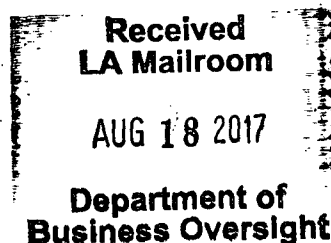


FRANCHISE DISCLOSURE DOCUMENT

Winmark Corporation
A Minnesota Corporation
605 Highway 169 N, Suite 400
Minneapolis, Minnesota 55441
Telephone: (763) 520-8500
pias-franchise-development@playitagainsports.com
www.playitagainsports.com



The franchisee will own and operate a Play It Again Sports® retail store from which the franchisee will sell quality used and new sporting goods equipment and accessories.

The total investment necessary to begin operation of a Play It Again Sports® store is from \$240,900 to \$397,900. This includes \$43,600 to \$46,400 which must be paid to us.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Department at 605 Highway 169 N, Suite 400, Minneapolis, Minnesota 55441, (763) 520-8500.

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

Buying a franchise is complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 15, 2017
As Amended: August 17, 2017

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN MINNEAPOLIS, MINNESOTA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH WINMARK CORPORATION IN MINNEAPOLIS, MINNESOTA THAN IN YOUR HOME STATE.

2. ALL OWNERS OF 10% OR GREATER INTEREST IN THE FRANCHISEE AND THEIR SPOUSES MUST PERSONALLY GUARANTEE ALL OF THE OBLIGATIONS OF THE FRANCHISEE UNDER THE FRANCHISE AGREEMENT AND BE BOUND BY THE CONFIDENTIALITY AND NON-COMPETITION COVENANTS, WHETHER OR NOT SUCH SPOUSES ARE INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. EACH OF THESE INDIVIDUALS MUST EXECUTE A PERSONAL GUARANTY BECOMING JOINTLY AND SEVERALLY RESPONSIBLE FOR ALL AMOUNTS OWED BY AND PERFORMANCE OF ALL PROMISES OF THE FRANCHISEE UNDER THE FRANCHISE AGREEMENT. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISEE, OWNERS AND SPOUSES AT RISK.

3. AS A RESULT OF THE REPURCHASE BY US OF 400,000 SHARES OF OUR STOCK THAT OCCURRED ON AUGUST 17, 2017, PURSUANT TO A SELF-TENDER OFFER, WE CURRENTLY HAVE A SIGNIFICANT NEGATIVE NET WORTH. HAD OUR SELF-TENDER PURCHASE OCCURRED IN 2016, OUR NET WORTH WOULD HAVE BEEN (\$57,644,000) ON DECEMBER 31, 2016. HAD OUR SELF-TENDER PURCHASE OCCURRED IN THE FIRST HALF OF 2017, OUR NET WORTH WOULD HAVE BEEN (\$45,160,600) ON JULY 1, 2017. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE A FRANCHISE.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Dates: See Following Page

STATE EFFECTIVE DATES

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

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

<u>State</u>	<u>Effective Date</u>
California	March 28, 2017, as amended
Hawaii	March 24, 2017, as amended
Illinois	March 16, 2017, as amended August 18, 2017
Indiana	March 16, 2017, as amended August 17, 2017
Maryland	March 27, 2017, as amended
Michigan	March 15, 2017, as amended August 17, 2017
Minnesota	March 20, 2017, as amended
New York	March 29, 2017, as amended
North Dakota	March 21, 2017, as amended
Rhode Island	March 20, 2017, as amended
South Dakota	March 16, 2017, as amended August 17, 2017
Virginia	April 4, 2017, as amended
Washington	March 23, 2017, as amended
Wisconsin	March 16, 2017, as amended

In all other states, the effective date (and issuance date) of this disclosure document is March 15, 2017, as amended August 17, 2017.

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

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

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

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

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

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

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
2 BUSINESS EXPERIENCE	4
3 LITIGATION	6
4 BANKRUPTCY	7
5 INITIAL FEES	7
6 OTHER FEES	8
7 ESTIMATED INITIAL INVESTMENT	12
8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	16
9 FRANCHISEE'S OBLIGATIONS	18
10 FINANCING	20
11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	21
12 TERRITORY	30
13 TRADEMARKS	31
14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	32
15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS	33
16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	34
17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	34
18 PUBLIC FIGURES	38
19 FINANCIAL PERFORMANCE REPRESENTATIONS	38
20 OUTLETS AND FRANCHISEE INFORMATION	41
21 FINANCIAL STATEMENTS	48
22 CONTRACTS	49
23 RECEIPTS	49

STATE-SPECIFIC ADDENDA – CALIFORNIA, HAWAII, ILLINOIS, MARYLAND, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, VIRGINIA, WASHINGTON AND WISCONSIN

EXHIBITS

- A - List of Stores
- B - List of Terminated Franchises
- C - Winmark's Audited and Unaudited Consolidated Financial Statements,
and Unaudited Pro Forma Consolidated Financial Data
- D - Play It Again Sports® Franchise Agreement (and exhibits)
- E - Letter of Credit
- F - Bank Draft Authorization
- G - Franchisee Questionnaire
- H - Equipment Lease
- I - List of State Administrators/Agents for Service of Process
- J - Receipts

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, “Winmark” or “we” means Winmark Corporation, the franchisor. “You” means the person who buys the franchise. If the Franchisee is a corporation, partnership, or other entity, “you” may also refer to its owners.

Winmark was incorporated under the laws of the State of Minnesota on July 20, 1988 under the name “Play It Again Sports Franchise Corporation.” In July 1993, Winmark’s corporate name was changed from “Play It Again Sports Franchise Corporation” to “Grow Biz International, Inc.” In November 2001, our corporate name was changed from “Grow Biz International, Inc.” to “Winmark Corporation.” Winmark’s principal business address is 605 Highway 169 N, Suite 400, Minneapolis, Minnesota 55441; our telephone number is (763) 520-8500. Winmark conducts business under the name Play It Again Sports®. Winmark also conducts business in 4 other separate lines of businesses under the names Once Upon A Child®, Music Go Round®, Plato’s Closet® and Style Encore® (see Item 1 below).

Winmark has no parent. Winmark has no predecessors that must be disclosed in this Item 1. Winmark’s affiliates include two wholly owned subsidiaries, Wirth Business Credit, Inc. (formerly Winmark Business Solutions, Inc.) and Winmark Capital Corporation. Both subsidiaries were incorporated in Minnesota on April 2, 2004, for the purpose of equipment leasing to Winmark franchisees and other businesses. The principal business address of both corporations is 605 Highway 169 N, Suite 400, Minneapolis, Minnesota 55441. Neither Wirth Business Credit, Inc. nor Winmark Capital Corporation is involved in the offer or sale of franchises.

Winmark’s agents for service of process are disclosed in Exhibit I.

Franchise Offered.

Winmark franchises Play It Again Sports® retail stores (sometimes referred to as a “Store”) under the terms of the Franchise Agreement in the form included in this disclosure document as Exhibit D (the “Franchise Agreement”). A Play It Again Sports® Store is a retail store from which you will sell quality used and new sporting goods equipment and accessories. A Play It Again Sports® franchise emphasizes consumer value by offering quality used merchandise at substantial savings from the price of new merchandise and by purchasing customers’ used goods that have been outgrown or are no longer used. A Store also offers new merchandise to supplement the selection of used goods.

The market for the goods and services which you will offer includes individuals and families active in one or more sporting activities and, to some extent, grandparents, relatives and friends purchasing sporting goods equipment. The market for used sporting goods equipment is

expanding as consumers recognize the value associated with used sporting goods equipment. The market for new sporting goods equipment is well-developed and competitive.

Winmark has developed a marketing system which creates a certain product image in the minds of customers, a business strategy for getting and keeping customers, and a distribution method for products and services. Winmark has developed all of these as part of the business system (the "Business System") which you will receive the right to use. Winmark uses and licenses certain service marks and trademarks, logos, trade dress and other commercial symbols, including the service mark Play It Again Sports® (collectively, the "Trademarks"). Winmark may, in the future, modify the Trademarks as well as add new trademarks, service marks, logos, trade dress and other commercial symbols.

The purchase of a Play It Again Sports® franchise permits you: (i) to use Winmark's nationally recognized Trademarks; (ii) to obtain access to the distinctive operational and management attributes and the collective buying power of the Play It Again Sports® Business System, including confidential manuals describing complete guidelines for the operation of a Store (the "Manuals"); (iii) the right to participate in Winmark's inventory buying group (see Item 10); and (iv) to receive the benefits of association with a nationally recognized franchise system, including various forms of opening and operational assistance from Winmark (see Item 11). You must comply with all of Winmark's requirements described in the Franchise Agreement and the Manuals. This compliance assures uniform and consistent application of the Business System which is essential to the successful operation of your Store.

If you are an existing Play It Again Sports® franchisee or an existing franchisee of one of Winmark's other brands in good standing, have been a franchisee of Winmark for at least 12 months and are opening an additional store, you must sign the Additional Store Addendum attached to the Franchise Agreement. Under special circumstances, Winmark may, at our sole discretion, waive the 12 month requirement.

Laws and Regulations.

You must comply with all laws, rules and regulations governing the operation of the Store, and obtain all permits and licenses necessary to operate the Store (including licenses to play music, videos or television in your Store, if applicable). In addition to laws and regulations that apply to businesses generally, your Store may be subject to local statutes or regulations that generally govern second-hand dealers and pawn shops. If applicable, these statutes and regulations may require that you report purchases of used merchandise, hold purchased items for a specified period before selling them and post a surety bond with a local government unit. You should check with state and local government entities to find out if these types of statutes or regulations will apply to your franchise. Your Store will also be subject to various federal, state and local government regulations, including those relating to site location.

Competition.

You will likely compete with other sporting goods resale shops, thrift and consignment shops, garage sales and Internet websites in the used sporting goods segment of this business. Play It Again Sports® franchisees face an increasing amount of additional competition as additional competitors enter the used sporting goods market.

You will face a significant number of direct competitors in the new sporting goods segment of this business. You will have to compete with retailers, particularly discount stores, selling new sporting goods equipment and relating articles. Several competitors are regional or national retail sporting goods systems and some will have significantly greater financial resources than Winmark and you.

Franchise Activities.

Winmark's business includes the administration of its franchise system (see Item 11), the sale of various inventory items to its Play It Again Sports® franchisees, and the operation of 4 other franchise systems (described below).

Winmark has offered Play It Again Sports® franchises since August 1988 and operated one or more Play It Again Sports® stores from March 1992 through April 2001. Winmark also offers franchises in 4 other lines of businesses. Winmark offers franchises for the operation of Once Upon Child® retail stores which sell used and new children's apparel, toys, equipment, furniture and accessories. Winmark has offered Once Upon A Child® franchises since January 1993 and, as of December 31, 2016, 348 Once Upon A Child® franchised stores were in operation. In addition, Winmark offers franchises for the operation of Music Go Round® retail stores which sell quality used and new musical instruments, speakers, amplifiers, music related electronics and related accessories. Winmark has offered Music Go Round® franchises since March 1994 and, as of December 31, 2016, 35 Music Go Round® franchised stores were in operation. Winmark also offers franchises for the operation of Plato's Closet® retail stores which sell used and new teen and young adult clothing and related accessories. Winmark has offered Plato's Closet® franchises since March 1999 and, as of December 31, 2016, 468 Plato's Closet® franchised stores were in operation. Winmark offers franchises for the operation of Style Encore® retail stores which sell used and new women's clothing and accessories. Winmark has offered Style Encore® franchises since April 2013 and, as of December 31, 2016, 52 Style Encore® franchised stores were in operation. Once Upon A Child®, Music Go Round®, Plato's Closet® and Style Encore® franchises are offered, if at all, in this state through separate disclosure documents describing Winmark and its franchise programs.

Winmark offered Disc Go Round® franchises (retail stores which sold used and new audio compact discs) from 1994 to 1998. Winmark offered It's About Games franchises (retail stores which sold used and new video and computer games) from 1997 to 1999. Winmark offered Computer Renaissance® franchises (retail stores which sold used and new personal computer hardware equipment, software and related accessories) from 1993 to 2000. Winmark offered ReTool® franchises (retail stores which sold used and new tools and small engine machinery) from June 1998 to November 2001. Winmark also offered Wirth Business Credit®

franchises (businesses that offered small-ticket equipment leasing and financing services) from October 2005 to February 2011. Winmark no longer offers Disc Go Round®, It's About Games, Computer Renaissance®, ReTool®, or Wirth Business Credit® franchises.

Self-Tender Offer.

Winmark (Nasdaq: WINA) is an established, publicly-traded company. In May 2015, Winmark's board of directors determined that it was in Winmark's and its shareholders' best interest to repurchase shares given Winmark's positive financial performance, its access to attractive debt capital, the relatively illiquid trading market for its common stock and the desire by Winmark's largest shareholder to obtain liquidity for a portion of his holding for estate planning purposes. Said repurchase left Winmark with a significant negative net worth. On July 19, 2017, Winmark announced the commencement of a similar self-tender offer to purchase up to 400,000 shares, or approximately 9.5% of Winmark's outstanding common stock, for a price of \$124.48 per share, which was set to expire on August 16, 2017 (unless extended or withdrawn conditioned on certain events). The tender offer was fully subscribed and was financed with Winmark's existing line of credit and an additional term loan. Information regarding both tender offers were filed with the Securities Exchange Commission ("SEC") and can be found on the SEC's website at www.sec.gov. In addition, the documents filed with the SEC can be found on Winmark's website at www.winmarkcorporation.com. As the result of the repurchase by Winmark of its 400,000 shares of stock at \$124.48 per share that occurred on or about August 17, 2017, pursuant to the current self-tender offer, Winmark again has a significant negative net worth. Referenced in Item 21 and included in Exhibit C is unaudited pro forma consolidated financial data which indicates that Winmark's net worth would have been (\$57,644,000) on December 31, 2016, if the current share repurchase had occurred in 2016, and (\$45,160,600) on July 1, 2017, if the share repurchase had occurred in the first half of 2017. Although Winmark realizes that having a significant negative net worth is not without some risk, Winmark is confident that it will continue to be in a position to support its franchisees and develop the franchise systems based on Winmark's past financial performance and long-term experience in franchising. In addition, unless future circumstances dictate that Winmark would have a need to invest its earnings and cash flow into its business or other investments, Winmark may continue to return capital to its shareholders through dividend distributions and/or stock repurchases which could result in Winmark's continued negative net worth at significant levels.

Item 2

BUSINESS EXPERIENCE

Executive Chairman, Chairman of the Board, Director: John L. Morgan

John Morgan has been Chairman of our board of directors since March 2000 and Executive Chairman of Winmark since February 2016. Mr. Morgan was Chief Executive Officer of Winmark from March 2000 to February 2016. He served as Chairman and Chief Executive Officer of Tomsten, Inc. (d/b/a Archiver's) from December 2009 through August 2012 pursuant to a management agreement entered into in December 2009 between Winmark and Tomsten, Inc.

Chief Executive Officer, Director: Brett D. Heffes

Brett Heffes was appointed to our board of directors and has served as Chief Executive Officer of Winmark since February 2016. Mr. Heffes was President of Winmark from February 2011 to February 2016. He served as President of Finance and Administration of Winmark from December 2007 to February 2011. From November 2002 to September 2008, Mr. Heffes served as Chief Financial Officer and Treasurer of Winmark.

President of Franchising: Steven A. Murphy

Steven Murphy has served as the President of Franchising since October 2006. Mr. Murphy also served as Vice President of Franchise Management of Winmark from December 2003 to October 2006.

Executive Vice President, Chief Financial Officer: Anthony D. Ishaug

Anthony Ishaug has served as Executive Vice President of Winmark since December 2016, Chief Financial Officer since September 2008 and Treasurer since November 2009.

Vice President of Human Resources: Leah A. Goff

Leah Goff has served as Vice President of Human Resources for Winmark since September 2005. From October 2000 to September 2005, Ms. Goff served as Human Resources Manager for Winmark.

Vice President, Franchise Operations: Renae M. Gaudette

Renae Gaudette has been Vice President, Franchise Operations for the Once Upon A Child®, Plato's Closet®, Music Go Round® and Style Encore® Divisions since February 2014, and Play It Again Sports® Division since July 2016. Ms. Gaudette has been employed by Winmark in various positions since 1995, including Director of Plato's Closet® Division from March 2009 to January 2014.

Director of Play It Again Sports® Division: Patrick M. Quinn

Patrick Quinn has been Director of the Play It Again Sports® Division since April 2006. Mr. Quinn served as the Director of Operations for Play It Again Sports® from April 2002 to April 2006. He has been employed by Winmark in various positions with Play It Again Sports® since 1991.

Director of Franchise Development: Peter J. First

Pete First has been Director of Franchise Development of Winmark since June 2005. Mr. First was a Franchise Developer of Winmark from April 2004 to June 2005.

Director: Kirk A. MacKenzie

Kirk MacKenzie has been a member of our board of directors since May 2000 and served as its Vice Chairman from that time until February 2011. In addition, Mr. MacKenzie is currently a private investor.

Director: Paul C. Reyelts

Paul Reyelts has been a member of our board of directors since May 2000 and serves as Lead Director. In addition, he is a director of SRD Development, LLC, and serves on the Board of Trustees of The Saint Paul Chamber Orchestra, the Minneapolis Parks Foundation Board, the Gold Medal Park Conservancy Board, the University of Minnesota College of Design Advisory Board and the Board of Friends of the Lock and Dam.

Director: Mark L. Wilson

Mark Wilson has been a member of our board of directors since May 2000. Mr. Wilson currently serves as Of Counsel at the law firm of Henson & Efron, P.A. in Minneapolis, Minnesota. In addition, he is currently a member of the Board of Directors of the Gold Medal Park Conservancy and Friends of the Lock and Dam.

Director: Jenele C. Grassle

Jenele Grassle has been a member of our board of directors since January 2001. Ms. Grassle serves as Vice President, Merchandising for Bluestem Brands, Inc. in Minneapolis, Minnesota, a position she has had since June 2012.

Vice Chairman of the Board, Director: Steven C. Zola

Steven Zola has been a member of our board of directors since February 2011 and has served as its Vice Chairman since February 2016. Mr. Zola also has served as the President of Winmark Capital Corporation since December 2005.

Director: Lawrence A. Barbetta

Lawrence Barbetta has been a member of our board of directors since April 2012. Mr. Barbetta currently serves as Chairman of the Board and Chief Executive Officer of eLab Analytics in Wayzata, Minnesota, a position he has had since 2008.

Item 3

LITIGATION

Romper Room, Inc., Romper Room II, Inc., Greg and Tammy Gering v. Winmark Corporation (United States District Court, Eastern District of Wisconsin, Case No. 1:14-cv-01217-WCG, filed October 1, 2014). Winmark terminated two Once Upon A Child® Franchise Agreements in Wisconsin because one of the franchisees' shareholders pleaded no contest to 3

counts of misdemeanor theft by fraud. Pursuant to requirements of the Wisconsin Fair Dealership Law (WFDL), Winmark gave the franchisees 90 days' notice of termination which would have rendered the Franchise Agreements terminated on October 22, 2014. However, before the termination became effective, Plaintiffs commenced this action alleging that Winmark violated Wis. Stat. §§ 135.03 and 135.04 by not providing the franchisees with 60 days to cure the default and that the criminal matter did not constitute good cause to terminate the Franchise Agreements. Plaintiffs also alleged breach of contract and sought a preliminary injunction preventing Winmark from enforcing the termination of the Franchise Agreements. On October 8, 2014, a hearing was held on Plaintiffs' Motion for Preliminary Injunction. On October 10, 2014, the Court granted Plaintiffs' Motion for Preliminary Injunction. On October 24, 2014, Winmark filed an Answer and Counterclaim seeking, among other things, dismissal of Plaintiffs' claims, declaratory judgment that Winmark had good cause to terminate the franchises, damages for the franchisee's underpayment of royalties in one store, damages in excess of \$75,000 in violation of the in-term non-competition clause and an injunction enjoining Plaintiffs from being involved in a competing clothing business. On November 3, 2014, Winmark rescinded the termination of the Franchise Agreements. In March 2015, Winmark and Plaintiffs entered into a Settlement Agreement pursuant to which Winmark agreed not to terminate the franchises based on the shareholder's plea of no contest to 3 counts of misdemeanor theft by fraud, agreed that the children of the shareholders were not currently bound by any non-competition provision under the Franchise Agreements and, in settlement of Winmark's monetary claim related to one of the stores, agreed that commencing January 1, 2015, Plaintiffs would pay 5% in royalties through the June 2015 renewal date. On March 13, 2015, the case was dismissed with prejudice pursuant to a stipulation of dismissal signed by all of the parties to the case.

Other than this action, no litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

Item 5

INITIAL FEES

You must pay to Winmark "Initial Fees" to cover the cost of goods and services that Winmark provides to you before your Store opens. The Initial Fees include the Initial Franchise Fee and the initial cost of Winmark's point-of-sale system and proprietary software. In addition, the Initial Fees include the cost of any inventory purchased from Winmark (optional). Each component of the Initial Fees is described below:

Initial Franchise Fee. If you are opening a single Store, you must pay an "Initial Franchise Fee" of \$25,000 to Winmark. The Initial Franchise Fee is \$15,000 if you are currently opening a second or subsequent Store or if you are an existing franchisee of one of Winmark's other franchised concepts. You must sign a separate Franchise Agreement for each Store, and

you must pay the Initial Franchise Fee for each Store in a lump sum to us when you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable.

Point-of-Sale (POS) System. You must use in your Store the point-of-sale system (the “POS System”) which Winmark has selected for your Business System, and you must enter into a Computer Software License Agreement with Winmark for use of Winmark’s proprietary software program (the “Proprietary Software”). The initial cost of the POS System and Proprietary Software will range from \$18,600 to \$21,400 for each Store, which includes the DRS Maintenance Fee. This amount is not refundable. You will generally purchase the POS System and Proprietary Software immediately before you attend Winmark’s second week of training. See Item 11 for additional information regarding the POS System and Proprietary Software.

Winmark, through its subsidiary, Wirth Business Credit, Inc., may lease to you the POS System or other equipment necessary to operate your Business (see Item 10). The monthly payment and finance charges will vary based on the value of the leased equipment, type of leased equipment, your financial health, your credit history, the type of lease and other factors.

Initial Inventory. You must purchase the initial inventory of new and used sporting goods and equipment necessary to commence Store operations. You may purchase certain new sporting goods and equipment from Winmark or other suppliers. When you purchase new sporting goods and equipment from Winmark or other suppliers, your costs will range from \$60,000 to \$100,000. When you buy part or all of your initial inventory of sporting goods or equipment from Winmark or other suppliers, you must pay the invoice in full at the time you place your order. Payments for inventory purchased from Winmark are not refundable. Refunds for payments for inventory purchased from other suppliers will be at the discretion of those suppliers. See Item 7 for additional information on opening inventory.

The total amount for your Initial Fees will depend on the goods and services that Winmark provides to you.

Item 6

OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Continuing Fee	5% of your “Gross Sales”; See Note 2	On or before Wednesday of each week for the previous week	See Note 3
Marketing Fee	\$1,000 per year	Due January 1 of each year	
Cooperative Advertising	Maximum amount is 5% of your Gross Sales	Established by Winmark or franchisees	See Note 4

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Local Marketing Expenses	Minimum amount, when combined with cooperative advertising expenses, is 5% of your Gross Sales.	Minimum amount must be spent during each calendar year.	See Note 5
Advertising Fee	If Winmark imposes this fee, you will pay up to 2% of your Gross Sales	If Winmark imposes this fee, it will be due before Wednesday of each week for the previous week	See Note 6
Transfer Fee	\$10,000	Before completion of transfer	See Note 7
Audit Expenses	Cost and expenses related to audit	After inspection or audit	Payable only if understatement is greater than 2%
Renewal Fee	\$5,000	30 days before renewal of Franchise Agreement	
DRS Maintenance Fee	The fee for the term of this Franchise Agreement is \$1,000. Upon renewal the then-current rate for the fee will be applied.	The fee will be due upon placement of order of POS System, and upon renewal of the Franchise Agreement	See Note 8
Remodeling Expenses	Will vary under circumstances	When incurred	See Note 9
Insurance	Will vary under certain circumstances.	When Winmark requests reimbursement	Payable to Winmark if you fail to pay insurance premium and Winmark pays it for you
Inventory	Will vary under certain circumstances.	When incurred	See Note 10
Interest Expenses	Lesser of 18% per year or maximum rate permitted by law	When due	Payable if Continuing Fee or other amounts due Winmark are not timely paid
Lease Payment	Will vary under certain circumstances	When due	Payable if you sign a lease agreement for the equipment used in your store

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Costs and Attorneys' Fees	Will vary under circumstances	When incurred	Winmark may recover costs and reasonable attorneys fees if you lose in a dispute with Winmark

Notes:

- (1) Except where otherwise noted, all fees are payable to Winmark, are uniformly imposed and are nonrefundable.
- (2) "Gross Sales" means the total revenues you receive from the sale of goods and services, whether by cash or by check, credit card or trade, in connection with the Store, less customer refunds and returns and sales or similar taxes. Gross Sales includes any sales permitted through the Internet. Gross Sales do not include wholesale transactions from Play It Again Sports® franchisees to other Play It Again Sports® franchisees in good standing with Winmark.

In certain situations, other franchisees may be paying a lower percentage rate for continuing fees than you are. All new franchisees are required to pay the percentage rate stated in this disclosure document. However, a franchisee with an earlier Franchise Agreement may have been required to pay a lower percentage rate than the stated amount or may be required to pay less upon renewal of their Franchise Agreement. In the future, Winmark may change the continuing fees for new and renewing franchisees unless your Franchise Agreement specifically grants you the right to renew your Franchise Agreement at a lower rate.

- (3) Winmark requires you to allow us to withdraw continuing and other fees directly from your bank account.
- (4) Winmark or local Play It Again Sports® franchisees may establish an advertising cooperative in your area. The local advertising cooperative will establish the amount of cooperative advertising fees. If a Company-owned store is a member of your cooperative, it will have voting power equal to that of franchised stores. Company-owned stores will not have controlling voting power in any local cooperative. There are currently no Company-owned Play It Again Sports® stores.
- (5) To the extent your annual contributions to cooperative advertising programs are less than 5% of the Gross Sales for your Store, you must conduct additional advertising and marketing activities in your local geographic area. Your local advertising activities, however, will not eliminate your obligations to contribute to cooperative advertising programs. If you do not spend at least 5% of Gross Sales for the calendar year for cooperative or local advertising, Winmark may require that you pay Winmark the difference between what you should have spent for advertising during the calendar year

and what you actually spent, with the money to be spent on advertising initiatives in your market in the subsequent year at Winmark's discretion.

- (6) Winmark may, with 60 days' notice, establish an "Advertising Fund" to be managed by Winmark and require that you pay an "Advertising Fee" of up to 2% of Gross Sales for deposit in the Advertising Fund. The balance of the 5% minimum advertising requirement must be used for cooperative advertising and local advertising.
- (7) This fee is payable when the Franchise Agreement or substantial portion of the assets of the Store or any controlling interest in the franchisee is transferred.
- (8) This fee is for upgrades to the antivirus and data base engine software that supports the DRS software and is payable when you initially order your POS System and upon renewal of your Franchise Agreement.
- (9) You must modernize your Store upon notice from Winmark, although Winmark cannot require you to do so more than once every 5 years. The modernization must conform to the standards that Winmark requires at that time for similarly situated new Play It Again Sports® Stores. The scope of modernization may range from simply repainting the Store to completely refurbishing the entire Store, including replacement of fixtures, sign supplies, equipment and POS System. Winmark cannot estimate the current costs for a modernization project because the scope and extent of the modernization will vary based on the then current brand standards, the condition of the Store and the cost of labor and materials at that time. You may make these payments in whole or in part to Winmark approved third parties and/or Winmark preferred vendors. Before you modernize your Store, you must submit your modernization plans to Winmark for our approval.
- (10) You will need to continually replenish your Store inventory (both new and used items). Your quarterly costs for inventory will vary significantly, depending on such factors as seasonal changes in demand and your Store sales, although these costs generally will range from \$90,000 to \$150,000.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURES See Note 1	AMOUNT See Note 2	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE (See Note 3)	\$25,000 See Note 3	Lump sum	When you sign the Franchise Agreement	Winmark
FIXTURES AND SUPPLIES	\$16,000 to \$30,000 See Note 4	Lump sum See Note 4	Before opening See Note 4	Third-party suppliers or Wirth Business Credit, Inc.
SIGNS	\$6,500 to \$10,000 See Note 5	Lump sum	Before opening	Third-party suppliers or Wirth Business Credit, Inc.
SECURITY SYSTEM AND/OR CAMERAS	\$500 to \$1,500 See Note 6	Lump sum See Note 6	Before opening See Note 6	Third-party suppliers or Wirth Business Credit, Inc.
SKATE SHARPENER	\$0 to \$10,000 See Note 7	Lump sum See Note 7	Before opening See Note 7	Third-party suppliers or Wirth Business Credit, Inc.
POINT-OF-SALE (POS) SYSTEM	\$18,600 to \$21,400 See Note 8	Lump sum See Note 8	Upon placement of order - before training See Note 8	Winmark or Wirth Business Credit, Inc.
LEASEHOLD IMPROVEMENTS	\$5,000 to \$10,000 See Note 9	As incurred	Before opening	Third-party contractors and architects
BUILD-OUT	\$10,000 to \$35,000 See Note 10	As incurred	Before opening	Third-party contractors and architects
DEPOSITS AND BUSINESS LICENSES	\$5,000 to \$11,000 See Note 11	Lump sum	Before opening	Landlord, utility companies and government agencies
LETTER OF CREDIT	\$0 to \$5,000 See Note 12	Lump sum	Before purchasing inventory on credit from Winmark	Lending institution
OPENING INVENTORY	\$90,000 to \$130,000 See Note 13	As incurred	Prepaid at time of order before opening	Third-party suppliers, Winmark and consumers
MISCELLANEOUS PRE-OPENING EXPENSES	\$24,300 to \$59,000 See Note 14	As incurred	Before opening	Third-party suppliers and utility companies

TYPE OF EXPENDITURES See Note 1	AMOUNT See Note 2	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
ADDITIONAL FUNDS - 3 MONTHS	\$40,000 to \$50,000 See Note 15	As incurred	As incurred	Winmark, employees and third-party suppliers
TOTAL See Note 16	\$240,900 to \$397,900			

Notes:

- (1) The typical size of a Play It Again Sports® Store ranges from 3,500 to 4,000 square feet. For several items discussed below, your cost will increase as the number of square feet increases.
- (2) Except where otherwise noted, all fees that you pay to Winmark are nonrefundable. Third-party lessors, contractors, and suppliers will decide if payments to them are refundable.
- (3) The Initial Franchisee Fee for new Play It Again Sports® franchisees is \$25,000. The Initial Franchise Fee is \$15,000 for a second or subsequent store or for an existing franchisee of one of Winmark's other franchised concepts.
- (4) Your investment in fixtures and supplies necessary to operate the Store is highly variable. Your exact investment depends on several factors, including the size and condition of the premises, inventory levels, transportation costs, financing costs and similar factors beyond Winmark's or your control. The cost will increase as the number of square feet increases. Winmark, through its subsidiary, Wirth Business Credit, Inc., may purchase the fixtures and supplies and lease them to you (see Item 10). If leasing through Wirth Business Credit, Inc., you will be making monthly payments over time (typically 36 months).
- (5) This item is for interior and exterior signs for the Store. All signs must meet Winmark's standards and comply with your landlord's requirements as well as any local government regulations. You must purchase all interior and exterior signs through Winmark's approved, preferred third-party suppliers. Winmark, through its subsidiary, Wirth Business Credit, Inc., may purchase the signs and lease them to you (see Item 10). If leasing through Wirth Business Credit, Inc., you will be making monthly payments over time (typically 36 months).
- (6) We require that you purchase a security system that includes security cameras, motion detectors, entrance security and glass breakage detectors. You must purchase a minimum of 3 to 4 cameras depending on the size of your Store. Winmark, through its subsidiary, Wirth Business Credit, Inc., may purchase the security cameras and lease them to you

(see Item 10). If leasing through Wirth Business Credit, Inc., you will be making monthly payments over time (typically 36 months).

- (7) It is your discretion as to the quality of the skate sharpener you purchase (if needed) for your store. The prices will vary based on your customer needs. Winmark, through its subsidiary, Wirth Business Credit, Inc. may purchase the skate sharpener and lease it to you (see Item 10). If leasing through Wirth Business Credit, Inc., you will be making monthly payments over time (typically 36 months).
- (8) You must use in your Store the POS System which Winmark has selected for the Business System. (See Item 11.) You must obtain a license for the Proprietary Software from Winmark. The estimated amount includes the \$6,000 software license fee you pay Winmark for the Proprietary Software. It also includes the \$1,000 DRS Maintenance Fee. It does not include sales tax and shipping costs. You must obtain the computer hardware components through Winmark. Winmark, through its subsidiary, Wirth Business Credit, Inc. may lease you the POS System (see Item 10). If leasing through Wirth Business Credit, Inc., you will be making monthly payments over time (typically 36 months).
- (9) You will need to lease the premises for your Store. Rent is addressed in Note 15 below. Typical locations for your Store are smaller free standing locations and strip shopping malls. You will need to make certain leasehold improvements to the leased premises for your Store to comply with Winmark's approved plans and standards. The estimated cost of leasehold improvements could include: carpeting, slat wall, lighting, and décor. The exact cost will depend upon several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements and other economic factors.
- (10) The build-out cost refers to the physical labor expense of building the store location to Winmark's approved brand standards. This may include installation of slat wall, wall standards, counter configuration, building store fixturation, installing flooring, painting, etc. The exact cost will depend upon several factors, including the condition of the premises, cost of contracting and permitting.
- (11) This amount includes utility and security deposits and business licenses. Deposits are generally refundable, but license fees are not.
- (12) A letter of credit is not required by Winmark. However, if orders are needed to be placed though Winmark, you will be required to establish a line of credit with Winmark. To establish a line of credit with Winmark, you may provide a letter of credit from your bank or a cash deposit at the time orders are being placed. Your lending institution may require a deposit to secure a letter of credit in support of your line of credit with Winmark. The amount of letter of credit or cash deposit necessary is determined by the dollar amount of all orders but typically will not exceed \$5,000. Winmark will pay the supplier(s) and invoice you for the amount due. This deposit is generally refundable, although the costs incurred in obtaining a letter of credit are generally non-refundable.

Winmark will offer limited financing to qualified franchisees in the purchase of this store inventory. (See Item 10.)

- (13) This amount assumes your opening inventory will include both new and used sporting goods items. Winmark requires that you have a minimum of \$40,000 in used inventory when you open your Store and encourages you to have a much larger amount of used inventory. This amount does not reflect amounts needed to replenish inventory during the initial stage of operation. Winmark may refuse to allow you to open your Store if you have less than \$40,000 in used inventory. The mix of inventory offered at your Store will be subject to seasonal changes. The estimated amount for your opening inventory does not reflect your need to purchase additional inventory year-round to reflect demand.
- (14) This amount includes lodging, meals and travel expenses for one person attending the initial training program and the cost for participation in an online financial management course (currently \$395) during the initial training program (see Item 11), telephone, fax and high speed internet hook-up, legal expenses, initial financing costs, building permits, freight costs, pre-opening and buy day labor expenses, pre-opening and buy day advertising expenses and website development costs.
- (15) This amount estimates the expenses you will incur during the first 3 months of Store operations, including initial wages and fringe benefits, insurance premiums, rent, advertising, taxes, office, paper and cleaning supplies and interest payments on any business loans. It does not include inventory costs beyond the opening inventory costs identified in the Table and does not include your compensation during this 3-month period. Rent is estimated to be approximately \$40,000 to \$90,000 per year depending on factors such as size, condition and location of the leased premises. At times, franchisees are able to negotiate 2-4 months free rent with the landlord upon commencement of the lease. The amounts are estimates, and Winmark cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how much you follow Winmark's systems and procedures, your management skills and experience, local economic conditions, local rental rates, the local market for Play It Again Sports® products, the prevailing wage rate, competition and the sales level reached during the initial period.
- (16) This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of Store operations. Winmark bases this total on its estimate of nationwide average costs and prevailing market conditions and Winmark's 28 years of experience in the business. You should review this amount carefully with a business advisor before deciding to purchase the franchise. These figures are estimates only, and Winmark cannot guarantee that you will not have additional expenses starting your Play It Again Sports® business.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must license the Proprietary Software and purchase the computer hardware components for the POS System from us. Your purchase (or license) of the Proprietary Software and purchase of computer hardware components will represent less than 8% of the cost to establish your Store. The cost of the computer hardware components reflects Winmark's costs related to those items. Winmark does not mark up the cost of the computer hardware components to secure any additional revenue. Winmark does, however, charge a handling fee of approximately 4% on computer hardware component purchases.

Most of Winmark's officers own an interest in Winmark, the franchisor and, as further described in this Item 8, Winmark is an approved supplier of certain items to the Play It Again Sports® franchise system. Winmark's officers may also own an interest in other approved or "recommended" suppliers that: (1) is held indirectly through a mutual fund, 401(k) plan or similar mechanism by which the officer does not have the ability to manage the ownership of individual company stock or other interests; or (2) represents fewer than 1,000 units or shares of a supplier entity and less than 1% of the total outstanding equity interest in that supplier. Except as described in the 2 preceding sentences, Winmark's officers do not own an interest in an approved or "recommended" supplier.

To insure a uniform image and quality of products and services throughout the Play It Again Sports® system, you must maintain Winmark's quality standards. Although you will not lease your real estate from Winmark, Winmark must consent to the location of your Store and Winmark will review the lease to insure it contains provisions designed to protect Winmark's interests (see Item 11). You must comply with Winmark's then-current approved standards in constructing and equipping your Store. You must use equipment (including hardware and certain software programs for the POS System), signs, fixtures, furnishings, products, supplies and advertising and sales promotion materials which meet Winmark's standards. In addition, you may sell from your Store only those categories of products and services that Winmark approves. Winmark periodically publishes for franchisees a list identifying approved product categories for use in a Play It Again Sports® store. Winmark may periodically update and alter these categories of products and services you may sell at Play It Again Sports® stores. Winmark does not establish standards for specific sporting goods and other items sold in your Store. You may purchase products within an approved category from any legal and available source of supply.

While Winmark will provide you with a list of "recommended" suppliers for various items, Winmark does not currently maintain a list of approved suppliers nor does it maintain any criteria for approving suppliers of inventory. Any supplier who is able to provide items meeting Winmark's standards (if any) is, in effect, an approved supplier. Winmark may verify that the item the supplier provides meets Winmark's standards (if any). Winmark will provide you with a list of approved, preferred or designated suppliers of services. We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

Third party vendors charge franchisees directly for products or services. We may offer services in the future, for which we may charge. Winmark has negotiated or will negotiate programs with a number of manufacturers and suppliers so that franchisees may benefit from volume purchasing and prepaid freight programs.

In operating your Store, you will purchase used goods from your customers or from other wholesale sources or place in your Store used goods on a consignment basis. These used goods do not need to meet any standards so long as these goods fall within an approved category of goods, are not recalled products, and are not determined unsafe upon reasonable inspection.

Winmark ordinarily establishes general standards for flooring, fixtures, signs, computer hardware and non-proprietary software used in your Store. Winmark periodically modifies or adjusts these standards as needed. Winmark will make these standards available for your inspection at Winmark's corporate headquarters (subject to your execution of a confidentiality agreement).

Winmark is an "approved supplier" (i.e., a supplier that provides items meeting Winmark's general standards for those items) for certain items used in your Store. These items include equipment, interior signs, advertising and sales promotion materials, and periodically other classes of products and supplies that you may use in operating your Store. Winmark operates a "Buying Group" for the distribution of new sporting goods items. Through the Buying Group, Winmark has negotiated programs including price terms with a number of sporting goods manufacturers and suppliers so that you can benefit from volume purchasing. Except for the Proprietary Software and computer hardware components discussed above (for which Winmark is generally the only source of supply), you may purchase any products, equipment, advertising, and promotional materials and other items from Winmark or any other manufacturer or supplier who can provide items meeting Winmark's standards (if any). You must, however, purchase your exterior and interior signs, carpet and flooring from an approved supplier designated by Winmark. In addition, you must use an approved supplier designated by Winmark for broadcast media placement and online advertising for your pre-opening and first year marketing activities.

During Winmark's last fiscal year, Winmark derived revenues of \$2,503,411 from the sale of products, equipment and other items subject to Winmark's standards (including revenues of \$2,174,632 from the sale of computer hardware components, computer software and licensing of the Proprietary Software to the franchisees of all of its franchised brands and revenues of \$328,779 from inventory sold to Play It Again Sports® franchisees through the Play It Again Sports® buying group), or 4% of Winmark's total revenues of \$66,580,300, as stated in Winmark's Consolidated Statement of Operations for the year ended December 31, 2016. Revenues received from the sale of computer hardware components, computer software and licensing of the Proprietary Software to Play It Again Sports® franchisees alone during the year ended December 31, 2016 were \$262,270.

You must purchase and maintain, at your expense, comprehensive general liability insurance in an amount Winmark will designate periodically, but at least \$1 million per occurrence and \$2 million in the aggregate. This insurance must insure Winmark, you and any other person Winmark designates from liability for all damage or injury. You must also purchase

business interruption insurance, business personal property insurance, money and securities insurance, and building insurance. In addition, you must maintain any other insurance as may be required under law.

Although Winmark provides certain administrative, technical, and advisory services and data to a limited number of suppliers, Winmark does not receive a fee from any suppliers as a result of transactions with franchisees. Winmark may receive a rebate from the vendor of the Constant Contact marketing program for franchisee participation, however, any rebate received for participation by a Play It Again Sports® franchisee will be deposited directly into the Play It Again Sports® marketing fund to be used for the development of advertising and marketing materials. Winmark may receive a rebate for 40% of the billed revenue for Constant Contact or an estimated total of approximately \$47,000 per year.

Winmark estimates that the purchase or lease of equipment (including computer hardware and certain software), signs, fixtures, furnishings, products, supplies, and advertising and sales promotion materials (see Item 11 for information on advertising and sales promotion materials) which meet Winmark's standards (including those standards establishing general categories of goods and services that you may offer in your Store) will represent approximately 50% to 60% of the cost to establish your Store and 45% to 65% of the cost to operate your Store.

Winmark is not currently aware of any purchasing or distribution cooperatives in the Play It Again Sports® system (other than Winmark's Buying Group) that offer to you certain products used in your Store.

Item 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

	Obligation	Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 7(A) and 8(O) of Franchise Agreement	Item 11
b.	Pre-opening purchases/lease	Sections 6(D) and 8(D), (O) and (P) of Franchise Agreement	Items 5, 7, and 8
c.	Site development and other pre-opening requirements	Section 8(B) of Franchise Agreement	Items 5, 7, and 11
d.	Initial and ongoing training	Sections 7(D) and 8(L) of Franchise Agreement	Items 7 and 11
e.	Opening	Section 15(A)(1) of Franchise Agreement	Items 5 and 11

Obligation		Section in Agreement	Disclosure Document Item
f.	Fees	Sections 2(B)(4), 4, 5, 6, 8(P) and 14(C)(6) of Franchise Agreement and Section 1 of the Additional Store Addendum	Items 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 8(C), (I) and (N) of Franchise Agreement	Items 11 and 16
h.	Trademarks and proprietary information	Sections 3 and 9 of Franchise Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Sections 1 and 8(D) and (P) of Franchise Agreement	Items 8, 11 and 16
j.	Warranty and customer service requirements	Section 8(D) of Franchise Agreement	Not Applicable
k.	Territorial development and sales quotas	Section 1(B) of Franchise Agreement	Item 12
l.	Ongoing product/service purchases	Section 8(D) of Franchise Agreement	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 2(B)(3) and 8(B) and (E) of Franchise Agreement	Item 11
n.	Insurance	Section 10 of Franchise Agreement	Items 6 and 8
o.	Advertising	Section 6 of Franchise Agreement	Items 6, 7 and 11
p.	Indemnification	Section 11 of Franchise Agreement	Not Applicable
q.	Owner's participation/management/staffing	Sections 7(D) and 8(A) and (J) of Franchise Agreement	Items 11 and 15
r.	Records and reports	Sections 12(A) and (B) of Franchise Agreement	Item 6
s.	Inspections and audits	Section 12(C) of Franchise Agreement	Item 6
t.	Transfer	Sections 13 and 14 of Franchise Agreement	Items 6 and 17
u.	Renewal	Section 2(B) of Franchise Agreement	Items 6 and 17
v.	Post-termination obligations	Section 17 of Franchise Agreement	Item 17
w.	Non-competition covenants	Section 18 of Franchise Agreement	Item 17
x.	Dispute resolution	Sections 18(D) and 19 of Franchise Agreement	Item 17
y.	Additional stores	Additional Store Addendum to Play It Again Sports® Franchise Agreement	Items 1, 5, 6 and 7
z.	Owner/Shareholder/ Spouse Guarantee	Sections 9(A), 12(C), 14(B), 18(A), (B) and (C) and 19(C) of Franchise Agreement and Exhibit C to Franchise Agreement	Item 15

Item 10

FINANCING

Winmark offers limited financing arrangements or similar assistance to qualified franchisees in purchasing Store inventory. You may participate in Winmark's Buying Group through which Store inventory is purchased. Winmark pays the supplier for the inventory ordered and invoices you for the amount due. Winmark collects an administrative fee of 4% of all purchases you make through the Buying Group. This administrative fee is intended to offset Winmark's costs in operating the Buying Group. To ensure payment of invoices, Winmark requires that you provide a letter of credit or a cash deposit at the time orders are being placed. (See Exhibit E to this disclosure document for a letter of credit.) If you obtain a letter of credit (which must be obtained from a reputable lending institution) or provide a cash deposit at the time your orders are being placed, the amount of letter of credit or deposit will generally be no more than \$5,000. The letter of credit will provide that the lending institution will pay Winmark any amounts you owe Winmark for inventory or under the Franchise Agreement, which: (i) are due and owing but have not been paid, (ii) have been invoiced and you have not renewed your letter of credit at least 14 days before the letter of credit expires, or (iii) both Winmark and you agree to use the letter of credit to pay an amount owing to Winmark.

If you meet our credit standards, we may, through our Wirth Business Credit, Inc. subsidiary, lease you equipment related to your Play It Again Sports® store operations. If you choose this option, your monthly payment and APR will depend on the value of the leased equipment, the type of leased equipment, your financial health, your credit history, the type of lease and other factors. Generally, the rate of interest on your lease will be between 15% and 25% on an annual basis. In addition, there is a document fee of up to \$250 (currently \$175 as of the issuance date of this disclosure document) for each lease. On March 1, 2017, the rate of interest for a franchisee leasing equipment from Wirth Business Credit, Inc. for a 36 month term was 18.1%.

Generally, our leases are structured as \$1 purchase option leases. This lease type allows you to buy the leased equipment for \$1 at the end of your lease (see Exhibit H for a copy of the Equipment Lease).

We may design a leasing program for certain assets where the structure of the lease is set by us. Each Lease will have a term of between 24 and 48 months. There will be monthly payments in an amount that will depend on the equipment leased and the term of the Lease. Payment shall be made through the use of automatic payment deducted from a checking or savings account. We may require an advance payment and/or a security deposit prior to the commencement of the Lease (Equipment Lease, Section 12). We require a personal guaranty from you and from all the shareholders of your corporation owning more than 10% of the ownership interests in the corporation, and we retain ownership of the equipment (Equipment Lease, Section 5). We may file a financing statement to protect our interest in the equipment. The Lease may not be cancelled or prepaid at any time (Equipment Lease, Section 6). If you do not make a payment on time, we may do one or more of the following: (i) we may directly debit your bank account and/or sue you for all past due payments and other charges and all payments

due in the future to the end of the Lease term, plus our legal and collection costs, and if you are in default and/or do not meet your end of term obligations, we may also directly debit your account and/or sue for the "residual" (end of term) equipment value; (ii) cancel or terminate all of your rights, but not your obligations under the Lease; (iii) we may take possession of the Equipment; and/or we may exercise any remedy at law or equity (Equipment Lease, Section 10). Winmark also has a right to terminate your franchise if you are in default under your Equipment Lease (Franchise Agreement, Section 15.A.) You waive your rights of notice of a collection action and to assert any defenses to collection against Winmark (Equipment Lease, Section 10). You also must submit to Minnesota jurisdiction and venue (Equipment Lease, Section 14).

Winmark may sell, assign or discount to any third party any lease, note or other instrument executed by its franchisees, which third parties may be immune under law to any defenses to payment you may have against us.

Winmark does not finance any part of the Initial Franchise Fee due under the Franchise Agreement nor guaranty your retail lease.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Winmark is not required to provide you with any assistance.

Pre-opening Assistance. Before you open your Store, Winmark will:

- (1) Provide assistance in your evaluation of a site for the Store and leasing issues related to the Store site (Franchise Agreement - Section 7(A)).
- (2) Provide you with specifications for the layout and design of the Store (Franchise Agreement - Section 7(B)).
- (3) Provide you with a list of the standard fixtures, equipment, supplies, signs and initial inventory to be used in the Store (Franchise Agreement - Section 7(C)).
- (4) Provide the mandatory training program described below (Franchise Agreement - Section 7(D)). Winmark need not provide training if you are an existing franchisee and are opening an additional store (Additional Store Addendum - Section 2).
- (5) Assist you in developing a business plan for your Store (Franchise Agreement - Section 7(G)).
- (6) Provide you with hard or electronic copies of the confidential Manuals. You must keep the Manuals confidential and return them when the Franchise Agreement terminates (Franchise Agreement - Section 7(F)).

- (7) Provide pre-opening assistance consisting of 1-4 days, approximately 3-5 weeks prior to your actual store opening. Winmark may provide additional pre-opening assistance at Winmark's discretion (Franchise Agreement - Section 7(E)).
- (8) Provide Store opening assistance 1-4 days before and the day of the initial opening of your Store. Winmark is not liable for damages arising out of your failure to open your Store by a particular date (Franchise Agreement - Section 7(E)). Winmark need not provide this assistance if you are an existing franchisee and are opening an additional store (Additional Store Addendum - Section 2).

Ongoing Assistance. During the operation of your Store, Winmark will:

- (1) Provide field consultants who conduct periodic evaluations of your Store and provide to you written reports to assist you in Store operations (Franchise Agreement - Section 7(H)).
- (2) Provide, at your written request, advisory services relating to Store operations (Franchise Agreement - Section 7(H)).
- (3) Periodically make available all changes and additions to the Business System generally made available to all franchisees (Franchise Agreement - Section 7(H)).
- (4) Periodically furnish you with updated and revised material for your confidential Manuals, which is also available on the brand extranet site (Franchise Agreement - Section 7(H)).
- (5) Develop advertising and marketing materials (Franchise Agreement - Section 7(H)).

Marketing Programs. Winmark establishes and conducts various marketing programs as follows.

You must pay Winmark a Marketing Fee of \$1,000 per year payable on January 1 of each year. Winmark will use all Marketing Fees to conduct advertising research and public relations campaigns, develop websites and other online media programs, develop marketing materials such as television, radio, digital, social and print advertising production and promotional materials for use in each franchisee's local market, and implement advertising and marketing campaigns. Winmark may contract with outside marketing agencies and production companies to produce certain advertising, marketing and promotional materials. You may develop marketing and advertising materials for your own use, at your own cost, if you follow the Brand Style Guidelines and your materials are factually correct, accurately depict the Trademarks and communicate the brand position and character that Winmark has established for Play It Again Sports® Stores. If you develop advertising or marketing materials, you must provide a copy of the materials to Winmark for our review and approval (in writing) before you use the advertising

or marketing materials. If you desire to advertise or market on the Internet, you must follow Winmark's Internet Code of Conduct and the Brand Style Guidelines.

When developing the marketing strategy and allocating the use of Marketing Fees, Winmark may consult with its Play It Again Sports® Franchisee Advisory Council ("FAC"). Franchisees in each geographical region of the United States and Canada (as defined by Winmark) elect representatives to serve as members of the FAC. All FAC members must be in good standing and remain in good standing during their term. Each member serves on the FAC for a term determined by Winmark. The FAC serves in an advisory capacity to, among other objectives, provide advice on advertising, research and promotional activities to Winmark and its outside advertising agencies. Winmark has the power to form, change or dissolve the FAC.

Each new Play It Again Sports® franchisee must pay the Marketing Fee. Your Marketing Fee for the first year of your Business will be prorated from the effective date of your Franchise Agreement. Other franchisees pay the same amount or, for some franchisees under earlier versions of the Play It Again Sports® Franchise Agreement, a lesser amount, for a Marketing Fee. In addition, Winmark-owned units must also pay the Marketing Fee on the same basis as franchisees. Winmark administers the use of Marketing Fees collected from franchisees. Winmark does not prepare a financial statement as to the collection and use of Marketing Fees, nor are the Marketing Fees audited. Winmark will, however, provide to you (at your request) an accounting of the most recently completed fiscal year. Winmark does not receive an administrative fee to cover related sales promotion, marketing and administrative expenses.

During Winmark's 2016 fiscal year, Winmark spent 100% of the Marketing Fees Winmark collected on production of advertising and marketing programs as outlined above.

Winmark is not obligated to spend any amount of the Marketing Fee on advertising in the area or territory where you are located. Winmark will carry over for future use Marketing Fees not spent in any fiscal year. Winmark does not use Marketing Fees for advertising principally directed at the sale of franchises.

You also must participate in and contribute to the local advertising cooperative established in the Designated Market Area (DMA) where your Store is located, if the DMA contains 2 or more unaffiliated franchisees. You will not be obligated to contribute more than 5% of the Gross Sales for your Store to your local advertising cooperative.

Each local advertising cooperative must adopt written advertising cooperative bylaws which follow the format Winmark has approved. You may request a copy of the bylaws of the cooperative (if one has been established) for your market area from the cooperative president or Winmark. Each cooperative must follow voting procedures that are consistent with the general operating rules Winmark has established. The members of the local cooperative and their elected officials are responsible for administering the local cooperative. Winmark strongly recommends that advertising cooperatives prepare annual financial statements and make those financial statements available to all franchisees in that advertising cooperative. Winmark has the power to establish advertising cooperatives and the bylaws, policies and other rules under which the advertising cooperatives will operate.

Although Winmark has not established an “Advertising Fund” as of the issuance date of this disclosure document, Winmark reserves the right to do so. You will be required to contribute to any Advertising Fund established by Winmark. Winmark would likely use the Advertising Fund to provide advertising and promotional materials and services to you as well as conduct advertising or promotional campaigns. Because the Advertising Fund has not yet been established, Winmark cannot determine with certainty the intended use of funds in the Advertising Fund, although Winmark will not use advertising funds to sell additional franchises. Winmark will administer the Advertising Fund. Winmark will not prepare a financial statement as to the collection and use of the Advertising Fund, nor will the Advertising Fund be audited. Winmark will provide you with an annual unaudited statement of the receipts and disbursements of the Advertising Fund. If Winmark establishes the Advertising Fund, Winmark will not be obligated to spend any amount on advertising in the area or territory where you are located. If Winmark establishes the Advertising Fund, you will be required to pay an Advertising Fee of up to 2% of Gross Sales. Other franchisees may pay a greater, lesser or no Advertising Fee. In addition, any future Winmark-owned units will also pay the Advertising Fee on the same basis as franchisees. Winmark will carry over for future use Advertising Fees not spent in any fiscal year. If Winmark establishes the Advertising Fund, Winmark will likely receive an administrative fee to cover related sales promotion, marketing and administrative expenses.

Point-of-Sale System. You must install a computerized point of sale system (“POS System”) purchased through Winmark Corporation. This system is periodically modified in response to business operations, marketing conditions, and changes in technology. As of March 1, 2017, the POS System includes the following minimum components:

One dedicated Business Server with the minimum of two Desktop Computers (“register station”) for use with your required software as described below. The number of register stations you need will be determined by Winmark based on the size and location of your Store and other operational requirements. The following are the major components of the required POS System:

- Winmark configured Business Server
- Winmark configured Register station / POS computers
- Flat-Panel LED Touch Screen Monitor (one required for each register station)
- Gigabit Ethernet Network Switch
- Firewall device (two required)
- CDE Smart Switch (if using multiple internet Credit Card Terminals)
- Keyboard, Video, and Mouse Switchbox (one required)
- Uninterruptible Power Supply / Battery Backup (one required for the Business Server and each register station)
- Thermal Receipt Printer (one required for each register station)
- Thermal Label Printer (one required)
- Report Printer (one required)
- Check Printer (optional)
- Cash Drawer (one required for each register station)
- Barcode Scanner (one required for each register station)
- Pole Display Device (one required for each register station)

- Data Recycling System (DRS)
- Server Operating System License
- Workstation Operating System License (one required for each register station)
- Remote Software
- Imaging Software
- Antivirus Software
- Database Software

Another required component to the POS System, which must be obtained from a local internet service provider (ISP), is a broadband internet connection:

- DSL, Cable or other Dedicated high-speed internet connection
- A separate phone/data connection line at your store for remote dial-in connection
- Microsoft Internet Explorer (Internet Browser)
- E-mail Address

The initial cost of purchasing the POS System from Winmark currently ranges from \$18,600 to \$21,400 (see Item 7). Winmark, through its subsidiary, Wirth Business Credit, Inc. may lease you the POS System (see Item 10). If leasing through Wirth Business Credit, Inc., you will be making monthly payments over time (typically 36 months).

The DRS software is owned by Winmark. You must obtain a license for it from Winmark. Winmark will provide to you ongoing maintenance, repairs and updates to the DRS software (Software Agreement, Section 1(E)). Winmark charges franchisees a DRS Maintenance Fee of \$1,000 for upgrades to the antivirus and data base engine software that supports the DRS software. This fee will be due upon the purchase of your POS System, and upon renewal of your Franchise Agreement (see Item 6).

There are currently no annual costs for any optional or required maintenance update, upgrading or support contracts. Winmark reserves the right, however, to charge a reasonable fee for any ongoing maintenance and repairs, upgrades and support services relating to DRS, including the hardware and software components of the entire POS System. There are no contractual limitations on the frequency and cost of this requirement (Software Agreement, Section 1(E) and Franchise Agreement, Section 8(P)). Technology is constantly changing. Winmark may require you to update your POS System every 5 years or more often depending on changes in technology and Winmark's current standards. Winmark cannot estimate the annual costs of any optional or required maintenance and support contracts because Winmark has, through the date of this disclosure document, provided these services at no cost to franchisees.

Winmark, or a third-party vendor that Winmark selects, will provide you with DRS and the rest of the POS System components. Winmark currently has independent access to certain operational and financial information and data produced by your POS System. There are no contractual limitations on Winmark's right to access the information and data (Franchise Agreement, Section 8(P)).

Site Selection. If you already have a potential site for a Play It Again Sports® Store, you may propose the location to Winmark. We may consent to the site after we have independently evaluated it. If you do not have a proposed site, Winmark will furnish you with its general site selection and evaluation criteria. Winmark will review and approve the area where a franchisee may select a site and will provide you with a map of the approved area. You are solely responsible, however, for locating and obtaining a site in the approved area which meets Winmark's standards and that is acceptable to Winmark. Winmark does not own or lease and sublease the Store location to its franchisees. You will deal directly with your Landlord when leasing the premises for your Play It Again Sports® store.

You must obtain Winmark's consent to the proposed site for your Store. The general site selection criteria on which Winmark bases its approval and which you should consider include traffic patterns, ease of ingress and egress, local competition, physical attractiveness of the facility, reputation of the shopping area, population of the surrounding area, demographic surveys and buyer behavior information, size and rental cost of property and similar factors. Winmark typically will approve a site within 48 hours after receiving a site approval request from its franchisees. You should determine if there are acceptable sites in your proposed development area prior to executing the Franchise Agreement. If Winmark and you cannot agree on a site for your Store, Winmark may allow you to consider sites within another development area in or near your Exclusive Area.

Development Time. The typical length of time between Winmark's acceptance of the Franchise Agreement and the opening of your business varies from 6 to 9 months. Once the Franchise Agreement is executed, by its terms you will have up to 9 months to open your Store. The factors that may affect the store opening process may include permitting delays, construction and build-out delays, sign, equipment and inventory acquisition, lease negotiations and financing or staffing issues. You will be in default of your Franchise Agreement if you fail to open your Store within the 9 month period.

Training. Winmark conducts its 3 part training program at Winmark's training center in Minneapolis and at the local store level. The training program is typically offered 10-11 times per year. The first session of the training program, New Franchisee Orientation Training (NFOT), covers several aspects of management and operation of a privately-owned retail business, including real estate matters, business plan development, product knowledge, buying used products, Winmark's preferred vendor program and other topics Winmark may select. The first session will take place over a period of 5 days. At NFOT, you will be required to participate in an online financial management course conducted by Winmark's third party vendor. This course will educate you on how to understand your financial statements and utilize the information to build your business. The second session of the Play It Again Sports® training program, Concept Training, is conducted over a period of at least 5 days and will include instruction on sales and marketing, buying new products, the used product buying philosophy and procedure, computer operation, store management, inventory management and other topics Winmark may select. The third session of training will take place after you complete Concept Training and will include at least 3 days of in-store training at a Play It Again Sports® Store of Winmark's choosing. This session allows you to work with actual customers and experience day-to-day operations in an existing Store. Winmark will not allow you to open your Store

unless you successfully complete all 3 sessions of the training program. If you are an existing Winmark franchisee and are opening an additional store, Winmark may require you to attend Winmark's training program.

TRAINING PROGRAM

First Session (New Franchisee Orientation Training)

Subject	Hours of Classroom Training	Hours of "Hands-On" Training	Location
Developing a Business Plan	1	4	Minneapolis, MN
Real Estate	2.5	0	Minneapolis, MN
Banking & Financing Guidelines	3	0	Minneapolis, MN
Extranet	0	1.5	Minneapolis, MN
Introduction to Used Product	2.5	0	Minneapolis, MN
Product Knowledge	6.5	0	Minneapolis, MN
External Buying	2	0	Minneapolis, MN
Service Vendor Overview	4	0	Minneapolis, MN
Employment Law	3	0	Minneapolis, MN
Store Opening Process/New Store Development	3	0	Minneapolis, MN
Bookkeeping & Accounting	2.5	0	Minneapolis, MN
Marketing	3	1.5	Minneapolis, MN
TOTALS	33	7	

Second Session (Concept Training)

Subject	Hours of Classroom Training	Hours of "Hands On" Training	Location
Used Buyer Certification Program	4	1.5	Minneapolis, MN
Sales Training/Customer Service	1	0	Minneapolis, MN
Merchandising	1	0	Minneapolis, MN
Computer Training	0	5	Minneapolis, MN
Financial Management	2	0	Minneapolis, MN

Subject	Hours of Classroom Training	Hours of “Hands On” Training	Location
Buying Group Functions/ Order Planning	3	1	Minneapolis, MN
Store Operations Training	2	1	Minneapolis, MN
Category Analysis Planning (CAP) & WIAR Report	2.5	1	Minneapolis, MN
Loss Prevention	2	0	Minneapolis, MN
Marketing	3.5	2.5	Minneapolis, MN
Staff Management	1.5	1	Minneapolis, MN
Business Planning	1	1.5	Minneapolis, MN
TOTALS	23.5	14.5	

The instructional materials for each subject includes the Play It Again Sports® Operations Manual, Scorebook, various marketing guides, the electronic DRS User’s Guide and Guide to DRS Reports, “Select Category” product buying guides, the Used Buying Guide, various educational videos, lecture, classroom discussion, hands-on demonstration and group participation exercises.

Shannon Hoppe, Director of Training for the Retail Brands, along with Cat Eckstaedt, Training Manager, are responsible for the training program. Ms. Hoppe joined Winmark in September of 2011 in the role of Field Operations Manager for Plato’s Closet®. In January of 2013, Ms. Hoppe moved into the Training Department as a Training Manager for Once Upon A Child®. She became the Training Manager for Plato’s Closet® in January 2017. She was promoted to Director of Training for the Retail Brands in March 2017, in which she oversees training for all retail brands. Ms. Eckstaedt joined Winmark in October of 2014 and served as a Field Operations Manager. She became Training Manager in October of 2016. Other Winmark employees may also participate in providing and conducting aspects of the training program.

After you complete Concept Training, you must attend in-store training at an existing Play It Again Sports® store that Winmark selects. During this 2-3 day training session, you will participate in the product buying and selling process, general operations and merchandise, and receive insight on marketing and promotions, employee relations, and product knowledge and service.

As a new Store owner, you will be provided with periodic training visits during your first year of operation. These visits may include a pre-opening visit, opening week visit and post-opening training visits. The purpose of each visit is determined during regular communication and agreed upon by the owner and the Training Manager. These visits are used to more quickly increase each store’s operating proficiency and ensure adherence to the owner’s business plan.

Winmark does not charge a fee for the training program. You are, however, responsible for travel and living expenses that you and your representatives (if any) incur while attending the training program and the cost for participating in the online financial management course. See Item 7 for additional information on those expenses. Winmark provides additional training programs when we consider it beneficial to a significant number of franchisees. Winmark currently recommends, but does not require, that franchisees attend these additional training programs. Winmark currently does not charge a fee for additional training programs, although we may do so in the future.

Operations Manual. Winmark provides you with an electronic copy of its confidential Play It Again Sports® Operations Manual. The Operations Manual is subject to periodic updates and changes and the number of pages per section may vary. The current Operations Manual, as of March 1, 2017, is divided into the following subjects:

Subject	Number of Pages
Introduction	9
Store Operations	35
Inventory Management	32
Employee Management	14
Advertising & Marketing	15
TOTAL	105

Winmark will also provide you with access to the electronic DRS User's Guide and Guide to DRS Reports. The current DRS User's Guide, as of March 1, 2017, is divided into the following subjects:

Subject	Number of Pages
Overview	25
Miscellaneous	4
Registers	98
Maintenance	93
Reports	65
Order/Receiving	38
Closing	17
Configuration	26
Help	6
Accounting Export Interface	71
Release Notes	52
Glossary	4
Index	13
TOTAL	512

The Guide to DRS Reports, as of March 1, 2017, is divided into the following subjects:

Subject	Number of Pages
Overview	7
Inventory Reports	44
Sales Reports	28
Misc. Reports	16
Ord/Rec Reports	10
Cycle Count Menu Reports	20
Closing Reports	33
TOTAL	158

Winmark Remote, the Play It Again Sports® extranet, Winmark's tool resource and reporting site, provides a location for additional support items covering all aspects of the Play It Again Sports® business. Content is continuously updated to meet the changing business environment.

Item 12

TERRITORY

You will receive an "Exclusive Territory" surrounding the location of the Store when granted a Play It Again Sports® franchise. Exhibit A to the Franchise Agreement describes the Exclusive Territory. Computer modeled mapping which factors in population density and average household income, and consumer traffic patterns will determine the boundaries of the Exclusive Territory, which is typically a 3 to 5 mile radius around your Store. Winmark will designate a development area within your Exclusive Territory. You can select a site for your Store within this development area, subject to Winmark's consent to that site. The Exclusive Territory for Stores located in urban areas (metropolitan areas with a population in excess of 250,000 persons) generally will have a minimum population of 75,000 to 100,000 persons. The Exclusive Territory for Stores located in all other areas generally will have a minimum population of 50,000 persons. Winmark will not establish another franchised or company-owned Play It Again Sports® Store at a physical location in your Exclusive Territory. Winmark may (and currently does) distribute products using the "Trademarks" (defined in Item 13 below) to Play It Again Sports® franchisees through Winmark's buying group. Although Winmark does not do so as of the issuance date of this disclosure document, Winmark reserves the right to distribute products through the Internet (or any other existing or future form of electronic commerce) using the Trademarks inside or outside of the Exclusive Territory as long as these activities are not solely for Winmark's benefit but provide some benefit (as described in the Franchise Agreement) to Play It Again Sports® franchisees. Winmark also reserves the right to distribute products through alternative channels of distribution or establish franchised or company-owned businesses selling similar products or services under a trademark different from the Trademarks inside or outside of the Exclusive Territory.

You do not need to achieve a certain sales volume or market penetration to retain the Exclusive Territory under the Franchise Agreement. You may relocate the Store only with Winmark's written consent, which Winmark will not unreasonably withhold. Winmark will approve relocation within the Development Area if the retail area demographics meet our requirements and the financial model continues to work in the new location. In addition to the criteria listed above, Winmark will approve relocation outside the Development Area but inside the Exclusive Territory if we determine that the new location's proximity to other Play It Again Sports® stores will not impact their store sales or customer base. Winmark will only allow a relocation outside of the Exclusive Territory if there are no viable locations within the Exclusive Territory and the new location is a reasonable distance from the existing Exclusive Territory so not to affect the existing customer base or interfere with the Exclusive Territory or sales of other franchisees.

You may advertise outside your Exclusive Territory and may serve customers from outside your Exclusive Territory. Likewise, Winmark and other Play It Again Sports® franchisees may, without any compensation to you, advertise within your Exclusive Territory and may serve customers who reside within your Exclusive Territory without compensation to you. You may not use alternative channels of distribution, including the Internet, catalog sales, telemarketing or other direct marketing methods to make sales inside or outside your Exclusive Territory unless specifically authorized by Winmark.

Winmark will not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory. Except as disclosed in this Item 12 or as specifically allowed in the Franchise Agreement, Winmark cannot alter your territory rights.

Item 13

TRADEMARKS

Winmark grants you the right to operate a Store under the name Play It Again Sports®, a federally registered trademark. You must also use other trademarks, service marks, trade names and commercial symbols (collectively, "Trademarks") which Winmark develops or requires to identify your Store and its goods and services.

The following schedule lists only the principal Trademarks that Winmark licenses you to use:

Trademark, Service Mark or Design	U.S. Reg. No.	Principal/ Supplemental Register	Date of Registration	Comment
PLAY IT AGAIN SPORTS	1,562,785	Principal	10/24/89	Section 8/15 Affidavit filed; Renewed
PLAY IT AGAIN SPORTS and design	1,738,778	Principal	12/08/92	Section 8/15 Affidavit filed; Renewed

Trademark, Service Mark or Design	U.S. Reg. No.	Principal/ Supplemental Register	Date of Registration	Comment
SPORTS EQUIPMENT THAT'S USED BUT NOT USED UP	1,874,326	Principal	1/17/95	Section 8/15 Affidavit filed; Renewed
REUSE.RECYCLE.REPLAY.	3,913,486	Principal	2/01/11	Section 8/15 Affidavit filed
OFFICIAL SPONSOR OF ALL THOSE WHO PLAY	4,626,270	Principal	10/21/14	
EVERYBODY PLAYS PLAY IT AGAIN SPORTS	4,626,375	Principal	10/21/14	

Your use of the Trademarks and any goodwill is to Winmark's exclusive benefit and you retain no rights in the Trademarks. You retain no rights in the Trademarks when the Franchise Agreement expires or terminates. You may make changes or substitutions to the use of the Trademarks only if Winmark directs you to do so.

There are no currently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving any Trademarks that are relevant to Play It Again Sports® operations in this state. There are currently no agreements in effect that significantly limit Winmark's rights to use or license the use of any Trademarks listed in this Item 13 in any manner material to the franchise. Winmark is unaware of any superior rights or infringing uses which could materially affect your use of the Trademarks.

Winmark is not required to protect you against infringement or unfair competition claims arising out of your use of the Trademarks, or to participate in your defense or indemnify you. Winmark reserves the right to control any trademark litigation and will take the action Winmark believes appropriate if a third party infringes Winmark's Trademarks. You must notify Winmark promptly if you become aware of any infringement or unauthorized use of the Trademarks and cooperate with any action that Winmark takes. Winmark will pay the cost and expense of all litigation Winmark incurs, including attorneys' fees, specifically related to the Trademarks. However, Winmark is not required to take affirmative action when notified of these uses or claims. If any party claims that its rights to use any of the Trademarks are superior and Winmark confirms that claim, you must, at your expense, immediately make the changes and use the substitutions to the Trademarks as Winmark requires.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered or pending which are material to the Play It Again Sports® franchise offered, although Winmark does claim copyright protection

for each of its Play It Again Sports® Manuals and for various sales promotion and other materials periodically published or located on its website. You must keep confidential during and after the term of the Franchise Agreement all information contained in the Manuals as well as any other information that Winmark may designate as confidential. The additional confidential information includes certain inventory pricing and management information, supplier lists and various marketing strategies. You cannot duplicate or provide any information contained in the Manuals to any party other than, during the term of the Franchise Agreement, those of your employees who need to know that information. When the Franchise Agreement terminates, you must return to Winmark all copies of each Manual and all other material Winmark has copyrighted or marked as confidential.

The Proprietary Software is the proprietary property of Winmark. (See Item 11.) You must keep confidential during and after the term of the Software License Agreement all information relating to the Proprietary Software. You cannot duplicate the Proprietary Software, although you can maintain one extra copy for backup purposes. When the Software License Agreement terminates, you must return all copies of the Proprietary Software to Winmark or destroy all copies of Proprietary Software.

Winmark does not contract with individual franchisees to protect the copyrights, to protect individual franchisees against infringement or unfair competition claims arising out of the franchisee's use of the copyrights, or to participate in the franchisee's defense or indemnify the franchisee. Winmark reserves the right to control any copyright litigation and will be the sole judge as to whether any suit will be brought or settled when any person or entity infringes Winmark's copyrights.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

If you are an individual, you must personally manage the franchised business. If you operate more than one Store, you may delegate your management duties for additional Stores to one or more managers. Winmark requires Store Managers for franchisees operating multiple stores to attend the second session of the new store training program.

Although Winmark does not prohibit you from being employed by a company other than the Play It Again Sports® business, your primary job responsibility must be the operation of the franchised business. If you are a corporate entity or a partnership, one individual must retain at least 50% of the equity and voting interest in the corporation entity or partnership and will be obligated to personally manage the franchised business.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a principal owner and all principal owners and their spouses must sign the Personal Guaranty attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee to Winmark under the Franchise Agreement and are bound by all its provisions, including maintaining the confidentiality of proprietary information described in Item 14.

In addition, the franchisee, all Personal Guarantors and the owners of any part of the franchise entity must abide by the noncompete covenants described in Item 17. In addition, all of your employees who have managerial duties at the Store, as well as all corporate officers and directors of a corporate franchisee entity (all partners in a partnership), must sign a written agreement to maintain the confidentiality of Winmark's trade secrets described in Item 14.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those goods and services that Winmark has approved. You also must offer all goods and services that Winmark designates as required for all franchisees. Winmark may, at its discretion, add new goods and services, based on its evaluation of various factors, including customer demands, the geographic location of your Store and any other factor which Winmark deems important to the operation of your Store. Winmark's right to modify the approved list of goods and services to be offered at a Play It Again Sports® Store is not limited.

You may offer the sale of the approved goods and services from your Store location to any person. Unless specifically authorized by Winmark, you may only deliver merchandise or offer services at a site other than your Store location to customers residing in your Exclusive Territory or to locations within your Exclusive Territory.

You may not sell or accept in trade firearms, knives, baseball or other sports trading cards or any sporting goods that you believe may be stolen. You may use only approved advertising and promotional materials.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision		Section in Agreement (1)	Summary
a.	Length of the franchise	Section 2(A); Section 3 of Software License Agreement	Franchise Agreement: 10 years. Software License Agreement: Coterminous with Franchise Agreement.
b.	Renewal or extension of the term	Section 2(B)	If you meet the renewal requirements set forth in the Franchise Agreement, you can renew the Franchise Agreement for additional 10 year period(s).

Provision		Section in Agreement (1)	Summary
c.	Requirements for you to renew or extend	Section 2(B)	Provide advance notice in writing, sign then current Franchise Agreement, pay renewal fee, remodel, meet all current brand standards, secure extension of lease and be in compliance with current Franchise Agreement during the term of the Agreement. You may be asked to sign a Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
d.	Termination by you	Section 16(A)	If you are complying with the Franchise Agreement, and Winmark fails to cure a material default within 30 days after Winmark's receipt of written notice.
e.	Termination by Winmark without cause	Not Applicable	
f.	Termination by Winmark with cause	Sections 15(A) and (B); Section 3 of Software License Agreement	Franchise Agreement: Winmark can terminate the Franchise Agreement only if you default. Software License Agreement: Winmark can terminate the Software License Agreement only if you default under the Software License Agreement or if the Franchise Agreement terminates.
g.	"Cause" defined – curable defaults	Sections 15(A) and (B)	You have 30 days to cure a violation of any material provision of the Franchise Agreement, non-payment of amounts owed to Winmark or any applicable local advertising cooperative, failure to abide by Winmark's standards and requirements in operating the Store, an assignment of assets to creditors and the expiration or termination of the Store's lease.
h.	"Cause" defined – non-curable defaults	Sections 15(A) and (B); Section 3 of Software License Agreement	Franchise Agreement: Failure to open the Store within 9 months after you sign the Franchise Agreement, insolvency, conviction of felony or violation of a statute which harms the Store's reputation, the abandonment of the Store, intentionally falsify any information provided to Winmark, repeated defaults even if cured, repeatedly deceives Store customers, defaults which impair the goodwill associated with Winmark's trademarks, uncured defaults in any other agreement with Winmark, our subsidiaries or affiliates, frequent and/or severe complaints from customers and/or employees and failure to fully cooperate and timely complete audit. Software License Agreement: If the Franchise Agreement terminates, you breach any term of the Software License Agreement or you become insolvent.

Provision		Section in Agreement (1)	Summary
i.	Your obligations on termination/non-renewal	Section 17; Section 3 of Software License Agreement	Franchise Agreement: Pay all amounts due Winmark, return manuals and other materials to Winmark, disconnect the telephone number or assign it to Winmark, redecorate the Store premises, return or destroy all copies of the Proprietary Software, disconnect any Store-related Internet web site, and remove all signs containing any Trademarks (also see r, below). Software License Agreement: All of your rights in the Proprietary Software terminate and you must return all copies of the Proprietary Software to Winmark.
j.	Assignment of contract by Winmark	Section 14(A); Section 8(C) of Software License Agreement	Assignee must fulfill Winmark's obligations under the agreement assigned.
k.	"Transfer" by you -- defined	Section 14(C); Section 8(C) of Software License Agreement	Franchise Agreement: Includes any transfer of the Store, or its assets, your interest in the Franchise Agreement or any significant ("controlling interest") ownership change. Software License Agreement: You cannot transfer your interest in the Software License Agreement.
l.	Winmark's approval of transfer by you	Section 14(C)	Winmark has the right to consent to all transfers of the Franchise Agreement but will not unreasonably withhold consent.
m.	Conditions for Winmark's approval of transfer	Section 14(C)	New franchisee must qualify and complete training, pay transfer fee, you must pay all amounts owed to Winmark and be in good standing, new franchisee assumes existing Agreement or (at Winmark's option) signs then-current agreement, and you agree to observe all post-termination obligations under Franchise Agreement (also see r, below).
n.	Winmark's right of first refusal to acquire your business	Section 13	Winmark can match any offer for your business.
o.	Winmark's option to purchase your business	Not Applicable, except as indicated in n, above	
p.	Your death or disability	Section 13(B)	You can transfer stock to other shareholders without offering Winmark a right of first refusal; if assignee is your spouse or child, no transfer fee is required.
q.	Non-competition covenants during the term of the franchise	Section 18(A)	No direct or indirect involvement in any sporting goods business other than the one authorized in the Franchise Agreement.

Provision		Section in Agreement (1)	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Sections 18(B) and (C)	No competing business for 2 years within 10 miles of the Store or any other Play It Again Sports® Store. If the franchisee is in breach of this provision, the non-competition period will be extended for a period of time equal to the time the franchisee operated a competing business.
s.	Modification of the agreement	Sections 3(C), 8(N) and 20(A) and (B)	No modifications generally, but Manuals, list of authorized Trademarks and required goods subject to change.
t.	Integration/merger clause	Section 20(G); Section 8 of Software License Agreement	Only the terms of the Franchise Agreement and Software License Agreement are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Franchise Agreement, Software License Agreement or any related document is intended to disclaim the representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 19(A); Section 5 of Software License Agreement	Franchise Agreement: Except for certain claims, all disputes must be arbitrated in Minneapolis, Minnesota (subject to state law). Software License Agreement: Winmark's liability for any claim related to any software or service provided will be limited to the lesser of Licensee's actual damage or loss or the initial fee paid for the software.
v.	Choice of forum	Sections 18(D) and 19; Section 8(A) of Software License Agreement	Franchise Agreement: All disputes that are subject to arbitration must be arbitrated in Minneapolis, Minnesota. Other claims may be decided by any court of competent jurisdiction (subject to state law). Software License Agreement: Any action related to the Software License Agreement may be brought in any court in Minneapolis, Minnesota.
w.	Choice of law	Section 20(D); Section 8(A) of Software License Agreement	Franchise Agreement: Apply law of the state where the Store is located (subject to state law). Software License Agreement: Apply Minnesota law (subject to state law).

(1) Unless otherwise noted, section references are to the Franchise Agreement.

Item 18

PUBLIC FIGURES

Winmark currently does not use any public figure to promote its franchise, although Winmark reserves the right to engage a public figure for endorsements in the future. No public figure is involved in the management or control of Winmark.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following is a financial performance representation entitled "Unaudited Statement of Average Annual Sales and Gross Profit." The gross profit figures do reflect the cost of sales but do not reflect the operating expenses that must be deducted from the gross profit figures to obtain your net income or profit. The best source of cost and expenses data may be from franchisees and former franchisees, some of whom may be listed in Exhibit A.

PLAY IT AGAIN SPORTS® UNAUDITED STATEMENT OF AVERAGE ANNUAL SALES AND GROSS PROFIT

The following statement of average annual sales and gross profits includes average gross sales and gross profits during the 12 month period ended December 31, 2016 (Winmark's fiscal year) as reported by 270 of the 272 franchised Play It Again Sports® Stores in the United States and Canada that commenced operations during the years 1988 through 2015. This statement includes information from only those Play It Again Sports® Stores located in the United States and Canada that had been in operation by the same franchisee or owners for the 12 month period ended December 31, 2016. No other Play It Again Sports® Stores are included in this statement due to insufficient history of operations (not in operation for the 12 month period ended December 31, 2016 or transferred during this period). The financial statements Winmark receives from franchisees for these stores are unaudited, and Winmark does not audit or independently verify, or express an opinion regarding, these statements. There were 272 franchised Play It Again Sports® Stores which had been in operation by the same franchisee or owners for the 12 month period ended December 31, 2016. Only 270 of the 272 Stores are reflected in the average, however, because Winmark did not have complete information on one Store and one Store was temporarily closed for 3 months. This financial performance representation does not include information for the 10 Play It Again Sports® Stores that opened or transferred in 2016 or the 1 Store that closed prior to the end

of the year but was not terminated until 2017. No Stores closed in 2016 after being opened less than 12 months.

Statement of average gross sales and gross profits of the 270 franchised Play It Again Sports® Stores for the fiscal year ended December 31, 2016, as reported by Play It Again Sports® franchisees to Winmark:

Year Opened	# Stores Reported	# and % of Stores Attaining or Exceeding Average Gross Sales ⁽¹⁾	# and % of Stores Attaining or Exceeding Average Gross Profit ⁽²⁾	2016 Average Gross Sales ⁽³⁾	2016 Median Gross Sales	2016 Average Gross Profit ⁽⁴⁾	2016 Median Gross Profit	Average Gross Profit Percentage ⁽⁵⁾	Sales Range ⁽⁶⁾
2015	18	2 / 11%	2 / 11%	638,572	555,268	340,457	298,465	53.31%	356,667 – 1,447,246
2014	15	4 / 27%	4 / 27%	580,882	513,952	305,736	258,186	52.63%	251,674 – 1,064,337
2013	7	3 / 43%	3 / 43%	659,109	670,255	369,538	362,876	56.07%	235,523 – 1,079,925
2012	5	1 / 20%	2 / 40%	712,382	728,900	367,404	338,705	51.57%	515,896 – 820,672
2011	8	4 / 50%	4 / 50%	810,678	768,107	434,053	432,526	53.54%	347,840 – 1,313,534
2010 & Prior	217	90 / 41%	94 / 43%	852,433	735,993	435,665	380,113	51.11%	140,343 – 3,739,554
TOTAL	270	104 / 39%	109 / 40%	814,253	707,298	419,073	368,184	51.47%	

- (1) This percentage represents Stores Attaining or Exceeding Average Gross Sales as a percentage of Number of Stores Reported. This percentage is calculated based on the Total Store Average Gross Sales of the 270 Stores reported (\$814,253).
- (2) This percentage represents Stores Attaining or Exceeding Average Gross Profit as a percentage of Number of Stores Reported. This percentage is calculated based on the Total Store Average Gross Profit of the 270 Stores reported (\$419,073).
- (3) “Gross Sales” means all revenues the franchisee receives from the sale of goods and services, whether by cash or by check, credit card or trade, in connection with the Store, less sales tax and customer refunds and returns.
- (4) The Average Gross Profit equals Gross Sales less Cost of Goods Sold. Average Gross Profit does not reflect any expenses related to the operation of a Play It Again Sports® Store other than the Cost of Goods Sold.
- (5) This figure represents Average Gross Profit as a percentage of Average Gross Sales.
- (6) As reported by Play It Again Sports® franchisees to Winmark.

The Statement of Sales Ranges by quartile for 270 of the 272 franchised Play It Again Sports® Stores open at December 31, 2016 that had been in operation for at least 12 months by the same franchisee or owners for the 12 month period ended December 31, 2016 are as follows:

Quartile ⁽¹⁾	# of Stores	2016 Gross Sales Range by Quartile	2016 Quartile Average Gross Sales	2016 Quartile Median Gross Sales	# and % of Stores Attaining or Exceeding Quartile Average Gross Sales	2016 Quartile Average Gross Profit	2016 Quartile Median Gross Profit	# and % of Stores Attaining or Exceeding Quartile Average Gross Profit	Quartile Average Gross Profit Percentage ⁽²⁾
1 st	67	1,011,862 – 3,739,554	1,406,122	1,271,836	25 / 37%	711,659	647,966	28 / 42%	50.61%
2 nd	67	709,321 – 998,574	828,970	821,036	30 / 45%	434,583	433,589	32 / 48%	52.42%
3 rd	68	528,278 – 708,584	620,711	624,130	37 / 54%	313,823	330,319	40 / 59%	50.56%
4 th	68	140,343 – 527,638	410,130	413,659	35 / 51%	220,758	227,303	36 / 53%	53.83%

(1) “Quartile” refers to that portion of the total number of Stores open that represents 25%. For example, the first quartile identifies those Stores that were in the top 25% of all Stores in Gross Sales.

(2) This figure represents Average Gross Profit as a percentage of Average Gross Sales.

Of the 270 Play It Again Sports® Stores which had been in operation by the same franchisee or owner for the 12 month period ended December 31, 2016, as reported above, 67 Stores or 25% of the Stores, including all of the Stores in the first Quartile, had Gross Sales in excess of \$1,000,000 during that period.

Of the 270 Play It Again Sports® Stores which had been in operation by the same franchisee or owner for the 12 month period ended December 31, 2016, as reported above, 5 Stores or 2% of the Stores had Gross Sales in excess of \$2,000,000 during that period.

Of the 270 Play It Again Sports® Stores which had been in operation by the same franchisee or owner for the 12 month period ended December 31, 2016, as reported above, 1 Store or less than 1% of the Stores had Gross Sales in excess of \$3,000,000 during that period.

These results relate to specific Play It Again Sports® Stores located in the United States and Canada.

Some Stores have sold or earned these amounts. Your individual results may differ. There is no assurance that you will sell or earn as much.

Winmark has written substantiation in our possession to support the information in this Item 19, and will make the written substantiation available to prospective franchisees upon reasonable request.

Other than the preceding financial performance representation, we do not make any representations about a franchisee’s future financial performance or the past financial

performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Steven Murphy, President of Franchising at Winmark Corporation, 605 Highway 169 N, Suite 400, Minneapolis, MN 55441, 763/520-8500, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Store Summary⁽¹⁾
For Years 2014 to 2016

Store Type	Year	Stores at the Start of the Year	Stores at the End of the Year ⁽²⁾	Net Change
Franchised	2014	300	301	+1
	2015	301	297	-4
	2016	297	283	-14
Company-Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Stores	2014	300	301	+1
	2015	301	297	-4
	2016	297	283	-14

- (1) The numbers do not include information for any other franchise programs offered by Winmark as described in Item 1. Store information for each of these franchise programs is disclosed in a separate disclosure document.
- (2) The numbers are as of Winmark's fiscal year end for each of the last 3 years (December 27, 2014, December 26, 2015 and December 31, 2016).

TABLE NUMBER 2
Transfers of Stores From Franchisees to New Owners (Other than Winmark)
For Years 2014 to 2016

State	Year	Number of Transfers
Arizona	2014	0
	2015	3
	2016	0

State	Year	Number of Transfers
California	2014	1
	2015	1
	2016	0
Colorado	2014	2
	2015	0
	2016	0
Florida	2014	2
	2015	3
	2016	3
Georgia	2014	1
	2015	0
	2016	1
Idaho	2014	1
	2015	0
	2016	0
Indiana	2014	0
	2015	0
	2016	1
Massachusetts	2014	0
	2015	0
	2016	1
Mississippi	2014	1
	2015	0
	2016	0
Missouri	2014	0
	2015	1
	2016	0
Nebraska	2014	1
	2015	0
	2016	0
Ohio	2014	1
	2015	0
	2016	0
Oregon	2014	0
	2015	1
	2016	0
Tennessee	2014	2
	2015	0
	2016	0

State	Year	Number of Transfers
Utah	2014	0
	2015	0
	2016	1
Washington	2014	0
	2015	1
	2016	0
Wisconsin	2014	0
	2015	2
	2016	1
TOTAL	2014	12
	2015	12
	2016	8

TABLE NUMBER 3
Status of Franchised Stores⁽¹⁾
For Years 2014 to 2016

State	Year	Stores at the Start of the Year	Stores Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/ Other Reasons	Stores at the End of the Year ⁽²⁾
Alabama	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	1	1	0	0	2
Alaska	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	0	5
	2016	5	0	1	0	0	0	4
Arizona	2014	7	0	0	0	0	0	7
	2015	7	0	0	0	0	0	7
	2016	7	0	0	0	0	0	7
Arkansas	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	1	0	0	0	0	3
California	2014	25	0	1	0	0	0	24
	2015	24	0	1	0	0	0	23
	2016	23	0	2	0	0	0	21
Colorado	2014	8	0	0	0	0	0	8
	2015	8	0	0	0	0	0	8
	2016	8	0	0	0	0	0	8
Connecticut	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2

State	Year	Stores at the Start of the Year	Stores Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/ Other Reasons	Stores at the End of the Year ⁽²⁾
Florida	2014	30	0	0	0	0	0	30
	2015	30	0	0	0	0	0	30
	2016	30	0	5	0	0	0	25
Georgia	2014	8	0	0	0	0	0	8
	2015	8	0	1	0	0	0	7
	2016	7	0	0	0	0	0	7
Idaho	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Illinois	2014	13	0	1	0	0	0	12
	2015	12	2	0	0	0	0	14
	2016	14	0	0	0	0	0	14
Indiana	2014	6	0	0	0	0	0	6
	2015	6	0	1	0	0	0	5
	2016	5	0	0	0	0	0	5
Iowa	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Kansas	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Kentucky	2014	4	0	0	0	0	0	4
	2015	4	0	1	0	0	0	3
	2016	3	0	0	0	0	0	3
Louisiana	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Maine	2014	4	0	0	0	0	0	4
	2015	4	0	1	0	0	0	3
	2016	3	0	0	0	0	0	3
Maryland	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
Massachusetts	2014	6	0	0	0	0	0	6
	2015	6	1	2	0	0	0	5
	2016	5	0	0	0	0	0	5
Michigan	2014	13	0	0	0	0	0	13
	2015	13	0	0	0	0	0	13
	2016	13	0	0	0	0	0	13

State	Year	Stores at the Start of the Year	Stores Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/ Other Reasons	Stores at the End of the Year ⁽²⁾
Minnesota	2014	5	0	1	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	1	0	0	0	3
Mississippi	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Missouri	2014	5	1	0	0	0	0	6
	2015	6	0	0	0	0	0	6
	2016	6	0	0	0	0	0	6
Montana	2014	3	0	0	0	0	0	3
	2015	3	0	1	0	0	0	2
	2016	2	0	0	0	0	0	2
Nebraska	2014	2	1	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Nevada	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
New Jersey	2014	2	0	0	0	0	0	2
	2015	2	1	1	0	0	0	2
	2016	2	0	0	0	0	0	2
New Mexico	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
New York	2014	8	0	0	0	0	0	8
	2015	8	0	0	0	0	0	8
	2016	8	0	0	0	0	0	8
North Carolina	2014	12	1	0	0	0	0	13
	2015	13	0	1	0	0	0	12
	2016	12	0	0	0	0	0	12
North Dakota	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Ohio	2014	18	0	0	0	0	0	18
	2015	18	0	0	0	0	0	18
	2016	18	0	0	0	0	0	18
Oklahoma	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3

State	Year	Stores at the Start of the Year	Stores Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/ Other Reasons	Stores at the End of the Year ⁽²⁾
Oregon	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Pennsylvania	2014	4	0	1	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
South Carolina	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
South Dakota	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Tennessee	2014	6	0	0	0	0	0	6
	2015	6	0	1	0	0	0	5
	2016	5	0	0	0	0	0	5
Texas	2014	5	0	0	0	0	0	5
	2015	5	1	0	0	0	0	6
	2016	6	0	1	0	0	0	5
Utah	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Vermont	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Virginia	2014	10	0	0	0	0	0	10
	2015	10	0	0	0	0	0	10
	2016	10	0	1	0	0	0	9
Washington	2014	6	0	0	0	0	0	6
	2015	6	0	0	0	0	0	6
	2016	6	1	0	0	0	0	7
West Virginia	2014	1	0	0	0	0	0	1
	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Wisconsin	2014	9	1	0	0	0	0	10
	2015	10	0	0	0	0	0	10
	2016	10	0	1	0	0	0	9

State	Year	Stores at the Start of the Year	Stores Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/ Other Reasons	Stores at the End of the Year ⁽²⁾
Canada	2014	34	1	0	0	0	0	35
	2015	35	1	0	0	0	0	36
	2016	36	0	2	0	0	0	34
TOTAL	2014	300	5	4	0	0	0	301
	2015	301	7	11	0	0	0	297
	2016	297	2	15	1	0	0	283

- (1) The numbers do not include information for any other franchise programs offered by Winmark as described in Item 1. Store information for each of these franchise programs is disclosed in a separate disclosure document.
- (2) The numbers are as of Winmark's fiscal year end for each of the last 3 years (December 27, 2014, December 26, 2015 and December 31, 2016).
- (3) Separately, Jim Van Buskirk, through one or more entities, operates 13 non-franchised Play It Again Sports® stores in Minnesota (10), North Dakota (1), South Dakota (1) and Wisconsin (1).

TABLE NUMBER 4
Status of Company-Owned Stores
For Years 2014 to 2016

During the last 3 years, Winmark has had no company-owned Play It Again Sports® stores.

TABLE NUMBER 5
Projected Openings
As of December 31, 2016

State	Franchise Agreements Signed But Store Not Opened	Projected New Franchised Stores in the Next Fiscal Year	Projected New Company-Owned Stores in the Next Fiscal Year
Colorado	1	1	0
Montana	1	1	0
North Carolina	1	1	0
South Carolina	1	1	0
Wyoming	1	1	0
Canada	1	1	0
TOTAL	6	6	0

A list of all Play It Again Sports® franchises is included in the disclosure document as Exhibit A.

Included in this disclosure document as Exhibit B is the name, city and state, and business telephone number of every franchisee who had a store transferred, terminated, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with Winmark within the 10-week period before the issuance date of this disclosure document.

If you buy a Play It Again Sports® franchise, your contact information may be disclosed to other buyers when you leave the system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experiences with the Play It Again Sports® franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

The Play It Again Sports® Franchisee Advisory Council is sponsored by us, but its members are nominated by franchisees. You can reach the organization at c/o Scott Ward, FAC Chairperson, 993 Mansell Road, Roswell, GA 30076, telephone - (770) 642-4880, email – burdinc@bellsouth.net.

There are no trademark-specific franchise associations required to be disclosed in this Item.

Item 21

FINANCIAL STATEMENTS

The following audited consolidated financial statements of Winmark are included in this disclosure document as Exhibit C: the consolidated balance sheets of Winmark as of December 31, 2016 and December 26, 2015 and the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2016, together with the Report of Independent Registered Public Accounting Firm from Grant Thornton LLP dated March 10, 2017, relating to the aforementioned consolidated financial statements.

Also included in Exhibit C are the unaudited consolidated balance sheet of Winmark as of July 1, 2017, and the related consolidated statement of operations for the six-month period ended July 1, 2017. In addition, as further described in Item 1, unaudited pro forma consolidated financial data for the year ended December 31, 2016, and the six-month period ended July 1, 2017, are included in Exhibit C.

Item 22

CONTRACTS

The Play It Again Sports® Franchise Agreement (including the Computer Software License Agreement, Personal Guaranty and Additional Store Addendum) is attached to this disclosure document as Exhibit D. The Play It Again Sports® Letter of Credit is attached to this disclosure document as Exhibit E. The Winmark Bank Draft Authorization is attached to this disclosure document as Exhibit F. The Equipment Lease is attached to this disclosure document as Exhibit H.

Item 23

RECEIPTS

Attached as the last pages of this disclosure document are detachable Receipts.

CALIFORNIA ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

For prospective franchisees subject to California statute, the following information modifies the corresponding disclosures in the Play It Again Sports® Franchise Disclosure Document.

1. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

3. Section 31125 of the California Corporations Code requires the Franchisor to give the Franchisee a disclosure document, in a form and containing such information as the commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

4. Item 3 is amended to provide that neither Winmark nor any other person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association.

5. Item 6 of the FDD is amended to add the following sentence under the "Amount" column of "Interest Expenses" which are payable if Continuing Fee or other amounts due Winmark are not timely paid:

The maximum interest rate in California is 10%.

6. Item 10 of the FDD is amended to include the following provision:

Winmark will comply with all appropriate laws governing any direct financing offered by us to you including, if applicable, the California Finance Lenders Law.

7. Item 17 of the FDD is amended to include the following provisions:

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

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Section 11 of the Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur at Minneapolis, Minnesota. The non-prevailing party will pay all costs and expenses, including reasonable attorney's fees, incurred by the prevailing party in any arbitration. This provision may not be enforceable under California law.

The Franchise Agreement requires that arbitration take place in Minneapolis, Minnesota. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of an agreement restricting venue to a forum outside the State of California.

8. Item 19 of the FDD is amended to include the following provision:

The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

9. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

HAWAII ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

1. The Disclosure Document is amended to include the following information:

A. The states in which this registration is effective or exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland,
Minnesota, New York, North Dakota, Rhode Island,
South Dakota, Virginia, Washington and Wisconsin

B. The states in which this proposed registration is or will be shortly on file,
or is or will shortly be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland,
Minnesota, New York, North Dakota, Rhode Island,
South Dakota, Virginia, Washington and Wisconsin

C. The states, if any, which have refused, by order or otherwise, to register
these franchises:

None

D. The states, if any, which have revoked or suspended the right to offer
these franchises:

None

E. The states, if any, in which the proposed registration of these franchises
has been withdrawn:

None

2. Items 5 and 7 of the Franchise Disclosure Document are amended to include the
following information:

For Hawaii franchisees, the State of Hawaii requires us to defer payment of the
Initial Franchise Fees until we have completed our pre-opening obligations and you
have opened your Store for business. This financial assurance requirement was
imposed because of Winmark's current financial condition.

3. Item 17 of the Franchise Disclosure Document provides, in part, that you have no
interest upon termination of or refusal to renew or extend the Franchise Agreement. Item 17 is
amended to provide that, upon termination or refusal to renew the Franchise Agreement, the
franchisee will be compensated for the fair market value of certain assets of the Franchised
Business, as more fully described in Haw. Rev. Stat. § 482E-6(3).

ILLINOIS ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

Item 5 of the Franchise Disclosure Document is revised to include the following provisions:

All Initial Franchise Fees paid to Winmark by Illinois franchisees are required to be placed in escrow. The Illinois Attorney General imposed the escrow requirement because of Winmark's financial condition. Winmark has entered into an Escrow Agreement with US Bank, N.A. dated July 9, 2015. You should make your checks for the Initial Franchise Fees described in Item 5 payable to "Winmark Corporation, US Bank as Depository." This Escrow Agreement is on file with the Franchise Examiner, Office of the Attorney General, 500 South 2nd Street, Springfield, Illinois 62706.

Item 17 of the Franchise Disclosure Document is revised to include the following provisions:

The Illinois Franchise Disclosure Act, Section 4, prohibits any agreement that specifies jurisdiction or venue of any lawsuit in a place outside of the state of Illinois. The Act does permit agreements to require you to arbitrate outside the state of Illinois. The Act prohibits choice of law provisions that would require the application of any laws except the laws of the state of Illinois (Section 41). You may have other rights under the Illinois Franchise Disclosure Act or other laws of the state of Illinois. To the extent that the Franchise Agreement is inconsistent with Illinois law, the inconsistent terms of the Franchise Agreement will not be enforced and the terms of the applicable Illinois law will apply.

MARYLAND ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

Item 17 of the Franchise Disclosure Document is revised to include the following provisions:

Termination by Winmark. The Franchise Agreement provides for termination if you are insolvent under any applicable state or federal law. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Limitation of Actions. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

MINNESOTA ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

Item 13 of the Franchise Disclosure Document is revised for Minnesota franchisees to include the following language:

Winmark will indemnify you for damages for which you are held liable in any proceeding arising out of the use of the Play It Again Sports® mark, provided you have used the Mark properly and have notified Winmark of any claim against you within 10 days of your knowledge of the claim. Winmark will have sole control of any litigation involving the Marks. Winmark's indemnification obligation will not apply to any franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

Item 17 of the Franchise Disclosure Document is revised for Minnesota franchisees to include the following language:

With respect to franchises governed by Minnesota law, Winmark will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

Franchisee's Initials

Winmark's Initials

NEW YORK ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

The following information applies to franchises and franchisees subject to New York statutes and regulations. Item numbers correspond to those in the main body.

1. Winmark represents that this Disclosure Document does not knowingly omit any material fact or contain any untrue statement of material fact.

2. The following paragraphs are added at the beginning of Item 3:

Except as described below, neither Winmark, nor any predecessor, person identified in Item 2 above, or any affiliate offering franchises under Winmark's principal trademark:

A. Has any administrative, criminal or civil action pending against it, him or her alleging: a felony; a violation of any franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, restraint of trade, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations, also including pending actions which are incidental to the business that are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten year period immediately preceding the date of this Disclosure Document has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to any currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following paragraph replaces Item 4:

Neither Winmark nor any predecessor, affiliate, officer or general partner of Winmark has, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it), a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of Winmark held this position in the company or partnership.

NORTH DAKOTA ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

Item 17 of the Franchise Disclosure Document provides that binding arbitration of any disputes will take place in Minneapolis, Minnesota. Item 17 is amended to provide that Winmark and you will agree to the site of arbitration.

RHODE ISLAND ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

The following applies to franchises and franchisees subject to Rhode Island statutes and regulations. Item numbers correspond to those in the main body.

1. Item 17.

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

VIRGINIA ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

Item 5 of the Franchise Disclosure Document is revised to include the following provision:

The Initial Franchise Fee and other initial payments made to Winmark by Virginia franchisees are required to be placed in escrow until Winmark has completed its pre-opening obligations under the Franchise Agreement. The Virginia State Corporation Commission's Division of Securities and Retail Franchising imposed the escrow requirement because of Winmark's financial condition. Winmark has entered into an Escrow Agreement with US Bank National Association dated April 18, 2016. You should make your checks for the Initial Franchise Fees described in Item 5 payable to "U.S. Bank f/b/o Winmark Corporation." This Escrow Agreement is on file with the Virginia State Corporations Commission, Division of Securities and Retail Franchising, Tyler Building, 1300 East Main Street, Richmond, VA 23219-3630.

Item 17 of the Franchise Disclosure Document is revised to include the following provision:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

The following information applies to franchises and franchisees subject to the Washington Franchise Investment Protection Act, RCW 19.100. Item numbers correspond to those in the main body:

1. Item 5.

All Initial Franchise Fees paid to Winmark by Washington franchisees are required to be placed in an escrow impound account. The Director of the Department of Financial Institutions imposed the impound requirement because of Winmark's financial condition. Winmark has entered into an Impound Agreement with US Bank, N.A. dated July 7, 2015. You should make your checks for the Initial Franchise Fees described in Item 5 payable to "Winmark Corporation, US Bank as Depository." This Impound Agreement is on file with the Department of Financial Institutions, Securities Division, 150 Israel Rd SW, Tumwater, WA 98501.

2. Item 6.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

3. Item 17.

Any arbitration shall take place in Washington or at such other place as may be mutually agreeable to the parties or as determined by the arbitrator.

4. Item 17.

If any of the provisions in the Franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and Franchise Agreement with regard to any franchise sold in Washington. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

5. Item 17.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitation period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

6. Item 17.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

WISCONSIN ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE DISCLOSURE DOCUMENT

The following information applies to franchises and franchisees subject to the Wisconsin Fair Dealership Law. Item numbers correspond to those in the main body:

1. Item 17.

For all franchises sold in the State of Wisconsin, we will provide you at least 90 days prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If the deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

2. Item 17.

For Wisconsin franchisees, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provision of the Franchise Agreement or a related contract which is inconsistent with the Law.

EXHIBIT A

List of Stores

**PLAY IT AGAIN SPORTS
AS OF DECEMBER 31, 2016**

Franchisee	Store Address	City	ST	Zipcode	Store Phone
ALBERTA					
Doyle, Larry	303 Shawville Blvd SE Unit 560	Calgary	AB	T2Y 3W6	403-254-8561
Elvey, Troy	270 Stewart Green SW	Calgary	AB	T3H 3C8	403-686-4228
Flaman-Haley, Chris	4930 53rd Ave	Red Deer	AB	T4N 5J9	403-347-2227
ALASKA					
Bruno, Don	2636 Spenard Rd	Anchorage	AK	99503	907-278-7529
Bruno, Don	8840 Old Seward Hwy	Anchorage	AK	99515	907-272-7529
Dougherty, Toby & Dena	160 Old Steese Hwy	Fairbanks	AK	99701	907-457-7427
Bruno, Don	1461 S Seward Meridian Pkwy Suite	Wasilla	AK	99654	907-376-8046
ALABAMA					
Moody, Rusty	2801 Mall Dr Suite 14	Florence	AL	35630	256-767-4800
McCloskey, Alan	1717 Montgomery Hwy S Unit 20	Hoover	AL	35244	205-453-9207
ARKANSAS					
Welch, Jon	3107 N College Ave	Fayetteville	AR	72703	479-442-7529
Stouffer, David	2817 S Zero St	Ft Smith	AR	72908	479-308-9090
Curry, Steve	3407 E Highland Dr	Jonesboro	AR	72401	870-336-0056
ARIZONA					
Sanchez, Matt	1400 N Litchfield Rd Ste G9	Goodyear	AZ	85338	623-939-7799
Marriott, Paul	1457 W Southern Ave Ste A6	Mesa	AZ	85202	480-834-0005
Cantu, Troy	3143 E Greenway Rd	Phoenix	AZ	85032	602-971-8604
Haase, Greg	1840 E Warner Rd Ste 126	Tempe	AZ	85284	480-345-6109
Mulhall, Tom	7963 N Oracle Rd	Tucson	AZ	85705	520-293-2010
West, Jason	4750 E Speedway Blvd	Tucson	AZ	85712	520-795-0363
West, Jason	7707 E Broadway Blvd	Tucson	AZ	85710	520-296-6888
BRITISH COLUMBIA					
Henderson, Bob	1778 Baron Rd	Kelowna	BC	V1X 7G9	778-484-0048
Schmidt, Mike & Hunter, Stuart	15355 24th Ave	S Surrey	BC	V4A 2H9	778-736-0211
CALIFORNIA					
Ulmer, Scott	1937 E 20th St Ste B2	Chico	CA	95928	530-345-7427
Kaplan, Rob	1150 Contra Costa Blvd	Concord	CA	94523	925-825-3396
Goett, Tom	8125 Greenback Ln	Fair Oaks	CA	95628	916-725-8007
Silva, Al	3302 E Yorba Linda Blvd	Fullerton	CA	92831	714-993-6383
Shultz, Kevin	18352 Beach Blvd	Huntington Beach	CA	92648	714-848-6788
Phillips, Bill	4141 Katella Ave	Los Alamitos	CA	90720	714-220-2400
Vargas, John	2720 McHenry Ave Suite N	Modesto	CA	95350	209-521-4664
McNamara, Dustin	1220 S Coast Hwy	Oceanside	CA	92054	760-941-3600
Buxton, Dan	3640 E Colorado Blvd	Pasadena	CA	91107	626-405-9988
Coutts, David	5548 Springdale Ave Suite A	Pleasanton	CA	94588	925-734-6750
Burnell, Chris	9999 Mira Mesa Blvd	San Diego	CA	92131	858-695-3030
Princen, Fred	1401 Garnet Ave	San Diego	CA	92109	858-490-0222
Vance, Greg	4850B Hollister Ave	Santa Barbara	CA	93111	805-967-9889
Drom, Kevin	2530K S Broadway	Santa Maria	CA	93454	805-614-0072
Briscoe, Billy	1911B Santa Rosa Ave	Santa Rosa	CA	95407	707-527-7678
Goldstein, Ross	5832 Sepulveda Blvd	Sherman Oaks	CA	91411	818-752-9123
Raulin, Dave	2880B Cochran St	Simi Valley	CA	93065	805-520-6053
Frankl, Tom	4770 Soquel Dr	Soquel	CA	95073	831-475-1988
Unterseher, Gary	828 W Benjamin Holt Dr	Stockton	CA	95207	209-474-1944
Brehm, Larry	4868 W 190th St	Torrance	CA	90503	310-921-2800
Raulin, Dave	4705 Telephone Rd Suite 4	Ventura	CA	93003	805-644-4948

**PLAY IT AGAIN SPORTS
AS OF DECEMBER 31, 2016**

Franchisee	Store Address	City	ST	Zipcode	Store Phone
COLORADO					
Hassemer, Vickie	18883 E Hampden Ave Unit 193	Aurora	CO	80013	303-627-6301
Stapleton, Sue	653 S Broadway St	Boulder	CO	80303	303-499-2011
Mantelli, Doug & Hillary	4760 Castleton Way	Castle Rock	CO	80109	720-479-8245
Liebl, Travis	5170 N Academy Blvd	Colorado Springs	CO	80918	719-528-5840
Sinclair, Brian	1033 N Academy Blvd	Colorado Springs	CO	80909	719-574-4849
*O'Donnell, Kevin		Lakewood	CO		
Bolle, David	151 W Mineral Ave	Littleton	CO	80120	303-798-8824
Martin, Chris	800 S Hover Rd #43	Longmont	CO	80501	303-774-9912
Van Haveren, Bryan	7330A W 88th Ave	Westminster	CO	80021	303-431-6585
CONNECTICUT					
Carangelo, Janet	685 Queen St Unit 8	Southington	CT	06489	860-621-0045
Hicks, Elizabeth	15 S Main St	West Hartford	CT	06107	860-523-4692
FLORIDA					
Sabatine, Mario	950 N State Rd 434	Altamonte Springs	FL	32714	407-788-8280
Myers, Jaime	3611 1st St E Ste 710	Bradenton	FL	34208	941-896-9684
Simmers, Denny	744 W Lumsden Rd	Brandon	FL	33511	813-661-4141
Privis, Gene	11426 W Sample Rd	Coral Springs	FL	33065	954-510-7545
Fortin, Sandy	1808 W International Spdwy Blvd Ste	Daytona Beach	FL	32114	386-238-6949
Fortin, Sandy	11620 S Cleveland Ave	Fort Myers	FL	33907	239-274-8646
Fortin, Sandy	3425 W University Ave	Gainesville	FL	32607	352-377-7666
Fortin, Sandy	2900 W Vine St	Kissimmee	FL	34741	407-944-4005
Fortin, Sandy	2211 S Florida Ave	Lakeland	FL	33803	863-688-7757
Crouch, Chase	10530 US Hwy 441	Leesburg	FL	34788	352-343-5995
Paul, Brett	2605 W New Haven Ave	Melbourne	FL	32904	321-984-1313
Fortin, Sandy	1809 E Silver Springs Blvd	Ocala	FL	34470	352-622-1122
Fortin, Sandy	35181 US Hwy 19 N	Palm Harbor	FL	34684	727-781-7700
Mullenix, Scott & Early, Tim	2 Fairfield Blvd Ste 9	Ponte Vedra Beach	FL	32082	904-543-0033
Fortin, Sandy	3942 Tyrone Blvd	Saint Petersburg	FL	33709	727-344-0601
Fortin, Sandy	5407 Fruitville Rd	Sarasota	FL	34232	941-378-1477
Fortin, Sandy	200 37th Ave Ste 226	St Petersburg	FL	33704	727-528-1115
Fortin, Sandy	3351 SE Federal Hwy	Stuart	FL	34997	772-286-9552
Heap, Justin	3183 Capital Cir NE	Tallahassee	FL	32308	850-523-0801
Kendall, Bill	3914 Britton Plaza	Tampa	FL	33611	813-837-8771
Simmers, Denny	11921 N Dale Mabry Hwy	Tampa	FL	33618	813-969-0855
Fortin, Sandy	6160 20th St	Vero Beach	FL	32966	772-563-0026
Fortin, Sandy	1668 Bruce B Downs Blvd	Wesley Chapel	FL	33543	813-514-6556
Fortin, Sandy	621 Cypress Garden Blvd	Winter Haven	FL	33880	863-294-9696
Fortin, Sandy	1425 Tuskawilla Rd Ste 195	Winter Springs	FL	32708	407-677-5007
GEORGIA					
Curtis, Bo & Schneider, John	3872 Roswell Rd D7-D9	Atlanta	GA	30342	404-257-0229
Love, Barry	410 Cherokee Pl	Cartersville	GA	30121	770-386-8866
Carlton, Jason	2050 Lawrenceville Hwy Suite C2	Decatur	GA	30033	404-329-2005
Lambert, Al	35 Hudson Plaza	Fayetteville	GA	30214	770-460-7511
Crook, Jay	840 W Barrett Pkwy Ste 560	Kennesaw	GA	30144	770-429-8636
Ward, Scott	993 Mansell Rd	Roswell	GA	30076	770-642-4880
Crotts, Daniel	2262 E Main St	Snellville	GA	30078	770-493-8299
IOWA					
Loesch, Gabe	3657 1st Ave SE	Cedar Rapids	IA	52402	319-366-8664
Schneider, Denny	9980 Swanson Blvd	Clive	IA	50325	515-402-7427
Suchomel, Chris	1705 1st Ave	Iowa City	IA	52240	319-354-4777

**PLAY IT AGAIN SPORTS
AS OF DECEMBER 31, 2016**

Franchisee	Store Address	City	ST	Zipcode	Store Phone
IDAHO					
Welch, Mike	7566 Fairview Ave	Boise	ID	83704	208-378-0053
Talamantez, Greg	1515 Ashment Ave	Idaho Falls	ID	83404	208-524-0500
ILLINOIS					
Kaminsky, Charles	3939 N Ashland Ave	Chicago	IL	60613	773-305-9900
Ruer, Bob	6124 Northwest Hwy	Crystal Lake	IL	60014	815-459-1717
Baker, Larry	3004A N Water St	Decatur	IL	62526	217-872-2434
Hamann, Michael	1908 W Dempster St	Evanston	IL	60202	847-866-1733
Fowler, Deena	2015 W Hwy 50	Fairview Heights	IL	62208	618-628-2345
Sahli, Steve	931 W 75th St Ste 185	Naperville	IL	60565	630-355-1121
Wong, Ed	575 Waukegan Rd	Northbrook	IL	60062	847-564-9180
Wong, Ed	5600 W 95th St	Oak Lawn	IL	60453	708-636-6311
Ellison, Mark	315 E Northwest Hwy	Palatine	IL	60067	847-221-8260
Wong, Ed	1127 S Roselle Rd	Schaumburg	IL	60193	847-895-8914
Reiss, Ken	978 Brook Forest Ave	Shorewood	IL	60431	815-609-3400
Jones, Tom	210 N Randall Road	St Charles	IL	60174	630-584-7334
Wong, Ed	379 E North Ave	Villa Park	IL	60181	630-835-3888
Barofsky, Mike & Fox, Jill	233 W Ogden Ave	Westmont	IL	60559	630-810-9811
INDIANA					
Gilchrist, Duane	2332 E 116th St	Carmel	IN	46032	317-848-6044
Haines, Bradley & Lela	3527 S Main St	Elkhart	IN	46517	574-293-2462
Aldredge, Brian	6219 Vogel Rd Ste 104	Evansville	IN	47715	812-479-3289
Gilchrist, Duane	11681 Olio Rd	Fishers	IN	46037	317-288-4632
Hale, Elaine	8923 S Meridian St	Indianapolis	IN	46217	317-859-8080
KANSAS					
Jarvis, Bob	7151 135th Street	Overland Park	KS	66223	913-897-3091
Martin, Scott	8929 W Central Ave	Wichita	KS	67212	316-729-0300
KENTUCKY					
Gray, Geoff	8449 US Hwy 42	Florence	KY	41042	859-282-6565
Uhls, James	4138 Outer Loop	Louisville	KY	40219	502-968-5354
Ullom, Brian/ Harkins, Shawn	291 N Hubbards Ln Ste B43	Louisville	KY	40207	502-897-3494
LOUISIANA					
Eddlemon, Greg	1938 E 70th St	Shreveport	LA	71105	318-220-4385
MASSACHUSETTS					
Leivi, Mike	630 Washington St	Dedham	MA	02026	781-493-6796
Drallios, Betsy	814 N Main St	Leominster	MA	01453	978-537-2063
Chin, Jim	225 Main St	North Reading	MA	01864	978-664-9363
Jones, Rob	62 E Montvale Ave	Stoneham	MA	02180	781-438-2399
Pill, Dan	108C River St	Waltham	MA	02453	781-609-2506
MANITOBA					
*Barringer, Dean		Winnipeg	MB		
Vermette, Greg	730 St Anne's Rd Unit U	Winnipeg	MB	R2N 0A2	204-256-1115
MARYLAND					
Szaroleta, Mike	7968 Bel Air Rd	Baltimore	MD	21236	410-882-1810
Mauser, Eric	9150-3 Baltimore National Pike	Ellicott City	MD	21042	410-418-9371
Hipp, Chris	5811 Buckeystown Pike	Frederick	MD	21704	240-629-8790
Collins, Jim	521-B Jermor Lane	Westminster	MD	21157	410-871-1430
MAINE					
Gilhooly, Kevin	250 Center St	Auburn	ME	04210	207-777-7427
Rousseau, Scott	473 Alfred Street	Biddeford	ME	04005	207-602-6066
Rousseau, Scott	315 Marginal Way	Portland	ME	04101	207-773-6063

**PLAY IT AGAIN SPORTS
AS OF DECEMBER 31, 2016**

Franchisee	Store Address	City	ST	Zipcode	Store Phone
MICHIGAN					
Bonilla, Miguel	2461A W Stadium Blvd	Ann Arbor	MI	48105	734-747-6277
Jones, Chuck	42079 Ford Rd	Canton	MI	48187	734-844-8591
Scheuer-Murphy, Elizabeth	50607 Gratiot Rd	Chesterfield	MI	48051	586-598-7700
Kean, Brian	1213 W 14 Mile Rd	Clawson	MI	48017	248-435-7240
Gariglio, Gary	4230 Miller Rd	Flint	MI	48507	810-515-1659
Hartnagel, Jeff	3560 Alpine Ave	Grand Rapids	MI	49544	616-635-2919
Seyferth, David & Naomi	3734 28th St SE	Grand Rapids-Kentv	MI	49512	616-957-0086
Kean, Brian	11500 Middlebelt Rd	Livonia	MI	48150	734-266-1999
Somerville, Ian	25875 Novi Road	Novi	MI	48375	248-449-4544
Kean, Brian	26451 Gratiot Ave	Roseville	MI	48066	586-772-0600
Jones, Chuck	18809 Eureka Rd	Southgate	MI	48195	734-284-7488
Frieswyk, Tom	1251 S Airport Rd	Traverse City	MI	49686	231-929-1870
Kean, Brian	7715 26 Mile Rd	Washington TnsHip	MI	48094	586-992-0600
MINNESOTA					
Kreb, Al	1249 Hwy 25 N	Buffalo	MN	55313	763-682-9334
Peterson, Robbie	13941 Aldrich Ave S	Burnsville	MN	55337	952-898-1878
Eckers, Steven	1668 Madison Ave	Mankato	MN	56001	507-625-2000
MISSOURI					
O'Leary, Dan	223 Arnold Crossroads Ctr	Arnold	MO	63010	636-333-2688
Copeland, Neil	1218 Business Loop 70 W	Columbia	MO	65202	573-442-9291
McCann, Mike & Kaitlin	3130 E 7th St	Joplin	MO	64804	417-626-7529
Fowler, Deena	10947 Manchester Rd	Kirkwood	MO	63122	314-821-4567
Newlin, Jeff & Salyers, Jeff	1300 E Battlefield Rd	Springfield	MO	65804	417-883-7444
Moore, John & Susan	234 Mid Rivers Ctr	St Peters	MO	63376	636-397-0100
MISSISSIPPI					
Townsend, John	4400 Hardy St Ste A12	Hattiesburg	MS	39402	601-268-8941
Hikes, Mark	900 E Cty Line Rd	Ridgeland	MS	39157	601-956-5500
MONTANA					
Link, Kirk	1005 24th St W Ste 3	Billings	MT	59102	406-652-3662
Kraska, Matt	1428 N 15th Ave	Bozeman	MT	59715	406-587-7427
*Lieb, Douglas		Helena	MT		
NORTH CAROLINA					
Gore, Larry	611 Tunnel Rd	Asheville	NC	28805	828-299-1221
Geib, Ron	3280 S Church St	Burlington	NC	27215	336-350-8972
Gaston, Hal	446 Crossroads Blvd	Cary	NC	27511	919-851-1851
Douglass, Jay	8332-205 Pineville-Matthews Rd	Charlotte	NC	28226	704-540-6339
Guisse, Chad	5318 New Hope Common Ext	Durham	NC	27707	919-493-7200
Mathias, Dean & Anne	245 Westwood Shpg Center	Fayetteville	NC	28314	910-860-8100
Kemp, Mike & Shannon	PO Box 39206, 2963 Battleground A	Greensboro	NC	27408	336-282-9910
Mathias, Dean & Anne	890 Greenville Blvd Ste 101	Greenville	NC	27834	252-353-4344
*Pare, Wayne		Holly Springs	NC		
Willis, Mark	539 E Plaza Dr Ste R	Mooresville	NC	28115	704-658-0270
Guisse, Chad	6325 Falls of Neuse Rd	Raleigh	NC	27615	919-877-8171
Mathias, Dean & Anne	3530 S College Rd	Wilmington	NC	28412	910-791-1572
Kemp, Mike & Shannon	5005 Country Club Rd	Winston Salem	NC	27104	336-760-1470
NORTH DAKOTA					
Netland, Eric	2501 45th St S	Fargo	ND	58104	701-293-1721

**PLAY IT AGAIN SPORTS
AS OF DECEMBER 31, 2016**

Franchisee	Store Address	City	ST	Zipcode	Store Phone
NEBRASKA					
Jones, Janiece	2276 N Webb Rd	Grand Island	NE	68803	308-381-0123
Hesson, Diane	800 N 48th St	Lincoln	NE	68504	402-483-7447
Messina, Rich	8453 W Center Rd	Omaha	NE	68124	402-934-8100
NEW JERSEY					
Torres, Mark	1450 Clements Bridge Rd	Deptford	NJ	08096	856-579-8250
Zanghi, Dom	4201 Church Rd Ste F	Mount Laurel	NJ	08054	856-235-2573
NEWFOUNDLAND					
O'Neill, Bob	390 Topsail Rd	St. John's	NL	A1E 2C5	709-745-7529
NEW MEXICO					
Ruiz, Carlos	3301 Coors NW	Albuquerque	NM	87120	505-890-7041
Welch, Jon	7401 Menaul Blvd NE	Albuquerque	NM	87110	505-881-0551
NEVADA					
Stein, Joe	911 Topsy Lane Ste 226A	Carson City	NV	89705	775-267-3390
NEW YORK					
Vonk, Dottie	952 Troy-Schenectady Rd	Latham	NY	12110	518-785-6587
Chesney, Scott	6160 Sunrise Hwy	Massapequa	NY	11758	516-308-4242
Yeh, Frank	4790 Commercial Dr	New Hartford	NY	13413	315-736-5336
Yackel, Ron	3910 Brewerton Rd	North Syracuse	NY	13212	315-458-7101
Pitonza, Steve	46 Atlantic Ave	Oceanside	NY	11572	516-678-7900
Freer, Ed	30 Plattsburgh Plz	Plattsburgh	NY	12901	518-566-6026
Eaves, John	3333 W Henrietta Rd	Rochester	NY	14623	585-427-7750
Borko, Steve	115 Temple Hill Rd	Vails Gate	NY	12584	845-562-2755
OHIO					
Powers, Norm & Douce, Bob & Lai	4086 Belden Village St NW	Canton	OH	44718	330-493-7600
Forsythe, Mike	101 E Alex-Bell Rd Ste 132	Centerville	OH	45459	937-291-0031
Johnson, Mike	4329 Red Bank Rd	Cincinnati	OH	45227	513-321-1711
McGregor, John & Mary	9990 Kings Auto Mall Dr	Cincinnati	OH	45249	513-583-0040
McGregor, John & Mary	8223 Colerain Ave	Cincinnati	OH	45239	513-245-2006
Demain, Andy	7412 Sawmill Rd	Columbus	OH	43235	614-791-9344
Robinson, Chuck	6011 E Main St	Columbus	OH	43213	614-868-0018
Arther, John	661 Howe Ave	Cuyahoga Falls	OH	44221	330-922-0606
O'Connell, Mark	2217 Stringtown Rd	Grove City	OH	43123	614-539-8881
Tanner, Dave & Leslie	4720 Cemetery Rd	Hilliard	OH	43026	614-529-9100
Weisberg, Matt	5455 Mayfield Rd	Lyndhurst	OH	44124	440-461-8474
Trayers, Scott	4733 Great Northern Blvd	N Olmsted	OH	44070	440-777-5569
McGregor, John & Mary	11749 Princeton Pike	Springdale	OH	45246	513-870-0010
Nauman, Ken	17100 Royalton Rd	Strongsville	OH	44136	440-238-1000
Buenaflor, Lou	5333 Monroe St Ste 16	Toledo	OH	43623	419-843-4230
Easter, Ashley	8870 Darrow Rd	Twinsburg	OH	44087	330-467-0788
McGregor, John & Mary	7645 Voice of America Dr	West Chester	OH	45069	513-777-1792
Wilson, Gregg	718 N State St	Westerville	OH	43081	614-890-2110
OKLAHOMA					
Bruns, Jerry	2203 W Main St Ste 2	Norman	OK	73069	405-364-0080
Quigley, Billy	4409 N Kickapoo Ave	Shawnee	OK	74804	405-395-0200
Dandridge, Bill	8929 S Memorial Dr	Tulsa	OK	74133	918-615-3790
ONTARIO					
LeBarron, Greg	4 Elgin St W	Arnprior	ON	K7S 1N3	613-623-1599
Ansari, Farzin	15480 Bayview Ave Unit 114	Aurora	ON	L4G 7J1	888-717-7427
Stasiulis, Wayne	370 Main St Unit 104	Brampton	ON	L6V 4A4	905-454-7529
Schebesch, Joey	3450 Dundas St Unit B19	Burlington	ON	L7M 4B8	905-639-8872

**PLAY IT AGAIN SPORTS
AS OF DECEMBER 31, 2016**

Franchisee	Store Address	City	ST	Zipcode	Store Phone
ONTARIO					
McLean, Jason	609 William St	Cobourg	ON	K9A 3A5	905-377-8989
Ondercin, Dale	135 Hurontario St	Collingwood	ON	L9Y 2L9	705-446-0633
Laroche, Dominique	960 Brookdale Ave	Cornwall	ON	K6J 4P5	613-936-2020
Stasiulis, Wayne	773C The Queens Way	Etobicoke	ON	M8Z 1N4	416-503-2288
MacLeod, Mark	218 Silver Creek Pkwy	Guelph	ON	N1H 7P8	519-822-0990
Jensen, Dave	488 Terry Fox Dr	Kanata	ON	K2T 1L3	613-599-9937
Cavalier, Warren	1300 Bath Rd Unit F1	Kingston	ON	K7M 4X4	613-544-7529
MacLeod, Mark	509 Wilson Ave Unit 12	Kitchener	ON	N2C 2M4	519-748-5809
Van de Haar, Ken	1314 Huron St	London	ON	N5Y 4V2	519-453-7529
Pinheiro, Joe & Leah	409 Main St	Milton	ON	L9T 1P7	905-864-9883
Sehrai, Masood	3055 Dundas St W Ste 9	Mississauga	ON	L5L 3R8	905-607-2837
Somerville, Mike	5863 Yonge St	North York	ON	M2M 3T9	416-222-5713
Jensen, Dave	3885 Innes Rd Unit C	Ottawa	ON	K1C 1T1	613-837-7529
Jensen, Dave	1701 Bank St	Ottawa	ON	K1V 7Z4	613-731-6006
Jensen, Dave	3161 Greenbank Rd	Ottawa	ON	K2J 4H9	613-843-9711
LeBarron, Greg	45 Pembroke St W	Pembroke	ON	K8A 5M5	613-732-1770
Blenkhorn, Ian	10520 Yonge St	Richmond Hills	ON	L4C 3C7	905-763-0777
Vossen, Kevin	1380 London Rd Unit 177	Sarnia	ON	N7S 1P8	519-542-1011
Gilpin, Steve	2488 Gerrard St E	Scarborough	ON	M1N 1W8	416-690-0666
Mallon, Kelly	920 Memorial Ave	Thunder Bay	ON	P7B 3Z9	807-622-8282
Terry, Bill & Kathy	1801 Dundas St E Unit 26	Whitby	ON	L1N 7C5	905-728-8881
OREGON					
Gregory, Tracy	9244 SW Beaverton-Hillsdale Hwy	Beaverton	OR	97005	503-292-4552
Sather, Al	1422 NW 9th St	Corvallis	OR	97330	541-754-7529
Sather, Al	2598 Willamette St	Eugene	OR	97405	541-342-4041
PENNSYLVANIA					
Romberger, Marcie	1004 Lancaster Ave	Berwyn	PA	19312	610-651-0202
Edgar, Jeff	6041 St Rte 30 Ste 65	Greensburg	PA	15601	724-834-1121
Probst, Harold	411 Granite Run Dr	Lancaster	PA	17601	717-569-1400
QUEBEC					
Pogue, Keith	2973 St Charles Rd	Kirkland	QC	H9H 3B5	514-697-1079
Foley, Terry	2100 Decarie Blvd	Montreal	QC	H4A 3J3	514-484-5150
SOUTH CAROLINA					
*Cason, Seth & Richardson, William		Charleston	SC		
Moseley, Chris	1270 Bower Pkwy Ste C8	Columbia	SC	29212	803-419-8303
Cleveland, Robert	828 Woods Crossing Rd	Greenville	SC	29607	864-242-2424
Cason, Seth & Richardson, Bill	1035 Johnnie Dodds Blvd A-4	Mt Pleasant	SC	29464	843-388-2600
Gore, Larry	1735 John B White Sr Blvd	Spartanburg	SC	29301	864-595-9911
SOUTH DAKOTA					
Thomson, Jim	660 N LaCrosse St	Rapid City	SD	57701	605-341-7529
TENNESSEE					
Wilburn, Margaret	1701 Mallory Lane Ste 350	Brentwood	TN	37027	615-661-1107
Gaetano, Phil	121 Terminal Rd	Clarksville	TN	37040	931-645-8033
Robb, Kyle	201 N Anderson Lane	Hendersonville	TN	37075	615-822-6633
Olive, Jonathan	123 North Seven Oaks Dr	Knoxville	TN	33922	865-531-7711
Tribble, Oliver	520 N Thompson Lane	Murfreesboro	TN	37129	615-895-7529
TEXAS					
Dorf, Scott	2933 W Anderson Lane	Austin	TX	78757	512-451-8976
Dorf, Scott	4211 S Lamar Blvd	Austin	TX	78704	512-444-2270
Heisser, Jason	1434 N Central Expy Ste 109	McKinney	TX	75070	469-424-1715

**PLAY IT AGAIN SPORTS
AS OF DECEMBER 31, 2016**

Franchisee	Store Address	City	ST	Zipcode	Store Phone
TEXAS					
Thrasher, Phil	3115 W Parker Rd Ste 470	Plano	TX	75023	972-612-1101
Huebner, Phil	15038 N US 281	San Antonio	TX	78232	210-455-3951
UTAH					
Whittle, Robert	934 N State St #105	Orem	UT	84057	801-226-0909
Hicks, Bill	6910 S Highland Dr	Salt Lake City	UT	84121	801-944-0094
Hicks, Bill	2120 S 700 E	Salt Lake City	UT	84106	801-466-4499
VIRGINIA					
Crews, Troy	1885 Seminole Trail	Charlottesville	VA	22901	434-973-2638
Gaston, Hal	1220 Greenbrier Pkwy Suite 130	Chesapeake	VA	23320	757-382-9592
Donohue, Michael	1281 Jefferson Davis Hwy	Fredericksburg	VA	22401	540-374-9284
Payne, Dan	59 Catoctin Circle NE	Leesburg	VA	20176	703-777-3043
Conner, Jeff	1033 Woodberry Square Pl	Lynchburg	VA	24502	434-385-5811
Gaston, Hal	12132B Jefferson Avenue	Newport News	VA	23602	757-890-8970
Preston, Freddy	8003 W Broad St	Richmond	VA	23294	804-527-1988
Duus, Chick	4082 Electric Rd	Roanoke	VA	24018	540-774-6809
Werth, Patty	2720 N Mall Dr	Virginia Beach	VA	23452	757-431-4448
VERMONT					
Macdonald, Duncan	150 Dorset St	South Burlington	VT	05403	802-865-3021
WASHINGTON					
Florendo, John	16929 Hwy 99 Ste 110	Lynnwood	WA	98037	425-670-1184
Scott, Rob	115 Marysville Mall Way	Marysville	WA	98270	360-653-9777
Jones, Ron	17622 108th Ave SE	Renton	WA	98055	425-227-8777
Paterson, Dave	1304 Stewart St	Seattle	WA	98109	206-264-9255
Fields, Jared	1808 W Francis	Spokane	WA	99205	509-368-9882
Bauter, Jackie	11505 NE 4th Plain Blvd	Vancouver	WA	98662	360-260-9440
Bauman, Rick	13210 NE 175th St	Woodinville	WA	98072	425-481-8676
WISCONSIN					
Herron, Shane & Tammy	611 W Northland Ave	Appleton	WI	54911	920-735-0432
Irvine, Frank	3015 E Hamilton Ste C	Eau Claire	WI	54701	715-834-0602
Hendricks, Mike	2270 S Ridge Rd	Green Bay	WI	54303	920-497-1420
Hundt, Andrew	7499 W Layton Ave	Greenfield	WI	53220	414-282-1007
Johnson, Keith	4017 75th St	Kenosha	WI	53142	262-577-5217
Shaw, Nate & Benz, Nick	4400 State Rd 16 Ste 130	La Crosse	WI	54601	608-784-4949
Dorcus, Mark	6674A Odana Road	Madison	WI	53719	608-824-3920
Hendricks, Mike	1830 S Koeller Rd	Oshkosh	WI	54902	920-231-5200
McCulloch, Brian	10111 W Capitol Dr	Wauwatosa	WI	53222	414-461-5600
WEST VIRGINIA					
Carte, Zachary	103 Lakeview Ctr	Parkersburg	WV	26101	304-893-9971
Syrylo, Brian	115 Bridge St Plaza	Wheeling	WV	26003	304-243-1477
WYOMING					
*Bummer, Brendan		Casper	WY		
*STORE NOT OPEN					

EXHIBIT B

List of Terminated Franchises

PLAY IT AGAIN SPORTS
**LIST OF TERMINATED FRANCHISEES AS OF 12/31/16 AND FRANCHISEES
WHO HAVE NOT COMMUNICATED WITH WINMARK WITHIN THE 10-WEEK PERIOD
BEFORE THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT**

NAME	FIRST	HOME CITY	STATE	LAST KNOWN BUSINESS PHONE	REASON
Scudder/Maguire	Stuart (Rusty)/ Kitty	Juneau	AK	907-586-3338	Termination
Vinson	James E. & Jo Anne, James D. & Amy	Dothan	AL	334-805-0947	Non-Renewal
Waid	Casey & Shannon	Auburn	AL	334-329-8712	Termination
Ferroni	Stephen & Pilar	San Jose	CA	408-268-3787	Termination
Townsend	Thomas	Corona	CA	909-785-0479	Termination
Alexander (2)	Richard & Shelly	Saint Augustine	FL	904-292-1717	Termination
Fortin (3)	W.R. and Judy	Lakeland	FL	863-581-0007	Termination
Fortin (3)	W.R. and Sandy	Lakeland	FL	863-581-0007	Transfer
Strickland	Mark	Woodstock	GA	770-591-9601	Transfer
Millikan	Glen	Evansville	IN	812-867-1853	Transfer
Coleman	Brian & Judy	Reading	MA	781-944-3239	Transfer
von Brethorst	Ronald & Kimberly	Mazeppa	MN	507-843-4867	Termination
Sehrai	Masood & Carina	Oakville	ON	905-607-2837	Termination
Warash/Johl	Robert/Bonnie	Kirkland	QC	514-630-4884	Termination
Arnoff	Richard & Jolene	Lindon	UT	801-785-1178	Transfer
Mitchell	C. David & Elizabeth	Lubbock	TX	806-470-1768	Termination
Poff	Jonathan & Erin	Christiansburg	VA	540-818-3217	Termination
Dorcus	Mark & Karen	Sun Prairie	WI	608-824-3920	Termination
Cherney	Michael & Shanda	Muskego	WI	414-422-9796	Transfer

If you buy a Play It Again Sports® franchise, your contact information may be disclosed to other buyers when you leave the System.

EXHIBIT C

Winmark's Audited and Unaudited Consolidated Financial Statements,
and Unaudited Pro Forma Consolidated Financial Data



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Grant Thornton LLP
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Minneapolis, MN 55402-1434

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Board of Directors and Shareholders
Winmark Corporation

We have audited the accompanying consolidated balance sheets of Winmark Corporation (a Minnesota corporation) and subsidiaries (the "Company") as of December 31, 2016 and December 26, 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Winmark Corporation and subsidiaries as of December 31, 2016 and December 26, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2017 expressed an unqualified opinion.

Grant Thornton LLP

Minneapolis, Minnesota
March 10, 2017

WINMARK CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

	<u>December 31, 2016</u>	<u>December 26, 2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,252,900	\$ 1,006,700
Marketable securities	199,900	227,800
Receivables, less allowance for doubtful accounts of \$2,100 and \$200	1,479,200	1,416,900
Restricted cash	40,000	25,000
Net investment in leases - current	17,004,800	17,741,500
Income tax receivable	1,678,800	3,290,400
Inventories	87,500	45,200
Prepaid expenses	1,050,700	677,800
Total current assets	<u>22,793,800</u>	<u>24,431,300</u>
Net investment in leases — long-term	24,410,700	21,246,000
Property and equipment:		
Furniture and equipment	2,866,600	3,166,100
Building and building improvements	1,447,200	1,444,200
Less - accumulated depreciation and amortization	<u>(3,544,200)</u>	<u>(3,488,800)</u>
Property and equipment, net	<u>769,600</u>	<u>1,121,500</u>
Goodwill	607,500	607,500
	<u>\$ 48,581,600</u>	<u>\$ 47,406,300</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Notes payable, net of unamortized debt issuance costs of \$10,000	\$ 1,990,000	\$ 1,990,000
Accounts payable	1,692,000	1,643,300
Accrued liabilities	1,811,100	1,875,700
Discounted lease rentals	—	38,700
Deferred revenue	1,864,700	1,963,200
Total current liabilities	<u>7,357,800</u>	<u>7,510,900</u>
Long-term Liabilities:		
Line of credit	23,400,000	42,400,000
Notes payable, net of unamortized debt issuance costs of \$73,500 and \$83,500	19,926,500	21,916,500
Deferred revenue	1,423,800	1,421,600
Other liabilities	993,600	1,216,300
Deferred income taxes	3,331,900	3,614,800
Total long-term liabilities	<u>49,075,800</u>	<u>70,569,200</u>
Commitments and Contingencies	—	—
Shareholders' Equity (Deficit):		
Common stock, no par value, 10,000,000 shares authorized, 4,165,769 and 4,124,767 shares issued and outstanding	2,976,100	406,500
Accumulated other comprehensive loss	(9,900)	(32,900)
Retained earnings (accumulated deficit)	<u>(10,818,200)</u>	<u>(31,047,400)</u>
Total shareholders' equity (deficit)	<u>(7,852,000)</u>	<u>(30,673,800)</u>
	<u>\$ 48,581,600</u>	<u>\$ 47,406,300</u>

The accompanying notes are an integral part of these consolidated financial statements.

WINMARK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

	Fiscal Year Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
REVENUE:			
Royalties	\$ 43,994,900	\$ 41,908,000	\$ 38,972,400
Leasing income	17,283,600	21,565,700	16,247,300
Merchandise sales	2,216,900	2,816,900	2,728,600
Franchise fees	1,624,800	1,788,100	1,989,700
Other	1,460,100	1,369,100	1,240,700
Total revenue	66,580,300	69,447,800	61,178,700
COST OF MERCHANDISE SOLD	2,101,400	2,653,100	2,619,900
LEASING EXPENSE	2,323,800	5,759,300	1,630,600
PROVISION FOR CREDIT LOSSES	18,500	(149,700)	62,900
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	23,835,600	24,094,400	23,806,000
Income from operations	38,301,000	37,090,700	33,059,300
INTEREST EXPENSE	(2,342,800)	(1,802,200)	(484,500)
INTEREST AND OTHER INCOME (EXPENSE)	(12,200)	(63,700)	14,000
Income before income taxes	35,946,000	35,224,800	32,588,800
PROVISION FOR INCOME TAXES	(13,728,400)	(13,425,100)	(12,522,300)
NET INCOME	\$ 22,217,600	\$ 21,799,700	\$ 20,066,500
EARNINGS PER SHARE - BASIC	\$ 5.39	\$ 4.89	\$ 3.96
EARNINGS PER SHARE - DILUTED	\$ 5.13	\$ 4.69	\$ 3.85
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	4,122,854	4,458,927	5,069,391
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	4,330,490	4,651,527	5,216,914

The accompanying notes are an integral part of these consolidated financial statements.

WINMARK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Fiscal Year Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
NET INCOME	\$ 22,217,600	\$ 21,799,700	\$ 20,066,500
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX:			
Unrealized net gains (losses) on marketable securities:			
Unrealized holding net gains (losses) arising during period	36,900	9,300	(47,600)
Reclassification adjustment for net gains included in net income	—	(2,300)	(5,600)
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX	36,900	7,000	(53,200)
INCOME TAX (EXPENSE) BENEFIT RELATED TO ITEMS OF OTHER COMPREHENSIVE INCOME:			
Unrealized net gains/losses on marketable securities:			
Unrealized holding net gains/losses arising during period	(13,900)	(3,700)	18,000
Reclassification adjustment for net gains included in net income	—	900	2,200
INCOME TAX (EXPENSE) BENEFIT RELATED TO ITEMS OF OTHER COMPREHENSIVE INCOME	(13,900)	(2,800)	20,200
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	23,000	4,200	(33,000)
COMPREHENSIVE INCOME	\$ 22,240,600	\$ 21,803,900	\$ 20,033,500

The accompanying notes are an integral part of these consolidated financial statements.

WINMARK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity (Deficit)
Fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014

	Common Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Earnings	Income (Loss)	Total
BALANCE, December 28, 2013	5,143,530	\$ 2,949,500	\$ 35,199,300	\$ (4,100)	\$ 38,144,700
Repurchase of common stock	(166,030)	(4,453,400)	(7,111,400)	—	(11,564,800)
Stock options exercised and related tax benefits	21,012	509,100	—	—	509,100
Compensation expense relating to stock options	—	1,417,200	—	—	1,417,200
Cash dividends	—	—	(26,930,200)	—	(26,930,200)
Comprehensive income (loss)	—	—	20,066,500	(33,000)	20,033,500
BALANCE, December 27, 2014	4,998,512	422,400	21,224,200	(37,100)	21,609,500
Repurchase of common stock	(881,518)	(2,010,600)	(72,843,100)	—	(74,853,700)
Stock options exercised and related tax benefits	7,773	299,900	—	—	299,900
Compensation expense relating to stock options	—	1,694,800	—	—	1,694,800
Cash dividends	—	—	(1,228,200)	—	(1,228,200)
Comprehensive income	—	—	21,799,700	4,200	21,803,900
BALANCE, December 26, 2015	4,124,767	406,500	(31,047,400)	(32,900)	(30,673,800)
Repurchase of common stock	(17,194)	(1,112,300)	(461,600)	—	(1,573,900)
Stock options exercised and related tax benefits	58,196	1,905,300	—	—	1,905,300
Compensation expense relating to stock options	—	1,776,600	—	—	1,776,600
Cash dividends	—	—	(1,526,800)	—	(1,526,800)
Comprehensive income	—	—	22,217,600	23,000	22,240,600
BALANCE, December 31, 2016	4,165,769	\$ 2,976,100	\$ (10,818,200)	\$ (9,900)	\$ (7,852,000)

The accompanying notes are an integral part of these consolidated financial statements.

WINMARK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Fiscal Year Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
OPERATING ACTIVITIES:			
Net income	\$ 22,217,600	\$ 21,799,700	\$ 20,066,500
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	420,500	432,600	412,000
Provision for credit losses	18,500	(149,700)	62,900
Compensation expense related to stock options	1,776,600	1,694,800	1,417,200
Deferred income taxes	(282,900)	(2,142,100)	111,900
Loss (gain) on sale of marketable securities	12,600	22,800	(8,700)
Loss from disposal of property and equipment	—	100	2,300
Deferred initial direct costs	(535,800)	(416,600)	(850,400)
Amortization of deferred initial direct costs	471,100	587,300	754,400
Tax benefits on exercised stock options	(599,400)	(26,300)	(91,100)
Change in operating assets and liabilities:			
Receivables	(62,300)	(88,700)	(122,700)
Restricted cash	(15,000)	(25,000)	—
Income tax receivable/payable	2,197,100	897,000	(3,886,100)
Inventories	(42,300)	48,300	3,200
Prepaid expenses	(372,900)	(210,400)	119,900
Other assets	—	70,000	—
Accounts payable	48,700	(312,200)	(485,900)
Accrued and other liabilities	(253,400)	(147,100)	423,700
Rents received in advance and security deposits	759,900	370,600	(55,900)
Deferred revenue	(96,300)	(105,600)	109,800
Net cash provided by operating activities	<u>25,662,300</u>	<u>22,299,500</u>	<u>17,983,000</u>
INVESTING ACTIVITIES:			
Proceeds from sale of marketable securities	52,200	299,000	862,400
Purchase of marketable securities	—	(75,800)	(637,200)
Purchase of property and equipment	(68,600)	(133,900)	(452,400)
Purchase of equipment for lease contracts	(26,211,100)	(22,192,800)	(27,547,400)
Principal collections on lease receivables	23,006,800	26,603,000	20,724,600
Net cash provided by (used for) investing activities	<u>(3,220,700)</u>	<u>4,499,500</u>	<u>(7,050,000)</u>
FINANCING ACTIVITIES:			
Proceeds from borrowings on line of credit	18,800,000	62,300,000	33,900,000
Payments on line of credit	(37,800,000)	(38,400,000)	(15,400,000)
Proceeds from borrowings on notes payable	—	25,000,000	—
Payments on notes payable	(2,000,000)	(1,000,000)	—
Repurchases of common stock	(1,573,900)	(74,853,700)	(11,564,800)
Proceeds from exercises of stock options	1,305,900	273,600	418,000
Dividends paid	(1,526,800)	(1,228,200)	(26,930,200)
Tax benefits on exercised stock options	599,400	26,300	91,100
Net cash used for financing activities	<u>(22,195,400)</u>	<u>(27,882,000)</u>	<u>(19,485,900)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>246,200</u>	<u>(1,083,000)</u>	<u>(8,552,900)</u>
Cash and cash equivalents, beginning of period	1,006,700	2,089,700	10,642,600
Cash and cash equivalents, end of period	<u>\$ 1,252,900</u>	<u>\$ 1,006,700</u>	<u>\$ 2,089,700</u>
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest	<u>\$ 2,296,000</u>	<u>\$ 1,492,500</u>	<u>\$ 421,200</u>
Cash paid for income taxes	<u>\$ 11,801,400</u>	<u>\$ 14,647,400</u>	<u>\$ 16,229,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Business:

Winmark Corporation and subsidiaries (the Company) offers licenses to operate franchises using the service marks Plato's Closet®, Play It Again Sports®, Once Upon A Child®, Style Encore® and Music Go Round®. In addition, the Company sells point-of-sale system hardware to its franchisees and certain merchandise to its Play It Again Sports franchisees. The Company also operates both middle market and small-ticket equipment leasing businesses under the Winmark Capital® and Wirth Business Credit® marks. The Company has a 52/53-week fiscal year that ends on the last Saturday in December. Fiscal year 2016 was a 53-week fiscal year, while 2015 and 2014 were 52-week fiscal years.

Following is a summary of our franchising activity for the fiscal year ended December 31, 2016:

	<u>12/26/2015</u>	<u>OPENED</u>	<u>CLOSED</u>	<u>12/31/2016</u>
<u>Plato's Closet</u>				
Franchises - US and Canada	456	17	(5)	468
<u>Once Upon A Child</u>				
Franchises - US and Canada	326	25	(3)	348
<u>Play It Again Sports</u>				
Franchises - US and Canada	297	2	(16)	283
<u>Style Encore</u>				
Franchises - US	38	15	(1)	52
<u>Music Go Round</u>				
Franchises - US	33	2	—	35
Total Franchised Stores	<u>1,150</u>	<u>61</u>	<u>(25)</u>	<u>1,186</u>

2. Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Winmark Capital Corporation, Wirth Business Credit, Inc. and Grow Biz Games, Inc. All material inter-company transactions have been eliminated in consolidation.

Cash Equivalents

Cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased. Cash equivalents are stated at cost, which approximates fair value. As of December 31, 2016 and December 26, 2015, the Company had \$149,700 and \$99,100 of cash located in Canadian banks. The Company holds its cash and cash equivalents with financial institutions and at times, such balances may be in excess of insurance limits.

Receivables

The Company provides an allowance for doubtful accounts on trade receivables. The allowance for doubtful accounts was \$2,100 and \$200 at December 31, 2016 and December 26, 2015, respectively. If receivables in excess of the provided allowance are determined uncollectible, they are charged to expense in the year the determination is made. Trade receivables are written off when they become uncollectible (which generally occurs when the franchise terminates and there is no reasonable expectation of collection), and payments subsequently received on such receivable are credited to the allowance for doubtful accounts. Historically, receivables balances written off have not exceeded allowances provided.

Restricted Cash

The Company is required by certain states to maintain initial franchise fees in a restricted bank account until the franchise opens. The use of these funds by the Company is restricted until the franchise opens. Cash held in escrow totaled \$40,000 and \$25,000 at December 31, 2016 and December 26, 2015, respectively.

Investment in Leasing Operations

The Company uses the direct finance method of accounting to record income from direct financing leases. At the inception of a lease, the Company records the minimum future lease payments receivable, the estimated residual value of the leased equipment and the unearned lease income. Initial direct costs related to lease originations are deferred as part of the investment and amortized over the lease term. Unearned lease income is the amount by which the total lease receivable plus the estimated residual value exceeds the cost of the equipment.

Leasing Income Recognition

Leasing income for direct financing leases is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on the lease. Generally, when a lease is more than 90 days delinquent (when more than three monthly payments are owed), the lease is classified as being on non-accrual and the Company stops recognizing leasing income on that date. Payments received on leases in non-accrual status generally reduce the lease receivable. Leases on non-accrual status remain classified as such until there is sustained payment performance that, in the Company's judgment, would indicate that all contractual amounts will be collected in full.

In certain circumstances, the Company may re-lease equipment in its existing portfolio. As this equipment may have a fair value greater than its carrying amount when re-leased, the Company may be required to account for the lease as a sales-type lease. At inception of a sales-type lease, revenue is recorded that consists of the present value of the future minimum lease payments discounted at the rate implicit in the lease. In subsequent periods, the recording of income is consistent with the accounting for a direct financing lease.

For leases that are accounted for as operating leases, income is recognized on a straight-line basis when payments under the lease contract are due.

Leasing Expense

Leasing expense includes the cost of financing equipment purchases, the cost of equipment sales as well as depreciation expense for operating lease assets. Additionally, at inception of a sales-type lease, cost is recorded that consists of the equipment's book value, less the present value of its residual and is included in leasing expense.

Initial Direct Costs

The Company defers initial direct costs incurred to originate its leases in accordance with applicable accounting guidance. The initial direct costs deferred are part of the investment in leasing operations and are amortized using the effective interest method. Initial direct costs include commissions and costs associated with credit evaluation, recording guarantees and other security arrangements, documentation and transaction closing.

Lease Residual Values

Residual values reflect the estimated amounts to be received at lease termination from sales or other dispositions of leased equipment to unrelated parties. The leased equipment residual values are based on the Company's best estimate.

Allowance for Credit Losses

The Company maintains an allowance for credit losses at an amount that it believes to be sufficient to absorb losses inherent in its existing lease portfolio as of the reporting dates. Leases are collectively evaluated for potential loss. The Company's methodology for determining the allowance for credit losses includes consideration of the level of delinquencies and non-accrual leases, historical net charge-off amounts and review of any significant concentrations.

A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level. If the actual results are different from the Company's estimates, results could be different. The Company's policy is to charge-off against the allowance the estimated unrecoverable portion of accounts once they reach 121 days delinquent.

Inventories

The Company values its inventories at the lower of cost, as determined by the weighted average cost method, or market. Inventory consists of computer hardware and related accessories.

Impairment of Long-lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of the asset exceeds expected undiscounted future cash flows, the Company measures the amount of impairment by comparing the carrying amount of the asset to its fair value.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization for financial reporting purposes is provided on the straight-line method. Estimated useful lives used in calculating depreciation and amortization are: three to five years for computer and peripheral equipment, five to seven years for furniture and equipment and the shorter of the lease term or useful life for leasehold improvements. Major repairs, refurbishments and improvements which significantly extend the useful lives of the related assets are capitalized. Maintenance and repairs, supplies and accessories are charged to expense as incurred.

Goodwill

The Company reviews its goodwill for impairment at its fiscal year end or whenever events or changes in circumstances indicate that there has been impairment in the value of its goodwill. No impairment was noted during the years ended December 31, 2016 and December 26, 2015. Goodwill of \$607,500 in the consolidated balance sheets at December 31, 2016 and December 26, 2015 is all attributable to the Franchising segment.

Use of Estimates

The preparation of financial statements in conformity with generally accepted U.S. 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 period. The ultimate results could differ from those estimates. The most significant estimates relate to allowance for credit losses. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Advertising

Advertising costs are charged to operating expenses as incurred. Advertising costs were \$200,300, \$199,300 and \$252,800 for fiscal years 2016, 2015 and 2014, respectively.

Accounting for Stock-Based Compensation

The Company recognizes the cost of all share-based payments to employees, including grants of employee stock options, in the consolidated financial statements based on the grant date fair value of those awards. This cost is recognized over the period for which an employee is required to provide service in exchange for the award.

The Company estimates the fair value of options granted using the Black-Scholes option valuation model. The Company estimates the volatility of its common stock at the date of grant based on its historical volatility rate. The Company's decision to use historical volatility was based upon the lack of actively traded options on its common stock. The Company estimates the expected term based upon historical option exercises. The risk-free interest rate assumption is based on observed interest rates for the expected term. The Company uses historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest. For options granted, the Company amortizes the fair value on a straight-line basis. All options are amortized over the vesting periods, which are generally four years beginning from the date of grant.

Revenue Recognition - Franchising

The Company collects royalties from each retail franchise based on a percentage of retail store gross sales. The Company recognizes royalties as revenue when earned. The Company collects initial franchise fees when franchise agreements are signed and recognizes the initial franchise fees as revenue when the franchise is opened, which is when the Company has performed substantially all initial services required by the franchise agreement. The Company had deferred franchise fee revenue of \$1,545,900 and \$1,743,100 at December 31, 2016 and December 26, 2015, respectively. The Company recognizes deferred software license fees over the 10-year life of the initial franchise agreement. The Company had deferred software license fees of \$1,672,500 and \$1,591,600 at December 31, 2016 and December 26, 2015, respectively. Merchandise sales are recognized when the product has been shipped to the franchisee.

Sales Tax

The Company's accounting policy is to present taxes collected from customers and remitted to government authorities on a net basis.

Discounted Lease Rentals

The Company may utilize its lease rentals receivable and underlying equipment as collateral to borrow from financial institutions at fixed rates on a non-recourse basis. In the event of a default by a customer, the financial institution has a first lien on the underlying leased equipment, with no further recourse against the Company. Proceeds from discounting are recorded on the balance sheet as discounted lease rentals. As customers make payments, lease income and interest expense are recorded and discounted lease rentals are reduced by the effective interest method.

Earnings Per Share

The Company calculates earnings per share by dividing net income by the weighted average number of shares of common stock outstanding to arrive at the Earnings Per Share — Basic. The Company calculates Earnings Per Share — Diluted by dividing net income by the weighted average number of shares of common stock and dilutive stock equivalents from the potential exercise of stock options using the treasury stock method.

The following table sets forth the presentation of shares outstanding used in the calculation of basic and diluted earnings per share ("EPS"):

	Year Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
Denominator for basic EPS — weighted average common shares	4,122,854	4,458,927	5,069,391
Dilutive shares associated with option plans	207,636	192,600	147,523
Denominator for diluted EPS — weighted average common shares and dilutive potential common shares	4,330,490	4,651,527	5,216,914
Options excluded from EPS calculation — anti-dilutive	31,590	22,459	39,240

Fair Value Measurements

The Company defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses three levels of inputs to measure fair value:

- Level 1 — quoted prices in active markets for identical assets and liabilities.
- Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company's marketable securities were valued based on Level 1 inputs using quoted prices.

Due to their nature, the carrying value of cash equivalents, receivables, payables and debt obligations approximates fair value.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition that supersedes existing revenue recognition guidance (but does not apply to nor supersede accounting guidance for lease contracts). The ASU's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The ASU should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. In July 2015, the FASB affirmed its proposal to defer the effective date by one year. The new standard will become effective for the Company beginning with the first quarter of fiscal 2018. During 2016, the FASB issued four clarifications on specific topics within the new revenue recognition guidance that did not change the core principles of the guidance originally issued in May 2014. The Company is continuing to evaluate the impact of the adoption of this ASU on the Company's consolidated financial statements, as well as the expected method of adoption. Based on a preliminary assessment, the adoption of this guidance is not expected to impact the Company's recognition of leasing revenues or revenue from royalties that are based on a percentage of franchisee sales. The Company is continuing to assess the impact of the adoption of this guidance on the recognition of less significant revenues such as merchandise sales and franchise fees.

In January 2016, the FASB issued ASU 2016-01, *Financial Statements – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income. There will no longer be an available-for-sale classification for equity securities with readily determinable fair values. The new guidance is effective for periods beginning after December 15, 2017, with early adoption permitted. The Company is currently in the process of evaluating the impact of the adoption of this ASU on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance on accounting for leases that supersedes existing lease accounting guidance. The ASU's core principle is that a lessee should recognize lease assets and lease liabilities for those leases classified as operating leases under existing lease accounting guidance. The new standard also makes targeted changes to lessor accounting. This guidance is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The provisions of this guidance are to be applied using a modified retrospective approach, with elective reliefs, which requires application of the guidance for all periods presented. The Company is currently in the process of evaluating the impact of the adoption of this ASU on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of accounting for stock based compensation, including excess tax benefits and deficiencies, forfeiture estimates and classification in the statements of cash flows. This guidance is effective for the Company in fiscal year 2017. Upon adoption, any future excess tax benefits or deficiencies will be recorded to the provision for income taxes in the consolidated statements of operations instead of recorded to equity in the consolidated balance sheets. This reclassification could have a material impact on the Company's provision for income taxes and effective tax rate, depending in part on whether significant stock option exercises occur. In addition, when applying the treasury stock method for computing diluted weighted average common shares, the assumed proceeds available for hypothetical repurchase of shares do not include any windfall tax benefits under the new ASU. As a result, outstanding option awards can have a more dilutive effect on earnings per share. The Company does not expect to change its accounting policy with regard to estimating expected forfeitures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments*, which changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. This guidance will be effective for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is currently in the process of evaluating the impact of the adoption of this ASU on the Company's consolidated financial statements.

3. Investments:

Marketable Securities

The following is a summary of marketable securities classified as available-for-sale securities:

	December 31, 2016		December 26, 2015	
	Cost	Fair Value	Cost	Fair Value
Equity securities	\$ 215,800	\$ 199,900	\$ 280,600	\$ 227,800

The Company's unrealized gains and losses for marketable securities classified as available-for-sale securities in accumulated other comprehensive income (loss) are as follows:

	Year Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
Unrealized gains	\$ —	\$ —	\$ 3,300
Unrealized losses	(15,900)	(52,800)	(63,100)
Net unrealized losses	<u>\$ (15,900)</u>	<u>\$ (52,800)</u>	<u>\$ (59,800)</u>

The Company's realized gains and losses recognized on sales of available-for-sale marketable securities are as follows:

	Year Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
Realized gains	\$ —	\$ 13,400	\$ 40,900
Realized losses	(12,600)	(36,200)	(32,200)
Net realized gains/(losses)	<u>\$ (12,600)</u>	<u>\$ (22,800)</u>	<u>\$ 8,700</u>

Amounts reclassified out of accumulated other comprehensive income (loss) into earnings is determined by using the average cost of the security when sold. Gross realized gains (losses) reclassified out of accumulated other comprehensive loss into earnings are included in Interest and Other Income (Expense) and the related tax benefits (expenses) are included in the Provision for Income Taxes lines of the Consolidated Statements of Operations.

4. Investment in Leasing Operations:

Investment in leasing operations consists of the following:

	December 31, 2016	December 26, 2015
Direct financing and sales-type leases:		
Minimum lease payments receivable	\$ 37,839,800	\$ 37,181,600
Estimated residual value of equipment	4,754,200	4,511,000
Unearned lease income net of initial direct costs deferred	(5,844,500)	(4,999,700)
Security deposits	(4,424,400)	(3,640,500)
Equipment installed on leases not yet commenced	9,961,600	6,754,200
Total investment in direct financing and sales-type leases	42,286,700	39,806,600
Allowance for credit losses	(896,000)	(859,100)
Net investment in direct financing and sales-type leases	41,390,700	38,947,500
Operating leases:		
Operating lease assets	800,700	1,083,300
Less accumulated depreciation and amortization	(775,900)	(1,043,300)
Net investment in operating leases	24,800	40,000
Total net investment in leasing operations	\$ 41,415,500	\$ 38,987,500

As of December 31, 2016, the \$41.4 million total net investment in leases consists of \$17.0 million classified as current and \$24.4 million classified as long-term. As of December 26, 2015, the \$39.0 million total net investment in leases consists of \$17.7 million classified as current and \$21.3 million classified as long-term.

As of December 31, 2016, leased assets with two customers approximated 19% and 17%, respectively, of the Company's total assets. As of December 26, 2015, leased assets with three customers approximated 17%, 12% and 11%, respectively, of the Company's total assets.

Future minimum lease payments receivable under lease contracts and the amortization of unearned lease income, net of initial direct costs deferred, is as follows as of December 31, 2016:

Fiscal Year	Direct Financing and Sales-Type Leases		Operating Leases
	Minimum Lease Payments Receivable	Income Amortization	Minimum Lease Payments Receivable
2017	\$ 22,899,200	\$ 4,239,100	\$ 17,200
2018	11,174,700	1,418,800	—
2019	3,737,900	183,600	—
2020	8,400	1,500	—
2021	8,400	1,000	—
Thereafter	11,200	500	—
	\$ 37,839,800	\$ 5,844,500	\$ 17,200

The activity in the allowance for credit losses for leasing operations during 2016, 2015 and 2014, respectively, is as follows:

	<u>December 31, 2016</u>	<u>December 26, 2015</u>	<u>December 27, 2014</u>
Balance at beginning of period	\$ 859,100	\$ 386,000	\$ 822,700
Provisions charged to expense	18,500	(149,700)	62,900
Recoveries	47,700	632,200	106,900
Deductions for amounts written-off	(29,300)	(9,400)	(606,500)
Balance at end of period	<u>\$ 896,000</u>	<u>\$ 859,100</u>	<u>\$ 386,000</u>

The Company's investment in direct financing and sales-type leases ("Investment In Leases") and allowance for credit losses by loss evaluation methodology are as follows:

	<u>December 31, 2016</u>		<u>December 26, 2015</u>	
	<u>Investment In Leases</u>	<u>Allowance for Credit Losses</u>	<u>Investment In Leases</u>	<u>Allowance for Credit Losses</u>
Collectively evaluated for loss potential	\$ 42,286,700	\$ 896,000	\$ 39,806,600	\$ 859,100
Individually evaluated for loss potential	—	—	—	—
Total	<u>\$ 42,286,700</u>	<u>\$ 896,000</u>	<u>\$ 39,806,600</u>	<u>\$ 859,100</u>

The Company's key credit quality indicator for its investment in direct financing and sales-type leases is the status of the lease, defined as accruing or non-accrual. Leases that are accruing income are considered to have a lower risk of loss. Non-accrual leases are those that the Company believes have a higher risk of loss. The following table sets forth information regarding the Company's accruing and non-accrual leases. Delinquent balances are determined based on the contractual terms of the lease.

	<u>December 31, 2016</u>				
	<u>0-60 Days Delinquent and Accruing</u>	<u>61-90 Days Delinquent and Accruing</u>	<u>Over 90 Days Delinquent and Accruing</u>	<u>Non-Accrual</u>	<u>Total</u>
Middle-Market	\$ 41,299,600	\$ —	\$ —	\$ —	\$ 41,299,600
Small-Ticket	987,100	—	—	—	987,100
Total Investment in Leases	<u>\$ 42,286,700</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,286,700</u>

	<u>December 26, 2015</u>				
	<u>0-60 Days Delinquent and Accruing</u>	<u>61-90 Days Delinquent and Accruing</u>	<u>Over 90 Days Delinquent and Accruing</u>	<u>Non-Accrual</u>	<u>Total</u>
Middle-Market	\$ 38,616,600	\$ —	\$ —	\$ —	\$ 38,616,600
Small-Ticket	1,185,800	4,200	—	—	1,190,000
Total Investment in Leases	<u>\$ 39,802,400</u>	<u>\$ 4,200</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,806,600</u>

5. Receivables:

The Company's current receivables consisted of the following:

	<u>December 31, 2016</u>	<u>December 26, 2015</u>
Trade	\$ 12,200	\$ 7,600
Royalty	1,302,700	1,242,800
Other	164,300	166,500
	<u>\$ 1,479,200</u>	<u>\$ 1,416,900</u>

The activity in the allowance for doubtful accounts for trade receivables is as follows:

	<u>December 31, 2016</u>	<u>December 26, 2015</u>	<u>December 27, 2014</u>
Balance at beginning of year	\$ 200	\$ 1,600	\$ 4,300
Provisions charged to expense	2,800	1,500	(200)
Deductions for amounts written-off	(900)	(2,900)	(2,500)
Balance at end of year	<u>\$ 2,100</u>	<u>\$ 200</u>	<u>\$ 1,600</u>

As part of its normal operating procedures, the Company requires Standby Letters of Credit as collateral for a portion of its trade receivables.

6. Shareholders' Equity (Deficit):

Dividends

In 2016, the Company declared and paid quarterly cash dividends totaling \$0.37 per share (\$1.5 million).

In 2015, the Company declared and paid quarterly cash dividends totaling \$0.27 per share (\$1.2 million).

In 2014, the Company declared and paid quarterly cash dividends totaling \$0.23 per share (\$1.2 million) and a \$5.00 per share special cash dividend (the "2014 Special Dividend"). The 2014 Special Dividend totaled \$25.8 million and was financed by a combination of cash on hand as well as net borrowings under the Line of Credit. (See Note 7 – "Debt").

Repurchase of Common Stock

In 2016, the Company repurchased 17,194 shares of our common stock for an aggregate purchase price of \$1.6 million or \$91.54 per share.

In April 2015, the Company's Board of Directors authorized the repurchase of up to 875,000 shares of our common stock for a price of \$84.72 per share through a tender offer (the "Tender Offer"). The Tender Offer began on the date of the announcement, April 15, 2015 and expired on May 13, 2015. Upon expiration, the Company accepted for payment 875,000 shares for a total purchase price of approximately \$74.3 million, including fees and expenses related to the Tender Offer. The Tender Offer was financed by a combination of cash on hand as well as net borrowings under the Line of Credit and Notes Payable. (See Note 7 – "Debt").

In addition to the Tender Offer, during 2015, the Company repurchased 6,518 shares for an aggregate purchase price of \$0.6 million or \$90.85 per share. In 2014, the Company repurchased 166,030 shares for an aggregate purchase price of \$11.6 million or \$69.65 per share.

Under a previous Board of Directors' authorization, as of December 31, 2016 the Company has the ability to repurchase an additional 142,988 shares of its common stock. Repurchases may be made from time to time at prevailing prices, subject to certain restrictions on volume, pricing and timing.

Stock Option Plans

The Company had authorized up to 750,000 shares of common stock be reserved for granting either nonqualified or incentive stock options to officers and key employees under the Company's 2001 Stock Option Plan (the "2001 Plan"). The 2001 Plan expired on February 20, 2011. The Company has authorized up to 500,000 shares of common stock to be reserved for granting either nonqualified or incentive stock options to officers and key employees under the Company's 2010 Stock Option Plan (the "2010 Plan").

Grants under the 2001 Plan and 2010 Plan are made by the Compensation Committee of the Board of Directors at a price of not less than 100% of the fair market value on the date of grant. If an incentive stock option is granted to an individual who owns more than 10% of the voting rights of the Company's common stock, the option exercise price may not be less than 110% of the fair market value on the date of grant. The term of the options may not exceed 10 years, except in the case of nonqualified stock options, whereby the terms are established by the Compensation Committee. Options may be exercisable in whole or in installments, as determined by the Compensation Committee.

The Company also sponsors a Stock Option Plan for Nonemployee Directors (the "Nonemployee Directors Plan"), and has reserved a total of 350,000 shares for issuance to directors of the Company who are not employees.

Stock option activity under the 2001 Plan, 2010 Plan and Nonemployee Directors Plan (collectively, the "Option Plans") as of December 31, 2016 was as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Intrinsic Value
Outstanding at December 28, 2013	526,712	\$ 42.87	7.33	\$ 26,446,700
Granted	97,000	73.31		
Exercised	(21,012)	19.89		
Forfeited	(5,000)	56.85		
Outstanding, December 27, 2014	597,700	48.50	6.93	20,973,700
Granted	79,400	91.46		
Exercised	(8,360)	38.46		
Outstanding, December 26, 2015	668,740	53.73	6.41	25,582,300
Granted	69,600	112.07		
Exercised	(61,169)	26.21		
Forfeited	(3,501)	80.31		
Outstanding, December 31, 2016	673,670	\$ 62.11	6.11	\$ 43,139,100
Exercisable, December 31, 2016	474,762	\$ 49.60	5.07	\$ 36,345,100

The fair value of options granted under the Option Plans during 2016, 2015 and 2014 were estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions and results:

	Year Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
Risk free interest rate	1.80 %	1.71 %	1.75 %
Expected life (years)	6	6	6
Expected volatility	27.13 %	30.15 %	33.2 %
Dividend yield	1.23 %	1.36 %	1.66 %
Option fair value	\$ 28.54	\$ 24.88	\$ 21.02

The total intrinsic value of options exercised during 2016, 2015 and 2014 was \$4.8 million, \$0.4 million and \$1.2 million, respectively. The total fair value of shares vested during 2016, 2015 and 2014 was \$6.9 million, \$6.2 million and \$5.1 million, respectively.

During 2016, 2015 and 2014, option holders surrendered 2,973 shares, 587 shares and 0 shares, respectively, of previously owned common stock as payment for option shares exercised as provided for by the Option Plans. All unexercised options at December 31, 2016 have an exercise price equal to the fair market value on the date of the grant.

Compensation expense of \$1,776,600, \$1,694,800 and \$1,417,200 relating to the vested portion of the fair value of stock options granted was expensed to "Selling, General and Administrative Expenses" in 2016, 2015 and 2014, respectively. As of December 31, 2016, the Company had \$4.2 million of total unrecognized compensation expense related to stock options that is expected to be recognized over the remaining weighted average vesting period of approximately 2.5 years.

7. Debt:

Line of Credit

As of December 31, 2016, there was \$23.4 million in borrowings outstanding under the Company's revolving credit facility with The PrivateBank and Trust Company and BMO Harris Bank N.A. (the "Line of Credit") bearing interest ranging from 2.95% to 3.75%.

During 2014, the Line of Credit was amended to, among other things, amend certain financial covenant calculations to remove the effect of the 2014 Special Dividend in such calculations, to reduce the applicable margin on the interest rate options, and to extend the termination date from February 29, 2016 to February 28, 2018.

In April 2015, the Line of Credit was amended to, among other things:

- Provide the consent of the lenders for the Tender Offer;
- Increase the aggregate commitments from \$35.0 million to \$60.0 million to partially fund the Tender Offer;
- Extend the termination date from February 28, 2018 to May 14, 2019;
- Amend the tangible net worth covenant calculation to remove the effect of the Tender Offer and amend the leverage ratio to allow for an increase in the maximum of such ratio for a period of approximately two years from the effective date of the amendment;
- Provide for a change in the applicable margin on the interest rate options based upon the leverage ratio;
- Provide for additional LIBOR interest periods of six months and twelve months and remove the fixed rate interest options; and
- Permit the Company to sell up to \$30 million in term notes to Prudential Investment Management, Inc., its affiliates and managed accounts ("Prudential") to partially fund the Tender Offer.

The Line of Credit has been and will continue to be used for general corporate purposes. During 2015, the Line of Credit was used to finance in part the Tender Offer (as indicated above). During 2014, the Line of Credit was used to finance in part the 2014 Special Dividend (as indicated above). Borrowings under the Line of Credit are subject to certain borrowing base limitations, and the Line of Credit is secured by a lien against substantially all of the Company's assets, contains customary financial conditions and covenants, and requires maintenance of minimum levels of debt service coverage and tangible net worth and maximum levels of leverage (all as defined within the Line of Credit). In May 2016 and each subsequent May thereafter through the term of the facility, the aggregate commitments under the Line of Credit automatically reduce by \$5.0 million. As of December 31, 2016, the Company was in compliance with all of its financial covenants and the Company's additional borrowing availability under the Line of Credit was \$31.6 million.

The Line of Credit allows the Company to choose between two interest rate options in connection with its borrowings. The interest rate options are the Base Rate (as defined) and the LIBOR Rate (as defined) plus an applicable margin of 0% and 2.25%, respectively. Interest periods for LIBOR borrowings can be one, two, three, six or twelve months, as selected by the Company. The Line of Credit also provides for non-utilization fees of 0.25% per annum on the daily average of the unused commitment.

Notes Payable

In May 2015, the Company entered into a \$25.0 million Note Agreement (the "Note Agreement") with Prudential. Proceeds from the Note Agreement of \$25.0 million were used to finance in part the Tender Offer (as indicated above). As of December 31, 2016, the Company had \$22.0 million in principal outstanding under the Note Agreement.

The final maturity of the notes is 10 years. Interest at a rate of 5.50% per annum on the outstanding principal balance is payable quarterly, along with required prepayments of the principal of \$500,000 quarterly for the first five years, and \$750,000 quarterly thereafter until the principal is paid in full. The notes may be prepaid, at the option of the Company, in whole or in part (in a minimum amount of \$1.0 million), but prepayments require payment of a Yield Maintenance Amount, as defined in the Note Agreement.

The Company's obligations under the Note Agreement are secured by a lien against substantially all of the Company's assets (as the notes rank pari passu with the Line of Credit), and the Note Agreement contains customary financial conditions and covenants, and requires maintenance of minimum levels of fixed charge coverage and tangible net worth and maximum levels of leverage (all as defined within the Note Agreement). As of December 31, 2016, the Company was in compliance with all of its financial covenants.

In connection with the Note Agreement, the Company incurred \$112,800 in debt issuance costs, of which unamortized amounts are presented as a direct deduction from the carrying amount of the related liability.

8. Accrued Liabilities:

Accrued liabilities at December 31, 2016 and December 26, 2015 are as follows:

	<u>December 31, 2016</u>	<u>December 26, 2015</u>
Accrued salaries, wages, commissions and bonuses	\$ 722,500	\$ 414,300
Accrued vacation	186,900	221,000
Accrued interest	253,500	283,800
Other	648,200	956,600
	<u>\$ 1,811,100</u>	<u>\$ 1,875,700</u>

9. Income Taxes:

A reconciliation of the expected federal income tax expense based on the federal statutory tax rate to the actual income tax expense is provided below:

	<u>Year Ended</u>		
	<u>December 31, 2016</u>	<u>December 26, 2015</u>	<u>December 27, 2014</u>
Federal income tax expense at statutory rate (35%)	\$ 12,581,100	\$ 12,328,700	\$ 11,406,100
Change in valuation allowance	13,800	(4,400)	(25,800)
State and local income taxes, net of federal benefit	1,021,600	956,000	897,800
Permanent differences, including stock option expenses	84,300	158,100	144,500
Other, net	27,600	(13,300)	99,700
Actual income tax expense	<u>\$ 13,728,400</u>	<u>\$ 13,425,100</u>	<u>\$ 12,522,300</u>

Components of the provision for income taxes are as follows:

	Year Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
Current:			
Federal	\$ 12,016,000	\$ 13,486,500	\$ 10,567,100
State	1,598,700	1,654,800	1,456,400
Foreign	396,600	425,900	386,900
Current provision	<u>14,011,300</u>	<u>15,567,200</u>	<u>12,410,400</u>
Deferred:			
Federal	(274,600)	(1,983,200)	134,200
State	(8,300)	(158,900)	(22,300)
Deferred provision	<u>(282,900)</u>	<u>(2,142,100)</u>	<u>111,900</u>
Total provision for income taxes	<u>\$ 13,728,400</u>	<u>\$ 13,425,100</u>	<u>\$ 12,522,300</u>

The tax effects of temporary differences that give rise to the net deferred income tax assets and liabilities are presented below:

	December 31, 2016	December 26, 2015
Deferred tax assets:		
Accounts receivable and lease reserves	\$ 347,400	\$ 345,200
Non-qualified stock option expense	2,370,700	1,926,400
Deferred franchise and software license fees	817,500	810,900
Trademarks	76,800	85,700
Lease deposits	1,674,300	1,373,000
Loss from and impairment of equity and note investments	4,065,200	4,051,400
Valuation allowance	(4,065,200)	(4,051,400)
Other	413,100	372,800
Total deferred tax assets	<u>5,699,800</u>	<u>4,914,000</u>
Deferred tax liabilities:		
Lease revenue and initial direct costs	(8,802,800)	(8,277,600)
Depreciation and amortization	(228,900)	(251,200)
Total deferred tax liabilities	<u>(9,031,700)</u>	<u>(8,528,800)</u>
Total net deferred tax liabilities	<u>\$ (3,331,900)</u>	<u>\$ (3,614,800)</u>

During the years ended December 31, 2016, December 26, 2015 and December 27, 2014, \$599,400, \$26,300 and \$91,100, respectively, was directly credited to stockholders' equity to account for excess tax benefits related to stock option exercises.

The Company has assessed its taxable earnings history and prospective future taxable income. Based upon this assessment, the Company has determined that it is more likely than not that its deferred tax assets will be realized in future periods and no valuation allowance is necessary, except for the deferred tax assets related to the loss from and impairment of equity and note investments (which are capital losses for tax purposes). As a result, valuation allowances of \$4.1 million and \$4.1 million as of December 31, 2016 and December 26, 2015, respectively, have been recorded.

The amount of unrecognized tax benefits, including interest and penalties, as of December 31, 2016 and December 26, 2015, was \$502,000 and \$489,200, respectively, primarily for potential state taxes.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense for all periods presented. The Company had accrued approximately \$22,500 and \$19,300 for the payment of interest and penalties at December 31, 2016 and December 26, 2015, respectively.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

	<u>Total</u>
Balance at December 27, 2014	\$ 449,000
Increases related to current year tax positions	114,700
Subtractions for tax positions of prior years	(8,000)
Expiration of the statute of limitations for the assessment of taxes	(85,800)
Balance at December 26, 2015	<u>469,900</u>
Increases related to current year tax positions	128,500
Subtractions for tax positions of prior years	(5,300)
Expiration of the statute of limitations for the assessment of taxes	(113,600)
Balance at December 31, 2016	<u>\$ 479,500</u>

The Company and its subsidiaries file income tax returns in the U.S. federal, numerous state and certain foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2012. The Company is currently under examination by the Internal Revenue Service for the 2014 tax year. We expect various statutes of limitation to expire during the next 12 months. Due to the uncertain response of taxing authorities, a range of outcomes cannot be reasonably estimated at this time.

10. Commitments and Contingencies:

Employee Benefit Plan

The Company provides a 401(k) Savings Incentive Plan which covers substantially all employees. The plan provides for matching contributions and optional profit-sharing contributions at the discretion of the Board of Directors. Employee contributions are fully vested; matching and profit sharing contributions are subject to a five-year service vesting schedule. Company contributions to the plan for 2016, 2015 and 2014 were \$309,800, \$324,600 and \$297,400, respectively.

Operating Leases

As of December 31, 2016, the Company rents its corporate headquarters in a facility with a lease that expires in August 2019 as well as satellite office space in California with a lease that expires in January 2019. These leases require the Company to pay maintenance, insurance, taxes and other expenses in addition to minimum annual rent. Total rent expense under operating leases, inclusive of maintenance, insurance, taxes and other expenses, was \$1,066,500 in 2016, \$1,063,900 in 2015 and \$1,026,800 in 2014. As of December 31, 2016, minimum rental commitments under noncancelable operating leases, exclusive of maintenance, insurance, taxes and other expenses, are as follows:

2017	\$ 705,000
2018	718,800
2019	451,100
2020	—
2021	—
Thereafter	—
Total	<u>\$ 1,874,900</u>

For leases that contain predetermined fixed escalations of the minimum rent, we recognize the related rent expense on a straight-line basis from the date we take possession of the property to the end of the initial lease term. We record any difference between the straight-line rent amounts and amounts payable under the leases as part of deferred rent, in accrued liabilities or other liabilities, as appropriate.

Cash or lease incentives received upon entering into certain leases ("tenant allowances") are recognized on a straight-line basis as a reduction to rent from the date we take possession of the property through the end of the initial lease term. We record the unamortized portion of tenant allowances as a part of deferred rent, in accrued liabilities or other liabilities, as appropriate.

At December 31, 2016 and December 26, 2015, total deferred rent included in our consolidated balance sheets was \$0.6 million and \$0.8 million, respectively, of which \$0.4 million and \$0.6 million, respectively was included in other liabilities.

Litigation

The Company is exposed to a number of asserted and unasserted legal claims encountered in the normal course of business. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial position or results of operations of the Company.

11. Segment Reporting:

The Company currently has two reportable business segments, franchising and leasing. The franchising segment franchises value-oriented retail store concepts that buy, sell, trade and consign merchandise. The leasing segment includes (i) Winmark Capital Corporation, a middle-market equipment leasing business and (ii) Wirth Business Credit, Inc., a small-ticket financing business. Segment reporting is intended to give financial statement users a better view of how the Company manages and evaluates its businesses. The Company's internal management reporting is the basis for the information disclosed for its business segments and includes allocation of shared-service costs. Segment assets are those that are directly used in or identified with segment operations, including cash, accounts receivable, prepaids, inventory, property and equipment and investment in leasing operations. Unallocated assets include corporate cash and cash equivalents, marketable securities, long-term investments, current and deferred tax amounts and other corporate assets. Inter-segment balances and transactions have been eliminated. The following tables summarize financial information by segment and provide a reconciliation of segment contribution to operating income:

	Year ended		
	December 31, 2016	December 26, 2015	December 27, 2014
Revenue:			
Franchising	\$ 49,296,700	\$ 47,882,100	\$ 44,931,400
Leasing	17,283,600	21,565,700	16,247,300
Total revenue	<u>\$ 66,580,300</u>	<u>\$ 69,447,800</u>	<u>\$ 61,178,700</u>
Reconciliation to operating income:			
Franchising segment contribution	\$ 28,650,400	\$ 26,891,000	\$ 23,631,800
Leasing segment contribution	9,650,600	10,199,700	9,427,500
Total operating income	<u>\$ 38,301,000</u>	<u>\$ 37,090,700</u>	<u>\$ 33,059,300</u>
Depreciation and amortization:			
Franchising	\$ 325,200	\$ 341,600	\$ 325,100
Leasing	95,300	91,000	86,900
Total depreciation and amortization	<u>\$ 420,500</u>	<u>\$ 432,600</u>	<u>\$ 412,000</u>

	As of	
	December 31, 2016	December 26, 2015
Identifiable assets:		
Franchising	\$ 3,141,300	\$ 3,100,900
Leasing	42,735,600	39,687,400
Unallocated	2,704,700	4,618,000
Total	<u>\$ 48,581,600</u>	<u>\$ 47,406,300</u>

Revenues are all generated from United States operations other than franchising revenues from Canadian operations of \$3.3 million, \$2.9 million and \$2.9 million in each of fiscal 2016, 2015 and 2014, respectively. All long-lived assets are located within the United States.

12. Quarterly Financial Data (Unaudited):

The Company's unaudited quarterly results for the years ended December 31, 2016 and December 26, 2015 were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2016					
Total Revenue	\$ 16,180,300	\$ 16,299,800	\$ 16,734,300	\$ 17,365,900	\$ 66,580,300
Income from Operations	8,038,600	9,323,100	10,438,000	10,501,300	38,301,000
Net Income	4,562,900	5,394,300	6,094,200	6,166,200	22,217,600
Net Income Per Common Share - Basic	\$ 1.11	\$ 1.31	\$ 1.48	\$ 1.49	\$ 5.39
Net Income Per Common Share - Diluted	\$ 1.06	\$ 1.25	\$ 1.41	\$ 1.41	\$ 5.13
2015					
Total Revenue	\$ 21,024,100	\$ 15,476,700	\$ 15,999,500	\$ 6,947,500	\$ 69,447,800
Income from Operations	9,974,100	8,084,200	9,341,800	9,690,600	37,090,700
Net Income	6,054,300	4,751,400	5,339,600	5,654,400	21,799,700
Net Income Per Common Share - Basic	\$ 1.21	\$ 1.04	\$ 1.29	\$ 1.37	\$ 4.89
Net Income Per Common Share - Diluted	\$ 1.17	\$ 1.00	\$ 1.23	\$ 1.31	\$ 4.69

The total of basic and diluted earnings per common share by quarter may not equal the totals for the year as there are changes in the weighted average number of common shares outstanding each quarter and basic and diluted earnings per common share are calculated independently for each quarter.

WINMARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET

As of July 1, 2017

(Unaudited)

	July 1, 2017
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,071,900
Marketable securities	216,500
Receivables, net	1,597,200
Restricted cash	30,000
Net investment in leases - current	16,467,800
Income tax receivable	1,330,200
Inventories	99,400
Prepaid expenses	<u>468,800</u>
Total current assets	21,281,800
Net investment in leases – long-term	24,524,000
Property and equipment, net	625,100
Goodwill	<u>607,500</u>
	<u>\$ 47,038,400</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Notes payable, net	\$ 1,990,000
Accounts payable	1,409,500
Accrued liabilities	2,595,700
Deferred revenue	<u>1,589,100</u>
Total current liabilities	7,584,300
Long-Term Liabilities:	
Line of credit	10,100,000
Notes payable, net	18,931,500
Deferred revenue	1,445,100
Other liabilities	873,900
Deferred income taxes	<u>3,472,200</u>
Total long-term liabilities	34,822,700
Shareholders' Equity:	
Common stock, no par, 10,000,000 shares authorized, 4,215,528 shares issued and outstanding	5,139,700
Accumulated other comprehensive income	400
Retained earnings (accumulated deficit)	<u>(508,700)</u>
Total shareholders' equity	<u>4,631,400</u>
	<u>\$ 47,038,400</u>

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

WINMARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS

January 1, 2017 through July 1, 2017

(Unaudited)

	<u>Six Months Ended July 1, 2017</u>
REVENUE:	
Royalties	\$ 21,548,400
Leasing income	9,806,200
Merchandise sales	1,285,400
Franchise fees	944,700
Other	<u>788,600</u>
Total revenue	34,373,300
COST OF MERCHANDISE SOLD	1,214,100
LEASING EXPENSE	1,932,000
PROVISION FOR CREDIT LOSSES	(12,900)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>12,970,500</u>
Income from operations	18,269,600
INTEREST EXPENSE	(945,400)
INTEREST AND OTHER INCOME	<u>1,900</u>
Income before income taxes	17,326,100
PROVISION FOR INCOME TAXES	<u>(6,136,500)</u>
NET INCOME	<u>\$ 11,189,600</u>
EARNINGS PER SHARE – BASIC	<u>\$ 2.67</u>
EARNINGS PER SHARE – DILUTED	<u>\$ 2.50</u>
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC	<u>4,184,558</u>
WEIGHTED AVERAGE SHARES OUTSTANDING – DILUTED	<u>4,467,072</u>

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA
FOR THE YEAR ENDED DECEMBER 31, 2016

Summary Unaudited Pro Forma Consolidated Financial Data. The following table sets forth summary unaudited pro forma consolidated financial data for the year ended December 31, 2016. This summary unaudited pro forma consolidated financial data gives effect to the purchase of shares by us in the tender offer, as if such purchases had occurred on the first day of the fiscal year (December 27, 2015) for the consolidated statement of income data for the year ended December 31, 2016, and on December 31, 2016 for the consolidated balance sheet data as of December 31, 2016. Such data also assumes that the purchase of shares is financed with debt on the terms described in the footnotes to the tables below. This summary unaudited pro forma consolidated financial data is not necessarily indicative of either our financial position or results of operations that actually would have been attained had the purchase of shares in the tender offer and the related debt financing or that will be achieved in the future. Our future results are subject to prevailing economic and industry specific conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond our control.

	Fiscal Year Ended December 31, 2016		
	Actual	Adjustments (a)	Pro Forma
Consolidated Statement of Income Data:			
Revenue:			
Royalties	\$ 43,994,900		\$ 43,994,900
Leasing income	17,283,600		17,283,600
Merchandise sales	2,216,900		2,216,900
Franchise fees	1,624,800		1,624,800
Other	<u>1,460,100</u>		<u>1,460,100</u>
Total revenue	66,580,300		66,580,300
Cost of merchandise sold	2,101,400		2,101,400
Leasing expense	2,323,800		2,323,800
Provision for credit losses	18,500		18,500
Selling, general and administrative expenses	<u>23,835,600</u>		<u>23,835,600</u>
Income from operations	38,301,000		38,301,000
Interest expense	(2,342,800)	(1,980,000)	(4,322,800)
Interest and other income (expense)	<u>(12,200)</u>		<u>(12,200)</u>
Income before income taxes	35,946,000		33,966,000
Provision for income taxes	<u>(13,728,400)</u>	754,000	<u>(12,974,400)</u>
Net income	<u>\$ 22,217,600</u>		<u>\$ 20,991,600</u>
Earnings per common share - basic	<u>\$ 5.39</u>		<u>\$ 5.64</u>
Earnings per common share - diluted	<u>\$ 5.13</u>		<u>\$ 5.34</u>
Weighted average shares outstanding - basic	<u>4,122,854</u>	(400,000)	<u>3,722,854</u>
Weighted average shares outstanding - diluted	<u>4,330,490</u>	(400,000)	<u>3,930,490</u>

(a) Reflects interest expense from borrowings totaling \$49.8 million in borrowings under an amended revolving line of credit facility and a term loan to fund the purchase of the shares tendered at an weighted average interest rate of 3.98% per annum.

	As of December 31, 2016		
	Actual	Adjustments (a)	Pro Forma
Balance Sheet Data:			
Current assets	\$ 22,793,800		\$ 22,793,800
Noncurrent assets	<u>25,787,800</u>		<u>25,787,800</u>
Total assets	\$ 48,581,600		\$ 48,581,600
Current liabilities	\$ 7,357,800	1,250,000	\$ 8,607,800
Noncurrent liabilities	<u>49,075,800</u>	48,542,000	<u>97,617,800</u>
Total liabilities	\$ 56,433,600		\$ 106,225,600
Shareholders' equity	<u>\$ (7,852,000)</u>	<u>\$ (49,792,000)</u>	<u>\$ (57,644,000)</u>
Shares of common stock outstanding	4,165,769	(400,000)	3,765,769

(a) Reflects the effect of purchase of 400,000 shares tendered at \$124.48 per share and use of \$49.8 million in borrowings under an amended revolving line of credit facility and a term loan to fund the purchase of the shares tendered. Does not reflect the payment of approximately \$210,000 of estimated fees and expenses relating to the tender offer and the debt financing, which we will pay with our available cash.

THIS PRO FORMA HAS BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA FOR THE
SIX MONTHS ENDED JULY 1, 2017**

Summary Unaudited Pro Forma Consolidated Financial Data. The following table sets forth summary unaudited pro forma consolidated financial data for the six months ended July 1, 2017. This summary unaudited pro forma consolidated financial data gives effect to the purchase of shares by us in the tender offer, as if such purchases had occurred on the first day of the fiscal year (January 1, 2017) for the consolidated statement of income data for the six months ended July 1, 2017, and on July 1, 2007 for the consolidated balance sheet data as of July 1, 2017. Such data also assumes that the purchase of shares is financed with debt on the terms described in the footnotes to the tables below. This summary unaudited pro forma consolidated financial data is not necessarily indicative of either our financial position or results of operations that actually would have been attained had the purchase of shares in the tender offer and the related debt financing or that will be achieved in the future. Our future results are subject to prevailing economic and industry specific conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond our control.

	Six Months Ended July 1, 2017		
	Actual	Adjustments (a)	Pro Forma
Consolidated Statement of Income Data:			
Revenue:			
Royalties	\$ 21,548,400		\$ 21,548,400
Leasing income	9,806,200		9,806,200
Merchandise sales	1,285,400		1,285,400
Franchise fees	944,700		944,700
Other	<u>788,600</u>		<u>788,600</u>
Total revenue	34,373,300		34,373,300
Cost of merchandise sold	1,214,100		1,214,100
Leasing expense	1,932,000		1,932,000
Provision for credit losses	(12,900)		(12,900)
Selling, general and administrative expenses	<u>12,970,500</u>		<u>12,970,500</u>
Income from operations	18,269,600		18,269,600
Interest expense	(945,400)	(990,000)	(1,935,400)
Interest and other income	<u>1,900</u>		<u>1,900</u>
Income before income taxes	17,326,100		16,336,100
Provision for income taxes	<u>(6,136,500)</u>	378,000	<u>(5,758,500)</u>
Net income	<u>\$ 11,189,600</u>		<u>\$ 10,577,600</u>
Earnings per common share – basic	<u>\$ 2.67</u>		<u>\$ 2.79</u>
Earnings per common share – diluted	<u>\$ 2.50</u>		<u>\$ 2.60</u>
Weighted average shares outstanding – basic	<u>4,184,558</u>	(400,000)	<u>3,784,558</u>
Weighted average shares outstanding – diluted	<u>4,467,072</u>	(400,000)	<u>4,067,072</u>

(a) Reflects interest expense from borrowings totaling \$49.8 million in borrowings under an amended revolving line of credit facility and a term loan to fund the purchase of the shares tendered at an weighted average interest rate of 3.98% per annum.

	As of July 1, 2017		
	Actual	Adjustments (a)	Pro Forma
Balance Sheet Data:			
Current assets	\$ 21,281,800		\$ 21,281,800
Noncurrent assets	<u>25,756,600</u>		<u>25,756,600</u>
Total assets	\$ 47,038,400		\$ 47,038,400
Current liabilities	\$ 7,584,300	1,250,000	\$ 8,834,300
Noncurrent liabilities	<u>34,822,700</u>	48,542,000	<u>83,364,700</u>
Total liabilities	\$ 42,407,000		\$ 92,199,000
Shareholders' equity	<u>\$ 4,631,400</u>	<u>\$ (49,792,000)</u>	<u>\$ (45,160,600)</u>
Shares of common stock outstanding	4,215,528	(400,000)	3,815,528

(a) Reflects the effect of purchase of 400,000 shares tendered at \$124.48 per share and use of \$49.8 million in borrowings under an amended revolving line of credit facility and a term loan to fund the purchase of the shares tendered. Does not reflect the payment of approximately \$210,000 of estimated fees and expenses relating to the tender offer and the debt financing, which we will pay with our available cash.

THIS PRO FORMA HAS BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

EXHIBIT D

Play It Again Sports® Franchise Agreement (and exhibits)

PLAY IT AGAIN SPORTS®

FRANCHISE AGREEMENT

BETWEEN

WINMARK CORPORATION
605 Highway 169 N, Suite 400
Minneapolis, Minnesota 55441
(763) 520-8500

AND

Name(s) of Franchisee

Street

City State Zip Code

() _____
Area Code Telephone

FRANCHISED LOCATION:

Street

City State Zip Code

() _____
Area Code Telephone

PLAY IT AGAIN SPORTS®

FRANCHISE AGREEMENT

INDEX

<u>SECTION</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1.	GRANT OF FRANCHISE; FRANCHISED LOCATION.....	1
2.	TERM OF FRANCHISE; RENEWAL RIGHTS	2
3.	OWNERSHIP AND USE OF MARKS.....	3
4.	INITIAL FRANCHISE FEE	4
5.	CONTINUING FEE.....	4
6.	ADVERTISING AND PROMOTION	5
7.	FRANCHISOR'S OBLIGATIONS.....	6
8.	OPERATION OF THE FRANCHISEE'S BUSINESS.....	8
9.	CONFIDENTIAL INFORMATION	12
10.	INSURANCE; BONDING.....	14
11.	INDEPENDENT CONTRACTORS; INDEMNIFICATION	14
12.	SALES REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS	15
13.	FRANCHISOR'S RIGHT OF FIRST REFUSAL TO PURCHASE.....	16
14.	ASSIGNMENT OF FRANCHISE AGREEMENT	16
15.	FRANCHISOR'S TERMINATION RIGHTS.....	18
16.	FRANCHISEE'S TERMINATION RIGHTS; NOTICE REQUIRED	19
17.	FRANCHISEE'S OBLIGATIONS UPON TERMINATION.....	19
18.	FRANCHISEE'S COVENANTS NOT TO COMPETE	20
19.	ARBITRATION; ENFORCEMENT.....	20
20.	SEVERABILITY AND CONSTRUCTION.....	21
21.	NOTICES.....	22
22.	ACKNOWLEDGMENTS.....	22
EXHIBITS	A - FRANCHISEE'S DEVELOPMENT AREA AND EXCLUSIVE TERRITORY	
	B - COMPUTER SOFTWARE LICENSE AGREEMENT	
	C - PERSONAL GUARANTY	
	D - ADDITIONAL STORE ADDENDUM	

PLAY IT AGAIN SPORTS®

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is made and entered into this ____ day of _____, 201__, by and between WINMARK CORPORATION, a Minnesota corporation ("Franchisor"), and _____ ("Franchisee").

BACKGROUND:

A. Franchisor franchises sporting goods resale stores known as "Play It Again Sports" stores ("Play It Again Sports® Stores") which feature quality new and used sporting goods and related accessories. Franchisor uses and licenses certain trademarks, including "Play It Again Sports," and may hereafter adopt, use and license additional or substitute trademarks, service marks, logos and commercial symbols in connection with the operation of Play It Again Sports® Stores (collectively, the "Marks"). Play It Again Sports® Stores use Franchisor's methods, procedures, standards, specifications and the Marks (all of which are collectively referred to as the "Business System"), which Franchisor may periodically improve, further develop or otherwise modify.

B. Franchisee has had an adequate opportunity to be thoroughly advised of the provisions of this Agreement and Franchisor's Disclosure Document and has had sufficient time and opportunity to evaluate and investigate the Business System and the procedures and financial requirements associated with the Business System as well as the competitive market in which it operates.

C. Franchisee desires to operate a Play It Again Sports® Store which will conform to the uniform requirements and quality standards of the Business System.

AGREEMENTS:

The Franchisor and Franchisee agree as follows:

1. GRANT OF FRANCHISE; FRANCHISED LOCATION

A. Grant of Franchise. Subject to the provisions stated below, Franchisor grants to Franchisee a personal and non-exclusive license and franchise to operate a Play It Again Sports® Store using the Marks as designated by Franchisor from time to time (the "Store") in conformity with Franchisor's Business System at a location within the development area specified in Exhibit A attached hereto. The specified area identified in Exhibit A is referred to as the "Development Area." Franchisee will operate the Store under the Business System in strict compliance with the provisions of this Agreement and only at a location within the Development Area approved by Franchisor (the "Franchised Location").

B. Franchisee's Protected Area; Rights Reserved By Franchisor. During the term of this Agreement, Franchisor will not establish for its own account or franchise others the right to operate a Play It Again Sports® Store from a permanent location within the area specified in Exhibit A. The exclusive area identified in Exhibit A, which includes the Development Area, is referred to as the "Exclusive Territory." Franchisee understands, however, that Franchisor, its affiliates or their licensees may sell any products or

services under trademarks or other commercial symbols other than the Marks inside or outside of the Exclusive Territory. Notwithstanding anything provided for in this Agreement, Franchisor, its affiliates or their licensees also may sell products or services under the Marks inside or outside of the Exclusive Territory: (i) to Play It Again Sports® franchisees through Franchisor's inventory buying group, and (ii) via the Internet (or any similar form of electronic commerce developed in the future), as long as such activities are not for the sole benefit of Franchisor but provide some benefit to Play It Again Sports® franchisees in general. The rights and privileges granted to Franchisee under this Agreement are personal in nature, and may not be used at any location other than the Franchised Location. Franchisee will not relocate the Store without Franchisor's prior written consent, and will not open any other Play It Again Sports® Store in the Exclusive Territory. Franchisee will not have the right to subfranchise or sublicense any of its rights under this Agreement. Franchisee will not use the Franchised Location for any purposes other than the operation of a Play It Again Sports® Store. Termination or expiration of this Agreement shall constitute a termination or expiration of the rights and license granted herein to Franchisee.

2. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of this Agreement will be for ten (10) years commencing on the date of this Agreement, unless terminated sooner in accordance with the terms hereof.

B. Renewal. Franchisee will have the right to renew its Play It Again Sports® franchise for the Franchised Location for continuing ten (10) year terms provided Franchisee meets the following conditions:

1. Franchisee has given Franchisor written notice at least one hundred eighty (180) days before the end of the term of this Agreement of its intention to renew;

2. Franchisee has complied with all of the material provisions of this Agreement, including the payment of all monetary obligations owed by Franchisee to Franchisor and its affiliates and suppliers, and has complied with Franchisor's material operating and quality standards and procedures during the term of the Franchise Agreement;

3. Franchisee has at its expense made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Store premises and to replace and modernize the supplies, fixtures, and equipment used in Franchisee's business so that Franchisee's business reflects the then-current physical appearance of new Play It Again Sports® Stores and meets all current brand standards;

4. Franchisee has paid a Renewal Fee of Five Thousand Dollars (\$5,000) to Franchisor at least thirty (30) days before the initial (and any renewal) term of this Agreement expires;

5. Franchisee, at Franchisor's option, executes the Franchise Agreement then being used by Franchisor, provided, however, that Franchisee will be required to pay the Renewal Fee in lieu of the Initial Franchise Fee stated in such Franchise Agreement, and that such Franchise Agreement may not contain any further rights of renewal, but may contain royalty rates and advertising contributions (which may be different than those contained in this Agreement), and an altered Exclusive Territory; and

6. Franchisee is able to secure a renewal or extension of the lease for the Franchised Location or is able to secure a new location within the Development Area which has been accepted by Franchisor, such acceptance not to be unreasonably withheld.

3. OWNERSHIP AND USE OF MARKS

A. Ownership. Franchisor is the exclusive owner of all right, title and interest in and to the Marks and Business System, and all past, present or future goodwill of Franchisee's Play It Again Sports® Store and of the business conducted at the Franchised Location that is associated with or attributable to the Marks. Franchisee's use of the Marks and the Business System will inure to the benefit of Franchisor. Franchisee disclaims all right, title and interest in or to such goodwill and the Marks and the Business System, and acknowledges and agrees that such goodwill and the Marks and the Business System are the exclusive property of Franchisor. Any and all improvements by Franchisee relating to the Marks and Business System will become the sole property of Franchisor who has the exclusive right to register and protect all such improvements in its name.

B. Use. Franchisee's right to use and identify with the Marks and Business System applies only to the Franchised Location, and exists concurrently with the term of this Agreement and only so long as Franchisee is in complete compliance with Franchisor's quality and operating standards. Franchisee will have the right to use the Marks and Business System only in the manner Franchisor directs and approves in writing. Franchisee will not have or acquire any rights in any of the Marks or Business System other than the right of use as governed by this Agreement. If, in the judgment of Franchisor, Franchisee's acts infringe upon or harm the goodwill, standards of uniformity or quality, or business standing associated with the Marks and Business System, Franchisee will immediately, upon written notice from Franchisor, modify or discontinue its use of the Marks and Business System in the manner Franchisor directs in writing. Franchisee will not during or after the term of this Agreement do anything directly or indirectly which would infringe upon, harm, mislead or contest Franchisor's rights in the Marks or Business System, or the goodwill associated with the Marks or the Business System. Franchisee cannot advertise any liquidation or going-out-of-business sales or similar types of activity.

C. Promotion. Franchisee will operate the Store so that it is clearly identified and advertised as a Play It Again Sports® Store. The style, form and use of the words "Play It Again Sports" in any advertising, written materials or supplies must, however, have Franchisor's prior written approval, which approval will not be unreasonably withheld. Franchisee will use the name "Play It Again Sports" and the other Marks which now or hereafter may form a part of the Business System, on all paper supplies, business cards, letterhead, envelopes, uniforms, advertising materials, signs or other articles in the identical combination and manner as Franchisor may require in writing. Franchisee will comply with all trademark, trade name, service mark and copyright notice marking requirements.

D. Identity. Franchisee will not use the words "Play It Again Sports" or "Play It Again" in its corporate or partnership name. Franchisee will clearly indicate on its business checks, purchase orders, business cards, receipts, promotional materials and other written materials that Franchisee is the owner of the Store and that Franchisee is a Play It Again Sports® franchisee. Franchisee will display a sign which is clearly visible to the general public indicating that the Store is independently owned and operated.

E. Substitutions. If at any time Franchisor determines it advisable or necessary, Franchisee will, upon receiving written notice from the Franchisor, immediately, at its expense, make such changes and amendments or discontinuations of or to any or all of the Marks as Franchisor may require. Franchisee will not make any changes, amendments or discontinuations of or to the use of any of the Marks and Business System unless directed by Franchisor in writing.

F. Litigation. Franchisee will not, without Franchisor's prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. Franchisee will, however, immediately notify Franchisor of any claims or complaints made against Franchisee respecting the Marks and will cooperate in all respects with Franchisor in any court or other proceedings involving the Marks. Franchisor will pay the cost and expense of all litigation Franchisor incurs, including Franchisor's attorneys' fees, specifically relating to the Marks. Franchisor will pay for reasonable travel and other out-of-pocket expenses Franchisee incurs in cooperating with Franchisor regarding any such court or other proceedings, provided Franchisee's use of the Marks has not been inconsistent with this Agreement or Franchisor's guidelines. Franchisor and its legal counsel will have the right to control and conduct any litigation relating to the Marks.

G. Crisis Communication. Franchisor will have the sole and absolute discretion to determine what steps will be taken in instances of a crisis that impacts the Play It Again Sports® brand and may cause harm or injury to the Play It Again Sports® Marks, Business System, reputation or image.

H. Affixing Notice. Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Franchised Location, a sign containing a form of notice substantially in the following form, or such other form as Franchisor may require:

“This business is owned and operated independently by (*name of Franchisee*) who is an authorized licensed user of the trademark “PLAY IT AGAIN SPORTS”, which trademark is owned by WINMARK CORPORATION.”

4. INITIAL FRANCHISE FEE

Franchisee will pay Franchisor a non-refundable Initial Franchise Fee of Twenty Five Thousand Dollars (\$25,000), which will be fully earned and payable on the date of this Agreement. The Initial Fee payable by Franchisee is payment to Franchisor for the costs that it will incur to get Franchisee into business including costs Franchisor incurs for training, site evaluation, business overhead costs, travel costs, and for the other initial services Franchisor provides hereunder.

5. CONTINUING FEE

A. Continuing Fee. Franchisee will, for the term of this Agreement, pay to Franchisor a Continuing Fee equal to five percent (5%) of Franchisee's Gross Sales (as defined below). Franchisee's obligation to pay Franchisor the Continuing Fee under the terms of this Agreement will remain in full force and effect until this Agreement has expired or is terminated or transferred under the provisions herein.

B. Payment. Franchisee will sign electronic transfer of funds authorizations, and/or other documents or instruments as Franchisor designates or Franchisor's bank requires for Franchisor to draw on Franchisee's account, so that Franchisor may electronically collect (draft on Franchisee's account by electronic withdrawal) the Continuing Fees due from Franchisee under Section 5(A) of this Agreement or other fees due from Franchisee to Franchisor. Franchisee will report to Franchisor (in a form and by a method designated by Franchisor) on or before Wednesday of each week its Gross Sales for the previous week. A week is defined as Sunday through Saturday. If Franchisee does not report its Gross Sales on a timely basis, Franchisor may estimate Franchisee's Gross Sales and prepare an estimate of Continuing Fees owed for that week. On Thursday of each week, Franchisor will electronically collect from Franchisee all Continuing Fees due for the previous week either pursuant to Franchisee's report or Franchisor's estimate. Franchisee shall thereafter maintain a balance in its account sufficient to allow Franchisor to collect the amounts owed to Franchisor when due. Franchisee agrees that Franchisor has the right to require

Franchisee to pay by electronic transfer of funds regardless of whether Franchisor imposes the same requirement on other franchisees. Any unpaid Continuing Fee or other amounts past due and owing to Franchisor will bear interest at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less. Franchisee will pay Franchisor for any and all costs Franchisor incurs in collecting any unpaid and past due Continuing Fees, including reasonable attorneys' fees.

C. Gross Sales. The term "Gross Sales" means the total amount of all revenues Franchisee receives from the sale of goods and services (including, but not limited to, equipment rentals and repairs, skate sharpening and ski tuning), whether for cash or by check, credit card or trade, in connection with the Store, less customer refunds and returns. Gross Sales will include any sales permitted through the Internet and wholesale transactions involving any party other than a Play It Again Sports® franchisee who is in good standing with Franchisor. Gross Sales will not include sales tax collected from customers and actually paid to appropriate tax authorities.

6. ADVERTISING AND MARKETING

A. Cooperative Advertising. Franchisee will participate in, support and contribute a proportionate share, but no more than an amount equal to five percent (5%) of the Gross Sales for the Store, of the cost of cooperative advertising programs either designated by Franchisor or approved by a majority of the advertising cooperative membership (provided a majority includes at least two (2) unaffiliated franchisees). Franchisor reserves the right to designate advertising cooperative markets, to establish advertising cooperatives and to establish the bylaws, policies and other rules under which such cooperatives will operate. If an advertising cooperative is formed, and Franchisee does not participate, Franchisee is still obligated to pay the advertising cooperative fees required of members and to abide with the cooperative's bylaws, policies and other rules.

B. Local Marketing Expenditures. To the extent Franchisee's annual contributions to cooperative advertising programs described in Section 6(A) above are less than five percent (5%) of the Gross Sales for the Store, or if the Franchisee cannot participate in any regional cooperative advertising program because such a program has not been established in Franchisee's geographic area, Franchisee will then be obligated to conduct advertising and marketing activities in Franchisee's local geographic area; provided that Franchisee's local marketing activities will not reduce, eliminate or otherwise impact Franchisee's obligations under Section 6(A) above. Franchisee's local marketing expenditures will include advertising, merchandising, sales promotion and other forms of marketing at the local level. On or before January 31 of each year, Franchisee will provide Franchisor with an accounting of the monies that it has spent for approved regional cooperative advertising and local marketing for the preceding calendar year (January through December). If Franchisee has failed to spend at least five percent (5%) of its Gross Sales for the calendar year for approved regional cooperative advertising or local marketing, Franchisee may be required to deposit with Franchisor the difference between what it should have spent for advertising and marketing during the calendar year and what it actually spent for advertising and marketing during the calendar year. Franchisor will spend such amount for any type of advertising or marketing that Franchisor deems appropriate for Franchisee's business, although Franchisor will use reasonable efforts to spend such amounts in Franchisee's geographic area.

C. Marketing Fee. In addition to Franchisee's local advertising obligations described in Section 6(B) above, Franchisee will pay to Franchisor an annual Marketing Fee of One Thousand Dollars (\$1,000) which will be payable on the first day of January of each year. Franchisee's initial payment will be prorated based on the effective date of the Franchise Agreement and invoiced immediately. Franchisor will use the Marketing Fee to conduct advertising research and public relations campaigns, develop websites and other online media programs, develop marketing materials such as television, radio, Internet and print

advertising production and promotional materials for use in each franchisee's local market, and implement advertising and marketing campaigns.

D. Future Advertising Programs. Franchisee acknowledges and agrees that as the Play It Again Sports® franchise system continues to expand and mature, it will be necessary to revise Franchisee's advertising obligations. Franchisee therefore agrees that Franchisor may, upon sixty (60) days' written notice, require Franchisee to pay to Franchisor, on such terms and at such time as Franchisor may from time to time require, for deposit in an "Advertising Fund" an "Advertising Fee" of up to two percent (2%) of Franchisee's Gross Sales. In such event, Franchisee's advertising obligations under Section 6(A) (and, if appropriate, Section 6(B)) above will be reduced to three percent (3%) of the Gross Sales for the Store. All Advertising Fees will be placed in an Advertising Fund administered by Franchisor. Reasonable disbursements from the Advertising Fund will be made solely for the payment of expenses incurred in connection with the general promotion of the Marks and the Business System including the cost of formulating, developing and implementing advertising and promotional campaigns; and the reasonable costs of administering the Advertising Fund, including accounting and other professional expenses and the actual costs of salaries and fringe benefits paid to Franchisor's employees or contractors engaged in administration of the Advertising Fund. Although Franchisor will strive to manage the Advertising Fund in such a manner that benefits franchisees uniformly, taking into account regional and/or local advertising costs and forms of media available, Franchisor cannot insure that any individual franchisee benefits directly or on a pro rata basis from the future placement of any such advertising in its local market. Without limiting the generality of the foregoing, Franchisor is under no obligation to administer or distribute the Advertising Fund according to any particular geographic area or territory, whether in Canada, the United States, or otherwise, and furthermore is under no obligation to do so within the Exclusive Territory. Franchisor shall determine the methods of advertising, media employed and contents, terms and conditions of advertising campaigns and promotional programs. Franchisor will provide Franchisee an annual unaudited statement of the receipts and disbursements of the Advertising Fund.

E. Approved Advertising and Marketing Materials. Franchisee will use only approved advertising and marketing materials. If Franchisee desires to use any unapproved advertising or marketing materials bearing the name "Play It Again Sports" or other Marks, Franchisee must obtain written approval from Franchisor before using any such materials.

F. Promotion. Franchisee will use its best efforts to promote and advertise its Play It Again Sports® business and will participate in all advertising and marketing programs Franchisor establishes. Franchisee will participate, at its own expense, in the Play It Again Sports® national (electronic) gift card program and e-mail marketing program. Franchisee will have the right to advertise and sell its products at whatever prices Franchisee determines.

G. Media Placement. Franchisee will use the approved vendors designated by Franchisor for broadcast media placement and online advertising for its pre-opening and first year marketing activities.

7. FRANCHISOR'S OBLIGATIONS

A. Location. Franchisor will provide Franchisee with assistance respecting site location and evaluation for the Store to ensure consistency with the Business System standards. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its nominee in relation to the selection or development of the Store is only for the purpose of determining compliance with the Business System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Store, that the

development of the Store is free of error, nor that the franchised business is likely to achieve any level of volume, profit or success.

B. Lay-Out and Design. Franchisee shall construct and equip the Store in accordance with the time table or schedule specified by, and in conformity with the standard layout plans, specifications and motif provided by Franchisor. Following receipt of such materials from Franchisor, the responsibility and cost of customizing specific plans, specifications and drawings to the Store (upon prior approval of Franchisor) and all costs and expenses pertaining to the construction and equipping of the Store shall be borne exclusively by Franchisee. Franchisor shall have the right to inspect the construction and development of the Store at all reasonable times to ensure conformity with applicable standards.

C. Equipment, Supplies and Inventory. Franchisee agrees to use in the operation of the franchised business only those service providers, manufacturers, brands or types of fixtures, equipment (including without limitation, computer, cash register systems), and signs that Franchisor will designate and approve. Franchisee may purchase approved brands or types of fixtures, equipment and signs only from suppliers approved by Franchisor, which may include Franchisor or its affiliates. Franchisee further agrees to place or display at the Store (interior and exterior) only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by Franchisor, which approval may be given or withheld by Franchisor.

D. Training. Franchisor will, at its expense, provide a three-part training program in Minneapolis, Minnesota or other location Franchisor designates to educate, familiarize and acquaint Franchisee with the business of operating a Play It Again Sports® Store. The first session of the training program will include instruction on general business issues related to the ownership of a privately-owned retail business, such as, by way of example only, real estate matters, business plan development, inventory management, point-of-sales systems, used product purchasing, Franchisor's preferred vendor program, and other topics Franchisor selects. The period of this session will be at Franchisor's discretion but generally will be for not less than five (5) days and will be scheduled by Franchisor at its discretion. The second session of the training program may include instruction on sales and marketing, inventory purchasing, computer operation, store management and other topics Franchisor selects. The period of this session will be at Franchisor's discretion but generally will be for not less than five (5) days and will be scheduled by Franchisor. The third session of the training program will take place at an existing Play It Again Sports® Store that Franchisor selects. The period of this in-store training session will be at Franchisor's discretion but generally will be for not less than two to three (2-3) days. During this third session, Franchisee will receive "hands-on" training in operating a Play It Again Sports® Store. Franchisee (or such other trainees required by Franchisor) must successfully complete all 3 sessions of the training program. If Franchisee (or such other trainees required by Franchisor) fails to successfully complete all 3 sessions, he/she will not be permitted or authorized to manage Franchisee's business and Franchisor may terminate this Agreement pursuant to Section 15. Franchisee will be responsible for travel costs, room and board, the salaries, fringe benefits and other expenses Franchisee and its employees and designated trainees incur in attending both sessions of the training program.

E. Opening Assistance. Franchisor will assist in scheduling the opening of the Store. Franchisee will not open or commence business operations until Franchisee has received written approval from Franchisor. Franchisor's approval may be withheld if Franchisee fails to meet the minimum inventory, training and/or marketing requirements established by Franchisor. Franchisor will, at no charge, provide at least one (1) person to assist Franchisee with the opening of the Store for at least two (2) days around the time of opening. In addition, Franchisor will provide pre-opening assistance consisting of one (1) or two (2) days, approximately three (3) to five (5) weeks prior to Franchisee's actual Store opening. Franchisor may provide additional assistance as it deems necessary.

F. Operations Manual. Franchisor will provide Franchisee with an electronic copy of the Operations Manual and one or more other confidential manuals (collectively, the "Manuals") wherein Franchisor will describe its operational policies, standards, requirements and practices as such things are modified and amended by Franchisor from time to time. The Manuals may also include computer software, information available on an Internet/Extranet site and other electronic media that Franchisor may change from time to time. Franchisee will comply with all provisions of the Manuals. Franchisor reserves the right to revise the Manuals at any time.

G. Additional Initial Assistance. Franchisor will assist Franchisee in the development of a business plan. Franchisor and Franchisee may also agree that Franchisor provide management assistance and other services, in addition to the usual initial assistance and supervision Franchisor provides to all franchisees, for additional agreed upon compensation.

H. Ongoing Assistance. During the operation of Franchisee's business, Franchisor will: (1) inspect the Store as often as Franchisor deems necessary and provide written reports to Franchisee on operations; (2) provide, upon the written request of Franchisee, advisory services pertaining to operation of Franchisee's business; (3) periodically make available to Franchisee all changes, improvements and additions to the Business System to the same extent as made available to other franchisees; (4) provide Franchisee with all supplements and modifications to the Manuals; and (5) develop advertising and marketing materials. Any evaluation or inspection Franchisor conducts is not intended to exercise, and does not constitute, control over Franchisee's day-to-day operation of the Business or to assume any responsibility for Franchisee's obligations under this Agreement.

8. OPERATION OF THE FRANCHISEE'S BUSINESS

The Marks and Business System licensed to Franchisee represent valuable goodwill distinctive of Franchisor's business and reputation. Franchisor will periodically develop uniform standards of quality and service regarding the business operations of the Store so as to protect (for the benefit of all franchisees and Franchisor) the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and Business System. To ensure that all franchisees will maintain the uniform requirements and quality standards for goods and services associated with the Play It Again Sports® Stores and with the Marks and Business System, Franchisee will maintain the uniformity and quality standards Franchisor reasonably requires for all products and services and agrees to the following provisions:

A. Managerial Responsibility. During the term of this Agreement, the parties who have signed this Agreement on behalf of Franchisee will personally manage and operate Franchisee's business and will not, without Franchisor's prior written consent, delegate its authority and responsibility with respect to management and operation. If Franchisee is a corporate entity or a partnership, one individual will retain at least fifty percent (50%) of the equity and voting interest in such corporation or partnership and will be obligated to personally manage and operate the Franchisee's business.

B. Design and Appearance of Premises. The design and appearance of the exterior and interior of the Store, including signage, are part of the Business System. It is essential to the integrity of Franchisor's Business System that as great a degree of uniformity as possible be maintained among the various premises of Play It Again Sports® franchisees. Without limitation to anything provided for in this Agreement, Franchisee agrees that: (1) no alteration or addition will be made to the premises without Franchisor's prior written consent; (2) the painting and decor will be maintained in such manner and form as Franchisor may require; (3) Franchisee will follow Franchisor's instructions with respect to layout and character of interior fixtures and furnishings; and (4) only such signs, emblems, logos, lettering, and artwork

as Franchisor may require or periodically provide will be displayed on the Store premises. Franchisee must follow Franchisor's current standards regarding the design and appearance of the premises.

C. General Operation. Franchisee will use the Marks and Business System in strict compliance with the standards, operating procedures, specifications, requirements and instructions required of all Play It Again Sports® franchisees, which Franchisor may periodically amend and supplement. Any required standards exist to protect Franchisor's interests in the Business System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. The required standards generally will be set forth in the Operations Manual or other written materials. The Operations Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. Franchisee may follow the recommendations or guidelines or some other suitable alternative, provided Franchisee meets and complies with the required standards. In other instances, no suitable alternative may exist. In order to protect Franchisor's interests in the Business System and Marks, Franchisor reserves the right to determine if Franchisee is meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

D. Products and Services. Franchisee will sell only those categories of products and services Franchisor approves in writing and will offer for sale all categories of products and services required by Franchisor from time to time. Franchisee will conform to all quality and customer service standards Franchisor requires in writing. Franchisee will purchase only such types, models or brands of fixtures, furniture, equipment, signs and supplies that Franchisor approves for Play It Again Sports® as meeting its specifications and standards, including specifications and standards for quality, design, warranties, appearance, function and performance. Franchisee acknowledges and agrees that such items shall be purchased only from sources, manufacturers or suppliers approved in writing by Franchisor (which sources or suppliers may include Franchisor or affiliates of Franchisor). FRANCHISOR DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE IN CONNECTION WITH FRANCHISOR'S (AND/OR AN AFFILIATE'S) SALE OF ANY GOODS, EQUIPMENT, FURNITURE, SIGNS OR SUPPLIES TO FRANCHISEE. Franchisee agrees to execute any and all documents Franchisor reasonably requests, including letters of credit, security agreements, and financing statements, to provide collateral for amounts due to Franchisor for purchases of inventory and other items used in Franchisee's business. Franchisor's approval is not required with respect to sporting goods and equipment Franchisee purchases from its customers or places in the Store on a consignment basis; provided, however, that Franchisee may not sell or offer for sale any goods which have been recalled or would be determined unsafe upon reasonable inspection.

E. Maintenance of Premises; Modernization. Franchisee will, at its expense, repair, paint and keep in an attractive, clean and sanitary condition the interior and exterior of the Store premises. Franchisee will ensure that all equipment will be kept in good working order and will meet Franchisor's quality standards. Franchisee will periodically make capital expenditures to remodel, modernize and redecorate the Store and to replace and modernize the furniture, fixtures, signs, supplies and equipment used in the Store so that the Store will reflect the then-current physical appearance of new Play It Again Sports® Stores. All remodeling, modernization or redecoration of the Store must be done pursuant to Franchisor's then-current standards and specifications and only with Franchisor's prior written approval. Franchisee agrees to commence remodeling activities within ninety (90) days after written notice from Franchisor, although Franchisee will not be required to remodel, modernize and redecorate the Store more than once every five (5) years during the term of this Agreement.

F. Compliance with Laws. Franchisee will, at its expense, comply with all applicable local, state, federal and municipal laws, ordinances, rules and regulations pertaining to the operation of the Store, including, without limitation, any and all licensing and bonding requirements, as well as the Americans with Disabilities Act ("ADA"), the Gramm-Leach-Bliley Act, the Fair Credit Reporting Act ("FCRA"), the Telephone Consumer Protection Act ("TCPA"), the Fair and Accurate Credit Transactions Act ("FACTA"), and the National Automated Clearinghouse Association ("NACHA") and associated regulations (collectively "Privacy Laws"). No music, videos or television may be played in the Store unless the appropriate licenses are obtained. Franchisee must comply with any applicable secondhand dealer laws or ordinances. In addition, to become knowledgeable regarding new or pending laws and other issues that may affect the operation of its business, Franchisee must join and maintain a membership in the state retailer's association where the Store is located.

G. Payment of Liabilities. Franchisee will timely pay all of its obligations and liabilities due and payable to Franchisor, suppliers, lessors and creditors.

H. Taxes. Franchisee will promptly pay all federal, state and local taxes arising out of the operation of Franchisee's business. Franchisor will not be liable for these or any other taxes and Franchisee will indemnify Franchisor for any such taxes that may be assessed or levied against Franchisor which arise or result from Franchisee's business.

I. Standardization. Franchisee will require its employees to wear such uniforms as Franchisor may designate and will comply with such programs of standardization as Franchisor may periodically develop to promote the common business image and to protect the goodwill associated with the Marks and Business System. Franchisee will participate in the Play It Again Sports® approved licensed music program if playing music in the Store.

J. Personnel. Franchisee will, at all times when open for business, have a person designated as a management person on duty who will be responsible for the business operations of Franchisee's business. Franchisee will employ and maintain a sufficient number of adequately trained and competent employees to provide efficient service to Franchisee's customers. Franchisee's employees will not be deemed to be Franchisor's employees for any purpose whatsoever, and nothing in any aspect of the Business System or the Marks in any way shifts any employee or employment related responsibility from Franchisee to Franchisor. Franchisee alone is responsible for hiring, firing, training, setting hours for and supervising all employees.

K. Hours of Operation. Franchisee's Store will be open for business seven (7) days a week and a minimum of 63 (sixty-three) hours per week. Franchisee's minimum hours of operation shall be M-F 10:00 a.m. to 8:00 p.m., Sat. 9:00 a.m. to 6:00 p.m. and Sun. 12:00 p.m. to 4:00 p.m. Franchisee will purchase items from its customers during all hours that it is open for business.

L. Additional Training Seminars. Franchisor may periodically conduct refresher courses, seminars and other programs for all Play it Again Sports® franchisees. Franchisee and/or its employees will be required to attend any such programs and will be responsible for any expenses incurred by them in attending such programs, including the cost of transportation, lodging, meals and any wages.

M. Photographs. Franchisor will have the right to photograph the Store premises and, with prior written consent, Store employees at all reasonable times.

N. Operations Manual. To protect Franchisor's reputation and goodwill and to maintain uniform operating standards under the Marks and Business System, Franchisee will conduct its business

according to Franchisor's Operations Manual and other confidential Manuals provided by Franchisor. Franchisee will receive an electronic or hard copy of each Manual. Franchisee will treat each Manual as confidential, and will use all reasonable efforts to maintain the Manuals as secret and confidential. The Manuals will remain Franchisor's sole property. Franchisor may periodically revise the contents of the Manuals. Franchisee agrees to comply with each new or changed standard. Franchisee will insure that its copy of each Manual is kept current. In the event of any dispute as to the contents of any Manual, the terms of the master copy of such Manual Franchisor maintains will control. At Franchisor's option, Franchisor may post some or all of the Operations Manual and other confidential Manuals and materials on the Extranet to which Franchisee will have access. Any passwords or other digital identifications necessary to access the Operation Manual on the Extranet will be deemed secret and confidential. It is Franchisee's obligation to monitor and access the Extranet for any updates to the Operating Manual or system standards.

O. Lease. Franchisee's lease or sublease for the Store premises must be reviewed by Franchisor before its execution. Franchisee must provide Franchisor with an executed copy of any lease for the Store. Franchisor makes no guarantees concerning the success of the Store located on any site consented to by Franchisor. Franchisor recommends that Franchisee employ an independent real estate broker to assist Franchisee in locating a suitable site and negotiating a lease for such site. Franchisee's lease must contain provisions requiring that: (i) so long as this Agreement remains in effect, the premises will be used only for a Play It Again Sports® business; (ii) the landlord will provide Franchisor written notice of any Franchisee default and/or right to cure; and (iii) upon termination of this Agreement or the Lease, Franchisee must remove, at its sole expense, all signs and materials bearing the name "Play It Again Sports" and other Marks.

P. Point-of-Sale System. Franchisee will utilize in the Store a point-of-sale system (the "POS System") which Franchisor has developed and/or selected for the Business System, including all future updates, supplements and modifications. The POS System developed for use in Franchisee's business includes a proprietary software program owned by Franchisor (the "Proprietary Software"). Franchisee must license the Proprietary Software from Franchisor, which software will remain the confidential property of Franchisor. Franchisee and Franchisor will enter into Franchisor's standard form of Computer Software License Agreement attached hereto as Exhibit B (the "Software License Agreement") in connection with Franchisee's use of such software. Franchisor reserves the right to assign its rights, title and interest in the Proprietary Software or the Software License Agreement to a third party designated by Franchisor. In such event, Franchisee may be required to enter into a separate computer software license agreement specified by the third party supplier of the Proprietary Software. Franchisor also may access information and data produced by Franchisee's POS System. The computer hardware component of the POS System must conform with specifications Franchisor develops and must be configured as a package unit as Franchisor designates. The POS System includes one dedicated business server with a minimum of two desktop computers. The computer hardware component of the POS System must be purchased and configured through Franchisor. Franchisee will be required to utilize and, at Franchisor's discretion, pay for all future updates, supplements and modifications to the POS System. Franchisee may be required to update its POS System every five (5) years or less, depending on updates in technology and Franchisor's current standards. Franchisee will also be required to pay one DRS Maintenance Fee in the amount of \$1,000 for the term of this Agreement. It is Franchisee's responsibility to make sure that Franchisee is in compliance with all laws that are applicable to the POS System or other technology used in the operation of Franchisee's Business, including all data protection or security laws as well as PCI compliance.

Q. Participation in Internet Website. Franchisee must have high speed Internet access from the Store and an e-mail address. Franchisor will include Franchisee in the store location section of Franchisor's website www.playitagainsports.com. Franchisor will establish the rules from time to time under which franchisees will establish their own website or separately use the Internet, and Franchisee

shall be required to strictly abide by all such rules and follow the then current form of Internet Code of Conduct. Franchisee is required to have a Store website and will pay all expenses associated with the development and operation of the website for Franchisee's individual Store. Franchisor will, at its discretion, determine the content and use of the playitagainsports.com website, and the core brand content and design of the franchisee store website templates. Franchisor will retain all rights relating to the playitagainsports.com website and the individual stores' website template and domain name(s) (URL) and may alter or terminate the websites upon thirty (30) days notice to Franchisee. Franchisee's general conduct on the Internet and specifically its use of the Marks on the Internet (including the domain name and any other Marks Franchisor may develop as a result of participation in the Internet) will be subject to the provisions of this Agreement and regulated by the Internet Code of Conduct or similar document. Franchisee acknowledges that certain information obtained through its participation in the Play It Again Sports® Internet and Extranet websites may be considered Confidential Information (as defined in Section 9 below), including access codes and identification codes. Franchisee's right to maintain any website used in operating the Store, participate in the Play It Again Sports® Internet or Extranet sites or otherwise use the Marks or Business System on the Internet will terminate when this Agreement expires or terminates. It is Franchisee's responsibility to ensure that its website and other web content complies with all applicable provisions of the current Web Content Accessibility Guidelines ("WCAG") and/or related laws.

R. Credit Card Processing. Franchisee must comply with all Franchisor and vendor credit card policies. In addition, Franchisee must comply with the Payment Card Industry Data Security Standards ("PCI DSS") as they may be revised and modified by the Payment Card Industry Security Standards Council or its successor organization, FACTA and any other card payment standards Franchisor may specify.

9. CONFIDENTIAL INFORMATION

A. Non-Disclosure of Confidential Information. Franchisee and those individuals who have signed the Personal Guaranty attached hereto as Exhibit C agree to use and permit the use of Franchisor's Confidential Information (as defined below) solely in connection with the operation of the Store. Franchisee and Personal Guarantors further agree that they will never, during the initial term or any renewal term of this Agreement, or any time after this or any renewal Franchise Agreement expires or terminates, or Franchisee's rights under this Agreement or any renewal Franchise Agreement are assigned or terminated, divulge or use any of Franchisor's Confidential Information for the benefit of any third party (including any person, business entity or enterprise of any type or nature), nor will Franchisee or Personal Guarantors directly or indirectly aid such third party to imitate, duplicate or "reverse engineer" any of Franchisor's Confidential Information. "Confidential Information" means all information, knowledge, trade secrets or know-how utilized by the Business System or which otherwise concerns Franchisee's or Franchisor's systems of operation, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software. Confidential Information includes (without limitation): all elements of the Business System and all products, services, equipment, technologies, policies, standards, requirements, criteria and procedures that now or in the future are part of the Business System; Franchisor's Operations Manual (including supplements to the Manual); all specifications, sources of supply, all procedures, systems, techniques and activities employed by Franchisor or Franchisee in the offer and sale of products and or services at the Store; all pricing paradigms established by Franchisor or by Franchisee; all of Franchisor's and/or Franchisee's sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and identity of suppliers); Franchisor's specifications, and Franchisee's final plans, for the construction, build-out, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of the Store; the identity of, and all information relating to, the computer and DRS POS hardware and software utilized by Franchisor and Franchisee; all information pertaining to Franchisor's and Franchisee's advertising,

marketing, promotion and merchandising campaigns, activities, materials, specifications and procedures; all customer lists, customer data and other records generated and/or otherwise maintained by the Store; Franchisor's Internet Code of Conduct, social media policy, internet/web protocols, procedures and content; Franchisor's training and other instruction programs and materials; all communications between Franchisor and Franchisee (including the financial and other reports Franchisee is required to submit to Franchisor under the Agreement); additions to, deletions from and modifications and variations of the components of the Business System and all other information, knowledge and know-how which Franchisor and its affiliates, now or in the future, designate as confidential.

Confidential Information will not, however, include information which Franchisee and Personal Guarantors can demonstrate came to their attention before Franchisor disclosed it to Franchisee (unless illegally or improperly procured by Franchisee or its Personal Guarantors before Franchisor's disclosure) or which, at or after the time of disclosure, has become a part of the public domain through publication or communication by others, but not through any act of Franchisee or Personal Guarantors.

Except as authorized in this Agreement, Franchisee and Personal Guarantors agree never to copy, duplicate, record or otherwise reproduce any of the Confidential Information, in whole or in part; otherwise share it with any other third party individual or entity; store it in a computer or other electronic format; or otherwise make it available to any third party by any other means whatsoever. Upon the expiration or termination of this Agreement, Franchisee and Personal Guarantors agree to return to Franchisor such Confidential Information as Franchisor requests (including customer lists and records; all training materials and other instructional content; financial and non-financial books and records; the Manual; and, computer databases, software and manuals) which are then in Franchisee's or Personal Guarantor's possession, or upon Franchisor's request, destroy all or certain Confidential Information and certify such destruction to Franchisor. It is specifically understood that all customer lists or information adduced by the Store is Franchisor's property, not the property of Franchisee or Personal Guarantors.

Franchisee and Personal Guarantors must only divulge such Confidential Information to Franchisee's operational personnel as is necessary for each to perform his/her functions and then only on a "need to know" basis. Franchisee and Personal Guarantors agree to take all necessary precautions to insure that these individuals maintain the Confidential Information in confidence and comply with the confidentiality provisions of this Agreement. Franchisee's agreement to procure execution of a Confidentiality/Non-Competition Agreement from certain of Franchisee's owners, management and staff is set forth before in Section 9.B of this Agreement.

B. Confidentiality/Non-Competition Agreements. All of Franchisee's employees who have managerial duties with respect to the Store and who have access to confidential information of Franchisor, as well as all corporate officers, directors and shareholders if Franchisee is a corporation (all partners if Franchisee is a partnership), must sign Confidentiality/Non-Competition Agreements in a form satisfactory to Franchisor, agreeing to maintain the confidentiality, during the course of their agreement and thereafter, of all information Franchisor copyrights or designates as confidential and proprietary. Copies of the executed agreements will be provided to Franchisor upon request.

Franchisee agrees to vigorously and vigilantly prosecute to the fullest extent permitted by law breaches of any Confidentiality/Non-Competition Agreement executed pursuant to this provision, and acknowledge Franchisor's right, to be exercised as Franchisor alone determines, to enforce the terms of any such executed Confidentiality/Non-competition Agreement. If the substantive provisions of the Confidentiality/Non-Competition Agreement have been breached by an individual employed, engaged or

otherwise serving the Store who has not executed a Confidentiality/Non-Competition Agreement Franchisee must nevertheless vigorously and vigilantly prosecute such conduct to the fullest extent permitted by law.

10. INSURANCE; BONDING

A. Insurance. Franchisee alone will be responsible for all loss or damage arising out of or relating to the operation of Franchisee's business or arising out of the acts or omissions of Franchisee or any of its agents, employees or contractors in the preparation and sale of products by Franchisee, and for all claims for damage to property or for injury or death of any persons directly or indirectly resulting therefrom. Franchisee agrees to indemnify and hold Franchisor harmless against and from any and all such claims, loss, and damage, including costs and reasonable attorneys' fees. Franchisee will obtain and maintain in force (under policies of insurance issued by a carrier that is rated A- or better by AM Best) and pay the premiums for public liability insurance with products/completed operations coverage and premises liability of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate, bailee insurance protecting Franchisee's consignment goods and other insurance in such types and amounts as Franchisor may reasonably require. Such insurance policies will expressly protect both Franchisee and Franchisor and will require the insurer to defend both Franchisee and Franchisor in any action. In addition, each such insurance policy must name Franchisor as an additional insured, and provide that such policy will not be canceled, amended or modified except upon thirty (30) days' prior written notice to Franchisor. On an annual basis and upon Franchisor's request, Franchisee will furnish to Franchisor endorsements or other proof of insurance Franchisor requires evidencing that Franchisee has obtained and is maintaining in force all required insurance policies. Maintenance of the insurance requirement will not relieve Franchisee of the obligations of indemnification stated in Section 11 below. If Franchisee fails to obtain or maintain in force any insurance as required by this Section or to furnish any endorsements or other proof of insurance Franchisor requires hereunder, Franchisor may, in addition to all other available remedies, obtain such insurance or endorsements or proof of insurance, and Franchisee will promptly reimburse Franchisor for all insurance premiums and other costs incurred in obtaining such insurance or endorsements or other proof of insurance.

B. Bonding. Franchisee will comply with any and all bonding requirements which may be applicable to its Play It Again Sports® business, including bonding requirements resulting from the consignment portion of Franchisee's business.

11. INDEPENDENT CONTRACTORS; INDEMNIFICATION

Franchisor and Franchisee are independent contractors. Neither Franchisor nor Franchisee will make any agreements, representations, or warranties in the name of or for the other or that their relationship is other than franchisor and franchisee. Neither Franchisor nor Franchisee will be obligated by or have any liability under any agreements, representations or warranties made by the other nor will Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of Franchisee's business whether caused by Franchisee's negligent or willful action or failure to act. Franchisee acknowledges that the customer list of all retail or commercial customers shall be the sole and exclusive property of Franchisor and that Franchisee shall have no ownership rights or interest in the customer list. Franchisee will indemnify Franchisor against and will reimburse Franchisor for all obligations and damages arising out of the operation of Franchisee's business, including all costs Franchisor reasonably incurs in the defense of any such claim brought against it or in any action in which it is named as a party (including reasonable attorneys' fees), including without limitation any claims brought against it related to Franchisee's violations of Privacy Laws. Franchisor will have the right to defend any such claim against it. Franchisor will indemnify Franchisee against and reimburse Franchisee for any obligations or liability for damages attributable to agreements, representations or warranties of Franchisor, or caused by Franchisor's negligence or willful action, and for costs Franchisee reasonably incurs in the defense of any such claim

brought against it or in any action in which it is named as a party, provided that Franchisor will have the right to participate in and, to the extent Franchisor deems necessary, to control any litigation or proceeding which might result in liability of or expense to Franchisee subject to such indemnification. The indemnities and assumptions of liabilities and obligations described in this Agreement will continue in full force and effect following the expiration, termination or a transfer of this Agreement.

Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of Franchisee's employees will be considered to be Franchisor's employees. Neither Franchisee nor any of Franchisee's employees whose compensation is paid by Franchisee may in any way, directly or indirectly, expressly or by implication, be construed to be an employee of Franchisor for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee will alone exercise day-to-day control over all operations, activities and elements of the Store. Franchisee is solely responsible for the safety and well-being of Franchisee's employees and the customers of the Store. Franchisee acknowledges and agrees that the various requirements, prohibitions, specifications and procedures of the Business System which Franchisee is required to comply with under this Agreement, whether set forth in the Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Store, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising control of the day-to-day operations of the Store. Franchisee may not, without Franchisor's written approval, have any power to obligate Franchisor for any expense, liabilities or other obligations, other than specifically provided in this Agreement.

12. SALES REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS

A. Sales Reports. Franchisee will maintain an accurate written record of daily Gross Sales and will deliver to Franchisor a signed and verified statement of the weekly Gross Sales of Franchisee's business using such forms as Franchisor may require in writing. The weekly statement of Gross Sales must be provided to Franchisor on or before Wednesday of each week for the preceding week. Franchisor reserves the right to modify or substitute the required forms and impose additional recordkeeping procedures.

B. Financial Statements. Franchisee will, at its expense, provide Franchisor with quarterly and annual financial statements and such other financial reports as Franchisor specifies using the forms and chart of accounts Franchisor requires. All financial information provided to Franchisor under this Section must be presented in the form Franchisor periodically requires in writing. Franchisee will deliver the quarterly financial information to Franchisor by the thirtieth (30th) day of the month following the end of the preceding quarter. The annual financial statement must be provided on or before March 1 of each year for the preceding calendar year.

C. Audit Rights. Franchisee will make all of its financial books and records (including the tax returns of Franchisee, its Personal Guarantors, and its shareholders) available to Franchisor or its designated representative at all reasonable times for review and audit by Franchisor or its designee. Franchisee's financial books and records for each fiscal and calendar year will be kept in a secure place and will be available for audit by Franchisor for at least five (5) years. If an audit conducted by Franchisor results in a determination that the Continuing Fees or other amounts paid to Franchisor are deficient (underpaid) by more than two percent (2%), Franchisee will pay Franchisor for the reasonable costs and expenses that it has incurred as a result of the audit. If pursuant to audits, the Continuing Fees have been deficient by more than two percent (2%) twice or more within any five (5) year period, this will be considered a material breach of

this Agreement. In addition, Franchisee's failure to fully cooperate and timely complete the audit procedures is a material breach of the Franchise Agreement and Franchisee will pay all of Franchisor's costs and expenses Franchisor incurs resulting from Franchisee's lack of cooperation and untimeliness.

13. FRANCHISOR'S RIGHT OF FIRST REFUSAL TO PURCHASE

A. Restrictions. Franchisee will not sell, assign, trade, transfer, lease, sublease, or otherwise dispose of: (1) any interest in or any part of the Franchised Location or this Agreement, or (2) any controlling interest (whether through one or more related transactions) in Franchisee's business or the assets of Franchisee's business to any third party, without first offering the same to Franchisor in writing, at the same price and on the same terms as stated in the proposed third-party offer. Franchisee's written offer to Franchisor must contain all material terms and conditions of the proposed sale or transfer. Upon Franchisor's receipt of written notice specifying the proposed price and terms of a proposed sale or transfer of Franchisee's business, Franchisor will give Franchisee written notice within ten (10) business days thereafter if Franchisor has an interest in negotiating to purchase the business according to the proposed terms. If Franchisor commences negotiations to purchase Franchisee's business as described herein, Franchisee may not sell the business to a third party for at least thirty (30) days or until Franchisor and Franchisee agree in writing that the negotiations have terminated, whichever comes first. If Franchisor waives its right to purchase, Franchisee may complete the sale or transfer of the business according to the terms described in the written notice to Franchisor but not upon more favorable terms. Any such sale, transfer or assignment to a third party is subject to the provisions stated in Section 14 of this Agreement. Franchisor's nonacceptance of Franchisee's written offer will not affect or change Franchisee's obligations under this Agreement.

B. Corporate Franchisee. If Franchisee is a corporation, the shareholders cannot sell, assign, pledge or otherwise dispose of a controlling interest in the capital stock of Franchisee ("Capital Stock") (except to immediate family members of the controlling shareholder(s) or to a trust established for their benefit) until the Capital Stock has been first offered to Franchisor in writing under the same terms and conditions offered to any third party. A shareholder of Franchisee may, however, bequeath, sell, assign, trade or transfer his/her Capital Stock to the other shareholders of Franchisee because of death or permanent disability, without first offering it to Franchisor, provided Franchisee provides Franchisor with written notice of all such transactions. All shares of Capital Stock issued by Franchisee's corporation to its shareholders must bear the following legend on the reverse side of each issued and outstanding stock certificate:

The shares of capital stock represented by this certificate are subject to a written Franchise Agreement which grants Winmark Corporation a right of first refusal to purchase these shares of capital stock from the shareholder.

Nothing in this Section will be construed as prohibiting the shares of Capital Stock of a corporate Franchisee from being pledged as security to an institutional lender who has provided financing to or for the Store; provided the institutional lender accepts such security interest subject to Franchisor's reasonable conditions.

14. ASSIGNMENT OF FRANCHISE AGREEMENT

A. By Franchisor. A sale, transfer or assignment by Franchisor of its interest in the Business System or the Marks or any parts thereof, and/or in the sale, transfer or assignment by Franchisor of this Agreement or any interest therein, may be completed without the consent of Franchisee. To the extent that the purchaser or transferee shall assume the covenants and obligations of Franchisor under this Agreement,

Franchisor shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations. Franchisee acknowledges that nothing in this Agreement shall prevent Franchisor from granting security over any of its assets, including the Marks and any other intellectual property, on terms required by any secured party from time to time, and Franchisee further acknowledges that any such secured party or any agents acting on behalf of such secured party shall not have any obligations to Franchisee by reasons only of such security interest.

B. Corporate Franchisee. This Agreement may be transferred or assigned by Franchisee to a corporation which is owned or controlled by Franchisee, provided Franchisee and all other shareholders of the assignee corporation owning at least ten percent (10%) of the Capital Stock thereof sign the Personal Guaranty attached hereto as Exhibit C and agree to be bound by the provisions of this Agreement. Franchisee will give Franchisor fifteen (15) days written notice before the proposed date of assignment or transfer of this Agreement to a corporation owned or controlled by Franchisee; however, the transfer or assignment of this Agreement will not be valid or effective until Franchisor has received the legal documents which its legal counsel deems necessary to properly document such transfer or assignment.

C. Conditions to Other Transfer or Assignment. Franchisee (and its partners and shareholders, if any) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, Franchisee's business, the Franchised Location, substantially all or all of the assets of Franchisee's business, this Agreement or any controlling interest in Franchisee (a "controlling" interest will include a proposed transfer of fifty percent (50%) or more of the Capital Stock of a corporate Franchisee) without Franchisor's prior written consent, except to trusts established for Franchisee's benefit. Franchisor will not unreasonably withhold its consent to a transfer, subject to any or all of the following conditions described below which Franchisor may deem necessary:

1. All of Franchisee's accrued monetary obligations to Franchisor and suppliers will have been satisfied, and Franchisee is not in default under this Agreement;
2. Franchisee executes a written agreement in a form satisfactory to Franchisor, in which Franchisee covenants to observe all applicable post-term obligations and covenants contained in this Agreement;
3. The transferee-franchisee enters into a written agreement in a form satisfactory to Franchisor assuming and agreeing to discharge all of Franchisee's obligations and covenants under this Agreement for the remainder of its term or, at Franchisor's option, executes Franchisor's then-current standard form of franchise which may not contain any further rights of renewal, but may contain royalty rates and advertising contributions (which may be different than those contained in this Agreement), and an altered Exclusive Territory;
4. The transferee-franchisee is not a competitor of Franchisor or the Business System and is approved by Franchisor and demonstrates to Franchisor's satisfaction that he/she meets Franchisor's managerial, financial, and business standards for new franchisees, possesses a good business reputation and credit rating, and has the aptitude and ability to conduct the franchised business. Franchisee understands that Franchisor may communicate directly with the transferee-franchisee during the transfer process to respond to inquiries, as well as to ensure that the transferee-franchisee meets Franchisor's qualifications;

5. The transferee-franchisee successfully completes Franchisor's training program; and

6. Franchisee pays Franchisor a transfer fee of Ten Thousand Dollars (\$10,000) for the costs Franchisor incurs, including the costs of any required training. There will be no transfer fee payable for transfers to immediate family members (i.e.: spouse or children).

15. FRANCHISOR'S TERMINATION RIGHTS

A. Grounds. Franchisee will be in default, and Franchisor may, at its option, terminate this Agreement, as provided herein, if (1) Franchisee fails to open and commence operations of the Store at such time as the premises are ready for occupancy or within nine (9) months of the execution of this Agreement, whichever occurs first; (2) Franchisee violates any material provision or obligation of this Agreement; (3) Franchisee or any of its managers, directors, officers or majority shareholders are convicted of, or plead guilty to or no contest to (a) a charge of violating any law which adversely impacts upon the reputation of the franchised business or (b) any felony; (4) Franchisee fails to conform to the material requirements of the Business System or the material standards of uniformity and quality for the products and services Franchisor has established in connection with the Business System; (5) Franchisee fails to timely pay Continuing Fees, Marketing or Advertising Fees, buying group (inventory) obligations or any other obligations or liabilities due and owing to Franchisor or fails to timely pay any advertising cooperative obligations; (6) Franchisee is insolvent within the meaning of any applicable state or federal law; (7) Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (8) Franchisee voluntarily or otherwise "abandons" (as defined below) the franchised business; (9) Franchisee is involved in any act or conduct which materially impairs the goodwill associated with the name "Play It Again Sports" or any of the Marks or the Business System; (10) Franchisee's lease for the Store premises expires or is terminated for any reason (unless Franchisee receives Franchisor's written consent and relocates within the Development Area to a site approved by Franchisor within sixty (60) days thereafter and Franchisee signs a new lease in compliance with Section 8(O)); (11) Franchisee defaults in any other agreement with Franchisor, its subsidiaries or affiliates, and does not cure such default in accordance with the terms of such other agreement; (12) Franchisee receives frequent and/or severe complaints from customers and/or employees concerning the Store; or (13) Franchisee fails to fully cooperate and timely complete any audit authorized by Franchisor. The term "abandon" means Franchisee's failure to operate the Store during regular business hours for a period of ten (10) consecutive days without Franchisor's prior written consent unless such failure is due to an act of God, war, strikes or riots.

B. Procedure. Except as described below, Franchisee will have thirty (30) days, or such longer period as applicable law may require, after its receipt from Franchisor of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to Franchisor unless, because of the nature of such default, Franchisee is unable to cure the default within the applicable cure period, in which case, Franchisee will receive such additional time as is reasonably necessary within which to cure such default, not to exceed an additional thirty (30) days upon condition that Franchisee, upon receipt of such notice from Franchisor, immediately commences to cure such breach and continue to use its best efforts to do so. If Franchisee fails to correct the alleged default within that time (or such longer period of time as applicable law may require), this Agreement will terminate without further notice to Franchisee effective immediately when the thirty (30) day period (or such longer period as applicable law may require) expires. Franchisor may terminate this Agreement immediately upon delivery of written notice to Franchisee, with no opportunity to cure, if the termination results from any of the following: (1) Franchisee repeatedly fails to comply with one or more material requirements of this Agreement; (2) the nature of

Franchisee's breach makes it not curable; (3) Franchisee willfully and repeatedly deceives customers relative to the source, nature or quality of goods sold; (4) any default under items (1), (3), (6), (8), (9) or (11), (12) or (13) in Section 15(A) above; or (5) Franchisee willfully and materially falsifies any report, statement, or other written data furnished to Franchisor either during the franchise application process or after Franchisee is awarded a franchise. For purposes of Section 15(B)(1) of the Franchise Agreement, the word "repeatedly" means Franchisee's failure, on two or more separate occurrences during any twenty-four (24) month period, to comply with one or more material requirements of the Franchise Agreement, even if the default is subsequently cured within the applicable time period. Any report submitted pursuant to Section 12 will be conclusively deemed to be materially false if it understates Gross Sales by more than four percent (4%).

C. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

16. FRANCHISEE'S TERMINATION RIGHTS; NOTICE REQUIRED

A. Termination. Franchisee may terminate this Agreement if Franchisor violates any material obligation of Franchisor to Franchisee and fails to cure such violation within thirty (30) days after Franchisor's receipt of written notice from Franchisee; provided, however, that Franchisee is in substantial compliance with the Agreement at the time of giving such notice of termination. Franchisee's written notice will identify the violation and demand that it be cured.

B. Required Notice. A party must give the other party written notice of an alleged default under or violation of this Agreement after it has knowledge of, determines, or is of the opinion that there has been an alleged default under or violation of this Agreement. If there is failure to give written notice of an alleged default under this Agreement within one (1) year from the date that the nonbreaching party has knowledge of, determines or is of the opinion that there has been an alleged default, the alleged default will be deemed to be approved and waived, and the alleged default or violation will not be deemed to be a default under or violation of this Agreement.

17. FRANCHISEE'S OBLIGATIONS UPON TERMINATION

A. Post-Term Duties. If this Agreement is terminated for any reason, Franchisee will (1) within five (5) days after termination, pay all amounts due and owing to Franchisor or suppliers under this Agreement; (2) return to Franchisor by first class prepaid United States mail the Manuals and any other manuals, advertising materials and all other printed materials relating to the operation of the franchised business; (3) assign to Franchisor or, at Franchisor's discretion, disconnect the telephone number for the Store; and (4) remove all signs and other materials bearing the name "Play It Again Sports" and other Marks; (5) comply with all post-termination obligations under the Software License Agreement, including the return of all copies of Franchisor's proprietary software; (6) disconnect any Internet website Franchisee had established in connection with Franchisee's operation of the Store; and (7) comply with all other applicable provisions of this Agreement, including the non-compete provisions. Upon termination of this Franchise Agreement for any reason, Franchisee's right to use the name "Play It Again Sports" and the other Marks and the Business System will immediately terminate. If Franchisee fails to remove all signs and other materials bearing the Marks, Franchisor may do so at Franchisee's expense.

B. Redecoration. If this Agreement is terminated for any reason, and Franchisee either remains in possession of the Franchised Location to operate a separate business not in violation of Section 18 below or enters into an agreement with a third party to allow such third party to directly or indirectly operate a business at the Franchised Location, Franchisee will, at its expense, modify both the exterior and

interior appearance of the business premises so that they will be easily distinguished from the appearance as a Play It Again Sports® Store. At a minimum, such changes and modifications to the premises will include: (1) repainting the premises with totally different colors; (2) removing all signs and other materials bearing the name "Play It Again Sports" and other Marks; (3) removing from the premises all fixtures which are indicative of Play It Again Sports® Stores; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; and (5) discontinuing use of all packaging and confidential information regarding the operation of the Store.

18. FRANCHISEE'S COVENANTS NOT TO COMPETE

A. During Term. Franchisee (and all Personal Guarantors and owners of all or part of Franchisee) will not, during the term of this Agreement, on their own account or as an employee, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any other sporting goods business.

B. After Termination. Franchisee (and all Personal Guarantors and owners of all or part of Franchisee) will not, directly or indirectly, for a period of two (2) years after this Agreement expires or is terminated (except for a termination as a result of a Franchisor's breach), on their own account or as an employee, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any sporting goods business which is located at the Franchised Location or within a ten (10) mile radius of the Franchised Location or any Play It Again Sports® Store. Franchisee expressly agrees that the two (2) year period and the ten (10) mile radius are the reasonable and necessary time and distance needed to protect Franchisor if this Agreement expires or is terminated for any reason.

C. Extension During Breach. Franchisee (and all Personal Guarantors and owners of all or part of Franchisee) acknowledge and agree that the two (2) year non-competition period set forth in Section 18.B above will be extended for a period of time equal to the time during which the Franchisee is in breach of any of the provisions of Section 18.B.

D. Injunctive Relief. Franchisee agrees that damages alone cannot adequately compensate Franchisor if there is a violation of these noncompetition covenants, and Franchisee stipulates that Franchisor would be irreparably harmed by such a violation and that preliminary and permanent injunctive relief is essential and must be entered for the protection of Franchisor. Preliminary and permanent injunctive relief will be entered by a court of competent jurisdiction enforcing the noncompetition covenants without Franchisor posting any bond or security, in addition to all other remedies that may be available to Franchisor at equity or law.

19. ARBITRATION; ENFORCEMENT

A. Arbitration Process. Except to the extent Franchisor elects to enforce the provisions of this Agreement by judicial process and injunction as provided pursuant to Section 19.D, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) will be settled by arbitration in Minneapolis, Minnesota pursuant to the Federal Arbitration Act. The arbitrator(s) will have a minimum of five (5) years experience in franchising or distribution law and will have the right to award any type of relief except as limited by Section 19.C. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration

Association, to the extent such Rules are not inconsistent with the provisions of this arbitration provision. The decision of the arbitrator(s) will be final and binding on all parties. Claims in arbitration of different parties may not be joined. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, Franchisee and Franchisor will fully perform their respective obligations under this Agreement.

B. Additional Proceedings. If, after Franchisor or Franchisee institutes an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision is nonarbitrable for public policy reasons, the party against whom the claim, counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or to proceed to litigate all claims, counterclaims or defenses in a court having competent jurisdiction.

C. Punitive Damages. Franchisor and Franchisee acknowledge that judgment upon an arbitration award may be entered in any court of competent jurisdiction and will be binding, final, and nonappealable. Franchisor and Franchisee (and their respective owners and guarantors, if applicable) agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each will be limited to the recovery of actual damages sustained by it.

D. Enforcement of Franchise Agreement. Notwithstanding the other provisions of this Section 19, Franchisee recognizes that the failure of a single franchisee to comply with the terms of its Play It Again Sports® franchise agreement would cause irreparable harm to Franchisor or to some or all other Play It Again Sports® franchisees. Franchisor and Franchisee therefore agree that, in the event of a breach or threatened breach of Sections 3, 8, 9, 12, 13, 14, 17 and/or 18 of this Agreement by Franchisee or in the event of any conduct by Franchisee which is illegal or is dishonest or misleading to Franchisee's customers or prospective customers or may impair the goodwill associated with the Marks, Franchisor may obtain a temporary, preliminary, or permanent injunction restraining such breach or obtain a decree of specific performance, without showing or proving any actual damage and without posting any bond or other security. The foregoing equitable remedy will be in addition to, and not in lieu of, all other remedies or rights which Franchisor might otherwise have by virtue of any breach of this Agreement by Franchisee.

E. Attorney's Fees. The non-prevailing party will pay all costs and expenses, including reasonable attorney's fees, incurred by the prevailing party in any arbitration or action in court between Franchisor and Franchisee.

20. SEVERABILITY AND CONSTRUCTION

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable law or rule of any jurisdiction requires a greater prior notice period than is required hereunder, or if under any applicable law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable, the prior notice required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision will be modified to the extent required to be valid and enforceable. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions.

B. Waiver. Franchisor and Franchisee may by written instrument unilaterally waive any obligation of or restriction upon the other under this Agreement. No acceptance by Franchisor of any payment by Franchisee and no failure, refusal or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder, including any mandatory specification, standard or operating procedure, will constitute a waiver of any provision of this Agreement.

C. Cumulative Rights. The rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder will preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder or which Franchisor or Franchisee is entitled by law to enforce.

D. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement and the franchise relationship will be governed by the laws of the state in which the Franchised Location is located.

E. Binding Effect. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

F. Consents. Whenever a party's consent or approval is required under this Agreement, such consent or approval will not be unreasonably withheld or delayed.

G. Entire Agreement. The "Background" section is part of this Agreement which, together with exhibits, represents the entire agreement of the parties. This Agreement supersedes and terminates any prior oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Nothing in this Agreement or any related document is intended to disclaim the representations made in the Franchise Disclosure Document. No modification of this Agreement will be effective unless it is in writing and signed by Franchisor and Franchisee. The term "Franchisee" as used herein is applicable (where relevant) to one or more persons, a corporation or a partnership. References to "Franchisee," "assignees" and "transferees" which are applicable to an individual or individuals mean the principal owner or owners of the equity or operating control of Franchisee or any such assignee or transferee if Franchisee or such assignee or transferee is a corporation or partnership. If Franchisee consists of more than one individual, all individuals will be bound jointly and severally by the provisions of this Agreement.

21. NOTICES

All notices required under this Agreement must be in writing addressed to Franchisor at its corporate headquarters or to Franchisee at the Franchised Location or the last known address of Franchisee and will be deemed given: (i) if personally delivered on the date delivered, (ii) if sent in the United States mail, by certified mail, postage prepaid, three (3) business days after it is sent, (iii) if sent by a recognized overnight delivery service which requires a written receipt, one (1) business day after it is sent, or (iv) if sent electronically, on the date delivered to the authorized email address. You may change your notice address by giving written notice under this Section.

22. ACKNOWLEDGMENTS

A. Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will largely depend on Franchisee's ability as an independent business person. Franchisor expressly disclaims the making of, and Franchisee

acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

B. Franchise Agreement. Franchisee acknowledges that it has received, read, and understood this Agreement and that Franchisor has fully and adequately explained the provisions of it to Franchisee's satisfaction and that Franchisee has had sufficient time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

C. Other Franchises. Franchisee acknowledges that other franchisees of Franchisor have or will be granted franchises at different times and in different situations, and further acknowledges that the provisions of such franchises may vary substantially from those contained in this Agreement.

D. Receipt of Documents. Franchisee acknowledges that it received a copy of Franchisor's Franchise Disclosure Document, as required under federal and applicable state franchise disclosure law, at least fourteen (14) calendar days before signing this Agreement or any other binding agreement, or paying any fees to Franchisor or its affiliates. In addition, if Franchisor materially altered the provisions of this Agreement, including any attachments relating thereto, or any related agreements attached to the Franchisor's Franchise Disclosure Document (except as a result of negotiations Franchisee initiated), Franchisee acknowledges that it received a copy of this Agreement or the related agreement at least seven (7) calendar days before signing it.

IN WITNESS WHEREOF, Franchisor and Franchisee have signed this Agreement as of the day and year first above written.

FRANCHISOR DISCLAIMS ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF FRANCHISEE'S BUSINESS OPERATIONS UNDER THIS AGREEMENT.

This is a legal document which grants specific rights to and imposes certain obligations upon Franchisor and Franchisee. Consult legal counsel to be sure that you understand your rights and duties. Please insert the name and address of your attorney: _____

"FRANCHISOR"

WINMARK CORPORATION

By _____
Its _____

"FRANCHISEE"

If "Franchisee" is a corporation,

(Print Corporate Name)

By _____
Its _____

If "Franchisee" is one or more individuals,

[Name], Individually

[Name], Individually

[Name], Individually

CALIFORNIA ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement to provide as follows:

1. Section 11 of the Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
2. Section 15 of the Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).
3. Section 18(B) of the Franchise Agreement contains a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under California law.
4. Section 19 of the Franchise Agreement requires binding arbitration. The arbitration will occur in Minneapolis, Minnesota. The non-prevailing party will pay all costs and expenses, including reasonable attorney's fees, incurred by the prevailing party in any arbitration. This provision may not be enforceable under California law.
5. Section 19 of the Franchise Agreement requires that arbitration take place in Minneapolis, Minnesota. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of federal and state laws to any provisions of an agreement restricting venue to a forum outside the State of California.
6. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Franchisor's Initials

Franchisee's Initials

HAWAII ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement to provide as follows:

1. Section 4 of the Franchise Agreement is amended to include the following:

Payment of all Initial Franchise Fees to Franchisor by Hawaii franchisees will be deferred until Franchisor has met its pre-opening obligations and Franchisee has opened the Store.

2. Section 17 of the Franchise Agreement provides, in part, that Franchisee has no interest upon termination of or refusal to renew or extend the Franchise Agreement. Section 17 is amended to provide that, upon termination or refusal to renew the Franchise Agreement, the Franchisee will be compensated for the fair market value of certain assets of the Franchised Business, as more fully described in Haw. Rev. Stat. § 482E-6(3).

3. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Franchisor's Initials

Franchisee's Initials

ILLINOIS ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Section 4 is amended to include the following:

All Initial Franchise Fees paid to Franchisor by Illinois franchisees will be placed in escrow at US Bank, NA until Franchisor has met its pre-opening obligations and Franchisee has opened the Store.

2. Section 19 is amended to include the following:

Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void provided that a franchise agreement may provide for arbitration in a forum outside of Illinois.

3. Section 20(D) of the Franchise Agreement is amended to provide that Illinois law will govern the Franchise Agreement and any related agreement which specifically states that the governing law provision stated in the Franchise Agreement will govern.

4. Section 20(G) of the Franchise Agreement is amended by the deletion of the second sentence and the addition of the following:

This Agreement and the Disclosure Document delivered to Franchisee in connection with this Agreement supercede and terminate any prior oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement and such Disclosure Document.

5. Section 22(A) of the Franchise Agreement is amended by deletion of the second sentence in such provision.

6. Section 22(D) of the Franchise Agreement is amended by the deletion of such provision.

7. Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void."

8. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

(Franchisor's Initials)

(Franchisee's Initials)

MARYLAND ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Section 16(B) of the Franchise Agreement is amended to provide that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. Section 22 of the Franchise Agreement is amended to provide that any disclaimers or acknowledgments by Franchisee under this Section are not intended to nor shall act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

Franchisor's Initials

Franchisee's Initials

MINNESOTA ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Section 3 of the Franchise Agreement is revised to include the following language:

Franchisor will indemnify a Minnesota Franchisee for damages for which such Franchisee is held liable in any proceeding arising out of the use of the "Play It Again Sports" mark, provided that Franchisee has used the mark properly and has notified Franchisor of any claim against Franchisee within ten (10) days of Franchisee's knowledge of such claim. Franchisor will have sole control of any litigation involving the Marks. Franchisor's indemnification obligation will not apply to any franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

2. Section 15.C of the Franchise Agreement is revised to include the following language:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require that, except in certain specified cases, Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Agreement.

3. Section 18 of the Franchise Agreement is revised by deleting the second sentence in Section 18(D) in its entirety and substituting the following in lieu thereof:

Franchisee therefore agrees that in case of any alleged breach or violation of this Section by it, Franchisor may seek injunctive relief in addition to all other remedies that may be available to Franchisor at equity or law.

4. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

Franchisor's Initials

Franchisee's Initials

NORTH DAKOTA ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Section 18(B) of the Franchise Agreement is amended by the addition of the following sentence at the end of such provision:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

2. Section 19(A) of the Franchise Agreement is amended to provide that Franchisor and Franchisee will agree to the site of arbitration.

3. Section 19(C) of the Franchise Agreement is deleted in its entirety.

4. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

Franchisor's Initials

Franchisee's Initials

RHODE ISLAND ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Section 19 of the Franchise Agreement is amended to include the following:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

Franchisor's Initials

Franchisee's Initials

VIRGINIA ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Section 4 of the Franchise Agreement is amended to include the following:

All Initial Franchise Fees paid to Franchisor by Virginia franchisees will be placed in escrow at US Bank National Association until Franchisor has met its pre-opening obligations.

2. Section 15 of the Franchise Agreement is amended by the addition of the following language:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

3. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

Franchisor's Initials

Franchisee's Initials

WASHINGTON ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Section 4 of the Franchise Agreement is amended to include the following:

All Initial Franchise Fees paid to Franchisor by Washington franchisees will be placed in impound at US Bank, N.A. until Franchisor has met its pre-opening obligations and Franchisee has opened the Store.

2. Section 14(C) of the Franchise Agreement is amended by the addition of the following language:

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

3. Section 15 of the Franchise Agreement is amended by the addition of the following language:

If any of the provisions in the Franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and Franchise Agreement with regard to any franchise sold in Washington. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

4. Section 19(A) of the Franchise Agreement is amended by the addition of the following language:

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in Washington or in a place as agreed upon at the time of the arbitration or as determined by the arbitrator.

5. Section 20(B) of the Franchise Agreement is amended by the addition of the following language:

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitation period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

6. Section 20(D) of the Franchise Agreement is amended by the addition of the following language:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

7. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

Franchisor's Initials

Franchisee's Initials

WISCONSIN ADDENDUM TO
PLAY IT AGAIN SPORTS®
FRANCHISE AGREEMENT

This Addendum shall pertain to franchises sold in the State of Wisconsin and shall be for the purpose of complying with Wisconsin statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement shall be amended as follows:

1. Section 15 of the Franchise Agreement is amended by the addition of the following language:

For all franchises sold in the State of Wisconsin, Franchisor shall provide Franchisee at least ninety (90) days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, or substantial change in competitive circumstances and shall provide that Franchisee has sixty (60) days in which to rectify any claimed deficiency. If the deficiency is rectified within sixty (60) days, the notice shall be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is non payment of sums due under the franchise, Franchisee shall be entitled to written notice of such default, and shall have not less than ten (10) days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supercedes any provision of this Franchise Agreement or a related document between Franchisor and Franchisee inconsistent with the law.

3. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Franchisor's Initials

Franchisee's Initials

EXHIBIT A
TO FRANCHISE AGREEMENT

FRANCHISEE'S DEVELOPMENT AREA AND EXCLUSIVE TERRITORY

1. Description of Development Area:

2. Description of Exclusive Territory:

"FRANCHISOR"

WINMARK CORPORATION

By _____
Its _____

"FRANCHISEE"

By _____
Its _____

If "Franchisee" is one or more individuals,

[Name], Individually

[Name], Individually

[Name], Individually

EXHIBIT B
TO FRANCHISE AGREEMENT
COMPUTER SOFTWARE LICENSE AGREEMENT

PLAY IT AGAIN SPORTS®

COMPUTER SOFTWARE LICENSE AGREEMENT

This AGREEMENT is made and entered into as of the _____ day of _____, 20__, by and between WINMARK CORPORATION ("Winmark"), and _____ ("Licensee").

BACKGROUND:

Winmark owns certain software and related documentation. Licensee is a Play It Again Sports® franchisee pursuant to a franchise agreement Licensee entered into with Winmark (the "Franchise Agreement"). Licensee wishes to use certain software in its franchised business under the provisions stated below.

AGREEMENTS:

1. SOFTWARE LICENSE.

A. Grant of License. Winmark grants Licensee a nonexclusive license to use the software identified on Schedule A attached to this Agreement. Collectively, all software licensed under this Agreement, and all modifications, updates and other works derivative of or to such software, and any related documentation or materials provided, is referred to as the "Software."

B. Initial Software License Fee. Licensee will pay Winmark an Initial Software License Fee of Six Thousand Dollars (\$6,000). This fee must be paid before Winmark delivers the Software to Licensee. Licensee will be solely responsible for all taxes relating to the Initial Software License Fee, excluding taxes measured by Winmark's net income.

C. Scope of License. Licensee may use the Software only on a single computer or on a network of computers at the franchised business site or sites identified on Schedule A attached hereto or in Winmark's acceptance of Licensee's order. Unless Winmark otherwise agrees in writing, a single license fee entitles Licensee to use the Software on a network at one site with no more than five users. Winmark reserves the right to charge an additional license fee for use of the Software on a network at one site with more than five users or for use at more than one site.

D. Licensee's Agreements. Licensee agrees:

1. Not to disassemble, decompile or otherwise reverse engineer the Software, nor to create, access or generate the source code of the Software.

2. Not to modify the Software, nor to develop or create, or assist any other party in developing or creating, any computer programs which are derived from, based upon, or contain features or functions similar to, the Software.

3. To use the Software only in Licensee's internal operation of the franchise business under the terms of the Franchise Agreement.

4. Not to disclose to any other party any part of or any information relating to the Software, nor to permit access to the Software except by Licensee's employees in the operation of the franchised business.

5. Not to assign, sublicense, loan or otherwise provide to any third party the Software, whether or not merged into other programs or materials.

6. Not to copy the Software, although Licensee may make one copy of the Software for backup purposes if Licensee reproduces all copyright and other proprietary notices in such copy.

E. Repairs; Updates; Etc.

1. For so long as Winmark owns and requires Licensee to use the Software, Winmark will provide ongoing maintenance and repair services for the Software, except as set forth in Section 1.E.2 or 1.E.3. below, owned by Winmark so that the Software will perform substantially as described in documentation Winmark has provided. Such maintenance and repair services include Licensee's right to receive any fixes and minor enhancements to the Winmark Software which Winmark may periodically develop, as well as any other maintenance or repair services Winmark offers in its discretion.

2. Winmark agrees to support a previous version or release of the Software for six months following the release of a new version or release of the Software. If an error is identified in a previous version or release during that six month period, Winmark's responsibilities will be the following:

(i) If the error is categorized by Winmark as critical to the intended function of the Software, Winmark will attempt to issue a temporary modification or workaround. If a temporary modification is not possible, and the error is not resolved by the latest version or release of the Software, Winmark will use commercially reasonable efforts to expedite the availability of its next scheduled version or release of the Software; or

(ii) If the error is categorized by Winmark as not critical to the intended function of the Software, Winmark may, in its discretion based on the severity and nature of the error, attempt to issue a temporary modification or workaround. If a temporary modification is not possible, and the error is not corrected in the latest version or release, Winmark will use commercially reasonable efforts to incorporate the correction in its next scheduled version or release of the Software.

3. Winmark shall have no obligation to provide support services for any failure or defect in the Software caused by:

(i) The improper use, alteration, or damage of the Software by Licensee or persons not authorized by Winmark;

(ii) Modifications to the Software not made by Winmark;

(iii) Application or other software not provided or approved by Winmark; or

(iv) Use of the Software on hardware that has not been approved or configured by Winmark.

4. Winmark may, in its sole discretion, periodically release new versions, new releases, updates, modifications or enhancements respecting the Software. Licensee will install any new versions, new releases, fixes, updates, modifications or enhancements which Winmark designates as mandatory.

5. Winmark is not obligated to provide Licensee with other services, including installation, support, training or other services relating to the Software. Further, Winmark is not obligated to provide maintenance, repair, installation, support, training or other services in relation to software distributed, but not owned, by Winmark.

6. Winmark may charge a reasonable fee for its services, including its maintenance and repair services, as well as for any updates, modifications and enhancements to the Software which it elects to release.

2. PROPRIETARY RIGHTS.

A. Confidentiality. The Software is the confidential and proprietary property of Winmark or its vendors. Licensee will hold the Software in confidence and safeguard it from disclosure to third parties and will use the Software only as intended by this Agreement. Licensee will notify Winmark promptly of any unauthorized access, copying or use of the Software and will reasonably assist Winmark in prosecuting any resulting claims or proceedings.

B. Ownership. Winmark retains all title and rights, including all copyright rights, to the Software, including all modifications, updates and other works derivative of or to the Software, all of which will be subject to the provisions of this Agreement. Any configuration or deployment of the Software shall not affect or diminish Winmark's rights, title and interest in and to the Software. If Licensee suggests any new features, functionality, or performance for the Software that Winmark subsequently incorporates into the Software, such new features, functionality, or performance shall be the sole and exclusive property of Winmark.

3. TERM AND TERMINATION.

A. Term and Termination. This Agreement will continue until terminated. Winmark may terminate this Agreement upon written notice to Licensee if Licensee breaches any term of this Agreement, the Franchise Agreement or any other agreement with Winmark, or if Licensee becomes insolvent. This Agreement will automatically terminate, without any further action of the parties, upon termination of the Franchise Agreement for any reason.

B. Consequences of Termination. Upon termination of this Agreement, all licenses and rights Winmark has granted under this Agreement will terminate and Licensee will have no rights to use, sell or transfer its interest in the software. Licensee agrees to immediately return to Winmark all copies of the Software, or to destroy all Software.

4. LIMITED WARRANTY; DISCLAIMERS.

Winmark warrants to Licensee that the magnetic diskette or other media on which the Software is recorded will be free from material defects in materials or workmanship under normal use for a period of ninety (90) days after delivery of the media. If during such period the media should be defective, Licensee may return the media for replacement without charge. Licensee's sole remedy in the event of a defect is expressly limited to replacement of the media. ALL SOFTWARE, INCLUDING ALL WINMARK SOFTWARE, IS PROVIDED ON AN "AS IS" BASIS. However, Winmark acknowledges its Software maintenance and repair obligations stated in Section 1 (E). THESE WARRANTIES ARE IN LIEU OF, AND WINMARK EXPRESSLY DISCLAIMS, ALL OTHER WARRANTIES RELATING TO THIS AGREEMENT OR THE SOFTWARE, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING THE IMPLIED WARRANTIES OF TITLE, NONINFRINGEMENT, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WINMARK DOES NOT WARRANT THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE, THAT ALL DEFECTS WILL BE CORRECTED OR THAT THE SOFTWARE WILL MEET LICENSEE'S REQUIREMENTS.

5. LIMITATION OF LIABILITY.

WINMARK'S LIABILITY FOR ANY CLAIM RELATED TO ANY SOFTWARE OR SERVICE PROVIDED WILL BE LIMITED TO THE LESSER OF LICENSEE'S ACTUAL DAMAGE OR LOSS OR THE INITIAL FEE PAID FOR THE SOFTWARE. WINMARK WILL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING LOST PROFITS OR LOSS OF OR DAMAGE TO DATA INCURRED BY LICENSEE OR A THIRD PARTY, WHETHER IN AN ACTION IN CONTRACT OR TORT, EVEN IF WINMARK HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

6. INFRINGEMENT.

A. Infringement Claims. Winmark does not have actual knowledge of any claim that the Winmark Software infringes upon a third party's patent, copyright or other proprietary right. If a third party asserts such an infringement claim against Licensee, Licensee will immediately notify Winmark in writing. Winmark will have the right (but not the obligation) to defend any such claim, at Winmark's expense, and Licensee will cooperate with Winmark with respect to such defense. In the event of any such claim, Licensee will, at Winmark's direction, immediately discontinue using the Software. Winmark will either modify the Software so as to render it non-infringing or replace the Software with such other non-infringing Software as Winmark may furnish to Licensee. In either case, Winmark will do so only if the modified or replacement Software performs substantially the same functions as the infringing Software. So long as Licensee complies with the terms hereof, Winmark will indemnify Licensee for any loss, damage, cost or expense related to such claim.

B. Limitations. Winmark will not be liable to Licensee if an infringement claim is based on use of the Software in combination with any product, software or system not delivered by Winmark, or Licensee's unauthorized use or modification of the Software. Winmark will not have any obligations regarding any infringement of any non-Winmark Software.

7. THIRD PARTY SOFTWARE.

Winmark may install and resell to you certain software not owned by Winmark ("Third Party Software"). Any Third Party Software, including related documentation, is subject to a separate license from the owner or provider of such Third Party Software. Licensee understands and agrees that, by signing this document, Licensee will be bound by all provisions of the license governing the use of such Third Party Software. Licensee agrees to indemnify and hold Winmark harmless from any and all losses or claims arising out of any license governing the use of any Third Party Software.

8. GENERAL.

A. Governing Law. This Agreement will be governed by Minnesota law. Any action related to this Agreement may be brought in any court located in Minneapolis, Minnesota, and the parties consent and submit to the personal jurisdiction and venue of any such court. Winmark will be entitled to temporary and permanent injunctive relief, without posting a bond or other security, to restrain any actual or threatened violation of the provisions of this Agreement, in addition to any other remedies Winmark may have. Winmark may recover its costs and expenses (including reasonable attorneys' fees) incurred in enforcing its rights under this Agreement.

B. Scope of Agreement; Conflicting Terms. This Agreement will govern all orders for Software, and all Software Winmark provides. No purchase order, invoice or other similar form may vary the terms of this Agreement. Any term thereof that is inconsistent with or additional to the terms of this Agreement will not be binding on Winmark.

C. Assignment. Neither this Agreement nor any rights granted hereunder may be sold, leased, assigned, or otherwise transferred in whole or in part, by Licensee, and such attempted assignment shall be void and of no affect without the advance written consent of Winmark. Winmark may assign this Agreement and any and all of its rights and obligations hereunder without the consent of Licensee.

D. Binding Effect. This Agreement will be binding upon and will benefit the parties hereto and their respective successors and assigns, subject to the limitations provided herein.

E. Export Controls. Licensee agrees to comply fully with all relevant export laws and regulations of the United States, including but not limited to the U.S. Export Administration Regulations (collectively, "U.S. Export Controls"). Without limiting the generality of the foregoing, Licensee expressly agrees that it shall not, and shall cause its representatives to agree not to, export, directly or indirectly, re-export, divert, or transfer the Software to any destination, company or person restricted or prohibited by U.S. Export Controls.

F. Waivers. The failure of either party to enforce or exercise any term of or any right under this Agreement does not represent a waiver of such term or right and will not affect that party's right later to enforce or exercise it. No modification or waiver of any of the provisions of this Agreement will be binding upon Winmark or Licensee unless it is in writing and is executed by the party against whom such modification or waiver is sought to be enforced.

G. Severability. If any provision contained in this Agreement is held invalid, such provision will not affect any other provision and the remainder of this Agreement will continue in full force and effect.

H. Entire Agreement. This Agreement is the complete and exclusive statement of the agreement of the parties regarding the subject matter hereof, and supersedes all prior or contemporaneous agreements, oral or written, and all other communications between the parties relating to the subject matter hereof. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

I. Survival. The provisions of this Agreement which by their nature extend beyond the termination hereof will survive and remain in effect until all obligations are satisfied.

“WINMARK”

WINMARK CORPORATION

By _____
Its _____

“LICENSEE”

If “Licensee” is a corporation,

(Print Corporate Name)

By _____
Its _____

If “Licensee” is one or more individuals,

[Name], Individually

[Name], Individually

[Name], Individually

Schedule A

Software

Software

Data Recycling System (DRS) point-of-sale and inventory management software (the Proprietary Software) - Winmark's proprietary software which is specifically designed to track various aspects of your store, including inventory, customer tracking, vendor purchase orders and daily sales reports.

Site

Store #: _____

Address: _____

For Office Use Only
Winmark Corporation

By _____
Its _____

"LICENSEE"

By _____
Its _____

If "Licensee" is one or more individuals,

[Name], Individually

[Name], Individually

[Name], Individually

ILLINOIS ADDENDUM TO
PLAY IT AGAIN SPORTS®
COMPUTER SOFTWARE LICENSE AGREEMENT

In consideration of the execution of the Computer Software License Agreement (the "Software Agreement"), Franchisor and Franchisee agree to amend the Software Agreement as follows:

1. Section 8(A) of the Software Agreement is amended to provide that the Illinois Franchise Disclosure Act will govern the Software Agreement.
2. In all other respects, the Software Agreement will be construed and enforced with its terms.

Dated this _____ day of _____, 20__.

(Winmark's Initials)

(Licensee's Initials)

MARYLAND ADDENDUM TO
PLAY IT AGAIN SPORTS®
COMPUTER SOFTWARE LICENSE AGREEMENT

In consideration of the execution of the Computer Software License Agreement (the "Software Agreement"), Winmark and Franchisee agree to amend the Software Agreement as follows:

1. Section 8(A) of the Software Agreement is amended to provide that a Maryland franchisee may bring an action relating to the Software Agreement in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. In all other respects, the Software Agreement will be construed and enforced with its terms.

Winmark's Initials

Licensee's Initials

RHODE ISLAND ADDENDUM TO
PLAY IT AGAIN SPORTS®
COMPUTER SOFTWARE LICENSE AGREEMENT

In consideration of the execution of the Computer Software License Agreement (the "Software Agreement"), Franchisor and Franchisee agree to amend the Software Agreement as follows:

1. Section 8(A) of the Software Agreement is amended to include the following:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."
2. In all other respects, the Software Agreement will be construed and enforced with its terms.

Winmark's Initials

Licensee's Initials

EXHIBIT C
TO FRANCHISE AGREEMENT

PERSONAL GUARANTY AND AGREEMENT TO
BE BOUND PERSONALLY BY THE PROVISIONS
OF THE FRANCHISE AGREEMENT AND
COMPUTER SOFTWARE LICENSE AGREEMENT

Each individual who owns a 10% or greater interest in Franchisee is considered a Principal Owner. All Principal Owners and their spouses must execute the following Personal Guaranty.

In consideration of Franchisor's execution of this Franchise Agreement and Computer Software License Agreement (the "Agreements"), and for other good and valuable consideration, the undersigned jointly and severally: (1) guarantee Franchisee's payment of all amounts due Franchisor and Franchisee's performance of the covenants and obligations in the Agreements, and any other agreements entered into by Franchisee and Franchisor; and (2) agree to be personally bound by every provision contained in the Agreements including the non-compete and confidentiality provisions and agree that this Personal Guaranty will be construed as though the undersigned executed each of the Agreements containing the identical provisions of the Agreements. If Franchisee shall default in making any payments or in the observance or performance of any obligations under the Agreement, the undersigned hereby covenant and agree to pay to Franchisor forthwith upon demand all amounts not so paid by Franchisee and all damages that may arise in consequence of any such non-observance or non-performance.

Without in any way restricting or limiting the guarantee given by the undersigned as set out above or any other rights and remedies to which Franchisor may be entitled, each of the undersigned jointly and severally covenant and agree to indemnify and save Franchisor harmless against any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which Franchisor shall or may become liable for, or suffer, by reason of any breach, violation or non-performance by Franchisee of any term or condition of the Agreements, or any other agreement made between Franchisee and Franchisor.

Notwithstanding any assignment for the general benefit of creditors or any bankruptcy or any other act of insolvency by Franchisee and notwithstanding any rejection, disaffirmance or disclaimer of the Agreements, the undersigned shall continue to be fully liable hereunder. Any settlement made between Franchisor and/or Franchisee and/or any party from whom the right to occupy the Franchised Location has been obtained and/or any other persons as Franchisor may see fit to deal with, or any determination made pursuant to the Agreements which is expressed to be binding upon Franchisee, shall be binding upon the undersigned.

In the enforcement of any of its rights against the undersigned, Franchisor may in its discretion proceed as if the undersigned was the primary obligor under the Agreements, or any other agreement made between Franchisee and Franchisor.

A. Each of the undersigned waives:

(1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

(2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and

(3) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability.

B. Each of the undersigned consents and agrees that:

(1) he/she will provide any payment or performance required under the Agreements upon demand if Franchisee fails or refuses to do so;

(2) such liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Franchisee or any other person; and

(3) such liability will not be diminished, relieved or otherwise affected by Franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreements, or the amendment or extension of the Agreements with or without notice to the undersigned.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty on the same day and year as the Agreements were signed.

PERSONAL GUARANTORS

Individually

Address

Individually

Address

Individually

Address

Individually

Address

EXHIBIT D
TO FRANCHISE AGREEMENT

ADDITIONAL STORE ADDENDUM TO
PLAY IT AGAIN SPORTS® FRANCHISE AGREEMENT

ADDITIONAL STORE ADDENDUM TO
PLAY IT AGAIN SPORTS® FRANCHISE AGREEMENT

This Addendum is entered into as of the ____ day of _____, 20__, by and among Winmark Corporation ("Franchisor"), and _____ ("Franchisee").

BACKGROUND:

Franchisor and Franchisee are, on this day, entering into a Play It Again Sports® Franchise Agreement (the "Franchise Agreement"), whereby Franchisee will be granted the right to develop and operate a Play It Again Sports® store at the location stated in the Franchise Agreement (the "Store"). Franchisee currently owns one or more existing stores franchised under one of Franchisor's concepts. Franchisor and Franchisee agree to the following modifications to the Franchise Agreement.

AGREEMENTS:

In consideration of the foregoing, the parties agree as follows:

1. Initial Franchise Fee. Subject to the provisions stated herein, Section 4 of the Franchise Agreement is amended to provide that Franchisee will pay an Initial Franchise Fee of Fifteen Thousand Dollars (\$15,000), which will be due and payable on the date of the Franchise Agreement.
2. Franchisor's Obligations. Franchisor and Franchisee agree that Franchisor may, but will not be required to, provide location, training or opening assistance as described in Sections 7(A), (D) and (E) of the Franchise Agreement.
3. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the day and year first above written.

FRANCHISOR:

FRANCHISEE:

WINMARK CORPORATION

By _____
Its _____

(Name of Corporation)

By _____
Its _____

or
(Individuals)

EXHIBIT E

Letter of Credit

On Letterhead of an
acceptable bank

STANDBY LETTER OF CREDIT

Letter of Credit No.: _____ Date: _____

TO: Winmark Corporation (Winmark)

In accordance with instructions received from our customer _____
(Customer), we establish this irrevocable Standby Letter of Credit in favor of Winmark up to an
aggregate amount of \$ _____.

Within seven days after we receive the original of this Letter of Credit accompanied by:

- a. A notice signed by an officer of Winmark stating that an amount has become due and payable to Winmark from Customer and has not been paid, or
- b. A notice signed by an officer of Winmark stating that an amount has become owed and payable to Winmark from Customer and that Customer has failed to give Winmark a new or renewed Letter of Credit at least 14 days before the expiration of this Letter of Credit covering the period beginning with the expiration date of this Letter of Credit, or
- c. A notice signed by an officer of Winmark stating that customer has become insolvent (however defined), has voluntarily commenced or there is commenced involuntarily against customer a case under the United States Bankruptcy Code and that an amount has become due and payable from customer and has not been paid, or
- d. A notice signed by both an officer of Winmark and by Customer stating that both Winmark and Customer requests that we pay an amount to Winmark,

we will pay to Winmark the amount stated in the notice, up to the aggregate amount of this Letter of Credit for a period of two years from the date indicated above. We acknowledge that customer's bankruptcy in no way absolves Bank's responsibility for payment under this Letter of Credit.

If the amount stated in the notice is less than the aggregate amount stated above, we will note that partial payment on the original of this letter and return the original to Winmark with the partial payment. This Letter of Credit will then remain in full force as to the aggregate amount stated above minus the amount of any partial payments made.

Except as otherwise expressly stated herein, this credit is subject to the Uniform Customs and Practice For Documentary Credits, 1994 Revision, International Chamber of Commerce Publication No. 500.

Authorized Official of Bank

EXHIBIT F

Bank Draft Authorization

WINMARK CORPORATION
(PLAY IT AGAIN SPORTS® BRAND)

AUTHORIZATION AGREEMENT FOR PREAUTHORIZED PAYMENTS

The undersigned Account Holder hereby authorizes Winmark Corporation ("Winmark") to initiate debit entries to the accounts indicated below in the amounts Winmark will determine weekly for continuing fees and other fees assessed pursuant to Account Holder's Play It Again Sports® Franchise Agreement. The undersigned Account Holder authorizes the depository named below to debit the same to such account each week.

Bank Name, Location & Phone	Bank Routing Number ^(a)	Type of Account ^(b)	Account Number ^(c)
	(a) Pre-encoded nine digit number at bottom left of check		
	(b) Checking or Savings		
	(c) Pre-encoded number at bottom middle of check		

This authorization is to remain in full force and effect until the depository listed above has received written notification from both Winmark and the undersigned Account Holder that the Franchise Agreement has terminated or Winmark has agreed to receive payments by alternative means.

The undersigned Account Holder agrees to be responsible for, and to pay on demand, all costs or charges relating to the handling of the debit entries pursuant to this authorization. The undersigned Account Holder agrees to indemnify Winmark and the Bank for any loss or cost arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently. In addition, Account Holder shall pay Winmark a fee of \$30.00 for each debit that is dishonored.

If Account Holder is a corporation:

Corporation Name: _____

Printed Name: _____

Signature: _____

Its: _____

Federal Tax ID Number: _____

Address: _____

City: _____ State: _____

Zip: _____ Phone: _____

Date: _____

If Account Holder is an individual:

Printed Name: _____

Signature: _____

Address: _____

City: _____ State: _____

Zip: _____ Phone: _____

Date: _____

Winmark Corporation Contact Information:

Account Services Supervisor
Winmark Corporation
605 Highway 169 N, Suite 400
Minneapolis, MN 55441
(763) 520-8620 or (800) 645-7299 ext. 620

Note: Please attach a voided check to the completed copy of this form when returned.

EXHIBIT G

Franchisee Questionnaire

FRANCHISEE QUESTIONNAIRE

As you know, Winmark Corporation (the "Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a Play It Again Sports® franchised business (the "Franchise"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question. Your answers are important to us and we will rely on them.

Acknowledgments and Representations.

1. Did you receive a copy of Franchisor's Disclosure Document at least fourteen calendar days prior to signing the Franchise Agreement? ☐ No ☐ Yes. If no, please comment: _____
2. Have you received, studied and reviewed carefully the Franchisor's Disclosure Document and Franchise Agreement? Check one: ☐ No ☐ Yes. If no, please comment: _____
3. Did you receive a copy of your Franchise Agreement at least seven calendar days prior to the date on which your Franchise Agreement was executed? Check one: ☐ No ☐ Yes. If no, please comment: _____
4. Do you understand that any training, support, guidance or tools we provide to you as part of the franchise are for the purpose of protecting the Play It Again Sports® brand and trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters? Check one: ☐ No ☐ Yes. If no, please comment: _____
5. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document? Check one: ☐ No ☐ Yes. If yes, please state in detail the oral, written or visual claim or representation: _____
6. New and Additional Stores only: Except as stated in Franchisor's Disclosure Document, was any oral, written or visual claim or representation made to you which stated, suggested, predicted or projected your sales, expenses, income or profit levels. Check one: ☐ No ☐ Yes. If yes, please state in detail the oral, written or visual claim or representation: _____
(If more space needed, continue on a separate sheet and attach).
7. New and Additional Stores only: Do you understand and acknowledge that the Initial Franchise Fee is non-refundable? Check one: ☐ No ☐ Yes

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, OR OTHER ENTITY, EACH OF ITS PRINCIPALS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____

Print Name (and Title): _____

Date: _____

APPROVED ON BEHALF OF
WINMARK CORPORATION

By: _____

Signed: _____

Title: _____

Print Name (and Title): _____

Date: _____

Date: _____

If your Franchise Agreement is governed by the laws of the State of Maryland, then your answers to these questions shall not act as a release, estoppel or waiver of your rights under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT H

Equipment Lease



[DATE]

Contact Name xxxxxxxx
Company Name xxxxxxxx
Address xxxxxx
City, State, Zip XXXXXX

Re: Customer Number: XXXXXX- XXXXX

Thank you for choosing Wirth Business Credit® for your financing needs. Enclosed you will find all the necessary documents required to complete the equipment lease. The terms of the lease are as follows:

Lease Term 36
Monthly Lease Payment \$ xxx.xx
Estimated Sales Tax Included
Total Monthly Payment Due \$ xxx.xx *

Total Number of Payments..... 36
Number of Payments in Advance..... 2
Number of Remaining Payments 34

* Some counties and/or cities impose a personal property tax based on the value of equipment. This tax, which is typically less than sales tax, is charged on an annual basis. If your county and/or city imposes such tax it will be charged to your account in the month that it is due. All tax amounts due are estimated. When you return the signed lease documents, we require that you send us two advance monthly payments which are the final two payments of the lease contract, written on a company check along with the documentation fee as follows:

The advance monthly payment(s), are the final payment(s) of your lease contract.

Advance Monthly Payment \$ xxx.xx
Documentation Fee..... \$ xxx.xx
Total Advance Payment Due* \$ xxx.xx

Please have an **officer** sign all the documents where indicated and return them to my attention at the address below via overnight mail. Please use the checklist below to verify that all the required documents are included.

RETURNED	REQUIRED
_____	Equipment Lease Contract – Please complete, sign, date and initial the appropriate highlighted areas of the documents
_____	Schedule A – Please sign and date.
_____	Personal Guaranty – one for each Guarantor.
_____	Photocopy of Drivers Licenses for all signors
_____	Proof of Insurance – You can use the enclosed form to submit to your insurance company. Please have your insurance company send a copy of the revised policy binder naming Wirth Business Credit, Inc. as Loss Payee for the total equipment cost and also as Additional Insured with regard to liability.
_____	Advance Payment Check – Make payable to Wirth Business Credit, Inc. in the amount of \$ XXX.XX (Must be a company check – no starter checks.)
_____	Delivery and Acceptance Certificate – Please sign.

Enclosures

{00013554.DOC }

605 HIGHWAY 169 N SUITE 400, MINNEAPOLIS, MN 55441
PHONE: 800/269-4075 FAX: 800/269-4073
WWW.WIRTHBUSINESSCREDIT.COM



DESCRIPTION OF LEASED EQUIPMENT - MUST BE COMPLETED
(Include quantity, make, model, serial number and accessories. Attach schedule if necessary)

Lease Customer Number: XXXXX

Lease Number: XXXXX

See Schedule A which is attached and made part of this agreement

LEASING CUSTOMER ("YOU")

Company Name (Exact business name): XXXXXXXXXXXXXXXXXXXX

Address: XXXXXXXXXXXXX

Street

XXXXXX

City

XX

State

XXXXXX

Zip

Phone: (xxx)xxx-xxxx Fax: (xxx) xxx-xxxx E-mail: xxxxxxxxxxxx@xxxxxx.xxx

Type of Entity: xxxxx

Equipment Location: xxxxxxxxxxxxxxxxx;

xxxxxxxxxxx County

State of Incorporation/Organization: XX

Vendor Name XXXXXXXXXXXXXXXXXXXX

Vendor Address: xxxxxxxxxxxxxxxxxxxxxx

PAYMENT SCHEDULE:

PURCHASE OPTION:

36 Lease Term (Months)	36 Total No. of Payments	\$ xxx.xx Amount of each Payment (Including Sales Tax)	\$ xxx.xx Advance Payments (Including Sales Tax)	\$.00 Security Deposit	\$xxx.xx Document Fee	\$1 Purchase Option at end of lease term
------------------------------	-----------------------------	--	--	----------------------------	--------------------------	---

1. LEASE AGREEMENT AND TERM. You (the customer) want to acquire the above equipment as described above and on one or more Schedules, which are attached and incorporated as part of this Agreement (the "Equipment") from the above vendor. You want us (the leasing company) to buy the Equipment and then lease it to you. This Equipment Lease Contract (the "Lease") is effective from the date it is executed by both parties. The original term of the Lease will commence on the Commencement Date for the number of months from the Commencement Date as set forth above in the Payment Schedule (the "Original Term") and will continue from year to year thereafter until terminated as provided herein (collectively, the "Lease Term"). The "Delivery Date" for the Equipment listed on each Schedule is the earlier of the date we pay for any of the Equipment on such Schedule or the date on which any item of Equipment on such Schedule is delivered to you. The Delivery Date will be determined separately for each Schedule. The "Commencement Date" for a Lease is the first day of the month following the final Delivery Date on the Certificate of Acceptance (or presumed acceptance as set forth in Section 3) for substantially all of the Equipment, unless such Delivery Date falls on the first day of the month in which case that is the Commencement Date. You must notify us by certified mail between 90 and 180 days prior to the end of the Original Term or at the end of any subsequent 12 month lease term if you intend to return the Equipment. If you do not notify us, the Lease will automatically extend for 12 months under the same terms and conditions. To expedite this Lease, you agree that your faxed signature will be considered as good as your original signature and admissible in court as conclusive evidence of this Lease.

2. LEASE CHARGES. You will unconditionally pay us all amounts due, without any right to set-off. You agree that we may adjust your lease payment upward or downward by no more than 15% if the invoiced costs are different than the amount we used to calculate the estimated Lease payments shown above. You understand that we will attempt to automatically deduct each month's regular lease payment in advance on the 1st day of each month. If we do not receive a payment by its due date, there will be a late fee equal to the greater of \$20.00 or 15% of the late amount (or if less, the maximum amount allowable under law) which you agree is a reasonable estimate of the costs we incur with respect to late payments and is not a penalty. For each Schedule, we will charge you a partial pro-rated payment for the time between the Delivery Date with respect to such Schedule and the Commencement Date for the Lease. For partial months, you will be charged rent for the number of days beginning on the Delivery Date based on a 30 day month. Advance payments collected will be applied to the last maturing payments in inverse order of their maturity.

3. DELIVERY AND ACCEPTANCE. The Equipment will either be delivered by the vendor or you must arrange for its delivery. When you receive an item of Equipment, you agree to inspect it and determine whether it is in good working order. After inspection, you must contact us to notify us of the date on which the first item of Equipment on a Schedule was delivered to you. You understand that we will contact you after all the Equipment has been delivered to you to complete the Certificate of Acceptance and a delivery and acceptance questionnaire. If we are unable to contact you within two (2) days of your receipt of the Equipment, then you agree that we may conclusively presume that you have examined the Equipment, that the Equipment is in a condition which is satisfactory to you, and that you have unconditionally accepted the Equipment.

4. USE AND MAINTENANCE. You agree that this is a commercial and business transaction. You promise that the Equipment will be used only for business and not for personal, family or household purposes. You will keep and use the Equipment only at the

above address (except as specifically set forth on the Schedule(s) attached hereto) and not move or return it without our written consent. You promise to maintain the Equipment in good working order and keep it in as good as condition as when you received it, less what we consider to be reasonable wear and tear. You must reimburse us for any missing parts or features and excess wear and tear. You are also responsible for any loss, theft or destruction of, or damage to, the Equipment from any cause (a "Loss") whether or not the Equipment is insured. You promise to notify us within ten (10) days of any Loss.

5. OWNERSHIP. You understand that this transaction is a true lease and not a loan transaction. We will own and have title to the Equipment at all times. YOU AGREE THIS IS A "FINANCE LEASE" UNDER ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE ("UCC"). YOU WAIVE ALL UCC RIGHTS AND REMEDIES YOU MAY HAVE, INCLUDING THOSE IN SECTIONS 2A-508 THROUGH 2A-522 OF THE UCC. You grant us a first priority security interest in the Equipment and authorize us to file a UCC financing statement (and if a signature is required, you appoint us as your attorney-in-fact to execute these statements). In the event any portion of a Lease charge is determined to be in the nature of an interest payment subject to a usury law or related prohibition, this Lease will be construed in a manner so that the applicable charge does not exceed the maximum charge allowed by law. Any excess payments will be applied to Lease charges as a prepayment of principal, and any remaining excess will be refunded to you.

6. UNCONDITIONAL LEASE CHARGES. You alone selected the vendor and the Equipment. You asked us to buy it. You acknowledge that either (i) you have either reviewed and approved the written supply contract, or (ii) that we have informed you of the identity of the supplier, that you have rights under any supply contract, and that you may contact the supplier for a description of those rights. We are not related to the vendor and we cannot get a refund, nor is the vendor allowed to waive or modify any term of this Lease. Therefore, the Lease cannot be canceled by you for any reason, even if the Equipment fails or is damaged and it is not your fault. YOU UNDERSTAND THAT YOU MUST PAY ALL LEASE CHARGES WHEN DUE REGARDLESS OF ANY PROBLEMS YOU MIGHT HAVE WITH THE EQUIPMENT, INCLUDING ITS OPERATION, CAPABILITY, INSTALLATION OR REPAIR AND REGARDLESS OF ANY CLAIM, SET-OFF, COUNTER-CLAIM OR DEFENSE YOU MIGHT HAVE AGAINST THE VENDOR, MANUFACTURER, SALESMAN, US OR A THIRD PARTY.

7. DISCLAIMER OF WARRANTIES. WE ARE LEASING THE EQUIPMENT TO YOU "AS IS" AND WE DISCLAIM ALL EXPRESS AND IMPLIED WARRANTIES, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. You should contact the vendor to get a statement of those warranties, if any, including any related disclaimers or limitations. We assign to you any warranties the vendor may have given us. You must settle any dispute regarding the Equipment's performance directly with the vendor. CONSISTENT WITH YOUR ASSUMPTION OF ALL EQUIPMENT RELATED RISKS, YOU WAIVE ANY RIGHTS, DEFENSES AND CLAIMS AGAINST US RELATING TO THE EQUIPMENT THAT ARISE UNDER THE UCC OR ANY APPLICABLE LAW. YOU AGREE THAT YOU WILL NOT MAKE A CLAIM AGAINST US FOR DAMAGES IF THE EQUIPMENT IS NOT PROPERLY INSTALLED, DOES NOT OPERATE AS REPRESENTED OR WARRANTED BY THE VENDOR, OR IS UNSATISFACTORY FOR ANY REASON. YOU ACKNOWLEDGE THAT YOU AND/OR YOUR INDEPENDENT ACCOUNTANTS ARE SOLELY RESPONSIBLE FOR (i) ANY AND ALL YOUR ACCOUNTING AND TAX ENTRIES ASSOCIATED WITH THE LEASE AND/OR THE LEASE SCHEDULES, AND (ii) THE ACCOUNTING AND TAX TREATMENT, BENEFITS, USES AND CLASSIFICATION OF THE LEASE OR ANY LEASE SCHEDULE.

ADDITIONAL LEASE TERMS AND CONDITIONS ARE SET FORTH ON THE FOLLOWING PAGE AND ARE A PART OF THIS LEASE.

ACCEPTANCE OF EQUIPMENT LEASE CONTRACT:

THIS IS A BINDING CONTRACT. IT CANNOT BE CANCELED. READ IT CAREFULLY BEFORE SIGNING, AND CALL US IF YOU HAVE ANY QUESTIONS.

X

Signature of Leasing Customer

Print Name of Signer

Title

Date

X

Accepted and Signed by Wirth Business Credit, Inc.

Print Name of Signer

Title

Date



EQUIPMENT LEASE CONTRACT

605 HIGHWAY 169 N SUITE 400, MINNEAPOLIS, MN 55441

PHONE: 800/269-4075 • FAX: 800/269-4073

LEASING COMPANY ("LESSOR", "WE", "US": WIRTH BUSINESS CREDIT, INC.)

ADDITIONAL LEASE TERMS AND CONDITIONS

8. **TAXES.** You must pay us for all sales, use, property and other taxes (and any penalties) relating to the Lease and the Equipment. You agree that we may charge you a fee to cover costs associated with preparing, reviewing and filing any applicable tax returns. Certain governmental authorities require such sales tax to be paid at inception. Unless you request an alternative arrangement in writing, we will finance such amounts over the remaining term of the Lease. Unless we have given you a written option to buy the Equipment at the end of the Lease for \$1.00, we will be entitled to all tax benefits. If you do anything to disallow our getting these benefits, you will promptly indemnify (pay) us an equivalent amount. You acknowledge that we have not made any representations or statements relating to accounting, the tax treatment or classification of this Lease.

9. **DEFAULT.** You will be in default if any of the following occurs (each of the following is a "Default"): (i) you do not pay us as agreed; (ii) you fail to perform any other obligation under this Lease; (iii) you assign, pledge, sublease, allow another to use, sell or lose possession of the Equipment or attempt to do so without our prior written authorization; (iv) your financial condition changes to the point where it reasonably causes us to be insecure about your willingness or ability to perform your obligations under the Lease or any other agreement with us; (v) you or your guarantor dies, becomes insolvent or unable to pay debts when they become due, stops doing business as a going concern, merges, sells or transfers all or substantially all of its assets, makes an assignment for the benefit of creditors, appoints a trustee or receiver or undergoes a substantial deterioration of financial health; (vi) any guarantor of any obligations hereunder is the subject of an event listed in clauses (i) - (vi); (vii) you or your guarantor fails to assume this Lease obligations within 60 days of the filing of any petition for protection under the United States Bankruptcy Code; (viii) the termination, expiration (without immediate renewal), default, breach, assignment or revocation of any franchise agreement to which you are a party; or (ix) a default under any other lease, agreement, instrument, document or guaranty between you and us (each of the foregoing is a "Default").

10. **REMEDIES.** If a Default occurs, we may at our option do one or more of the following: (i) we may, without notice, directly debit (charge) your bank account(s) and/or sue you for all past due payments and other charges and all payments due in the future to the end of the Lease Term, plus our legal and collection costs, and if you are in Default and/or do not meet your end of term obligations, we may also directly debit your bank account and/or sue you for the "residual" (end of term) Equipment value; (ii) we may, without notice, cancel or terminate all of your rights, but not your obligations, associated with the Lease; (iii) we may immediately retake possession of the Equipment without any court order or other process of law; and/or (iv) we may exercise any remedy at law or equity, notice thereof being expressly waived by you and your guarantor. If we retake the Equipment, we may sell, lease or otherwise dispose of it in a commercially reasonable manner, with or without notice, at a public or private sale and apply the net proceeds to the amount you owe us. If the net proceeds do not pay us everything you owe us, you are liable for the difference.

11. **REDELIVERY OF EQUIPMENT:** Provided you have fulfilled all of your obligations to us under this Lease through the expiration of the Original Term, you may exercise the Purchase Option, if any, selected above by notifying us in writing between 90 and 180 days prior to the expiration of the Original Term. If you exercise a Purchase Option, you agree to purchase all, but not less than all, of the Equipment that is in place and in use at your location. In the event you do not decide to purchase the Equipment according to the terms of any Purchase Option selected above, then when this Lease expires, or is terminated earlier, you shall at your expense disconnect, properly package for transportation and return the Equipment to us in good repair, condition and working order, normal wear and tear excepted, to a location designated by us. If upon expiration or termination you do not immediately return the Equipment to us, at our option (i) we will remove the Equipment at your expense, and you agree to pay us an additional amount equal to a minimum of 2 monthly payments, or (ii) the Equipment will continue to be held and leased by you for successive one-year periods at the same monthly payment in this Lease, subject to the right of either party to terminate the Lease upon 12 months written notice. At the end of the 12 months, you will deliver the Equipment to us under the terms of this paragraph, provided that we retain the right, in our sole discretion, to limit the total number of such successive one-year renewals to protect our tax benefits as the owner of the Equipment.

12. **SECURITY DEPOSIT.** You agree to reimburse us for our costs to refurbish returned Equipment. You agree the security deposit will not bear interest and that we may apply it to any amount owed to us, and should we do so, you agree to restore the security deposit to its original amount. You may request the return of the security deposit only after all of your obligations under this Lease have been met in full. Provided you have fulfilled all of your obligations to us under the Lease, we will either refund your security deposit to you or at your direction apply it towards the purchase of the Equipment.

13. **LESSEE REPRESENTATION.** Lessee represents and warrants that the value of the assets leased under this Agreement does not exceed 50% of the total of (i) fair market value of the equity of the Lessee; (ii) the total outstanding debt of the Lessee; and (iii) the value of the assets leased under this Agreement.

14. **LEGAL ACTIONS.** This Lease shall be governed by the internal laws (as opposed to conflicts of law provisions) of the State of Minnesota where we have an office and accepted this Lease. You agree that any suit under this Lease shall be brought in state or federal court located in Hennepin County, Minnesota. You irrevocably consent and submit to the exclusive jurisdiction of such courts and waive local venue with respect to claims arising under this Lease. Each party waives any right to a jury trial. You agree that any process served for any action or proceeding shall be valid if mailed by certified mail, return receipt requested, with delivery restricted to you, your registered agent or any agent appointed in writing to accept such process.

15. **INDEMNITY.** You accept all risks of loss, injury or damage caused by the Equipment and must indemnify us and hold us harmless for all suits and other liabilities arising from the same. This indemnity will continue even after the Lease has ended.

16. **INSURANCE.** You must maintain acceptable public liability insurance naming us as "additional insured." You must maintain property insurance to insure the Equipment against all risks of loss in an amount equal to the replacement cost and have us listed on the policy as "loss payee." If you do not give us proof of the property insurance, then depending on the original cost of the Equipment, we may either (i) obtain property insurance to cover our interests and charge you a fee for such coverage or (ii) charge you a monthly non-compliance fee up to \$50.00 (which provides no insurance benefit). You can stop the insurance coverage fee or non-compliance fee at any time by delivering the required proof of insurance. You appoint us as attorney-in-fact to make claims for, receive payment of, any execute and endorse all documents, checks or drafts for loss, theft, damage or destruction to the Equipment. We may elect how to apply insurance proceeds.

17. **CREDIT INFORMATION.** You authorize us to obtain credit information and to obtain credit bureau reports and make other credit inquiries that we determine are necessary.

18. **ASSIGNMENT.** This Lease will be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Since this Lease is based on your own credit strength, you may not assign (transfer) the Lease to anyone else. We may sell or transfer our interests to another entity who will then have all of our rights but none of our obligations, unless those obligations are specifically assumed. In that case, those obligations will continue to be ours. The rights we pass on to the new entity will not be subject to any defenses, claims or set-offs you may assert against us. Any action by you against us must be commenced within one year after the cause of action arises or be forever barred.

19. **SURVIVAL OF TERMS.** All agreements, indemnities, promises, representations and warranties made by you in this Lease, or in any certificate, schedule, statement or other document furnished in connection with the negotiation, execution and performance of this Lease, shall survive the expiration, termination, cancellation or assignment of this Lease.

20. **ENTIRE AGREEMENT.** This Lease constitutes the entire agreement between you and us with respect to your leasing the Equipment, and it supercedes all prior discussions, correspondence or communications between us.

21. **AUTHORITY TO SIGN.** You acknowledge and represent that the person signing this Lease has the authority to do so, to bind the entity, and to grant the power of attorney under this Lease.

22. **AUTHORIZATION FOR AUTOMATIC PAYMENT.** All payments under this Lease shall be through the use of an automatic payment deducted from your checking or savings account. I authorize Wirth Business Credit, Inc., its assigns, affiliates and agents and the financial institution named below to initiate entries to my checking/savings account. This authority will remain in effect as long as this contract is in effect. I agree to indemnify Wirth Business Credit, Inc., its agents and the financial institution for any loss or cost arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

Name of Financial Institution

Branch

Address

City

State

Zip

☐ Checking

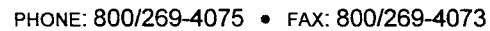
☐ Savings

Account Number

Routing Number (Between | : | on the bottom left of your check)

X

Initials of Leasing Customer





PERSONAL GUARANTY
605 HIGHWAY 169 N SUITE 400, MINNEAPOLIS, MN 55441
PHONE: 800/269-4075 • FAX: 800/269-4073

Lease Customer Number: XXXXXXX
Lease Number: XXXXX
Vendor Name: XXXXXXXXXX

The person signing below (the "Guarantor") intends to be legally bound by this document and understands that it cannot be revoked or cancelled. Guarantor also understands that he or she is entering into a **personal financial obligation** in favor of Wirth Business Credit, Inc. Guarantor represents that he or she is one of the owners, officers or directors of the leasing customer or will otherwise benefit from the lease. Guarantor also knows that Wirth Business Credit, Inc. would not enter into the lease without first obtaining this personal guaranty.

In exchange for Wirth Business Credit, Inc. entering into the lease, Guarantor hereby individually, personally, and absolutely and unconditionally guarantees to Wirth Business Credit, Inc. the prompt payment of all lease payments, lease charges and other amounts owed by the Leasing Customer to Wirth Business Credit, Inc., including but not limited to, costs of enforcement of the lease and attorneys fees of Wirth Business Credit, Inc. (collectively, the "Obligations"). This guaranty shall continue until all of the Obligations have been fully satisfied. This guaranty shall not be subject to any right of set-off, recoupment, deduction or other defense. Guarantor represents that he or she has read the Equipment Lease Contract and understands all of its terms.

Guarantor agrees that Wirth Business Credit, Inc. may proceed against him or her to enforce this guaranty without first proceeding against the Leasing Customer, and also agrees that this guaranty will be enforceable even if the Leasing Customer goes out of business or into bankruptcy or otherwise cannot or does not pay for any reason. Settlements, renewals, extensions of time and other modifications of the lease shall be binding on Guarantor. Guarantor waives diligence, presentment, demand, protest or notice of any kind whatsoever as to this guaranty. Guarantor agrees to be subject to suit in the Minnesota courts and hereby consents to the exclusive jurisdiction of such courts and waives local venue with respect to claims arising hereunder. Guarantor agrees that a facsimile of this document and the signature shall be as valid and binding as the original and will be admissible in court as final evidence of this guaranty.

XXXXXXXXXX
Signature of Guarantor (DO NOT TITLE)

XXXXXXXXXX
Print Name

XXXXXXXXXXXX
Home Address

XXXXXXXXXX XX XXXX
City State Zip

XXXXXXXXXX
Date:

XXXXXXXXXX
Social Security #

XXXXXXXXXXXX
Home Phone #



CERTIFICATE OF ACCEPTANCE
605 HIGHWAY 169 N, SUITE 400, MINNEAPOLIS, MN 55441
PHONE: 800/269-4075 • FAX: 800/269-4073

Leasing Customer Number: XXXXXXXX

Lease Application Number : XXXXX

Vendor Name: XXXXXXXXX

Equipment Description: See each Schedule attached to the Equipment Lease Contract and made part thereof.

The above Leasing Customer hereby represents and certifies to Wirth Business Credit, Inc. as follows:

1. The equipment described above has been fully delivered to the Leasing Customer, has been fully installed, has been inspected and tested by the Leasing Customer, and is working perfectly. Therefore, Leasing Customer accepts the equipment.
2. The Leasing Customer understands that Wirth Business Credit, Inc. will not be able to get a refund after the equipment is purchased. The Leasing Customer hereby acknowledges having signed an Equipment Lease Contract and understands that it cannot be revoked or cancelled for any reason.
3. To expedite this transaction for the Leasing Customer, the Leasing Customer agrees that a facsimile of this document and a facsimile of the Leasing Customer's signature shall be considered as valid and binding as the original and will be admissible in a court of law as conclusive evidence of this transaction. Leasing Customer authorizes Lessor, as Leasing Customer's attorney-in-fact, to complete this Certificate of Acceptance by supplying the information set forth below, including without limitation, the delivery date of the Equipment.

Authorized Signature of Leasing Customer

Date

Print Name and Title



INSURANCE BINDER REQUEST
605 HIGHWAY 169 N SUITE 400, MINNEAPOLIS, MN 55441
PHONE: 800/269-4075 • FAX: 800/269-4073

IMMEDIATE ATTENTION PLEASE

To: _____

Your insured listed below is financing / leasing new equipment through us.

We must have insurance coverage in place that names Wirth Business Credit, Inc. as a Loss Payee and Additional Insured.

Property/Contents Coverage: Insurance is to be provided for fire, theft, extended coverage, vandalism and malicious mischief for the full replacement value of the equipment.

Public Liability: Coverage should be written with minimum limits of \$250,000/\$500,000 for bodily injury and \$250,000/\$500,000 for property damage.

Please provide us a certificate of insurance as follows:

YOUR INSURED:

Attn: xxxxxx
Company Name XXXXXXXXXXXXX
Address XXXXXXXXXXXXX
City, State, Zip XXXXXXXXXXXXX
Phone: (xxx) xxx-xxxx
Fax: (xxx) xxx-xxxx

LOSS PAYEE/ADDITIONAL INSURED:

Wirth Business Credit, Inc.
605 Highway 169 N, Suite 400
Minneapolis, MN 55441
Phone: (763) 520-8500
Fax: (800) 269-4073
Attn: xxxxxxxxxxxx

EQUIPMENT TO BE INSURED:

xxxxxxx

EQUIPMENT LOCATION:

Street address, City, State, Zip xxxxxxxxxxxxxxxx

INSURABLE VALUE:

\$xx,xxx.xx

EFFECTIVE DATE OF INSURANCE:



Drivers License
605 HIGHWAY 169 N SUITE 400, MINNEAPOLIS, MN 55441
PHONE: 800/269-4075 • FAX: 800/269-4073

DRIVER'S LICENSE COPY

(Signature on Driver's License must be legible)

PLACE COPY HERE

(one for each signor)

EXHIBIT I

List of State Administrators/Agents for Service of Process

CALIFORNIA

Commissioner of the Department
of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-1105
1-866-275-2677

HAWAII

Commissioner of Securities of the
State of Hawaii
Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
Ph# (808) 586-2722

ILLINOIS

Attorney General State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Agent -
Indiana Secretary of State
201 State House
200 W. Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

Administrator -
Indiana Securities Commissioner
302 West Washington, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

Agent to Receive Service of Process
Maryland Securities Commissioner
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

or

State Administrator
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85-7th Place East, Suite 500
St. Paul, Minnesota 55101

NEW YORK

New York Department of State
1 Commerce Plaza
99 Washington, Ave., 6th Floor
Albany, New York 12231
518-473-2492

New York State Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271
518-473-2492

NORTH DAKOTA

North Dakota Securities Department
5th Floor, State Capital
600 East Boulevard
Bismarck, North Dakota 58505

RHODE ISLAND

Administrator
R.I. Dept. of Bus. Regulation
Securities Division
1511 Pontiac Avenue
Cranston, Rhode Island 02920

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA

Clerk, State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, Virginia 23219

WASHINGTON

Director of Dept. of Financial Institutions
Securities Division
150 Israel Rd SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

Commissioner of Securities
Department of Financial Institutions
201 W. Washington Avenue, Suite 300
P.O. Box 1768
Madison, Wisconsin 53701

EXHIBIT J

Receipts

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (14 calendar days in Iowa) before execution of the franchise or other agreement or the payment of consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit I.

The franchisor is Winmark Corporation, located at 605 Highway 169 N, Suite 400, Minneapolis, MN 55441. Its telephone number is (763) 520-8500. Our franchise sellers involved in offering and selling the franchise to you are Pete First, Karen Garrett and Michael Manuel, Winmark Corporation, 605 Highway 169 N, Suite 400, Minneapolis, MN 55441, (763) 520-8500, or is listed below (with address and telephone number), or will be provided to you separately before you sign a Franchise Agreement: _____.

Issuance Date: March 15, 2017, as amended August 17, 2017

We authorize the respective state agencies identified in Exhibit I to receive service of process for us in the particular state.

I have received a Play It Again Sports® disclosure document that had an Issuance Date of March 15, 2017, as amended August 17, 2017, and included the following Exhibits: List of Stores (Exhibit A), List of Terminated Franchises (Exhibit B), Winmark's Audited and Unaudited Consolidated Financial Statements, and Unaudited Pro Forma Consolidated Financial Data (Exhibit C), Play It Again Sports® Franchise Agreement and exhibits (Exhibit D), Letter of Credit (Exhibit E), Bank Draft Authorization (Exhibit F), Franchisee Questionnaire (Exhibit G), Equipment Lease (Exhibit H), List of State Administrators/Agents for Service of Process (Exhibit I), and Receipt (Exhibit J).

FRANCHISEE (For a Corporation)

Date Received: _____

Corp. Name: _____

State of Incorporation: _____

By: _____

Print Name: _____

Title: _____

FRANCHISEE (For an Individual)

Date Received: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: () _____ Zip: _____

(Additional Individual Franchisee)

Date Received: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: () _____ Zip: _____

Copy for Franchisee

RECEIPT

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FRANCHISEE (For a Corporation)

Date Received: _____

Corp. Name: _____

State of Incorporation: _____

By: _____

Print Name: _____

Title: _____

FRANCHISEE (For an Individual)

Date Received: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: () _____ Zip: _____

(Additional Individual Franchisee)

Date Received: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: () _____ Zip: _____

Copy for Winmark Corporation

Please mail a hard copy of this receipt to the address listed on the front page of this disclosure document or send to kfiala@winmarkcorporation.com by email (PDF) or by fax to (763) 520-8410.

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PIAS - 8/17