

## 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](mailto:pias-franchise-development@playitagainsports.com)  
[www.playitagainsports.com](http://www.playitagainsports.com)

Received  
LA Mailroom  
APR 02 2019  
Department of  
Business Oversight



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 \$268,300 to \$391,300. This includes \$43,800 to \$46,800 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](http://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 18, 2019

## 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. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.

3. AS A RESULT OF THE EXPECTED REPURCHASE BY US OF 150,000 SHARES OF OUR STOCK PURSUANT TO A SELF-TENDER OFFER THAT IS ANTICIPATED TO SETTLE ON OR ABOUT MARCH 28, 2019, WE WILL HAVE A SIGNIFICANT NEGATIVE NET WORTH. HAD THIS SELF-TENDER PURCHASE OCCURRED IN 2018, OUR NET WORTH WOULD HAVE BEEN (\$28,753,000) AS OF DECEMBER 29, 2018. OUR FINANCIAL CONDITION CALLS INTO QUESTION OUR FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU. 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   |                       |
| Hawaii       |                       |
| Illinois     | March 19, 2019        |
| Indiana      | March 19, 2019        |
| Maryland     |                       |
| Michigan     | March 18, 2019        |
| Minnesota    |                       |
| New York     |                       |
| North Dakota |                       |
| Rhode Island |                       |
| South Dakota | March 19, 2019        |
| Virginia     |                       |
| Washington   |                       |
| Wisconsin    | March 18, 2019        |

In all other states, the effective date (and issuance date) of this disclosure document is March 18, 2019.

**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 .....                                                           | 5           |
| 3. LITIGATION .....                                                                    | 7           |
| 4. BANKRUPTCY .....                                                                    | 7           |
| 5. INITIAL FEES .....                                                                  | 8           |
| 6. OTHER FEES .....                                                                    | 9           |
| 7. ESTIMATED INITIAL INVESTMENT .....                                                  | 12          |
| 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....                              | 15          |
| 9. FRANCHISEE'S OBLIGATIONS .....                                                      | 18          |
| 10. FINANCING .....                                                                    | 19          |
| 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....          | 21          |
| 12. TERRITORY .....                                                                    | 31          |
| 13. TRADEMARKS .....                                                                   | 32          |
| 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....                              | 33          |
| 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS ..... | 34          |
| 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....                                 | 34          |
| 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....                        | 35          |
| 18. PUBLIC FIGURES .....                                                               | 38          |
| 19. FINANCIAL PERFORMANCE REPRESENTATIONS .....                                        | 39          |
| 20. OUTLETS AND FRANCHISEE INFORMATION .....                                           | 42          |
| 21. FINANCIAL STATEMENTS .....                                                         | 49          |
| 22. CONTRACTS .....                                                                    | 50          |
| 23. RECEIPTS .....                                                                     | 50          |

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 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.

In 2017, Winmark started Winmark Franchise Partners®, a division of Winmark Corporation. Winmark Franchise Partners utilizes Winmark's 30 years of experience in the franchising industry to provide mentorship and consulting services in addition to marketing, sales and development assistance to new and emerging franchisors. Winmark Franchise Partners may also evaluate the development of new or emerging brands for the purpose of investing in or future acquisition of the companies or 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 29, 2018, 379 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 29, 2018, 34 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 29, 2018, 480 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 29, 2018, 67 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 Offers.

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 of 875,000 shares of common stock for \$74.1 million left Winmark with a significant negative net worth. In August 2017, pursuant to a similar self-tender offer, Winmark repurchased 400,000 shares of its common stock for a total purchase of \$49.9 million. As a result of this repurchase, Winmark's net worth was reduced by a corresponding amount. Following each of these self-tender offers, Winmark's net worth steadily increased from Winmark's continued strong financial performance.

On February 28, 2019, Winmark announced the commencement of a similar self-tender offer to purchase up to 150,000 shares, or approximately 3.8% of Winmark's outstanding common stock, for a price of \$159.63 per share, which is set to expire on March 28, 2019 (unless extended or withdrawn conditioned on certain events). The tender offer is expected to be fully subscribed and financed with a combination of Winmark's available cash and existing line of credit. Information regarding all three tender offers were filed with the Securities Exchange Commission ("SEC") and can be found on the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, the documents filed with the SEC can be found on Winmark's website at [www.winmarkcorporation.com](http://www.winmarkcorporation.com). As the result of the anticipated repurchase Winmark will again have 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 (\$28,753,000) on December 29, 2018, if the current share repurchase had occurred in 2018. Although Winmark realizes that having a negative net worth is not without some risk, Winmark is highly 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, 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.

## 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.

#### 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, 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, 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, Franchising: Renae M. Gaudette

Renae Gaudette has been Vice President of Franchising 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® and Music Go Round® Divisions: Timothy J. Kletti

Timothy Kletti has been Director of the Play It Again Sports® Division since June 2018 and Director of the Music Go Round® Division since March 2006. Mr. Kletti was the Manager of Music Go Round® Franchise Operations from February 2004 to March 2006. He has been employed by Winmark in various positions with Music Go Round® since 1994.

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 Schafer Richardson Development, LLC, and serves on the Board of Trustees of The MacPhail Music Center, the Minneapolis Parks Foundation Board, the Minneapolis Foundation, the Gold Medal Park Conservancy Board, the University of Minnesota College of Design Advisory Board and is President and Treasurer 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 Goodman Group, The Goodman Family Operating Foundation, 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 served as Vice President, Merchandising for Bluestem Brands, Inc. in Minneapolis, Minnesota, from June 2012 to March 2017.

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 \$18,800 to \$21,800 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**

| <b>Type of Fee</b>       | <b>Amount (See Note 1)</b>                                                                                                               | <b>Due Date</b>                                                                                                 | <b>Remarks</b>                                                                               |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Continuing Fee           | 5% of your "Gross Sales";<br>See Note 2                                                                                                  | On or before Wednesday of<br>each week for the previous<br>week                                                 | See Note 3                                                                                   |
| Marketing Fee            | \$1,000 per year                                                                                                                         | Due January 1 of each year                                                                                      |                                                                                              |
| Cooperative Advertising  | Maximum amount is 5% of<br>your Gross Sales                                                                                              | Established by Winmark or<br>franchisees                                                                        | See Note 4                                                                                   |
| Local Marketing Expenses | Minimum amount, when<br>combined with cooperative<br>advertising expenses, is 5%<br>of your Gross Sales.                                 | Minimum amount must be<br>spent during each calendar<br>year.                                                   | See Note 5                                                                                   |
| Advertising Fee          | If Winmark imposes this<br>fee, you will pay up to 2%<br>of your Gross Sales                                                             | If Winmark imposes this<br>fee, it will be due before<br>Wednesday of each week<br>for the previous week        | See Note 6                                                                                   |
| Transfer Fee             | \$10,000                                                                                                                                 | Before completion of<br>transfer                                                                                | See Note 7                                                                                   |
| Audit Expenses           | Cost and expenses related<br>to audit                                                                                                    | After inspection or audit                                                                                       | Payable only if under-<br>statement is greater than<br>2%                                    |
| Renewal Fee              | \$5,000                                                                                                                                  | 30 days before renewal of<br>Franchise Agreement                                                                |                                                                                              |
| DRS Maintenance Fee      | The fee for the term of this<br>Franchise Agreement is<br>\$1,000. Upon renewal the<br>then-current rate for the fee<br>will be applied. | The fee will be due upon<br>placement of order of POS<br>System, and upon renewal<br>of the Franchise Agreement | See Note 8                                                                                   |
| Technology Fee           | Currently \$0                                                                                                                            | Periodically, if established                                                                                    | See Note 9                                                                                   |
| Remodeling Expenses      | Will vary under<br>circumstances                                                                                                         | When incurred                                                                                                   | See Note 10                                                                                  |
| Insurance                | Will vary under certain<br>circumstances.                                                                                                | When Winmark requests<br>reimbursement                                                                          | Payable to Winmark if<br>you fail to pay insurance<br>premium and Winmark<br>pays it for you |

| Type of Fee               | Amount (See Note 1)                                     | Due Date      | Remarks                                                                                        |
|---------------------------|---------------------------------------------------------|---------------|------------------------------------------------------------------------------------------------|
| Inventory                 | Will vary under certain circumstances.                  | When incurred | See Note 11                                                                                    |
| 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                     |
| 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) As of the date of this Disclosure Document, Winmark does not charge a technology fee. Winmark may, however, with a minimum of 60 days prior written notice, establish a periodic technology fee for technology-related services provided by Winmark including, but not limited to, services related to Winmark's extranet platform, current and future training platforms, and current and future social and digital media management platforms. As Winmark does not charge a technology fee at this time, Winmark has not determined the frequency or amount of the fee (if established), but estimates that the amount of the fee will be between \$500 and \$2,500 per year, per Store. If a technology fee is established, Winmark will not increase the technology fee by more than 10% each year.
- (10) 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.

- (11) 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<br>See Note 1    | AMOUNT<br>See Note 2                  | METHOD OF PAYMENT      | WHEN DUE                                                | TO WHOM PAYMENT IS TO BE MADE                        |
|---------------------------------------|---------------------------------------|------------------------|---------------------------------------------------------|------------------------------------------------------|
| INITIAL FRANCHISE FEE<br>(See Note 3) | \$25,000<br>See Note 3                | Lump sum               | When you sign the Franchise Agreement                   | Winmark                                              |
| FIXTURES AND SUPPLIES                 | \$22,000 to \$46,500<br>See Note 4    | Lump sum<br>See Note 4 | Before opening<br>See Note 4                            | Third-party suppliers or Wirth Business Credit, Inc. |
| SIGNS                                 | \$6,500 to \$9,000<br>See Note 5      | Lump sum               | Before opening                                          | Third-party suppliers or Wirth Business Credit, Inc. |
| SECURITY SYSTEM AND/OR CAMERAS        | \$1,000 to \$5,000<br>See Note 6      | Lump sum<br>See Note 6 | Before opening<br>See Note 6                            | Third-party suppliers or Wirth Business Credit, Inc. |
| POINT-OF-SALE (POS) SYSTEM            | \$18,800 to \$21,800<br>See Note 7    | Lump sum<br>See Note 8 | Upon placement of order - before training<br>See Note 8 | Winmark or Wirth Business Credit, Inc.               |
| LEASEHOLD IMPROVEMENTS                | \$5,000 to \$9,000<br>See Note 8      | As incurred            | Before opening                                          | Third-party contractors and architects               |
| BUILD-OUT                             | \$25,000 to \$40,000<br>See Note 9    | As incurred            | Before opening                                          | Third-party contractors and architects               |
| DEPOSITS AND BUSINESS LICENSES        | \$5,000 to \$10,000<br>See Note 10    | Lump sum               | Before opening                                          | Landlord, utility companies and government agencies  |
| LETTER OF CREDIT                      | \$0 to \$5,000<br>See Note 11         | Lump sum               | Before purchasing inventory on credit from Winmark      | Lending institution                                  |
| OPENING INVENTORY                     | \$100,000 to \$130,000<br>See Note 12 | As incurred            | Prepaid at time of order before opening                 | Third-party suppliers, Winmark and consumers         |
| MISCELLANEOUS PRE-OPENING EXPENSES    | \$20,000 to \$40,000<br>See Note 13   | As incurred            | Before opening                                          | Third-party suppliers and utility companies          |

| TYPE OF EXPENDITURES<br>See Note 1 | AMOUNT<br>See Note 2                | METHOD OF PAYMENT | WHEN DUE    | TO WHOM PAYMENT IS TO BE MADE                |
|------------------------------------|-------------------------------------|-------------------|-------------|----------------------------------------------|
| ADDITIONAL FUNDS - 3 MONTHS        | \$40,000 to \$50,000<br>See Note 14 | As incurred       | As incurred | Winmark, employees and third-party suppliers |
| TOTAL<br>See Note 15               | \$268,300 to \$391,300              |                   |             |                                              |

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. This estimate includes the cost of a skate sharpener (if purchased) which could cost up to \$12,000. 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 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) 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).
- (8) 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.
- (9) 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.
- (10) This amount includes utility and security deposits and business licenses. Deposits are generally refundable, but license fees are not.
- (11) A letter of credit is not required by Winmark. However, if orders are needed to be placed through 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.)
- (12) This amount assumes your opening inventory will include both new and used sporting goods items. Winmark requires that you have a minimum of \$50,000 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 \$50,000 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.

- (13) 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 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.
- (14) 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.
- (15) 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 30 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 7% 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 \$3,222,887 from the sale of products, equipment and other items subject to Winmark's standards (including revenues of \$2,763,071 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 \$459,816 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 \$72,511,100, as stated in Winmark's Consolidated Statement of Operations for the year ended December 29, 2018. 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 29, 2018 were \$543,618.

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 \$52,000 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<br>in Agreement                                                                                                  | Disclosure Document<br>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              |
| f.         | Fees                                                    | Sections 2(B)(4), 4, 5, 6, 8(P), 8(Q) and 14(C)(6) of Franchise Agreement and Section 1 of the Additional Store Addendum | Items 5, 6, 7 and 11        |
| 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          |

| <b>Obligation</b> |                                                     | <b>Section in Agreement</b>                                                                                           | <b>Disclosure Document Item</b> |
|-------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|---------------------------------|
| 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, 2019, 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 1-2 days, typically 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 on the day 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 2018 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, 2019, 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
- 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 (optional)
- 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 with minimum download speeds of 20 MB and upload speeds of 5 MB
- A separate phone/data connection line at your store for remote dial-in connection
- An Internet Browser
- E-mail Address

The initial cost of purchasing the POS System from Winmark currently ranges from \$18,800 to \$21,800 (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)).

Although as of the issuance date of this Disclosure Document Winmark does not do so, Winmark reserves the right to charge a periodic technology fee for technology-related services provided by Winmark including, but not limited to, services related to Winmark's extranet platform, current and future training platforms, and current and future social and digital media management platforms (Franchise Agreement, Section 8(Q)). Winmark estimates that, if established, the amount of the technology fee will be between \$500 and \$2,500 per year, per

Store. If a technology fee is established, Winmark will not increase the technology fee by more than 10% each year.

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 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 attended when financing, lease and the online financial training are complete. It 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 |
| 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, 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, is 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. 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, 2019, is divided into the following subjects:

| Subject                 | Number of Pages |
|-------------------------|-----------------|
| Introduction            | 9               |
| Store Operations        | 35              |
| Inventory Management    | 32              |
| Employee Management     | 14              |
| Advertising & Marketing | 15              |
| <b>TOTAL</b>            | <b>105</b>      |

In addition, Winmark will provide electronic access to the following guides:

| Title                      | Number of Pages |
|----------------------------|-----------------|
| Loss Prevention Manual     | 50              |
| Visual Merchandising Guide | 86              |
| Buyer Certification Manual | 214             |
| Store Standards Manual     | 23              |

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, 2019, is divided into the following subjects:

| Subject       | Number of Pages |
|---------------|-----------------|
| Overview      | 25              |
| Miscellaneous | 4               |
| Registers     | 98              |
| Maintenance   | 93              |
| Reports       | 65              |



| <b>Subject</b>              | <b>Number of Pages</b> |
|-----------------------------|------------------------|
| Order/Receiving             | 38                     |
| Closing                     | 17                     |
| Configuration               | 26                     |
| Help                        | 6                      |
| Accounting Export Interface | 71                     |
| Release Notes               | 52                     |
| Glossary                    | 4                      |
| Index                       | 13                     |
| <b>TOTAL</b>                | <b>512</b>             |

The Guide to DRS Reports, as of March 1, 2019, is divided into the following subjects:

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

Winmark will provide you with a New Franchisee Orientation Manual. The current New Franchisee Orientation Manual, as of March 1, 2019, is divided into the following subjects:

| <b>Topic</b>                                  | <b>Number of Pages</b> |
|-----------------------------------------------|------------------------|
| Planning for Success                          | 57                     |
| Real Estate                                   | 27                     |
| Financing Your Business                       | 75                     |
| Small Business Loans                          | 31                     |
| Franchise & Trademark Presentation            | 32                     |
| New Store Development and Franchise Standards | 30                     |
| <b>TOTAL</b>                                  | <b>252</b>             |

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 |
| 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.<br>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).                                                                                                                                                                                                                                            |
| 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);<br>Section 3 of Software License Agreement | Franchise Agreement: Winmark can terminate the Franchise Agreement only if you default.<br>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.                                                                                                                |

| Provision |                                             | Section in Agreement (1)                                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------|---------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 | <p>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, failure to fully cooperate and timely complete audit and violation of the in-term covenant not to compete.</p> <p>Software License Agreement: If the Franchise Agreement terminates, you breach any term of the Software License Agreement or you become insolvent.</p> |
| i.        | Your obligations on termination/non-renewal | Section 17; Section 3 of Software License Agreement             | <p>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).</p> <p>Software License Agreement: All of your rights in the Proprietary Software terminate and you must return all copies of the Proprietary Software to Winmark.</p>                                                                                                                                                                                                                                                                                                                                  |
| 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       | <p>Franchise Agreement: Includes any transfer of the Store, or its assets, your interest in the Franchise Agreement or any significant ("controlling interest") ownership change.</p> <p>Software License Agreement: You cannot transfer your interest in the Software License Agreement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

| Provision |                                                                        | Section in Agreement (1)                               | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------|------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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, Winmark has determined that the purchase price and payment terms will not adversely affect the new franchisee's operation of the Store, if the transfer is financed by you, you agree that all of the new franchisee's obligations under promissory notes, agreements or security interests in the Store are subordinate to the new franchisee's obligation to pay fees owed to Winmark under the Franchise 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                 |



| Provision |                                                | Section in Agreement (1)                                          | Summary                                                                                                                                                                                                                                                                                                                                                        |
|-----------|------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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).<br><br>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).<br><br>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).<br><br>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 29, 2018 (Winmark's fiscal year) as reported by the 252 franchised Play It Again Sports® Stores in the United States and Canada that commenced operations during the years 1988 through 2017. 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 29, 2018. 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 29, 2018 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 252 franchised Play It Again Sports® Stores which had been in operation by the same franchisee or owners for the 12 month period ended December 29, 2018. All 252 Stores are reflected in the average. This financial performance representation does not include information for the 29 Play It Again Sports® Stores that opened or transferred in 2018. No Stores closed in 2018 after being opened less than 12 months.

Statement of average gross sales and gross profits of the 252 franchised Play It Again Sports® Stores for the fiscal year ended December 29, 2018, as reported by Play It Again Sports® franchisees to Winmark:

| Year Opened  | # Stores Reported | # and % of Stores Attaining or Exceeding Average Gross Sales <sup>(1)</sup> | # and % of Stores Attaining or Exceeding Average Gross Profit <sup>(2)</sup> | 2018 Average Gross Sales <sup>(3)</sup> | 2018 Median Gross Sales | 2018 Average Gross Profit <sup>(4)</sup> | 2018 Median Gross Profit | Average Gross Profit Percentage <sup>(5)</sup> | Sales Range <sup>(6)</sup> |
|--------------|-------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------|-------------------------|------------------------------------------|--------------------------|------------------------------------------------|----------------------------|
| 2017         | 15                | 2 / 13%                                                                     | 2 / 13%                                                                      | 595,238                                 | 533,326                 | 314,320                                  | 265,782                  | 52.81%                                         | 292,000 – 1,161,659        |
| 2016         | 8                 | 1 / 13%                                                                     | 1 / 13%                                                                      | 618,546                                 | 581,963                 | 324,067                                  | 293,836                  | 52.39%                                         | 450,717 – 993,821          |
| 2015         | 16                | 2 / 13%                                                                     | 2 / 13%                                                                      | 656,466                                 | 585,936                 | 360,603                                  | 331,001                  | 54.93%                                         | 378,203 – 1,485,896        |
| 2014         | 14                | 2 / 14%                                                                     | 3 / 21%                                                                      | 551,961                                 | 473,292                 | 299,195                                  | 253,815                  | 54.21%                                         | 168,410 – 1,244,565        |
| 2013         | 5                 | 2 / 40%                                                                     | 2 / 40%                                                                      | 620,731                                 | 700,521                 | 352,248                                  | 389,419                  | 56.75%                                         | 235,246 – 900,185          |
| 2012 & Prior | 194               | 81 / 42%                                                                    | 87 / 45%                                                                     | 881,963                                 | 749,869                 | 457,591                                  | 408,774                  | 51.88%                                         | 181,061 – 3,703,941        |
| TOTAL        | 252               | 90 / 36%                                                                    | 97 / 38%                                                                     | 818,699                                 | 698,350                 | 427,776                                  | 370,351                  | 52.25%                                         |                            |

- (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 252 Stores reported (\$818,699).
- (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 252 Stores reported (\$427,776).
- (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 the 252 franchised Play It Again Sports® Stores open at December 29, 2018 that had been in operation for at least 12 months by the same franchisee or owners for the 12 month period ended December 29, 2018 are as follows:

| Quartile <sup>(1)</sup> | # of Stores | 2018 Gross Sales Range by Quartile | 2018 Quartile Average Gross Sales | 2018 Quartile Median Gross Sales | # and % of Stores Attaining or Exceeding Quartile Average Gross Sales | 2018 Quartile Average Gross Profit | 2018 Quartile Median Gross Profit | # and % of Stores Attaining or Exceeding Quartile Average Gross Profit | Quartile Average Gross Profit Percentage <sup>(2)</sup> |
|-------------------------|-------------|------------------------------------|-----------------------------------|----------------------------------|-----------------------------------------------------------------------|------------------------------------|-----------------------------------|------------------------------------------------------------------------|---------------------------------------------------------|
| 1 <sup>st</sup>         | 63          | 1,013,803 – 3,703,941              | 1,458,020                         | 1,272,828                        | 23 / 37%                                                              | 747,620                            | 656,969                           | 21 / 33%                                                               | 51.28%                                                  |
| 2 <sup>nd</sup>         | 63          | 698,560 – 1,012,703                | 822,115                           | 803,603                          | 26 / 41%                                                              | 439,125                            | 432,268                           | 29 / 46%                                                               | 53.41%                                                  |
| 3 <sup>rd</sup>         | 63          | 522,829 – 698,140                  | 601,809                           | 604,248                          | 32 / 51%                                                              | 309,002                            | 312,846                           | 34 / 54%                                                               | 51.35%                                                  |
| 4 <sup>th</sup>         | 63          | 168,410 – 521,533                  | 392,854                           | 407,263                          | 33 / 52%                                                              | 215,357                            | 226,102                           | 34 / 54%                                                               | 54.82%                                                  |

- (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.

Based on information reported by the 252 Play It Again Sports® Stores which had been in operation by the same franchisee or owner for the 12 month period ended December 29, 2018, the following chart sets forth the number of Stores, Average and Median Gross Sales, the lowest and highest Gross Sales amount in each range and the percentage of total number of Stores that fell within certain ranges of Average Gross Sales for 2018:

| 2018 Range of Average Gross Sales | # of Stores falling within noted range | Average Gross Sales Stores within noted range | # and % of Stores attaining or exceeding Average Gross Sales Stores within noted range | Gross Sales for lowest Store within noted range | Gross Sales for highest Store within noted range | Median Gross Sales for Stores within noted range | % of total number of Stores (252) within noted range |
|-----------------------------------|----------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------|--------------------------------------------------|------------------------------------------------------|
| 0 - \$250,000                     | 7                                      | 208,412                                       | 4 / 57%                                                                                | 168,410                                         | 243,464                                          | 212,088                                          | 2.78%                                                |
| \$250,001 - \$500,000             | 47                                     | 397,445                                       | 23 / 49%                                                                               | 278,107                                         | 492,350                                          | 395,189                                          | 18.65%                                               |
| \$500,001 - \$1,000,000           | 134                                    | 696,310                                       | 63 / 47%                                                                               | 501,504                                         | 993,821                                          | 673,732                                          | 53.17%                                               |
| \$1,000,001 - \$2,000,000         | 57                                     | 1,313,053                                     | 22 / 39%                                                                               | 1,012,703                                       | 1,988,061                                        | 1,224,962                                        | 22.62%                                               |
| \$2,000,001 - \$3,000,000         | 6                                      | 2,386,666                                     | 3 / 50%                                                                                | 2,025,774                                       | 2,901,650                                        | 2,307,020                                        | 2.38%                                                |
| >\$3,000,000                      | 1                                      | 3,703,941                                     | 1 / 100%                                                                               | 3,703,941                                       | 3,703,941                                        | 3,703,941                                        | .40%                                                 |

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, Winmark does not make any financial performance representations. 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 Renae Gaudette, Vice 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<sup>(1)</sup>**  
**For Years 2016 to 2018**

| Store Type           | Year | Stores at the Start of the Year | Stores at the End of the Year <sup>(2)</sup> | Net Change |
|----------------------|------|---------------------------------|----------------------------------------------|------------|
| <b>Franchised</b>    | 2016 | 297                             | 283                                          | -14        |
|                      | 2017 | 283                             | 281                                          | -2         |
|                      | 2018 | 281                             | 281                                          | 0          |
| <b>Company-Owned</b> | 2016 | 0                               | 0                                            | 0          |
|                      | 2017 | 0                               | 0                                            | 0          |
|                      | 2018 | 0                               | 0                                            | 0          |
| <b>Total Stores</b>  | 2016 | 297                             | 283                                          | -14        |
|                      | 2017 | 283                             | 281                                          | -2         |
|                      | 2018 | 281                             | 281                                          | 0          |

(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 31, 2016, December 30, 2017 and December 29, 2018).

**TABLE NUMBER 2**  
**Transfers of Stores From Franchisees to New Owners (Other than Winmark)**  
**For Years 2016 to 2018**

| State         | Year | Number of Transfers |
|---------------|------|---------------------|
| Arkansas      | 2016 | 0                   |
|               | 2017 | 0                   |
|               | 2018 | 1                   |
| California    | 2016 | 0                   |
|               | 2017 | 0                   |
|               | 2018 | 1                   |
| Colorado      | 2016 | 0                   |
|               | 2017 | 0                   |
|               | 2018 | 1                   |
| Florida       | 2016 | 3                   |
|               | 2017 | 3                   |
|               | 2018 | 6                   |
| Georgia       | 2016 | 1                   |
|               | 2017 | 0                   |
|               | 2018 | 1                   |
| Indiana       | 2016 | 1                   |
|               | 2017 | 0                   |
|               | 2018 | 0                   |
| Kentucky      | 2016 | 0                   |
|               | 2017 | 1                   |
|               | 2018 | 0                   |
| Louisiana     | 2016 | 0                   |
|               | 2017 | 0                   |
|               | 2018 | 1                   |
| Maryland      | 2016 | 0                   |
|               | 2017 | 0                   |
|               | 2018 | 1                   |
| Massachusetts | 2016 | 1                   |
|               | 2017 | 0                   |
|               | 2018 | 1                   |
| Mississippi   | 2016 | 0                   |
|               | 2017 | 1                   |
|               | 2018 | 0                   |
| Missouri      | 2016 | 0                   |
|               | 2017 | 0                   |
|               | 2018 | 1                   |

| State          | Year | Number of Transfers |
|----------------|------|---------------------|
| North Carolina | 2016 | 0                   |
|                | 2017 | 0                   |
|                | 2018 | 1                   |
| Ohio           | 2016 | 0                   |
|                | 2017 | 1                   |
|                | 2018 | 4                   |
| Tennessee      | 2016 | 0                   |
|                | 2017 | 1                   |
|                | 2018 | 0                   |
| Utah           | 2016 | 1                   |
|                | 2017 | 0                   |
|                | 2018 | 1                   |
| Wisconsin      | 2016 | 1                   |
|                | 2017 | 0                   |
|                | 2018 | 1                   |
| Canada         | 2016 | 0                   |
|                | 2017 | 2                   |
|                | 2018 | 2                   |
| TOTAL          | 2016 | 8                   |
|                | 2017 | 9                   |
|                | 2018 | 23                  |

**TABLE NUMBER 3**  
**Status of Franchised Stores<sup>(1)</sup>**  
**For Years 2016 to 2018**

| 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 <sup>(2)</sup> |
|----------|------|---------------------------------|---------------|--------------|--------------|--------------------------|----------------------------------|----------------------------------------------|
| Alabama  | 2016 | 4                               | 0             | 1            | 1            | 0                        | 0                                | 2                                            |
|          | 2017 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|          | 2018 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
| Alaska   | 2016 | 5                               | 0             | 1            | 0            | 0                        | 0                                | 4                                            |
|          | 2017 | 4                               | 0             | 0            | 0            | 0                        | 0                                | 4                                            |
|          | 2018 | 4                               | 0             | 0            | 0            | 0                        | 0                                | 4                                            |
| Arizona  | 2016 | 7                               | 0             | 0            | 0            | 0                        | 0                                | 7                                            |
|          | 2017 | 7                               | 0             | 1            | 0            | 0                        | 0                                | 6                                            |
|          | 2018 | 6                               | 0             | 0            | 0            | 0                        | 0                                | 6                                            |
| Arkansas | 2016 | 2                               | 1             | 0            | 0            | 0                        | 0                                | 3                                            |
|          | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|          | 2018 | 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 <sup>(2)</sup> |
|-------------|------|---------------------------------|---------------|--------------|--------------|--------------------------|----------------------------------|----------------------------------------------|
| California  | 2016 | 23                              | 0             | 2            | 0            | 0                        | 0                                | 21                                           |
|             | 2017 | 21                              | 0             | 0            | 0            | 0                        | 0                                | 21                                           |
|             | 2018 | 21                              | 0             | 0            | 0            | 0                        | 0                                | 21                                           |
| Colorado    | 2016 | 8                               | 0             | 0            | 0            | 0                        | 0                                | 8                                            |
|             | 2017 | 8                               | 1             | 0            | 0            | 0                        | 0                                | 9                                            |
|             | 2018 | 9                               | 0             | 1            | 0            | 0                        | 0                                | 8                                            |
| Connecticut | 2016 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|             | 2017 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|             | 2018 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
| Florida     | 2016 | 30                              | 0             | 5            | 0            | 0                        | 0                                | 25                                           |
|             | 2017 | 25                              | 0             | 2            | 1            | 0                        | 0                                | 22                                           |
|             | 2018 | 22                              | 0             | 2            | 0            | 0                        | 0                                | 20                                           |
| Georgia     | 2016 | 7                               | 0             | 0            | 0            | 0                        | 0                                | 7                                            |
|             | 2017 | 7                               | 0             | 0            | 0            | 0                        | 0                                | 7                                            |
|             | 2018 | 7                               | 2             | 0            | 0            | 0                        | 0                                | 9                                            |
| Idaho       | 2016 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|             | 2017 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|             | 2018 | 2                               | 1             | 0            | 0            | 0                        | 0                                | 3                                            |
| Illinois    | 2016 | 14                              | 0             | 0            | 0            | 0                        | 0                                | 14                                           |
|             | 2017 | 14                              | 0             | 0            | 0            | 0                        | 0                                | 14                                           |
|             | 2018 | 14                              | 1             | 0            | 0            | 0                        | 0                                | 15                                           |
| Indiana     | 2016 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
|             | 2017 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
|             | 2018 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
| Iowa        | 2016 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|             | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|             | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| Kansas      | 2016 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|             | 2017 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|             | 2018 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
| Kentucky    | 2016 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|             | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|             | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| Louisiana   | 2016 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|             | 2017 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|             | 2018 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
| Maine       | 2016 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|             | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|             | 2018 | 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 <sup>(2)</sup> |
|---------------|------|---------------------------------|---------------|--------------|--------------|--------------------------|----------------------------------|----------------------------------------------|
| Maryland      | 2016 | 4                               | 0             | 0            | 0            | 0                        | 0                                | 4                                            |
|               | 2017 | 4                               | 0             | 0            | 0            | 0                        | 0                                | 4                                            |
|               | 2018 | 4                               | 0             | 0            | 0            | 0                        | 0                                | 4                                            |
| Massachusetts | 2016 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
|               | 2017 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
|               | 2018 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
| Michigan      | 2016 | 13                              | 0             | 0            | 0            | 0                        | 0                                | 13                                           |
|               | 2017 | 13                              | 0             | 1            | 0            | 0                        | 0                                | 12                                           |
|               | 2018 | 12                              | 0             | 0            | 0            | 0                        | 0                                | 12                                           |
| Minnesota     | 2016 | 4                               | 0             | 1            | 0            | 0                        | 0                                | 3                                            |
|               | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|               | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| Mississippi   | 2016 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|               | 2017 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|               | 2018 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
| Missouri      | 2016 | 6                               | 0             | 0            | 0            | 0                        | 0                                | 6                                            |
|               | 2017 | 6                               | 0             | 1            | 0            | 0                        | 0                                | 5                                            |
|               | 2018 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
| Montana       | 2016 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|               | 2017 | 2                               | 1             | 0            | 0            | 0                        | 0                                | 3                                            |
|               | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| Nebraska      | 2016 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|               | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|               | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| Nevada        | 2016 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|               | 2017 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|               | 2018 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
| New Hampshire | 2016 | 0                               | 0             | 0            | 0            | 0                        | 0                                | 0                                            |
|               | 2017 | 0                               | 0             | 0            | 0            | 0                        | 0                                | 0                                            |
|               | 2018 | 0                               | 1             | 0            | 0            | 0                        | 0                                | 1                                            |
| New Jersey    | 2016 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|               | 2017 | 2                               | 0             | 1            | 0            | 0                        | 0                                | 1                                            |
|               | 2018 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
| New Mexico    | 2016 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|               | 2017 | 2                               | 1             | 0            | 0            | 0                        | 0                                | 3                                            |
|               | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| New York      | 2016 | 8                               | 0             | 0            | 0            | 0                        | 0                                | 8                                            |
|               | 2017 | 8                               | 0             | 0            | 0            | 0                        | 0                                | 8                                            |
|               | 2018 | 8                               | 0             | 1            | 0            | 0                        | 0                                | 7                                            |

| 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 <sup>(2)</sup> |
|----------------|------|---------------------------------|---------------|--------------|--------------|--------------------------|----------------------------------|----------------------------------------------|
| North Carolina | 2016 | 12                              | 0             | 0            | 0            | 0                        | 0                                | 12                                           |
|                | 2017 | 12                              | 1             | 0            | 0            | 0                        | 0                                | 13                                           |
|                | 2018 | 13                              | 0             | 0            | 0            | 0                        | 0                                | 13                                           |
| North Dakota   | 2016 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|                | 2017 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|                | 2018 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
| Ohio           | 2016 | 18                              | 0             | 0            | 0            | 0                        | 0                                | 18                                           |
|                | 2017 | 18                              | 0             | 1            | 0            | 0                        | 0                                | 17                                           |
|                | 2018 | 17                              | 0             | 1            | 0            | 0                        | 0                                | 16                                           |
| Oklahoma       | 2016 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|                | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|                | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| Oregon         | 2016 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|                | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|                | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| Pennsylvania   | 2016 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|                | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|                | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| South Carolina | 2016 | 4                               | 0             | 0            | 0            | 0                        | 0                                | 4                                            |
|                | 2017 | 4                               | 1             | 0            | 0            | 0                        | 0                                | 5                                            |
|                | 2018 | 5                               | 1             | 0            | 0            | 0                        | 0                                | 6                                            |
| South Dakota   | 2016 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|                | 2017 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|                | 2018 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
| Tennessee      | 2016 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
|                | 2017 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
|                | 2018 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
| Texas          | 2016 | 6                               | 0             | 1            | 0            | 0                        | 0                                | 5                                            |
|                | 2017 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
|                | 2018 | 5                               | 0             | 0            | 0            | 0                        | 0                                | 5                                            |
| Utah           | 2016 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|                | 2017 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
|                | 2018 | 3                               | 0             | 0            | 0            | 0                        | 0                                | 3                                            |
| Vermont        | 2016 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|                | 2017 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
|                | 2018 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
| Virginia       | 2016 | 10                              | 0             | 1            | 0            | 0                        | 0                                | 9                                            |
|                | 2017 | 9                               | 0             | 0            | 0            | 0                        | 0                                | 9                                            |
|                | 2018 | 9                               | 0             | 0            | 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 <sup>(2)</sup> |
|---------------|------|---------------------------------|---------------|--------------|--------------|--------------------------|----------------------------------|----------------------------------------------|
| Washington    | 2016 | 6                               | 1             | 0            | 0            | 0                        | 0                                | 7                                            |
|               | 2017 | 7                               | 0             | 0            | 0            | 0                        | 0                                | 7                                            |
|               | 2018 | 7                               | 0             | 0            | 0            | 0                        | 0                                | 7                                            |
| West Virginia | 2016 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|               | 2017 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
|               | 2018 | 2                               | 0             | 0            | 0            | 0                        | 0                                | 2                                            |
| Wisconsin     | 2016 | 10                              | 0             | 1            | 0            | 0                        | 0                                | 9                                            |
|               | 2017 | 9                               | 0             | 0            | 0            | 0                        | 0                                | 9                                            |
|               | 2018 | 9                               | 0             | 0            | 0            | 0                        | 0                                | 9                                            |
| Wyoming       | 2016 | 0                               | 0             | 0            | 0            | 0                        | 0                                | 0                                            |
|               | 2017 | 0                               | 1             | 0            | 0            | 0                        | 0                                | 1                                            |
|               | 2018 | 1                               | 0             | 0            | 0            | 0                        | 0                                | 1                                            |
| Canada        | 2016 | 36                              | 0             | 2            | 0            | 0                        | 0                                | 34                                           |
|               | 2017 | 34                              | 0             | 0            | 0            | 0                        | 0                                | 34                                           |
|               | 2018 | 34                              | 0             | 1            | 0            | 0                        | 0                                | 33                                           |
| TOTAL         | 2016 | 297                             | 2             | 15           | 1            | 0                        | 0                                | 283                                          |
|               | 2017 | 283                             | 6             | 7            | 1            | 0                        | 0                                | 281                                          |
|               | 2018 | 281                             | 6             | 6            | 0            | 0                        | 0                                | 281                                          |

- (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 31, 2016, December 30, 2017 and December 29, 2018).
- (3) Separately, Jim Van Buskirk, through one or more entities, operates 14 non-franchised Play It Again Sports® stores in Minnesota (11), North Dakota (1), South Dakota (1) and Wisconsin (1).

**TABLE NUMBER 4**  
**Status of Company-Owned Stores**  
**For Years 2016 to 2018**

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

**TABLE NUMBER 5**  
**Projected Openings**  
**As of December 29, 2018**

| 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 |
|--------------|--------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------|
| California   | 1                                                | 1                                                       | 0                                                          |
| Nevada       | 1                                                | 1                                                       | 0                                                          |
| Texas        | 1                                                | 1                                                       | 0                                                          |
| Canada       | 2                                                | 2                                                       | 0                                                          |
| <b>TOTAL</b> | 5                                                | 5                                                       | 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 Dan Buxton, 3640 E Colorado Boulevard, Pasadena, CA 91107, telephone - (805) 403-1395, email - [danspias@hotmail.com](mailto:danspias@hotmail.com).

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 29, 2018 and December 30, 2017 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 29, 2018, together with the Report of Independent Registered Public Accounting Firm from Grant Thornton LLP dated March 8, 2019, relating to the aforementioned consolidated financial statements.

Also included in Exhibit C, as further described in Item 1, is the unaudited pro forma consolidated financial data for the year ended December 29, 2018.

#### 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](http://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 2<sup>nd</sup> 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

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

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

2. 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.

Dispute Resolution by Arbitration or Mediation. This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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."

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

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

For South Dakota franchisees, the State of South Dakota 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.



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 29, 2018

| Franchisee                     | Store Address                       | City             | ST | Zipcode | Store Phone  |
|--------------------------------|-------------------------------------|------------------|----|---------|--------------|
| <b>ALBERTA</b>                 |                                     |                  |    |         |              |
| Elvey, Troy                    | 270 Stewart Green SW                | Calgary          | AB | T3H 3C8 | 403-686-4228 |
| Elvey, Troy                    | 303 Shawville Blvd SE Unit 560      | Calgary          | AB | T2Y 3W6 | 403-254-8561 |
| Flaman-Haley, Chris            | 4930 53rd Ave                       | Red Deer         | AB | T4N 5J9 | 403-347-2227 |
| <b>ALASKA</b>                  |                                     |                  |    |         |              |
| 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 A | Wasilla          | AK | 99654   | 907-376-8046 |
| <b>ALABAMA</b>                 |                                     |                  |    |         |              |
| 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 |
| <b>ARKANSAS</b>                |                                     |                  |    |         |              |
| 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 |
| Campbell, Cameron              | 3407 E Highland Dr                  | Jonesboro        | AR | 72401   | 870-336-0056 |
| <b>ARIZONA</b>                 |                                     |                  |    |         |              |
| Sanchez, Matt                  | 1400 N Litchfield Rd Ste G9         | Goodyear         | AZ | 85338   | 623-939-7799 |
| 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 |
| <b>BRITISH COLOMBIA</b>        |                                     |                  |    |         |              |
| Boback, Mike                   | 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 |
| <b>CALIFORNIA</b>              |                                     |                  |    |         |              |
| 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 |
| Coutts, David                  | 6841 Dublin Blvd                    | Dublin           | CA | 94568   | 925-734-6750 |
| 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 |
| *Buxton, Daniel                | 8011 University Ave Ste C-4         | La Mesa          | CA | 91942   |              |
| 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 |
| 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   | 805-967-9886 |
| 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, Jim                    | 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 Ste 4             | Ventura          | CA | 93003   | 805-644-4948 |
|                                |                                     |                  |    |         |              |
|                                |                                     |                  |    |         |              |

PLAY IT AGAIN SPORTS  
AS OF DECEMBER 29, 2018

| Franchisee                   | Store Address                | City              | ST | Zipcode | Store Phone  |
|------------------------------|------------------------------|-------------------|----|---------|--------------|
| <b>COLORADO</b>              |                              |                   |    |         |              |
| Hassemer, Vickie             | 18851 E Hampden Ave Unit 185 | 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, Gregory               | 935 N Academy Blvd           | Colorado Springs  | CO | 80909   | 719-574-4849 |
| Liebl, Travis                | 5170 N Academy Blvd          | Colorado Springs  | CO | 80918   | 719-528-5840 |
| O'Donnell, Kevin             | 13057 W Alameda Pkwy         | Lakewood          | CO | 80228   | 303-593-2108 |
| 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 |
| <b>CONNECTICUT</b>           |                              |                   |    |         |              |
| 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 |
| <b>FLORIDA</b>               |                              |                   |    |         |              |
| 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 |
| Wilson, Michael              | 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                | 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 |
| Kamp, Jeff                   | 1809 E Silver Springs Blvd   | Ocala             | FL | 34470   | 352-622-1122 |
| Hopkins, Samuel              | 35181 US Hwy 19 N            | Palm Harbor       | FL | 34684   | 727-781-7700 |
| Simon, Gerald                | 3942 Tyrone Blvd             | Saint Petersburg  | FL | 33709   | 727-256-2178 |
| Zimmerman, Mark              | 5407 Fruitville Rd           | Sarasota          | FL | 34232   | 941-378-1477 |
| Gomez, Raul                  | 3351 SE Federal Hwy          | Stuart            | FL | 34997   | 772-286-9552 |
| Heap, Justin                 | 3183 Capital Cir NE          | Tallahassee       | FL | 32308   | 850-523-0801 |
| Hopkins, Samuel              | 11921 N Dale Mabry Hwy       | Tampa             | FL | 33618   | 813-374-5932 |
| Kendall, Bill                | 3914 Britton Plaza           | Tampa             | FL | 33611   | 813-837-8771 |
| Fortin, Sandy                | 6160 20th St                 | Vero Beach        | FL | 32966   | 772-563-0026 |
| Fortin, Sandy                | 1668 Bruce B Downs Blvd      | Wesley Chapel     | FL | 33543   | 813-991-4190 |
| Hundley, Mary Beth           | 621 Cypress Garden Blvd      | Winter Haven      | FL | 33880   | 863-294-9696 |
| Dorta, Juan                  | 1425 Tuskawilla Rd Ste 195   | Winter Springs    | FL | 32708   | 407-677-5007 |
| <b>GEORGIA</b>               |                              |                   |    |         |              |
| Curtis, Bo & Schneider, John | 3872 Roswell Rd D7-D9        | Atlanta           | GA | 30342   | 404-257-0225 |
| Gregory, Donna               | 1025 East West Connector     | Austell           | GA | 30106   | 678-388-0354 |
| Greene, Nicholas             | 3200 Woodward Crossing Blvd  | Buford            | GA | 30519   | 770-932-0320 |
| Love, Barry                  | 410 Cherokee Pl              | Cartersville      | GA | 30121   | 770-386-8866 |
| Carlton, Jason               | 2122 N Decatur Rd            | Decatur           | GA | 30033   | 404-329-2005 |
| Lambert, Al                  | 35 Hudson Plaza              | Fayetteville      | GA | 30214   | 770-460-7513 |
| Crook, Jay                   | 840 W Barrett Pkwy Ste 560   | Kennesaw          | GA | 30144   | 770-429-8636 |
| Barnard, Joshua              | 993 Mansell Rd               | Roswell           | GA | 30076   | 770-642-4880 |
| Crotts, Daniel               | 2262 E Main St               | Snellville        | GA | 30078   | 770-493-8295 |
| <b>IOWA</b>                  |                              |                   |    |         |              |
| 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 |
| <b>IDAHO</b>                 |                              |                   |    |         |              |
| Welch, Mike                  | 7566 Fairview Ave            | Boise             | ID | 83704   | 208-378-0055 |
| Talamantez, Greg             | 557 S Woodruff Ave           | Idaho Falls       | ID | 83404   | 208-524-0500 |
| Welch, Michael               | 2730 Sundance Rd             | Nampa             | ID | 83651   | 208-465-7427 |

PLAY IT AGAIN SPORTS  
AS OF DECEMBER 29, 2018

| Franchisee                  | Store Address                  | City             | ST | Zipcode | Store Phone  |
|-----------------------------|--------------------------------|------------------|----|---------|--------------|
| <b>ILLINOIS</b>             |                                |                  |    |         |              |
| Kaminsky, Charles           | 3939 N Ashland Ave             | Chicago          | IL | 60613   | 773-305-9900 |
| Ruer, Bob                   | 6124 Northwest Hwy             | Crystal Lake     | IL | 60014   | 815-459-1717 |
| Jefson, Randy               | 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 |
| Darnell, Paul               | 3000 US Hwy 34                 | Montgomery       | IL | 60543   | 630-554-8049 |
| 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 |
| <b>INDIANA</b>              |                                |                  |    |         |              |
| 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 |
| Alldredge, Brian            | 6219 Vogel Rd Ste 104          | Evansville       | IN | 47715   | 812-909-0398 |
| Gilchrist, Duane            | 11681 Olio Rd                  | Fishers          | IN | 46037   | 317-288-4632 |
| Hale, Elaine                | 8923 S Meridian St             | Indianapolis     | IN | 46217   | 317-859-8080 |
| <b>KANSAS</b>               |                                |                  |    |         |              |
| Jarvis, Bob                 | 7151 135th St                  | Overland Park    | KS | 66223   | 913-897-3091 |
| Martin, Scott               | 8929 W Central Ave             | Wichita          | KS | 67212   | 316-729-0300 |
| <b>KENTUCKY</b>             |                                |                  |    |         |              |
| Turnbull, Jace              | 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 |
| <b>LOUISIANA</b>            |                                |                  |    |         |              |
| Webster, Robert             | 1938 E 70th St                 | Shreveport       | LA | 71105   | 318-220-4385 |
| <b>MASSACHUSETTS</b>        |                                |                  |    |         |              |
| Leivi, Mike                 | 606 Washington St              | Dedham           | MA | 02026   | 781-493-6790 |
| Pellecchia, Ryan            | 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   | 781-438-2395 |
| Pill, Dan                   | 108C River St                  | Waltham          | MA | 02453   | 781-609-2500 |
| <b>MANITOBA</b>             |                                |                  |    |         |              |
| *Barringer, Dean            | 1375 McPhillips Unit 8         | Winnipeg         | MB | R3C 1T1 |              |
| Vermette, Greg              | 730 St. Anne's Rd Unit U       | Winnipeg         | MB | R2N 0A2 | 204-256-1115 |
| <b>MARYLAND</b>             |                                |                  |    |         |              |
| Cornwell, Jayme             | 7968 Bel Air Rd                | Baltimore        | MD | 21236   | 410-882-1810 |
| Mausser, 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 |
| <b>MAINE</b>                |                                |                  |    |         |              |
| Gilhooly, Kevin             | 250 Center St                  | Auburn           | ME | 04210   | 207-777-7421 |
| Rousseau, Scott             | 473 Alfred St                  | Biddeford        | ME | 04005   | 207-602-6060 |
| Rousseau, Scott             | 315 Marginal Way               | Portland         | ME | 04101   | 207-773-6063 |
|                             |                                |                  |    |         |              |
|                             |                                |                  |    |         |              |



PLAY IT AGAIN SPORTS  
AS OF DECEMBER 29, 2018

| Franchisee                   | Store Address                       | City          | ST | Zipcode | Store Phone  |
|------------------------------|-------------------------------------|---------------|----|---------|--------------|
| <b>MICHIGAN</b>              |                                     |               |    |         |              |
| 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   | 616-635-2915 |
| Seyferth, David & Naomi      | 3734 28th St SE                     | Grand Rapids  | 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 |
| <b>MINNESOTA</b>             |                                     |               |    |         |              |
| 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 |
| <b>MISSOURI</b>              |                                     |               |    |         |              |
| 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 |
| 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 |
| Susman, Jake                 | 234 Mid Rivers Ctr                  | St Peters     | MO | 63376   | 636-397-0100 |
| <b>MISSISSIPPI</b>           |                                     |               |    |         |              |
| Townsend, John               | 4400 Hardy St Ste A12               | Hattiesburg   | MS | 39402   | 601-268-8941 |
| Thigpen, Jeff                | 900 E Cty Line Rd                   | Ridgeland     | MS | 39157   | 601-956-5500 |
| <b>MONTANA</b>               |                                     |               |    |         |              |
| 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                | 3215 Dredge Dr                      | Helena        | MT | 59602   | 406-422-0655 |
| <b>NORTH CAROLINA</b>        |                                     |               |    |         |              |
| 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 | 27518   | 919-851-1851 |
| Douglass, Jay                | 8500 Pineville-Matthews Rd          | Charlotte     | NC | 28226   | 704-540-6339 |
| Guise, Chad                  | 5318 New Hope Common Ext            | Durham        | NC | 27707   | 919-493-7200 |
| Mathias, Dean & Anne         | 245 Westwood Shpg Ctr               | Fayetteville  | NC | 28314   | 910-860-8100 |
| Kemp, Mike & Shannon         | PO Box 39206, 2963 Battleground Ave | Greensboro    | NC | 27408   | 336-282-9910 |
| Mathias, Dean & Anne         | 890 Greenville Blvd Ste 101         | Greenville    | NC | 27834   | 252-353-4344 |
| Pare, Wayne                  | 138 W Holly Springs Rd              | Holly Springs | NC | 27540   | 919-589-2601 |
| Willis, Mark                 | 539 E Plaza Dr Ste R                | Mooresville   | NC | 28115   | 704-658-0270 |
| Guise, 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 |
| <b>NORTH DAKOTA</b>          |                                     |               |    |         |              |
| Netland, Eric                | 2501 45th St S                      | Fargo         | ND | 58104   | 701-293-1721 |
| <b>NEBRASKA</b>              |                                     |               |    |         |              |
| 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 |

**PLAY IT AGAIN SPORTS  
AS OF DECEMBER 29, 2018.**

| Franchisee                | Store Address               | City           | ST | Zipcode | Store Phone  |
|---------------------------|-----------------------------|----------------|----|---------|--------------|
| <b>NEW HAMPSHIRE</b>      |                             |                |    |         |              |
| Wong, Alan                | 1500 Lafayette Rd.          | Portsmouth     | NH | 03801   | 603-287-4218 |
| <b>NEW JERSEY</b>         |                             |                |    |         |              |
| Torres, Mark              | 1450 Clements Bridge Rd     | Deptford       | NJ | 08096   | 856-579-8250 |
| <b>NEWFOUNDLAND</b>       |                             |                |    |         |              |
| O'Neill, Bob              | 390 Topsail Rd              | St. John's     | NL | A1E 2C5 | 709-745-7529 |
| <b>NEW MEXICO</b>         |                             |                |    |         |              |
| Ruiz, Carlos              | 3301 Coors Blvd NW          | Albuquerque    | NM | 87120   | 505-890-7041 |
| Welch, Jon                | 7401 Menaul Blvd NE         | Albuquerque    | NM | 87110   | 505-881-0551 |
| Glick, Justin             | 1021 E Amador Ave Ste A     | Las Cruces     | NM | 88001   | 575-523-7529 |
| <b>NEVADA</b>             |                             |                |    |         |              |
| Stein, Joe                | 911 Topsy Lane Ste 226A     | Carson City    | NV | 89705   | 775-267-3390 |
| *Miller, Adam             |                             | Spring Valley  | NV |         |              |
| <b>NEW YORK</b>           |                             |                |    |         |              |
| 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 |
| Pittona, 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 Ste 33B | Rochester      | NY | 14623   | 585-427-7750 |
| <b>OHIO</b>               |                             |                |    |         |              |
| Powers, Norm & Douce, Bob | 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 |
| Behymer, Margaret (Peggy) | 8223 Colerain Ave           | Cincinnati     | OH | 45239   | 513-245-2006 |
| Gabbard, Keith            | 9990 Kings Auto Mall Dr     | Cincinnati     | OH | 45249   | 513-583-0040 |
| Johnson, Mike             | 4329 Red Bank Rd            | Cincinnati     | OH | 45227   | 513-321-1711 |
| 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 |
| Tanner, Dave & Leslie     | 4720 Cemetery Rd            | Hilliard       | OH | 43026   | 614-529-9100 |
| Weisberg, Matt            | 5455 Mayfield Rd            | Lyndhurst      | OH | 44124   | 440-461-8474 |
| Anthony, Daniel           | 4733 Great Northern Blvd    | N Olmsted      | OH | 44070   | 440-777-5569 |
| Johansing, Joshua         | 11749 Princeton Pike        | Springdale     | OH | 45246   | 513-870-0010 |
| Buenafior, 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 |
| Sanzo, Dominic            | 718 N State St              | Westerville    | OH | 43081   | 614-890-2110 |
| <b>OKLAHOMA</b>           |                             |                |    |         |              |
| 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 |
| <b>ONTARIO</b>            |                             |                |    |         |              |
| Mousastichov, Igor        | 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 |
| Hoppe, Mark               | 3450 Dundas St Unit B19     | Burlington     | ON | L7M 4B8 | 905-639-8872 |
| 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 Unit 2    | 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 |

**PLAY IT AGAIN SPORTS  
AS OF DECEMBER 29, 2018**

| Franchisee                        | Store Address                   | City           | ST | Zipcode | Store Phone  |
|-----------------------------------|---------------------------------|----------------|----|---------|--------------|
| *Arruda, John                     | 622 Upper James St              | Hamilton       | ON | L9C 2Z1 |              |
| Jensen, Dave                      | 488 Terry Fox Dr                | Kanata         | ON | K2T 1L3 | 613-599-9937 |
| Cavalier, Warren                  | 500 Gardiners Rd                | Kingston       | ON | K7M 7W9 | 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                  | 4905 Bathurst St                | North York     | ON | M2R 1X8 | 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 |
| <b>OREGON</b>                     |                                 |                |    |         |              |
| 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 |
| <b>PENNSYLVANIA</b>               |                                 |                |    |         |              |
| 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 |
| <b>QUEBEC</b>                     |                                 |                |    |         |              |
| 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 |
| <b>SOUTH CAROLINA</b>             |                                 |                |    |         |              |
| Cason, Seth & Richardson, William | 630 Skylark Dr Ste M            | Charleston     | SC | 29407   | 843-225-2450 |
| 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 |
| Rajcok, John                      | 2349 Cherry Rd                  | Rock Hill      | SC | 29730   | 803-366-7131 |
| Gore, Larry                       | 1735 John B White Sr Blvd       | Spartanburg    | SC | 29301   | 864-595-9911 |
| <b>SOUTH DAKOTA</b>               |                                 |                |    |         |              |
| Thomson, Jim                      | 660 N LaCrosse St               | Rapid City     | SD | 57701   | 605-341-7529 |
| <b>TENNESSEE</b>                  |                                 |                |    |         |              |
| 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 Suite 300   | Hendersonville | TN | 37075   | 615-822-6633 |
| Olive, Jonathan                   | 123 North Seven Oaks Dr         | Knoxville      | TN | 33922   | 865-531-7711 |
| Wood, Scott                       | 520 N Thompson Lane             | Murfreesboro   | TN | 37129   | 615-895-7529 |
| <b>TEXAS</b>                      |                                 |                |    |         |              |
| Dorf, Scott                       | 2933 W Anderson Lane            | Austin         | TX | 78757   | 512-451-8976 |
| Dorf, Scott                       | 4211 S Lamar Blvd               | Austin         | TX | 78704   | 512-444-2270 |
| *Duchouquette, John               | 11066 Pecan Park Blvd #107      | Cedar Park     | TX | 78613   |              |
| Heisser, Jason                    | 1434 N Central Expy Ste 109     | McKinney       | TX | 75070   | 469-424-1715 |
| 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 |
|                                   |                                 |                |    |         |              |

PLAY IT AGAIN SPORTS  
AS OF DECEMBER 29, 2018

| Franchisee              | Store Address                  | City             | ST | Zipcode | Store Phone  |
|-------------------------|--------------------------------|------------------|----|---------|--------------|
| <b>UTAH</b>             |                                |                  |    |         |              |
| Miser, Elizabeth        | 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   | 801-466-4495 |
| <b>VIRGINIA</b>         |                                |                  |    |         |              |
| Crews, Troy             | 1885 Seminole Trail            | Charlottesville  | VA | 22901   | 434-973-2638 |
| Gaston, Hal             | 1220 Greenbrier Pkwy Suite 130 | Chesapeake       | VA | 23320   | 757-382-9597 |
| 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   | 434-385-5817 |
| Harrell, Robert         | 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, Patti            | 2720 N Mall Dr                 | Virginia Beach   | VA | 23452   | 757-431-4448 |
| <b>VERMONT</b>          |                                |                  |    |         |              |
| Macdonald, Duncan       | 150 Dorset St                  | South Burlington | VT | 05403   | 802-865-3027 |
| <b>WASHINGTON</b>       |                                |                  |    |         |              |
| 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   | 206-264-9259 |
| Fields, Jared           | 1808 W Francis                 | Spokane          | WA | 99205   | 509-368-9887 |
| Bauter, Jackie          | 11505 NE 4th Plain Blvd        | Vancouver        | WA | 98662   | 360-260-9440 |
| Bauman, Rick            | 13210 NE 175th St              | Woodinville      | WA | 98072   | 425-481-8670 |
| <b>WISCONSIN</b>        |                                |                  |    |         |              |
| Milloy, Mike            | 611 W Northland Ave            | Appleton         | WI | 54911   | 920-735-0437 |
| Irvine, Frank           | 3015 E Hamilton Ste C          | Eau Claire       | WI | 54701   | 715-834-0607 |
| 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 |
| <b>WEST VIRGINIA</b>    |                                |                  |    |         |              |
| Carte, Zachary          | 103 Lakeview Ctr               | Parkersburg      | WV | 26101   | 304-893-9977 |
| Syrylo, Brian           | 115 Bridge St Plaza            | Wheeling         | WV | 26003   | 304-243-1477 |
| <b>WYOMING</b>          |                                |                  |    |         |              |
| Bummer, Brendan         | 4801 E 2nd St                  | Casper           | WY | 82609   | 307-337-4760 |
|                         |                                |                  |    |         |              |
|                         |                                |                  |    |         |              |
|                         |                                |                  |    |         |              |
| <b>*STORE NOT OPEN</b>  |                                |                  |    |         |              |

**EXHIBIT B**

**List of Terminated Franchises**

**PLAY IT AGAIN SPORTS**  
**LIST OF TERMINATED FRANCHISEES AS OF 12/29/18 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<br>BUSINESS PHONE | REASON           |
|-----------|----------------|------------------|-------|------------------------------|------------------|
| Doyle     | Lawrence       | Calgary          | AB    | 403-201-2265                 | Transfer         |
| Curry     | Steve          | Fayetteville     | AR    | 870-243-3285                 | Transfer         |
| Raulin    | Dave           | Ventura          | CA    | 805-644-4948                 | Transfer         |
| Bolle     | David          | Highland Ranch   | CO    | 303-470-2911                 | Termination      |
| Sinclair  | Brian          | Manitou Springs  | CO    | 719-574-4849                 | Transfer         |
| Fortin    | W.R.           | Lakeland         | FL    | 863-688-7757                 | Termination      |
| Fortin    | W.R.           | Lakeland         | FL    | 863-688-7757                 | Termination      |
| Fortin    | W.R.           | Lakeland         | FL    | 863-688-7757                 | Transfer         |
| Fortin    | W.R.           | Lakeland         | FL    | 863-688-7757                 | Transfer         |
| Fortin    | W.R.           | Lakeland         | FL    | 863-688-7757                 | Transfer         |
| Fortin    | W.R.           | Lakeland         | FL    | 863-688-7757                 | Transfer         |
| Fortin    | W.R.           | Lakeland         | FL    | 863-688-7757                 | Transfer         |
| Simmers   | Denny          | Lakeland         | FL    | 813-661-4141                 | Transfer         |
| Nikkhoo   | Nayla          | Woodstock        | GA    | 770-596-3156                 | Transfer         |
| Eddlemo   | Gregory        | Shreveport       | LA    | 318-347-7542                 | Transfer         |
| Drallios  | Vasiliki       | Leominster       | MA    | 978-845-1123                 | Transfer         |
| Szaroleta | Michael        | Baltimore        | MD    | 410-668-0859                 | Transfer         |
| Barnett   | Matthew        | Alfred           | ME    | 207-310-8340                 | *Termination-(1) |
| Moore     | John and Susan | Dardenne Prairie | MO    | 636-397-8336                 | Transfer         |
| Gaston    | Harold         | Cary             | NC    | 919-851-1851                 | Transfer         |
| Whittle   | Robert         | Clifton Park     | NY    | 518-431-6877                 | Transfer-(2)     |
| Borko     | Steve          | Middletown       | NY    | 845-562-2755                 | Termination      |
| O'Connell | Mark           | Columbus         | OH    | 614-442-8398                 | Termination      |
| McGregor  | John           | Maineville       | OH    | 513-583-0040                 | Transfer         |
| McGregor  | John           | Maineville       | OH    | 513-583-0040                 | Transfer         |
| McGregor  | John           | Maineville       | OH    | 513-583-0040                 | Transfer         |
| Wilson    | Thomas Gregg   | Westerville      | OH    | 740-657-3726                 | Transfer         |
| LeBarron  | Greg           | Arnprior         | ON    | 613-732-1770                 | Termination      |
| Ansari    | Farzin         | Richmond Hill    | ON    | 905-773-2662                 | Transfer         |
| Herron    | Shane          | Appleton         | WI    | 920-497-7700                 | Transfer         |

(1) Store was to be Located in NH

(2) Store is in UT

\*Store Never Opened

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

**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.....                              | 7           |
| 8.             | OPERATION OF THE FRANCHISEE'S BUSINESS.....                | 8           |
| 9.             | CONFIDENTIAL INFORMATION .....                             | 12          |
| 10.            | INSURANCE; BONDING.....                                    | 14          |
| 11.            | INDEPENDENT CONTRACTORS; INDEMNIFICATION .....             | 15          |
| 12.            | SALES REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS ..... | 15          |
| 13.            | FRANCHISOR'S RIGHT OF FIRST REFUSAL TO PURCHASE.....       | 16          |
| 14.            | ASSIGNMENT OF FRANCHISE AGREEMENT .....                    | 17          |
| 15.            | FRANCHISOR'S TERMINATION RIGHTS.....                       | 18          |
| 16.            | FRANCHISEE'S TERMINATION RIGHTS; NOTICE REQUIRED .....     | 19          |
| 17.            | FRANCHISEE'S OBLIGATIONS UPON TERMINATION.....             | 20          |
| 18.            | FRANCHISEE'S COVENANTS NOT TO COMPETE .....                | 20          |
| 19.            | ARBITRATION; ENFORCEMENT.....                              | 21          |
| 20.            | SEVERABILITY AND CONSTRUCTION.....                         | 22          |
| 21.            | NOTICES.....                                               | 23          |
| 22.            | ACKNOWLEDGMENTS.....                                       | 23          |
| 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

{00017848.DOC }

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. Franchisee will execute any document required by Franchisor to transfer or assign any such improvements relating to the Marks and the Business System to Franchisor.

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. For the purpose of clarification, the form and method of reporting the Gross Sales (and other) information may include Franchisor's weekly electronic retrieval of this information directly from Franchisee's POS System. If Franchisee does not report its Gross

Sales on a timely basis using the form and method designated by Franchisor, 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 as described above. 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 approved e-mail marketing and loyalty programs. 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 one (1) to two (2) days around the time of opening. In addition, Franchisor will provide pre-opening assistance consisting of one (1) or two (2) days, typically 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. As further described in Section 5.B, Franchisor has the right to use the information obtained from Franchisee's POS System to determine the weekly amounts owed for Continuing Fees. 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. Technology Fee. Franchisor reserves the right to charge a periodic technology fee for technology-related services provided by Franchisor. Franchisor will provide a minimum of sixty (60) days written notice prior to implementation of such fee. If a technology fee is established, Franchisor will not increase the technology fee by more than 10% each year.

R. 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](http://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](http://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](http://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.

S. 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. Franchisor may use this information to market to Franchisee's customers during and after the term of the Franchise Agreement. Franchisee will execute any document required by Franchisor to ensure that Franchisor will have access to that information.

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 and methods 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 methods 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 reason 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. While Franchisor does not determine the purchase price, Franchisor has determined that the purchase price and payment terms will not adversely affect the transferee-franchisee's operation of the Store;

6. If Franchisee finances any part of the purchase price, Franchisee agrees that all of the transferee-franchisee's obligations under any promissory notes, agreements or security interests reserved in the Store are subordinate to the transferee-franchisee's obligations to pay Continuing Fees, Marketing Fees and any other amounts due to Franchisor under the Franchise Agreement;

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

8. 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; (13) Franchisee fails to fully cooperate and timely complete any audit authorized by Franchisor; or (14) Franchisee violates the in-term covenant not to compete. 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), (11), (12), (13) or (14) 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 4 of the Franchise Agreement is amended to include the following:

Based upon Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by Franchisee shall be deferred until Franchisor completes its pre-opening obligations under the Franchise Agreement.

2. 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.

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

This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. 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.

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

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FRANCHISOR:

FRANCHISEE:

By \_\_\_\_\_ By \_\_\_\_\_  
Its \_\_\_\_\_ Its \_\_\_\_\_

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



SOUTH 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 4 is amended to include the following:

All Initial Franchise Fees paid to Franchisor by South Dakota franchisees will be deferred until Franchisor has met its pre-opening obligations and Franchisee has opened the Store.

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:

2. 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 workstations. 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 workstations 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 effect 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

"LICENSEE"

If "Licensee" is a corporation,

\_\_\_\_\_  
(Print Corporate Name)

By \_\_\_\_\_  
Its \_\_\_\_\_

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 directly or indirectly 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, periodic marketing 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,<br>Location & Phone | Bank Routing<br>Number <sup>(a)</sup>                     | Type of<br>Account <sup>(b)</sup> | Account<br>Number <sup>(c)</sup> |
|--------------------------------|-----------------------------------------------------------|-----------------------------------|----------------------------------|
|                                |                                                           |                                   |                                  |
|                                | (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) 520-8445 or (800) 645-7299 ext. 445

**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: XXXXXXX

Re: Customer Number: XXXXXXX-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

{00017841.DOC}

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



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.)

**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): XXXXXXXXXXXXXXXXX

Address: XXXXXXXXXXXXX

Street

XXXXXX

City

XX

State

XXXXX

Zip

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

Type of Entity: xxxxx

Equipment Location: xxxxxxxxxxxxxxxxx

xxxxxxxxxx County

State of Incorporation/Organization: XX

Vendor Name XXXXXXXXXXXXXXXXX

Vendor Address: xxxxxxxxxxxxxxxxxxxxx

**PAYMENT SCHEDULE**

**PURCHASE OPTION**

|                              |                             |                                                              |                                                        |                            |                           |                                             |
|------------------------------|-----------------------------|--------------------------------------------------------------|--------------------------------------------------------|----------------------------|---------------------------|---------------------------------------------|
| 36<br>Lease Term<br>(Months) | 36<br>Total No. of Payments | \$ xxx.xx<br>Amount of each Payment<br>(Including Sales Tax) | \$ xxx.xx<br>Advance Payments<br>(Including Sales Tax) | \$ .00<br>Security Deposit | \$ xxx.xx<br>Document Fee | \$1 Purchase Option<br>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



### 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 select 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    |
| <input type="checkbox"/> Checking <input type="checkbox"/> Savings |       |        |
| Account Number                                                     |       |        |
| Routing Number (Between     on the bottom left of your check)      |       |        |

X  
Initials of Leasing Customer



# SCHEDULE "A" - EQUIPMENT DESCRIPTION

605 HIGHWAY 169 N SUITE 400, MINNEAPOLIS, MN 55441

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

Lease Customer Number: XXXXXX

Lease Number: XXXXX

Vendor Name: XXXXXXXXXXXXXXXXX

This Schedule "A" is attached to and a part of the Equipment Lease Contract by and between the above leasing customer and Wirth Business Credit, Inc. relating to the lease transaction referenced above. All of the terms and conditions of the Equipment Lease Contract are incorporated herein and made a part hereof. The following is a full and complete description of the leased equipment:

| Quantity | Equipment Type | Make & Model | Serial # |
|----------|----------------|--------------|----------|
|----------|----------------|--------------|----------|

See Schedule A-1, which is attached and made part of this Equipment Lease Contract

This Equipment Lease Schedule also covers any and all present and future replacement equipment, substituted equipment, additional equipment, trade-ups, and add-ons without requiring a separate agreement. (However, the leasing customer understands that Wirth Business Credit, Inc. consent will be required for any of these.)

The leasing customer agrees that a facsimile of this document or the signature shall be as valid and binding as the original and will be admissible in court as conclusive evidence of this document.

Signature of Leasing Customer

Accepted by Wirth Business Credit, Inc.

Date

Date





## 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.

Signature of Guarantor: (DO NOT TITLE)

XXXXXXXXXX

Print Name

XXXXXXXXXXXX

Home Address

XXXXXXXXXX

City

XX

State

XXXX

Zip

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 XXXXXXXXXXXXXXXX  
City, State, Zip XXXXXXXXXXXX  
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 4<sup>th</sup> 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  
85-7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101

**NEW YORK**

New York Department of State  
1 Commerce Plaza  
99 Washington, Ave., 6<sup>th</sup> Floor  
Albany, New York 12231  
518-473-2492

New York State Department of Law  
Bureau of Investor Protection and Securities  
28 Liberty Street  
New York, New York 10005  
212-416-8222

**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**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

**VIRGINIA**

Clerk, State Corporation Commission  
Tyler Building, 1<sup>st</sup> 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 Karen Garrett and Cat Eckstaedt, 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 18, 2019

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 18, 2019 and included the following Exhibits: List of Stores (Exhibit A), List of Terminated Franchises (Exhibit B), Winmark's Audited 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

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 Karen Garrett and Cat Eckstaedt, 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 18, 2019

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 18, 2019, and included the following Exhibits: List of Stores (Exhibit A), List of Terminated Franchises (Exhibit B), Winmark's Audited 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 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 [twinslow@winmarkcorporation.com](mailto:twinslow@winmarkcorporation.com) by email (PDF) or by fax to (763) 520-8410.

{00017839.DOC }

PIAS - 3/19