corporation are shares in a closely held corporation and in view of the purpose of this Section, the remedy at law for failure of any person to comply with the terms of this Section may be inadequate, the injured person or persons, at its, his, her, or their option, shall have the right to compel specific performance of this Section in a court of competent jurisdiction. Such right shall be in addition to any other right or remedy which an injured party may have at law or in equity.

## **ARTICLE 7 INDEMNIFICATION**

**Section 7.1 Indemnification.** The Corporation shall indemnify, in accordance with the terms and conditions of Minnesota Statutes, Section 302A.521, the following persons: (a) officers and former officers; (b) directors and former directors; (c) members and former members of committees appointed or designated by the Board of Directors; and (d) employees and former employees of the Corporation. The Corporation shall not be obligated to indemnify any other person or entity, except to the extent such obligation shall be specifically approved by resolution of the Board of Directors. This Section 7.1 is for the sole and exclusive benefit of the persons designated herein and no person, firm or entity shall have any rights under this Section by way of assignment, subrogation or otherwise, and whether voluntarily, involuntarily or by operation of law.

## **ARTICLE 8 MISCELLANEOUS**

**Section 8.1 Gender References.** All references in these Bylaws to a party in the masculine shall include the feminine and neuter.

**Section 8.2 Plurals.** All references in the plural shall, where appropriate, include the singular and all references in the singular shall, where appropriate, be deemed to include the plural.

**Section 8.3 Appointment of Independent Auditors.** The Board of Directors may select and designate independent auditors of the Corporation. The Corporation may, from time to time, request that such selection and designation be approved by its shareholders. Such selection or designation and approval shall remain in effect until such time as the Board of Directors selects and designates a different firm of auditors or the shareholders approve the selection and designation of a different firm of auditors.

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**CERTIFICATION**

I, John P. Behr, do hereby certify that I am the duly elected, qualified or acting Chief Executive Officer of Wireless Ronin Technologies, Inc., a corporation organized under the laws of the State of Minnesota, and that the foregoing is a true and correct copy of the Bylaws adopted by written consent of the Board of Directors of said corporation effective March 23, 2000.

/s/ John P. Behr

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**AMENDMENT TO BYLAWS  
OF  
WIRELESS RONIN TECHNOLOGIES, INC.  
EFFECTIVE MAY 28, 2004**

- Amend and restate Section 2.9 to read in its entirety as follows:

"The Chief Executive Officer of the Board of Directors shall preside at each meeting of the shareholders. In the absence of the Chief Executive Officer, the meeting shall be chaired by the Chairperson of the Board of Directors or an officer of the corporation in accordance with the following order: Vice Chairperson, Chairperson of the Executive Committee, President, Executive Vice President, Senior Vice President and Vice President. In the absence of all such officers, the meeting shall be chaired by a person chose by the vote of a majority in interest of the shareholders present in person or represented by proxy and entitled to vote thereat, shall act as Chairperson. The Secretary or in his or her absence an Assistant Secretary or in the absence of the Secretary and all Assistant Secretaries a person whom the Chairperson of the meeting shall appoint shall act as secretary of the meeting and keep a record of the proceedings thereof."

- Amend and restate Section 3.2 to read in its entirety as follows:

"The Board of Directors shall consist of three (3) persons. However, the number of directors to constitute the Board of Directors shall hereafter be determined from time to time by resolution of the Board of Directors. The Board of Directors may fill any vacancies created by an increase in the number of directors. If the number of directors has been increased by the Board of Directors as provided herein, then at the next succeeding meeting of shareholders at which directors are elected, the number of directors to be elected shall be such increased number. Directors need not be shareholders. Directors shall be nature persons. Each of the directors shall hold office until the regular meeting of the shareholders next held after his or her election, until his or her successor shall have been elected and, or until he or she shall resign or shall have been removed as hereinafter provided."

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**BYLAW AMENDMENT REGARDING  
EXECUTIVE COMMITTEE  
EFFECTIVE MARCH 30, 2006**

Section 3.10. Executive Committee. The Board of Directors may, by resolution adopted by a majority of the whole Board of Directors, designate an Executive Committee to exercise, subject to applicable provisions of law, all the powers of the Board of Directors in the management of the business and affairs of the Corporation when the Board of Directors is not in session, including without limitation the power to declare dividends and to authorize the issuance of the Corporation's capital stock. The Executive Committee shall consist of two or more directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of the Executive Committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of the Executive Committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. The Executive Committee shall keep written minutes of its proceedings and shall report promptly such proceedings to the Board of Directors.

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**AMENDMENT TO BYLAWS  
OF  
WIRELESS RONIN TECHNOLOGIES, INC.  
EFFECTIVE AUGUST 16, 2007**

- Amend Section 5.1 to add the following paragraph:

“Notwithstanding any other provision in these Bylaws, some or all of any or all classes and series of shares of the Corporation may be uncertificated. The Corporation may adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates, including provisions for notice to purchasers in substitution for any required statements on certificates, and as may be required by applicable corporate securities laws, which system has been approved by the United States Securities and Exchange Commission. Any system so adopted shall not become effective as to issued and outstanding certificated securities until the certificates therefor have been surrendered to the Corporation.”

## CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO RULE 13a-14(a)

I, Jeffrey C. Mack, certify that:

1. I have reviewed the quarterly report on Form 10-QSB for the quarterly period ended September 30, 2007 of Wireless Ronin Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: November 14, 2007

By: /s/ Jeffrey C. Mack  
Jeffrey C. Mack  
President and Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO RULE 13a-14(a)

I, John A. Witham, certify that:

1. I have reviewed the quarterly report on Form 10-QSB for the quarterly period ended September 30, 2007 of Wireless Ronin Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: November 14, 2007

By: /s/ John A. Witham  
John A. Witham  
Executive Vice President and Chief  
Financial Officer

*CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350*

In connection with the Quarterly Report of Wireless Ronin Technologies, Inc. (the "Company") on Form 10-QSB for the quarterly period ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey C. Mack, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: November 14, 2007

By: /s/ Jeffrey C. Mack  
Jeffrey C. Mack  
President and Chief Executive Officer

*CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350*

In connection with the Quarterly Report of Wireless Ronin Technologies, Inc. (the "Company") on Form 10-QSB for the quarterly period ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John A. Witham, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: November 14, 2007

By: /s/ John A. Witham

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John A. Witham  
Executive Vice President and Chief  
Financial Officer