

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

**FORM 10-K**

(Mark one)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 28, 2024, or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number: 000-22012**

**WINMARK CORPORATION**

(exact name of registrant as specified in its charter)

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

**41-1622691**  
(I.R.S. Employer  
Identification No.)

605 Highway 169 North, Suite 400, Minneapolis, Minnesota 55441  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: **(763) 520-8500**

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Stock, no par value per share	WINA	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$691,193,237.

Shares of no par value Common Stock outstanding as of February 24, 2025: 3,539,954 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement for the Registrant's Annual Meeting of Shareholders to be held on April 23, 2025 have been incorporated by reference into **Items 10, 11, 12, 13 and 14** of Part III of this report.

**WINMARK CORPORATION AND SUBSIDIARIES**  
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## FORWARD LOOKING STATEMENTS OR INFORMATION

The statements contained in this Form 10-K Item 1 “Business”, Item 1A “Risk Factors”, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in Item 8 “Financial Statements and Supplemental Data” that are not strictly historical fact, including without limitation, the Company’s statements relating to growth opportunities, its ability to open new franchises, its ability to manage costs in the future, the number of franchises it believes will open, performance of its lease portfolio, its future cash requirements, its future effective tax rate and its belief that it will have adequate capital and reserves to meet its current and contingent obligations and operating needs, as well as its disclosures regarding market rate risk, and other statements in which we use words or phrases such as “will,” “may,” “should,” “could,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “intends,” and similar words are all forward looking statements made under the safe harbor provision of the Private Securities Litigation Reform Act. Such statements are based on management’s current expectations as of the date of this report but involve risks, uncertainties and other factors which may cause actual results to differ materially from those contemplated by such forward looking statements. Investors are cautioned to consider these forward looking statements in light of important factors which may result in material variations between results contemplated by such forward looking statements and actual results and conditions including, but not limited to, the risk factors discussed in Section 1A of this report. You should not place undue reliance on these forward-looking statements, which speak only as of the date they were made. The Company undertakes no obligation to revise or update publicly any forward-looking statement for any reason.

### PART I

#### ITEM 1: BUSINESS

##### **Background**

Winmark – the Resale Company® (Winmark Corporation, Winmark or the Company), is a nationally recognized franchisor focused on sustainability and small business formation. We champion and guide entrepreneurs interested in operating one of our award winning resale franchises: Plato’s Closet®, Once Upon A Child®, Play It Again Sports®, Style Encore® and Music Go Round®. At December 28, 2024, there were 1,350 franchises in operation in the United States and Canada and over 2,800 available territories. Our mission is to provide Resale for Everyone®.

Each of our resale brands emphasizes consumer value by offering high-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. Our concepts also offer a limited amount of new merchandise to customers. For over 30 years, we have offered a sustainable solution for consumers to recycle their gently used clothing, toys, sporting goods and musical instruments. We estimate that, since 2010, stores in our resale brands have extended the lives of over 1.9 billion items. We continue to enhance our franchise model and provide our franchisees with the technology, tools and training to profitably expand their operations and evolve towards being a multi-channel retailer.

Our significant assets are located within the United States, and we generate the majority of revenues from United States operations. Revenues from Canadian franchisees in 2024, 2023 and 2022 were approximately \$7.3 million, \$6.8 million and \$6.4 million, respectively. For additional financial information, please see Item 8 — Financial Statements and Supplementary Data. We were incorporated in Minnesota in 1988.

## **Operations**

We currently franchise five brands:

### ***Plato's Closet***

We began franchising the Plato's Closet brand in 1999. Plato's Closet franchisees buy and sell gently used clothing and accessories geared toward the teenage and young adult market. Customers have the opportunity to sell their used items to Plato's Closet stores and to purchase quality used clothing and accessories at prices lower than new merchandise.

### ***Once Upon A Child***

We began franchising the Once Upon A Child brand in 1993. Once Upon A Child franchisees buy and sell gently used and, to a lesser extent, new children's clothing, toys, furniture, equipment and accessories. This brand primarily targets parents of children ages infant to 12 years. These customers have the opportunity to sell their used children's items to a Once Upon A Child store when outgrown and to purchase quality used children's clothing, toys, furniture and equipment at prices lower than new merchandise.

### ***Play It Again Sports***

We began franchising the Play It Again Sports brand in 1988. Play It Again Sports franchisees buy, sell and trade gently used and new sporting goods, equipment and accessories for a variety of athletic activities including team sports (baseball/softball, hockey, football, lacrosse, soccer), fitness, ski/snowboard and golf among others. The stores offer a flexible mix of merchandise that is adjusted to adapt to seasonal and regional differences.

### ***Style Encore***

We began franchising the Style Encore brand in 2013. Style Encore franchisees buy and sell gently used women's (and to a lesser extent, men's) apparel, shoes and accessories. Customers have the opportunity to sell their used items to Style Encore stores and to purchase quality used clothing, shoes and accessories at prices lower than new merchandise.

### ***Music Go Round***

We began franchising the Music Go Round brand in 1994. Music Go Round franchisees buy, sell and trade gently used and, to a lesser extent, new musical instruments, speakers, amplifiers, music-related electronics and related accessories.

The following table presents system-wide sales, which we define as estimated revenues generated by all franchise locations through both in-store and e-commerce sales, for each of the past three years.

	System-Wide Sales (in millions)		
	2022	2023	2024
Plato's Closet	\$ 638.8	\$ 647.6	\$ 653.0
Once Upon A Child	466.2	504.8	517.9
Play It Again Sports	324.1	328.2	331.9
Style Encore	58.1	59.2	59.1
Music Go Round	47.1	49.2	48.3
	<u>\$ 1,534.3</u>	<u>\$ 1,589.0</u>	<u>\$ 1,610.2</u>

We have developed an e-commerce platform that allows franchisees of our Music Go Round, Play It Again Sports and Style Encore brands to market and sell in-store product inventory online. Consumers that visit [musicgoround.com](https://musicgoround.com), [playitagainsports.com](https://playitagainsports.com) or [style-encore.com](https://style-encore.com) can find all product listed by participating stores in one convenient location. All product listings are available for in-store pickup, and certain products may be available for shipment. Our e-commerce platform assists our franchisees in marketing, increasing brand awareness, and driving consumers to local stores, which provides further opportunities for our stores to purchase product from consumers. Additionally, our franchisees use other vehicles to drive non-store sales including social media platforms (Facebook and Instagram) as well as third-party e-commerce platforms (Shopify) and marketplaces (eBay).

The following table presents the royalties and franchise fees contributed by each of our brands for the past three years and the corresponding percentage of consolidated revenues for each such year:

	<b>Total Royalties and Franchise Fees</b>			<b>% of Consolidated Revenue</b>		
	<b>(in millions)</b>			<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Plato's Closet	\$ 29.4	\$ 30.2	\$ 30.8	36.2 %	36.3 %	37.9 %
Once Upon A Child	21.1	23.1	24.2	25.9	27.7	29.8
Play It Again Sports	13.6	13.8	14.1	16.7	16.6	17.3
Style Encore	3.1	3.1	3.1	3.8	3.8	3.9
Music Go Round	1.5	1.5	1.5	1.8	1.8	1.9
	<u>\$ 68.7</u>	<u>\$ 71.7</u>	<u>\$ 73.7</u>	<u>84.4 %</u>	<u>86.2 %</u>	<u>90.7 %</u>

The following table presents a summary of our net store growth and renewal activity for the fiscal year ended December 28, 2024:

	<b>TOTAL</b>			<b>TOTAL</b>	<b>AVAILABLE FOR RENEWAL</b>	<b>COMPLETED RENEWALS</b>	<b>% RENEWED</b>
	<b>12/30/2023</b>	<b>OPENED</b>	<b>CLOSED</b>				
Plato's Closet	506	14	(5)	515	55	55	100 %
Once Upon A Child	416	16	(2)	430	51	50	98 %
Play It Again Sports	294	13	(5)	302	22	21	95 %
Style Encore	66	4	(1)	69	15	15	100 %
Music Go Round	37	—	(3)	34	2	1	50 %
Total Franchised Stores <sup>(1)</sup>	<u>1,319</u>	<u>47</u>	<u>(16)</u>	<u>1,350</u>	<u>145</u>	<u>142</u>	<u>98 %</u>

(1) All stores are owned and operated by franchisees. Winmark does not own or operate any corporate stores.

Of the 1,350 total franchised stores as of December 28, 2024, 159 were located in Canada.

### ***Sustainability***

As a leader in the circular economy, we have been at the forefront of the sustainability movement for over 30 years. Our franchise brands offer customers a better way to keep their clothes, sporting goods and music equipment out of landfills and in use for a fuller, longer product lifespan. In 2024 alone, stores across our five resale brands extended the lives of over 185 million items of clothing, toys, books, musical instruments and sports equipment. Our high-quality franchised stores give consumers an easier way to buy and sell used goods within their local communities without placing demands on wasteful production. In turn, this means less water and energy consumption, giving consumers a way to help cut down on pollution and greenhouse gas emissions.

### ***Franchising Business Model***

We use franchising as a business method of distributing goods and services through our retail brands to consumers. We, as franchisor, own a retail business brand, represented by a service mark or similar right, and an operating system for the franchised business. We then enter into franchise agreements with franchisees and grant the franchisee the right to use our business brand, service marks and operating system to manage a retail business. Franchisees are required to operate their retail businesses according to the systems, specifications, standards and formats we develop for the business brand. We train the franchisees how to operate the franchised business. We also provide continuing support and service to our franchisees.

We have developed value-oriented retail brands based on a mix of gently used and, to a lesser extent, new merchandise. We franchise rights to franchisees who open franchised locations under such brands. The key elements of our franchise strategy include:

- franchising the rights to operate retail stores offering value-oriented merchandise;
- attracting new, qualified franchisees; and
- providing initial and continuing support to franchisees.

### *Offering Value-Oriented Merchandise*

Our retail brands provide value to consumers by purchasing and reselling gently used merchandise that consumers have outgrown or no longer use at substantial savings from the price of new merchandise. By offering a combination of high-quality used and value-priced new merchandise, we benefit from consumer demand for value-oriented retailing. In addition, we believe that among national retail operations our brands provide a unique source of value to consumers by purchasing used merchandise. We also believe that the strategy of buying used merchandise increases consumer awareness of our retail brands.

### *Franchisee Qualification*

We seek to attract prospective franchisees with experience in management and operations and an interest in being the owner and operator of their own business. We seek franchisees who:

- have a sufficient net worth;
- have prior business experience; and
- intend to be integrally involved with the management of the business.

At December 28, 2024, we had 79 signed franchise agreements, of which the majority are expected to open in 2025.

### ***Franchise Support***

As a franchisor, our success depends upon our ability to develop and support competitive and successful franchise owners. We emphasize the following areas of franchise support and assistance.

#### *Training*

Each franchisee must attend our training program regardless of prior experience. Soon after signing a franchise agreement, the franchisee is required to attend new owner orientation training. This course covers basic management issues, such as preparing a business plan, lease evaluation, evaluating insurance needs and obtaining financing. Our training staff assists each franchisee in developing a business plan for their retail store with financial and cash flow projections. The second training session is centered on store operations. It covers, among other things, point-of-sale computer training, inventory selection and acquisition, sales, marketing and other topics. We provide the franchisee with operations manuals that we periodically update.

#### *Operations Support*

We provide operational support and guidance to assist the franchisee in the opening of a new business. We also have an ongoing support program designed to assist franchisees in operating their retail stores. Our franchise support personnel visit each store periodically (in person or virtually) and, in most cases, a business assessment is made to determine whether the franchisee is operating in accordance with our standards. The visit is also designed to assist franchisees with operational issues.

#### *Purchasing*

During training each franchisee is taught how to evaluate, purchase and price used goods directly from customers. We have developed specialized computer point-of-sale systems for our brands that provide the franchisee with standardized pricing information to assist in the purchasing of used items.

We provide centralized buying services, which on a limited basis include credit and billing for the Play It Again Sports franchisees. Our Play It Again Sports franchise system uses several major vendors for new product including Adidas, Wilson Sporting Goods, Champro Sports, Rawlings/Easton, CCM Hockey and Bauer Hockey. The loss of any of the above vendors would change the vendor mix, but not significantly change our products offered.

To provide the franchisees of our Play It Again Sports, Once Upon A Child and Music Go Round systems a source of affordable new product, we have developed relationships with our significant vendors and negotiated prices for our franchisees to take advantage of the buying power a franchise system brings.

Our typical Once Upon A Child franchised store purchases approximately 30% of its new product from Rachel's Ribbons, Wild Side Accessories, Melissa & Doug and Nuby. The loss of any of the above vendors would change the vendor mix, but not significantly change our products offered.

Our typical Music Go Round franchised store purchases approximately 50% of its new product from KMC/Musicorp, RapcoHorizon Company, D'Addario, GHS Corporation and Ernie Ball. The loss of any of the above vendors would change the vendor mix, but not significantly change our products offered.

There are no significant vendors of new products to our typical Plato's Closet and Style Encore franchised stores as new product is an extremely low percentage of sales for these brands.

#### *Retail Advertising and Marketing*

We encourage our franchisees to implement a marketing program that includes the following: television, radio, point-of-purchase materials, in-store signage and local store marketing programs as well as email marketing promotions, website promotions and participation in social and digital media. Franchisees of the respective brands are required to spend a minimum of 5% of their gross sales on approved advertising and marketing. Franchisees may be required to participate in regional cooperative advertising groups.

#### *Computerized Point-Of-Sale Systems*

We require our franchisees to use a retail information management computer system in each store, which has evolved with the development of new technology. This computerized point-of-sale system is designed specifically for use in our franchise retail stores. The current system includes our proprietary Data Recycling System software, a dedicated server, two or more work station registers with touch screen monitors, receipt printers, label printers and bar code scanners, together with software modules for inventory management, cash management and customer information management. Our franchisees purchase the computer hardware from us. The Data Recycling System software is designed to accommodate buying of used merchandise. This system provides franchisees with an important management tool that reduces errors, increases efficiencies and enhances inventory control. We provide point-of-sale system support through our Computer Support Center located at our Company headquarters.

#### ***The Franchise Agreement***

We enter into franchise agreements with our franchisees. The following is a summary of certain key provisions of our current standard brand franchise agreement. Except as noted, the franchise agreements used for each of our brands, whether for locations in the United States or Canada, are generally the same.

Each franchisee must execute our franchise agreement and pay an initial franchise fee. At December 28, 2024, the franchise fee for all brands was \$25,000 for an initial store in the U.S. and \$33,200CAD for an initial store in Canada. Once a franchisee opens its initial store, it can open additional stores, in any brand, by paying a \$15,000 franchise fee for a store in the U.S. and \$20,000CAD for a store in Canada, provided an acceptable territory is available and the franchisee meets the brand's additional store standards. The franchise fee for our initial store and additional store in Canada is based upon the exchange rate applied to the United States franchise fee on the last business day of the preceding fiscal year. The franchise fee in March 2025 for an initial store in Canada will be \$36,000CAD, and an additional store in Canada will be \$21,600CAD. Typically, the franchisee's initial store is open for business approximately 10 to 14 months from the date the franchise agreement is signed. The franchise agreement has an initial term of 10 years, with subsequent 10-year renewal periods, and grants the franchisee an exclusive geographic area, which will vary in size depending upon population, demographics and other factors. Under current franchise agreements, franchisees of the respective brands are required to pay us weekly continuing fees (royalties) equal to the percentage of gross sales outlined in their Franchise Agreements, generally ranging from 4% to 5% for all of our brands. Each Franchisee is currently required to pay us an annual marketing fee of \$1,500, and is required to spend 5% of its gross sales for advertising and promoting its franchised store. We have the option to increase the minimum advertising expenditure requirement from 5% to 6% of the franchisee's gross sales, of which up to 2% would be paid to us as an advertising fee for deposit into an advertising fund. This fund, if initiated, would be managed by us and would be used for advertising and promotion of the franchise system.

During the term of a franchise agreement, franchisees agree not to operate directly or indirectly any competitive business. In addition, franchisees agree that after the end of the term or termination of the franchise agreement, franchisees will not operate any competitive business for a period of two years and within a reasonable geographic area.

Although our franchise agreements contain provisions designed to assure the quality of a franchisee's operations, we have less control over a franchisee's operations than we would if we owned and operated a retail store. Under the franchise agreement, we have a right of first refusal on the sale of any franchised store, but we are not obligated to repurchase any franchised store.

### ***Renewal of the Franchise Relationship***

At the end of the 10-year term of each franchise agreement, each franchisee has the option to "renew" the franchise relationship by signing a new 10-year franchise agreement. If a franchisee chooses not to sign a new franchise agreement, a franchisee must comply with all post termination obligations including the franchisee's noncompetition clause discussed above. We may choose not to renew the franchise relationship only when permitted by the franchise agreement and applicable state law.

We believe that renewing a significant number of these franchise relationships is important to the success of the Company. During the past three years, we renewed over 99% of franchise agreements up for renewal.

### ***Competition***

Retailing, including the sale of apparel, sporting goods and musical instruments, is highly competitive. Many retailers have substantially greater financial and other resources than we do. Our franchisees compete with established, locally owned retail stores, discount chains and traditional retail stores for sales of new merchandise. Full line retailers generally carry little or no used merchandise. Resale, thrift and consignment shops and garage and rummage sales offer competition to our franchisees for the sale of used merchandise. Also, our franchisees increasingly compete with online used and new goods marketplaces such as eBay, craigslist, facebook Marketplace, Poshmark, thredUP, Amazon and many others. More recently, retail and consumer apparel brands themselves have been participating (mostly through e-commerce) in developing platforms to sell previously used items. These have been done on their own or in connection with a technology partner.

Our Plato's Closet franchise stores primarily compete with specialty apparel stores such as American Eagle, Gap, Abercrombie & Fitch, Old Navy, Hollister and Forever 21. We compete with other franchisors in the teenage resale clothing retail market.

Our Once Upon A Child franchisees compete primarily with large retailers such as Walmart, Target and various specialty children's retail stores such as Carter's and Gap Kids. We compete with other franchisors in the specialty children's resale retail market.

Our Play It Again Sports franchisees compete with large retailers such as Dick's Sporting Goods, Academy Sports & Outdoors as well as regional and local sporting goods stores. We also compete with Target and Walmart.

Our Style Encore franchise stores compete with a wide range of women's apparel stores. We also compete with other franchisors in the women's resale clothing retail market.

Our Music Go Round franchise stores compete with large musical instrument retailers such as Guitar Center as well as local independent musical instrument stores.

Our franchises may face additional competition in the future. This could include additional competitors that may enter the used merchandise market. We believe that our franchisees will continue to be able to compete with other retailers based on the strength of our value-oriented brands and the name recognition associated with our service marks.

We also face competition in connection with the sale of franchises. Our prospective franchisees frequently evaluate other franchise opportunities before purchasing a franchise from us. We compete with other franchise companies for franchisees based on the following factors, among others: amount of initial investment, franchise fee, royalty rate, profitability, franchisor services and industry. We believe that our franchise brands are competitive with other franchises based on the fees we charge, our franchise support services and the performance of our existing franchise brands.



## **Equipment Leasing Operations**

Our leasing operations consist of a middle-market leasing business through Winmark Capital Corporation, which is a wholly-owned subsidiary.

Our middle-market leasing business began operations in 2004. In May 2021, we made the decision to no longer solicit new leasing customers and pursue an orderly run-off of this leasing portfolio. Given this decision, we anticipate that leasing revenues, expenses, contribution and cash flows will continue to decrease throughout the run-off period. For additional information on our leasing business, please see Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8 “Financial Statements and Supplementary Data.”

## **Government Regulation**

Fourteen states, the Federal Trade Commission and six Canadian Provinces impose pre-sale franchise registration and/or disclosure requirements on franchisors. In addition, a number of states have statutes which regulate substantive aspects of the franchisor-franchisee relationship such as termination, nonrenewal, transfer, discrimination among franchisees and competition with franchisees.

Additional legislation, both at the federal and state levels, could expand pre-sale disclosure requirements, further regulate substantive aspects of the franchise relationship and require us to file our Franchise Disclosure Documents with additional states. We cannot predict the effect of future franchise legislation, but do not believe there is any imminent legislation currently under consideration which would have a material adverse impact on our operations.

We believe that we are currently in compliance with all material statutes and regulations that are applicable to our business. We do not currently incur any material costs or effects of compliance with the environmental laws (federal, state and local).

## **Trademarks and Service Marks**

We have various trademark registrations and pending trademark applications for registration, including Plato’s Closet®, Once Upon A Child®, Play It Again Sports®, Style Encore®, Music Go Round®, Winmark®, Winmark – the Resale Company®, and Resale for Everyone®, among others. These marks are of considerable value to our business. We intend to protect our service marks by appropriate legal action where and when necessary. Each service mark registration must be renewed every 10 years. We have taken, and intend to continue to take, all steps necessary to renew the registration of all our material service marks.

## **Seasonality**

Our Plato’s Closet and Once Upon A Child franchise brands have experienced higher than average sales volumes during the spring months and during the back-to-school season. Our Play It Again Sports franchise brand has experienced higher than average sales volumes during the winter season. Overall, the different seasonal trends of our brands partially offset each other and do not result in significant seasonality trends on a Company-wide basis.

## **Human Capital Resources**

Human capital resources are an integral and essential component of our business. As of December 28, 2024, we employed 89 employees. None of these employees are covered by a collective bargaining agreement. Our franchisees are independent business owners, therefore, they and their employees are not included in our employee count and are not employees of Winmark Corporation.

Our employees are our most valuable resource. We recognize that employee development is a critical element of maintaining an engaged and inclusive work environment. Investing in our employees supports employee retention, morale and enhances the quality of work. We provide mentorship opportunities, leadership succession planning and encourage promoting from within to further strengthen our commitment to each employee. Our compensation programs are designed to support not only the financial, but the physical and mental well-being of our employees. In addition to our competitive salaries, our programs include, among other things, robust health and welfare benefits, a 401(k) plan with matching contribution, profit-sharing, generous paid leave policies, and an employee assistance program. We have in the past and will continue to place a strong emphasis on our employee’s welfare, health, and safety.

We recognize the benefits of and are committed to a culture of diversity and inclusion, where each individual is valued for their own unique perspective and experiences. As of December 28, 2024, 55% of our overall employee count and 55% of our management team identify as female. Additionally, we provide training to our management team and employees regarding diversity and inclusion and we continue to actively work to increase representation among underrepresented demographic groups within our employee base.

## Available Information

We maintain a Web site at [www.winmarkcorporation.com](http://www.winmarkcorporation.com), the contents of which are not part of or incorporated by reference into this Annual Report on Form 10-K. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and amendments to those reports) available on our Web site via a link to the U.S. Securities and Exchange Commission (SEC) Web site, free of charge, as soon as reasonably practicable after such reports have been filed with or furnished to the SEC.

### ITEM 1A: RISK FACTORS

*Our business, results of operations, financial condition, cash flows and the market value of our common stock can be adversely affected by pandemics, epidemics or other public health emergencies, such as the outbreak of COVID-19.*

Our business, results of operations, financial condition, cash flows and the market value of our common stock can be adversely affected by pandemics, epidemics or other public health emergencies, such as the outbreak of COVID-19. The extent to which pandemics, epidemics or other public health emergencies may adversely impact our business depends on future developments, which are highly uncertain and unpredictable, depending upon the severity and duration of any such outbreak and the effectiveness of actions taken globally, nationally and locally to contain or mitigate its effects. Any resulting financial impact cannot be estimated reasonably at this time, but may materially adversely affect our business, results of operations, financial condition and cash flows. Even after any pandemic, epidemic or other public health emergency has subsided, we may experience materially adverse effects to our business due to any resulting economic recession or depression. Additionally, concerns over the economic affect of any pandemic, epidemic or other public health emergency may cause extreme volatility in financial and other capital markets which may adversely impact the market value of our common stock and our ability to access capital markets and debt capital. To the extent any pandemic, epidemic or other public health emergency adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this Annual Report.

*We are dependent on franchise renewals.*

Each of our franchise agreements is 10 years long. At the end of the term of each franchise agreement, each franchisee may, if certain conditions are met, “renew” the franchise relationship by signing a new 10-year franchise agreement. As of December 28, 2024 each of our five brands have the following number of franchise agreements that will expire over the next three years:

	<u>2025</u>	<u>2026</u>	<u>2027</u>
Plato’s Closet	43	40	36
Once Upon A Child	44	50	38
Play It Again Sports	19	14	18
Music Go Round	4	6	5
Style Encore	8	6	7
	<u>118</u>	<u>116</u>	<u>104</u>

We believe that renewing a significant number of these franchise relationships is important to our continued success. If a significant number of franchise relationships are not renewed, our financial performance would be materially and adversely impacted.

*We are dependent on new franchisees.*

Our ability to generate increased revenue and achieve higher levels of profitability depends in part on increasing the number of franchises open. Unfavorable macro-economic conditions may affect the ability of potential franchisees to obtain external financing and/or impact their net worth, both of which could lead to a lower level of openings than we have historically experienced. There can be no assurance that we will sustain our current level of franchise openings.

*We may make additional investments outside of our core businesses.*

From time to time, we have and may continue to make investments both inside and outside of our current businesses. To the extent that we make additional investments that are not successful, such investments could have a material adverse impact on our financial results.

*We may sell franchises for a territory, but the franchisee may not open.*

We believe that a substantial majority of franchises awarded but not opened will open within the time period permitted by the applicable franchise agreement or we will be able to resell the territories for most of the terminated or expired franchises. However, there can be no assurance that substantially all of the currently sold but unopened franchises will open and commence paying royalties to us.

*Our franchisees are dependent on supply of used merchandise.*

Our retail brands are based on offering customers a mix of used and new merchandise. As a result, the ability of our franchisees to obtain continuing supplies of high quality used merchandise is important to the success of our brands. Supply of used merchandise comes from the general public and may not be regular or highly reliable. In addition, adherence to federal and state product safety and other requirements may limit the amount of used merchandise available to our franchisees. In addition to laws and regulations that apply to businesses generally, our franchised retail stores may be subject to state or local statutes or ordinances that govern secondhand dealers. There can be no assurance that our franchisees will avoid supply problems with respect to used merchandise.

*We may be unable to collect accounts receivable from franchisees.*

In the event that our ability to collect accounts receivable significantly declines from current rates, we may incur additional charges that would affect earnings. If we are unable to collect payments due from our franchisees, it would materially adversely impact our results of operations and financial condition.

*We operate in an extremely competitive industry.*

Retailing, including the sale of apparel, sporting goods and musical instruments, is highly competitive. Many retailers and online marketplaces have significantly greater financial and other resources than us and our franchisees. Individual franchisees face competition in their markets from retailers of new merchandise and, in certain instances, resale, thrift and other stores that sell used merchandise. We may face additional competition as our franchise systems expand and if additional competitors enter the used merchandise market.

*We currently, and may in the future, have assets held at financial institutions that may exceed the insurance coverage offered by the Federal Deposit Insurance Corporation, the loss of such assets would have a severe negative affect on our operations and liquidity.*

We may maintain our cash assets at certain financial institutions in the U.S. in amounts that may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit of \$250,000. In the event of a failure of any financial institutions where we maintain our deposits or other assets, we may incur a loss to the extent such loss exceeds the FDIC insurance limitation, which could have a material adverse effect upon our liquidity, financial condition and our results of operations.

*We are subject to restrictions in our line of credit/term loan and note facilities. Additionally, we are subject to counter party risk in our line of credit facility.*

The terms of our line of credit/term loan and note facilities impose certain operating and financial restrictions on us and require us to meet certain financial tests including tests related to minimum levels of debt service coverage and maximum levels of leverage. As of December 28, 2024, we were in compliance with all of our financial covenants under these facilities; however, failure to comply with these covenants in the future may result in default under one or both of these sources of capital and could result in acceleration of the related indebtedness. Any such acceleration of indebtedness would have an adverse impact on our business activities and financial condition.

Sustained credit market deterioration could jeopardize the counterparty obligations of the bank participating in our line of credit facility, which could have an adverse impact on our business if we are not able to replace such credit facility or find other sources of liquidity on acceptable terms.

*We have indebtedness.*

We have existing indebtedness in the form of notes payable and term loans (see Note 7 — “Debt”). We expect to generate the cash necessary to pay our expenses and to pay the principal and interest on all of our outstanding debt from cash flows provided by operating activities and by opportunistically using other means to repay or refinance our obligations as we determine appropriate. Our ability to pay our expenses and meet our debt service obligations depends on our future performance, which may be affected by financial, business, economic, and other factors. If we do not have enough money to pay our debt service obligations, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or raise equity. In such an event, we may not be able to refinance our debt, sell assets, borrow more money or raise equity on terms acceptable to us or at all. Also, our ability to carry out any of these activities on favorable terms, if at all, may be further impacted by any financial or credit crisis which may limit access to the credit markets and increase our cost of capital.

*We are subject to government regulation.*

As a franchisor, we are subject to various federal and state franchise laws and regulations. Fourteen states, the Federal Trade Commission and six Canadian Provinces impose pre-sale franchise registration and/or disclosure requirements on franchisors. In addition, a number of states have statutes which regulate substantive aspects of the franchisor-franchisee relationship such as termination, nonrenewal, transfer, discrimination among franchisees and competition with franchisees.

Additional legislation, both at the federal and state levels, could expand pre-sale disclosure requirements, further regulate substantive aspects of the franchise relationship and require us to file our franchise offering circulars with additional states. Future franchise legislation could impose costs or other burdens on us that could have a material adverse impact on our operations. In addition, evolving labor and employment laws, rules and regulations could result in potential claims against us as a franchisor for labor and employment related liabilities that have historically been borne by franchisees.

*We may be unable to protect against data security risks.*

We have implemented security systems with the intent of maintaining the physical security of our facilities and protecting our employees, franchisees, lessees, customers’, clients’ and suppliers’ confidential information and information related to identifiable individuals against unauthorized access through our information systems or by other electronic transmission or through the misdirection, theft or loss of physical media. These include, for example, the appropriate encryption of information. Despite such efforts, we are subject to potential breach of security systems which may result in unauthorized access to our facilities or the information we are trying to protect. Because the techniques used to obtain unauthorized access are constantly changing and becoming increasingly more sophisticated and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement sufficient preventative measures. If unauthorized parties gain physical access to one of our facilities or electronic access to our information systems or such information is misdirected, lost or stolen during transmission or transport, any theft or misuse of such information could result in, among other things, unfavorable publicity, governmental inquiry and oversight, difficulty in marketing our services, allegations by our customers and clients that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for damages related to the theft or misuse of such information, any of which could have a material adverse effect on our business.

*Our stock price will fluctuate, and at times these fluctuations may be volatile.*

The prices of markets and individual equities tend to fluctuate. These fluctuations commonly reflect events, many of which may be fully or partially outside of our control, that may change investor's perception of our future earnings growth prospects, including changes in economic conditions, ability to execute business strategy, the impacts of public policy, investor sentiment, competitive dynamics, and many other factors. While the sources of stock price fluctuation can be common across companies, the magnitude of these fluctuations can vary for different companies.

## **ITEM 1B: UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 1C: CYBERSECURITY**

We deploy several processes for assessing, identifying and managing material risks from cybersecurity threats. These processes include, but are not limited to, security assessments, physical access restrictions, internal and external penetration testing, endpoint detection and response, and employee security awareness programs and training.

Our cybersecurity processes have been integrated into our overall risk management processes, and we engage assistance from third parties as we deem necessary or appropriate. We believe that we have processes in place to oversee and identify risks from cybersecurity threats associated with our use of third-party services providers to our business. See Item 1A: Risk Factors for further discussion regarding data security risks.

Our Information Technology team, under the direction of the Chief Financial Officer and with the assistance of industry-leading third parties with over 20 years of expertise, is tasked with monitoring cybersecurity and operational risks related to information security and system disruption. They have many years of experience in various technology-related functions including security, auditing, compliance and systems. Our Executive Leadership team is briefed regularly on information security, including discussion of processes such as those listed above to monitor the prevention, detection, mitigation and remediation of cybersecurity incidents.

Our Board of Directors is charged with providing oversight of our risk management process. Specifically, the Audit Committee is primarily responsible for overseeing the risk management function, including risks from cybersecurity threats. Periodically, the Audit Committee reviews risk assessments, including cybersecurity risks, prepared by management and/or third-party providers.

There have been no previous cybersecurity incidents which have materially affected us to date, including our business strategy, results of operations or financial condition. However, any future potential risks from cybersecurity threats, including but not limited to exploitation of vulnerabilities, ransomware, denial of service, or other similar threats may materially affect us, including our execution of business strategy, reputation, results of operations and/or financial condition.

## **ITEM 2: PROPERTIES**

We lease 41,016 square feet at our headquarters facility in Minneapolis, Minnesota. We are obligated to pay rent monthly under the lease, and will pay an average of \$851,700 annually over the remaining term that expires in 2029. We are also obligated to pay estimated taxes and operating expenses as described in the lease, which change annually. The total rentals, taxes and operating expenses paid may increase if we exercise any of our rights to acquire additional space described in the lease. Our facilities are sufficient to meet our current and immediate future needs.

## **ITEM 3: LEGAL PROCEEDINGS**

We are not a party to any material litigation and are not aware of any threatened litigation that we believe would have a material adverse effect on our business.

## **ITEM 4: MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5: MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information, Holders, Dividends

Winmark Corporation’s common stock trades on the NASDAQ Global Market under the symbol “WINA”. For dividend information see Note 6 – “Shareholders’ Equity (Deficit).”

At February 24, 2025, there were approximately 46 shareholders of record of our common stock.

#### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

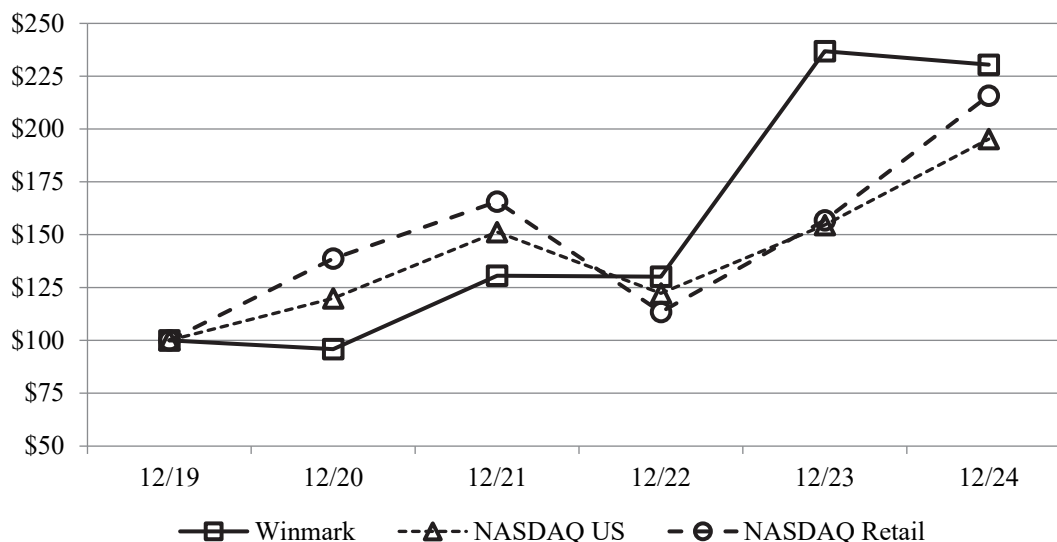
<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of a Publicly Announced Plan(1)</u>	<u>Maximum Number of Shares that may yet be Purchased Under the Plan</u>
September 29, 2024 to November 2, 2024	—	\$ —	—	78,600
November 3, 2024 to November 30, 2024	—	\$ —	—	78,600
December 1, 2024 to December 28, 2024	—	\$ —	—	78,600

(1) The Board of Directors’ authorization for the repurchase of shares of the Company’s common stock was originally approved in 1995 with no expiration date. The total shares approved for repurchase has been increased by additional Board of Directors’ approvals and as of December 28, 2024 was limited to 5,400,000 shares, of which 78,600 may still be repurchased.

The table set forth in Part III, Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matter” of this Annual Report is also incorporated herein by reference.

#### Performance Graph

In accordance with the rules of the SEC, the following graph compares the performance of our common stock on the NASDAQ stock market to the NASDAQ US Benchmark TR composite index and to the NASDAQ US Benchmark Retail TR industry index, of which we are a component. The graph compares on an annual basis the cumulative total shareholder return on \$100 invested on December 28, 2019 through our fiscal year ended December 28, 2024 and assumes reinvestment of all dividends. The performance graph is not necessarily indicative of future investment performance.



**ITEM 6: [RESERVED]**

None.

**ITEM 7: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is management’s discussion and analysis of certain significant factors which have affected our financial position and operating results during the periods included in the accompanying consolidated financial statements and should be read in conjunction with those consolidated financial statements. This section of this 10-K generally discusses 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-date comparisons between 2023 and 2022 that are not included in this Form 10-K, can be found in ‘Management’s Discussion and Analysis of Financial Condition and Results of Operations’ in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 30, 2023.

Overview

Winmark – the Resale Company is focused on sustainability and small business formation. As of December 28, 2024, we had 1,350 franchises operating under the Plato’s Closet, Once Upon A Child, Play It Again Sports, Style Encore and Music Go Round brands. Our business is not capital intensive and is designed to generate consistent, recurring revenue and strong operating margins.

The financial criteria that management closely tracks to evaluate current business operations and future prospects include royalties and selling, general and administrative expenses.

Our most significant source of franchising revenue is royalties received from our franchisees. During 2024, our royalties increased \$2.0 million or 2.8% compared to 2023.

Management continually monitors the level and timing of selling, general and administrative expenses. The major components of selling, general and administrative expenses include compensation & benefits, marketing & advertising, professional services, and occupancy. During 2024, selling, general and administrative expense decreased \$0.2 million, or 0.7%, compared to the same period last year.

Management also monitors several nonfinancial factors in evaluating the current business operations and future prospects including franchise openings and closings and franchise renewals. The following is a summary of our net store growth and renewal activity for the fiscal year ended December 28, 2024:

	<u>TOTAL</u> <u>12/30/2023</u>	<u>OPENED</u>	<u>CLOSED</u>	<u>TOTAL</u> <u>12/28/2024</u>	<u>AVAILABLE</u> <u>FOR</u> <u>RENEWAL</u>	<u>COMPLETED</u> <u>RENEWALS</u>	<u>% RENEWED</u>
Plato’s Closet	506	14	(5)	515	55	55	100 %
Once Upon A Child	416	16	(2)	430	51	50	98 %
Play It Again Sports	294	13	(5)	302	22	21	95 %
Style Encore	66	4	(1)	69	15	15	100 %
Music Go Round	37	—	(3)	34	2	1	50 %
Total Franchised Stores <sup>(1)</sup>	<u>1,319</u>	<u>47</u>	<u>(16)</u>	<u>1,350</u>	<u>145</u>	<u>142</u>	<u>98 %</u>

(1) All stores are owned and operated by franchisees. Winmark does not own or operate any corporate stores.

Renewal activity is a key focus area for management. Our franchisees sign 10-year agreements with us. The renewal of existing franchise agreements as they approach their expiration is an indicator that management monitors to determine the health of our business and the preservation of future royalties. In 2024, we renewed 98% of franchise agreements up for renewal. This percentage of renewal has ranged between 98% and 100% during the last three years.

Our ability to grow our operating income is dependent on our ability to: (i) effectively support our franchise partners so that they produce higher revenues, (ii) open new franchises, and (iii) control our selling, general and administrative expenses. A detailed description of the risks to our business along with other risk factors can be found in Item 1A “Risk Factors”.

In May 2021, we made the decision to no longer solicit new leasing customers and will pursue an orderly run-off of our middle-market leasing portfolio. Leasing income net of leasing expense for the fiscal year of 2024 was \$1.8 million compared to \$4.4 million in 2023. Our leasing portfolio (net investment in leases), was \$0.0 million at December 28, 2024 compared to \$0.1 million at December 30, 2023. Given the decision to run-off the portfolio, we anticipate that leasing income net of leasing expense will continue to decrease through the remainder of the run-off period. See Note 3 – “Investment in Leasing Operations” for information regarding the lease portfolio.

### **Results of Operations**

The following table sets forth selected information from our Consolidated Statements of Operations expressed as a percentage of total revenue and the percentage change in the dollar amounts from the prior period:

	<b>Fiscal Year Ended</b>		<b>Fiscal 2024 over (under) 2023</b>
	<b>December 28, 2024</b>	<b>December 30, 2023</b>	
Revenue:			
Royalties	88.8 %	84.4 %	2.8 %
Leasing income	2.2	5.7	(62.0)
Merchandise sales	4.4	5.7	(24.4)
Franchise fees	1.9	1.8	2.2
Other	2.7	2.4	8.0
Total revenue	<u>100.0</u>	<u>100.0</u>	<u>(2.3)</u>
Cost of merchandise sold	(4.2)	(5.3)	(24.3)
Leasing expense	—	(0.5)	(90.8)
Provision for credit losses	—	—	(72.7)
Selling, general and administrative expenses	(30.7)	(30.2)	(0.7)
Income from operations	<u>65.1</u>	<u>64.0</u>	<u>(0.7)</u>
Interest expense	(3.5)	(3.7)	(7.6)
Interest and other income	1.4	1.4	(1.8)
Income before income taxes	<u>63.0</u>	<u>61.7</u>	<u>(0.3)</u>
Provision for income taxes	(13.9)	(13.4)	0.8
Net income	<u>49.1 %</u>	<u>48.3 %</u>	<u>(0.6)%</u>

### **Revenue**

Revenues for the year ended December 28, 2024 totaled \$81.3 million compared to \$83.2 million in 2023.

#### *Royalties and Franchise Fees*

Royalties increased to \$72.2 million for 2024 from \$70.2 million for the same period in 2023, a 2.8% increase. The increase is primarily due to having additional franchise stores in 2024 compared to 2023.

Franchise fees of \$1.5 million for 2024 were comparable to \$1.5 million for 2023. Franchise fees include initial franchise fees from the sale of new franchises and transfer fees related to the transfer of existing franchises. Franchise fee revenue is recognized over the estimated life of the franchise, beginning when the franchise opens. An overview of retail brand franchise fees is presented in the Operations subsection of the Business section (Item 1).

#### *Leasing Income*

Leasing income decreased to \$1.8 million in 2024 compared to \$4.8 million for the same period in 2023. The decrease is primarily due to a decrease in operating lease income and income on sales of equipment under lease resulting from the run off of the portfolio.



### *Merchandise Sales*

Merchandise sales include the sale of product to franchisees either through our Computer Support Center or through the Play It Again Sports buying group (together, "Direct Franchisee Sales"). Direct Franchisee Sales decreased to \$3.6 million in 2024 from \$4.8 million in 2023. The decrease is due to a decrease in buying group and technology purchases by our franchisees.

### *Cost of Merchandise Sold*

Cost of merchandise sold includes in-bound freight and the cost of merchandise associated with Direct Franchisee Sales. Cost of merchandise sold decreased to \$3.4 million in 2024 from \$4.5 million in 2023. The decrease was due to a decrease in Direct Franchisee Sales discussed above. Cost of merchandise sold as a percentage of Direct Franchisee Sales for 2024 and 2023 was 93.8% and 93.7%, respectively.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased 0.7% to \$24.9 million in 2024 from \$25.1 million in 2023. The decrease was primarily due to a decrease in compensation related expenses.

### *Interest Expense*

Interest expense was \$2.9 million in 2024 compared to \$3.1 million in 2023. The decrease is primarily due to lower average corporate borrowings when compared to last year.

### *Income Taxes*

The provision for income taxes was calculated at an effective rate of 22.0% and 21.8% for 2024 and 2023, respectively. The increase is primarily due to an increase in the valuation allowance related to foreign tax credits.

### **Segment Comparison of Fiscal Years 2024 and 2023**

As of December 28, 2024, we have one reportable operating segment, franchising, and one non-reportable operating segment. The franchising segment franchises value-oriented retail store concepts that buy, sell and trade merchandise. The non-reportable operating segment includes our equipment leasing business. Segment reporting is intended to give financial statement users a better view of how we manage and evaluate our businesses. Our internal management reporting is the basis for the information disclosed for our operating segments. The following tables summarize financial information by segment and provide a reconciliation of segment contribution to income from operations:

	<b>Year Ended</b>	
	<b>December 28, 2024</b>	<b>December 30, 2023</b>
Revenue:		
Franchising	\$ 79,477,300	\$ 78,477,300
Other	1,811,800	4,766,200
Total revenue	<u>\$ 81,289,100</u>	<u>\$ 83,243,500</u>
Reconciliation to income from operations:		
Franchising segment contribution	\$ 51,593,300	\$ 49,375,900
Other operating segment contribution	1,337,300	3,904,700
Total income from operations	<u>\$ 52,930,600</u>	<u>\$ 53,280,600</u>

Revenues are all generated from United States operations other than franchising revenue from Canadian operations of \$7.3 million and \$6.8 million in each of fiscal 2024 and 2023, respectively.

### ***Franchising Segment Operating Income***

The franchising segment's 2024 operating income increased by \$2.2 million, or 4.5%, to \$51.6 million from \$49.4 million for 2023. The increase in segment contribution was primarily due to increased royalty revenues.

### ***Other Segment Operating Income***

The other segment operating income for 2024 decreased by \$2.6 million, or 65.8%, to \$1.3 million from \$3.9 million for 2023. The decrease in segment contribution was due to a decrease in leasing income net of leasing expense.

### **Liquidity and Capital Resources**

Our primary sources of liquidity have historically been cash flow from operations and borrowings. The components of the Consolidated Statements of Operations that reduce our net income but do not affect our liquidity include non-cash items for depreciation and amortization and compensation expense related to stock options.

We ended 2024 with \$12.3 million in cash, cash equivalents and restricted cash compared to \$13.4 million in cash, cash equivalents and restricted cash at the end of 2023.

Operating activities provided \$42.2 million of cash during 2024 compared to \$44.0 million provided during 2023. The decrease in cash provided by operating activities in 2024 was due to a decrease in accrued and other liabilities.

Investing activities used \$0.2 million of cash during 2024 compared to \$0.4 million used during 2023.

Financing activities used \$43.0 million of cash during 2024 compared to \$43.9 million used during 2023. Our most significant financing activities over the past two years have consisted of payments on our notes payable, the payment of dividends, and net proceeds received from the exercise of stock options. During 2024, we paid \$38.9 million in cash dividends (including a \$7.50 per share special cash dividend), and paid \$9.2 million on notes payable (including \$4.9 million in prepayment of notes that had scheduled amortization payments due in 2025-2027); partially offset by \$5.0 million of proceeds from the exercise of stock options. (See Note 6 — "Shareholders' Equity (Deficit)" and Note 7 — "Debt").

We have debt obligations and future operating lease commitments for our corporate headquarters. As of December 28, 2024, we had no other material outstanding commitments. (See Note 12 — "Commitments and Contingencies"). The following table summarizes our significant future contractual obligations at December 28, 2024:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	
<u>Contractual Obligations</u>					
Line of Credit/Term loan <sup>(1)(3)</sup>	\$ 35,977,400	\$ 1,395,500	\$ 2,791,000	\$ 31,790,900	\$ —
Notes Payable <sup>(2)(3)</sup>	33,577,500	954,000	1,908,000	30,715,500	—
Operating Lease Obligations	4,258,600	806,000	1,679,300	1,773,300	—
Total Contractual Obligations	<u>\$ 73,813,500</u>	<u>\$ 3,155,500</u>	<u>\$ 6,378,300</u>	<u>\$ 64,279,700</u>	<u>\$ —</u>

(1) Includes interest payable monthly at rates ranging from 4.60% to 4.75%.

(2) Includes interest payable quarterly at 3.18%.

(3) Refer to Part II, Item 8 in this report under Note 7 — "Debt" for additional information regarding long-term debt.

Our debt facilities include a Line of Credit with CIBC Bank USA and a Note Agreement and Shelf Agreement with Prudential. These facilities have been and will continue to be used for general corporate purposes, are secured by a lien against substantially all of our assets, contain customary financial conditions and covenants, and require maintenance of minimum levels of debt service coverage and maximum levels of leverage (all as defined within the agreements governing the facilities). As of December 28, 2024, we were in compliance with all of the financial covenants under the Line of Credit, the Note Agreement and the Shelf Agreement.

The Line of Credit provides for up to \$20.0 million in revolving loans and \$30.0 million in delayed draw term loans. As of December 28, 2024, we had no revolving loans outstanding, and had delayed draw term loan borrowings totaling \$30.0 million that mature in 2029.

The Shelf Agreement allows us to offer privately negotiated senior notes to Prudential in an aggregate principal amount up to (i) \$100.0 million, less (ii) the aggregate principal amount of notes outstanding at such point (including notes outstanding under the Note Agreement, which at December 28, 2024 was \$30.0 million). As of December 28, 2024, we had not issued any notes under the Shelf Agreement. All of the of principal outstanding under the Note Agreement matures in 2028.

See Part II, Item 8, Note 7 – “Debt” for more information regarding the Line of Credit, Note Agreement and Shelf Agreement.

We expect to generate the cash necessary to pay our expenses and to pay the principal and interest on our outstanding debt from cash flows provided by operating activities and by opportunistically using other means to repay or refinance our obligations as we determine appropriate. Our ability to pay our expenses and meet our debt service obligations depends on our future performance, which may be affected by financial, business, economic, and other factors including the risk factors described under Item 1A of this report. If we do not have enough money to pay our debt service obligations, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or raise equity. In such an event, we may not be able to refinance our debt, sell assets, borrow more money or raise equity on terms acceptable to us or at all. Also, our ability to carry out any of these activities on favorable terms, if at all, may be further impacted by any financial or credit crisis which may limit access to the credit markets and increase our cost of capital.

As of the date of this report we believe that the combination of our cash on hand, the cash generated from our business, our Line of Credit and our Shelf Agreement will be adequate to fund our planned operations through 2025.

### **Critical Accounting Policies**

The Company prepares the consolidated financial statements of Winmark Corporation and Subsidiaries in conformity with accounting principles generally accepted in the United States of America. As such, the Company is required to make certain estimates, judgments and assumptions that it believes are reasonable based on information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. There can be no assurance that actual results will not differ from these estimates. The critical accounting policies that the Company believes are most important to aid in fully understanding and evaluating the reported financial results include the following:

#### *Revenue Recognition — Royalty Revenue and Franchise Fees*

The Company collects royalties from each retail franchise based on a percentage of retail store gross sales. The Company recognizes royalties as revenue when earned. At the end of each accounting period, royalty amounts due are based on franchisee sales information. As of December 28, 2024, the Company’s royalty receivable was \$1,219,800.

The Company collects initial franchise fees when franchise agreements are signed and recognizes the initial franchise fees as revenue over the estimated life of the franchise, beginning when the franchise is opened. Franchise fees collected from franchisees but not yet recognized as income are recorded as deferred revenue in the liability section of the consolidated balance sheet. As of December 28, 2024, deferred franchise fee revenue was \$7,483,300.

### **Recent Accounting Pronouncements**

See Note 2, “Significant Accounting Policies — Recently Issued Accounting Pronouncements and Recently Adopted Accounting Pronouncements”.

## **ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company incurs financial markets risk in the form of interest rate risk. Risk can be quantified by measuring the financial impact of a near-term adverse increase in short-term interest rates. At December 28, 2024, the Company's line of credit with CIBC Bank USA included a commitment for revolving loans of \$20.0 million. The interest rates applicable to revolving loans are based on either the bank's base rate or SOFR for short-term borrowings (twelve months or less). The Company had no revolving loans outstanding at December 28, 2024 under this line of credit. The Company's earnings would be affected by changes in short-term interest rates only in the event that it were to borrow amounts under this facility. With the Company's borrowings at December 28, 2024, a one percent increase in short-term rates would have no impact on annual pretax earnings. The Company had no interest rate derivatives in place at December 28, 2024.

None of the Company's cash and cash equivalents at December 28, 2024 was invested in money market mutual funds, which are subject to the effects of market fluctuations in interest rates.

Foreign currency transaction gains and losses were not material to the Company's results of operations for the year ended December 28, 2024, as approximately 9% of the Company's total revenues and a de minimis amount of expenses were denominated in a foreign currency. Based upon these revenues and expenses, a 10% increase or decrease in the foreign currency exchange rates would impact annual pretax earnings by approximately \$730,000. To date, the Company has not entered into any foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

## **ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Winmark Corporation and Subsidiaries  
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**WINMARK CORPORATION AND SUBSIDIARIES**

Consolidated Balance Sheets

	<u>December 28, 2024</u>	<u>December 30, 2023</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 12,189,800	\$ 13,361,500
Restricted cash	140,000	25,000
Receivables, less allowance for credit losses of \$500 and \$600	1,336,400	1,475,300
Net investment in leases	—	75,100
Income tax receivable	96,400	31,400
Inventories	397,600	386,100
Prepaid expenses	1,205,400	1,392,100
Total current assets	<u>15,365,600</u>	<u>16,746,500</u>
Property and equipment:		
Furniture and equipment	2,679,400	3,602,900
Building and building improvements	2,952,100	2,952,100
Less - accumulated depreciation and amortization	<u>(4,212,100)</u>	<u>(4,885,200)</u>
Property and equipment, net	<u>1,419,400</u>	<u>1,669,800</u>
Operating lease right of use asset	2,108,700	2,425,900
Intangible assets, net	2,640,300	2,994,300
Goodwill	607,500	607,500
Other assets	491,200	471,300
Deferred income taxes	4,211,800	4,052,400
	<u>\$ 26,844,500</u>	<u>\$ 28,967,700</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Current Liabilities:		
Notes payable, net of unamortized debt issuance costs of \$- and \$32,100	\$ —	\$ 4,217,900
Accounts payable	1,562,000	1,719,400
Accrued liabilities	1,866,200	2,858,200
Deferred revenue	1,659,700	1,666,100
Total current liabilities	<u>5,087,900</u>	<u>10,461,600</u>
Long-term Liabilities:		
Line of credit/Term loan	30,000,000	30,000,000
Notes payable, net of unamortized debt issuance costs of \$57,200 and \$88,700	29,942,800	34,848,800
Deferred revenue	8,027,600	7,657,500
Operating lease liabilities	3,092,800	3,715,800
Other liabilities	1,739,500	1,440,100
Total long-term liabilities	<u>72,802,700</u>	<u>77,662,200</u>
Shareholders' Equity (Deficit):		
Common stock, no par value, 10,000,000 shares authorized, 3,539,744 and 3,496,977 shares issued and outstanding	14,790,500	7,768,800
Retained earnings (accumulated deficit)	<u>(65,836,600)</u>	<u>(66,924,900)</u>
Total shareholders' equity (deficit)	<u>(51,046,100)</u>	<u>(59,156,100)</u>
	<u>\$ 26,844,500</u>	<u>\$ 28,967,700</u>

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

**WINMARK CORPORATION AND SUBSIDIARIES**  
Consolidated Statements of Operations

	<u>Fiscal Year Ended</u>		
	<u>December 28, 2024</u>	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Revenue:			
Royalties	\$ 72,198,500	\$ 70,230,700	\$ 67,148,100
Leasing income	1,811,800	4,766,200	6,937,700
Merchandise sales	3,601,300	4,761,100	3,921,600
Franchise fees	1,545,600	1,512,000	1,575,400
Other	<u>2,131,900</u>	<u>1,973,500</u>	<u>1,828,000</u>
Total revenue	81,289,100	83,243,500	81,410,800
Cost of merchandise sold	3,379,200	4,461,500	3,712,800
Leasing expense	36,600	398,300	984,700
Provision for credit losses	(1,500)	(5,600)	(57,900)
Selling, general and administrative expenses	<u>24,944,200</u>	<u>25,108,700</u>	<u>23,158,400</u>
Income from operations	52,930,600	53,280,600	53,612,800
Interest expense	(2,856,900)	(3,091,000)	(2,914,900)
Interest and other income	<u>1,150,300</u>	<u>1,171,700</u>	<u>85,600</u>
Income before income taxes	51,224,000	51,361,300	50,783,500
Provision for income taxes	<u>(11,269,800)</u>	<u>(11,183,200)</u>	<u>(11,358,600)</u>
Net income	<u>\$ 39,954,200</u>	<u>\$ 40,178,100</u>	<u>\$ 39,424,900</u>
Earnings per share - basic	<u>\$ 11.36</u>	<u>\$ 11.55</u>	<u>\$ 11.30</u>
Earnings per share - diluted	<u>\$ 10.89</u>	<u>\$ 11.04</u>	<u>\$ 10.97</u>
Weighted average shares outstanding - basic	<u>3,516,122</u>	<u>3,479,936</u>	<u>3,487,732</u>
Weighted average shares outstanding - diluted	<u>3,667,479</u>	<u>3,640,524</u>	<u>3,592,456</u>

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

**WINMARK CORPORATION AND SUBSIDIARIES**  
Consolidated Statements of Shareholders' Equity (Deficit)  
Fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022

	<u>Common Stock</u>		<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
BALANCE, December 25, 2021	3,635,806	\$ —	\$ (39,083,400)	\$ (39,083,400)
Repurchase of common stock	(226,165)	(4,597,400)	(44,522,400)	(49,119,800)
Stock options exercised	50,032	4,751,700	—	4,751,700
Compensation expense relating to stock options	—	1,652,400	—	1,652,400
Cash dividends	—	—	(19,257,900)	(19,257,900)
Comprehensive income (Net income)	—	—	39,424,900	39,424,900
BALANCE, December 31, 2022	<u>3,459,673</u>	<u>1,806,700</u>	<u>(63,438,800)</u>	<u>(61,632,100)</u>
Repurchase of common stock	—	—	—	—
Stock options exercised	37,304	4,009,700	—	4,009,700
Compensation expense relating to stock options	—	1,952,400	—	1,952,400
Cash dividends	—	—	(43,664,200)	(43,664,200)
Comprehensive income (Net income)	—	—	40,178,100	40,178,100
BALANCE, December 30, 2023	<u>3,496,977</u>	<u>7,768,800</u>	<u>(66,924,900)</u>	<u>(59,156,100)</u>
Repurchase of common stock	—	—	—	—
Stock options exercised	42,767	5,033,700	—	5,033,700
Compensation expense relating to stock options	—	1,988,000	—	1,988,000
Cash dividends	—	—	(38,865,900)	(38,865,900)
Comprehensive income (Net income)	—	—	39,954,200	39,954,200
BALANCE, December 28, 2024	<u>3,539,744</u>	<u>\$ 14,790,500</u>	<u>\$ (65,836,600)</u>	<u>\$ (51,046,100)</u>

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

**WINMARK CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

	<b>Year Ended</b>		
	<b>December 28, 2024</b>	<b>December 30, 2023</b>	<b>December 31, 2022</b>
<b>OPERATING ACTIVITIES:</b>			
Net income	\$ 39,954,200	\$ 40,178,100	\$ 39,424,900
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment	445,300	418,700	411,400
Amortization of intangible assets	354,000	354,000	191,700
Provision for credit losses	(1,500)	(5,600)	(57,900)
Compensation expense related to stock options	1,988,000	1,952,400	1,652,400
Deferred income taxes	(159,400)	(512,000)	(287,700)
Gain from disposal of property and equipment	—	—	(9,400)
Operating lease right of use asset amortization	317,100	290,100	266,000
Tax benefits on exercised stock options	1,307,700	1,138,500	858,300
Change in operating assets and liabilities:			
Receivables	138,900	(36,700)	(335,200)
Principal collections on lease receivables	104,700	556,000	3,646,700
Income tax receivable/payable	(1,372,800)	(611,200)	(749,500)
Inventories	(11,500)	384,500	(445,400)
Prepaid expenses	186,700	(81,700)	(301,800)
Other assets	(19,900)	(41,600)	(11,400)
Accounts payable	(157,400)	(402,600)	23,000
Accrued and other liabilities	(1,251,900)	(16,900)	222,800
Rents received in advance and security deposits	(28,000)	(275,200)	(819,200)
Deferred revenue	363,700	705,500	109,600
Net cash provided by operating activities	<u>42,157,900</u>	<u>43,994,300</u>	<u>43,789,300</u>
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sales of property and equipment	—	—	9,400
Purchase of property and equipment	(194,900)	(383,900)	(139,100)
Reacquired franchise rights	—	—	(3,540,000)
Net cash used for investing activities	<u>(194,900)</u>	<u>(383,900)</u>	<u>(3,669,700)</u>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings on line of credit/term loan	—	—	33,700,000
Payments on line of credit/term loan	—	—	(3,700,000)
Payments on notes payable	(9,187,500)	(4,250,000)	(4,250,000)
Repurchases of common stock	—	—	(49,119,800)
Proceeds from exercises of stock options	5,033,700	4,009,700	4,751,700
Dividends paid	(38,865,900)	(43,664,200)	(19,257,900)
Net cash used for financing activities	<u>(43,019,700)</u>	<u>(43,904,500)</u>	<u>(37,876,000)</u>
<b>NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(1,056,700)</b>	<b>(294,100)</b>	<b>2,243,600</b>
Cash, cash equivalents and restricted cash, beginning of period	13,386,500	13,680,600	11,437,000
Cash, cash equivalents and restricted cash, end of period	<u>\$ 12,329,800</u>	<u>\$ 13,386,500</u>	<u>\$ 13,680,600</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>			
Cash paid for interest	<u>\$ 2,851,000</u>	<u>\$ 3,049,400</u>	<u>\$ 2,722,500</u>
Cash paid for income taxes	<u>\$ 11,168,700</u>	<u>\$ 10,874,300</u>	<u>\$ 11,308,800</u>

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets to the total of the same amounts shown above:

	<b>Year Ended</b>		
	<b>December 28, 2024</b>	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents	\$ 12,189,800	\$ 13,361,500	\$ 13,615,600
Restricted cash	140,000	25,000	65,000
Total cash, cash equivalents and restricted cash	<u>\$ 12,329,800</u>	<u>\$ 13,386,500</u>	<u>\$ 13,680,600</u>

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



# WINMARK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
December 28, 2024, December 30, 2023 and December 31, 2022

## 1. Organization and Business:

Winmark Corporation and subsidiaries (the Company) offers licenses to operate franchises using the service marks Plato's Closet®, Once Upon A Child®, Play It Again Sports®, Style Encore® and Music Go Round®. In addition, the Company sells point-of-sale system hardware to its franchisees and certain merchandise to its Play It Again Sports franchisees. The Company also operates a middle-market equipment leasing businesses under the Winmark Capital® mark. The Company has a 52/53-week fiscal year that ends on the last Saturday in December. Fiscal year 2022 was a 53-week fiscal year, while 2024 and 2023 were 52-week fiscal years.

## 2. Significant Accounting Policies:

### *Principles of Consolidation*

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

### *Cash Equivalents*

Cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased. Cash equivalents are stated at cost, which approximates fair value. As of December 28, 2024 and December 30, 2023, the Company had \$73,800 and \$143,600, respectively, of cash located in Canadian banks. The Company holds its cash and cash equivalents with financial institutions and at times, such balances may be in excess of insurance limits.

### *Receivables*

The Company provides an allowance for credit losses on trade receivables. The allowance for credit losses was \$500 and \$600 at December 28, 2024 and December 30, 2023 respectively. If receivables in excess of the provided allowance are determined uncollectible, they are charged to expense in the year the determination is made. Trade receivables are written off when they become uncollectible (which generally occurs when the franchise terminates and there is no reasonable expectation of collection), and payments subsequently received on such receivable are credited to the allowance for credit losses. Historically, receivables balances written off have not exceeded allowances provided.

### *Restricted Cash*

The Company is required by certain states to maintain initial franchise fees in a restricted bank account until the franchise opens. Cash held in escrow totaled \$140,000 and \$25,000 at December 28, 2024 and December 30, 2023, respectively.

### *Investment in Leasing Operations*

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

#### *Leasing Income Recognition*

Leasing income for direct financing leases is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on the lease.

For sales-type leases in which the equipment has a fair value greater or less than its carrying amount, selling profit/loss is recognized at commencement. For subsequent periods or for leases in which the equipment's fair value is equal to its carrying amount, the recording of income is consistent with the accounting for a direct financing lease.

## WINMARK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
December 28, 2024, December 30, 2023 and December 31, 2022

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

Generally, when a lease is more than 90 days delinquent (when more than three monthly payments are owed), the lease is classified as being on non-accrual and the Company stops recognizing leasing income on that date. Payments received on leases in non-accrual status generally reduce the lease receivable. Leases on non-accrual status remain classified as such until there is sustained payment performance that, in the Company's judgment, would indicate that all contractual amounts will be collected in full.

### *Leasing Expense*

Leasing expense includes the cost of financing equipment purchases, the cost of equipment sales as well as depreciation expense for operating lease assets.

### *Lease Residual Values*

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

### *Allowance for Credit Losses*

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

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

### *Inventories*

The Company values its inventories at the lower of cost, as determined by the weighted average cost method, and net realizable values. Inventory consists of computer hardware and related accessories, all of which is finished goods merchandise held for resale.

### *Impairment of Long-lived Assets*

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

### *Property and Equipment*

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

### *Intangible Assets*

Intangible assets are amortized over the estimated useful life on a straight line basis. The Company reviews its intangible assets for impairment at its fiscal year end or whenever events or changes in circumstances indicate that there has been impairment in the value of its intangible assets. No impairment was noted during fiscal years ended 2024, 2023, and 2022. Intangible assets of \$2.6 million and \$3.0 million in the consolidated balance sheets at December 28, 2024 and December 30, 2023, respectively, are all attributable to the Franchising segment.

## WINMARK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
December 28, 2024, December 30, 2023 and December 31, 2022

### ***Goodwill***

The Company reviews its goodwill for impairment at its fiscal year end or whenever events or changes in circumstances indicate that there has been impairment in the value of its goodwill. No impairment was noted during fiscal years ended 2024, 2023 and 2022. Goodwill of \$0.6 million in the consolidated balance sheets at December 28, 2024 and December 30, 2023 is all attributable to the Franchising segment.

### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted U.S. accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The ultimate results could differ from those estimates.

### ***Advertising***

Advertising costs are charged to selling, general and administrative expenses as incurred. Advertising costs were \$0.6 million, \$0.7 million and \$0.5 million for fiscal years 2024, 2023 and 2022, respectively.

### ***Accounting for Stock-Based Compensation***

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

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

### ***Revenue Recognition – Franchising***

The following is a description of the principal sources of revenue for the company's franchising segment. The Company's performance obligations under franchise agreements consist of (a) a franchise license, including a license to use one of our brands, (b) a point-of-sale software license, (c) initial services, such as pre-opening training and marketing support, and (d) ongoing services, such as marketing services and operational support. These performance obligations are highly interrelated so we do not consider them to be individually distinct and therefore account for them under ASC 606 as a single performance obligation, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise. The disaggregation of the Company's franchise revenue is presented within the Revenue lines of the Consolidated Statements of Operations with the amounts included in Revenue: Other delineated below.

#### *Royalties*

The Company collects royalties from each retail franchise based upon a percentage of retail sales. The Company recognizes royalties at the time the underlying sales occur.

#### *Merchandise Sales*

Merchandise sales include the sale of point-of-sale technology equipment to franchisees and the sale of a limited amount of sporting goods to certain Play It Again Sports franchisees. Merchandise sales, which includes shipping and handling charges, are recognized at a point in time when the product has been shipped to the franchisee. Shipping and handling costs associated with outbound freight are accounted for as a fulfillment cost and included in cost of merchandise sold.

## WINMARK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
December 28, 2024, December 30, 2023 and December 31, 2022

### *Franchise Fees*

The Company collects initial franchise fees when franchise agreements are signed. The Company recognizes franchise fee revenue over the estimated life of the franchise, beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. The Company had deferred franchise fee revenue of \$7.5 million and \$7.1 million at December 28, 2024 and December 30, 2023, respectively.

### *Marketing Fees*

Marketing fee revenue is included in the Revenue: Other line of the Consolidated Statements of Operations. The Company bills and collects annual marketing fees from its franchisees at various times throughout the year. The Company recognizes marketing fee revenue on a straight line basis over the franchise duration. The Company recognized \$1.8 million, \$1.6 million and \$1.5 million in marketing fee revenue for each of the fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022, respectively.

### *Software License Fees*

Software license fee revenue is included in the Revenue: Other line of the Consolidated Statements of Operations. The Company bills and collects software license fees from its franchisees when the point-of-sale system is provided to the franchisee. The Company recognizes software license fee revenue on a straight line basis over the franchise duration. The Company recognized \$0.4 million, \$0.4 million and \$0.3 million in software license fee revenue for each of the fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022, respectively. The Company had deferred software license fees of \$1.9 million and \$1.8 million at December 28, 2024 and December 30, 2023, respectively.

### *Contract Liabilities*

The Company's contract liabilities for its franchise revenues consist of deferred revenue associated with franchise fees and software license fees described above.

### *Commission Fees*

The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees of \$0.6 million and \$0.6 million are outstanding at December 28, 2024 and December 30, 2023, respectively and are included in Prepaid expenses and Other assets in the Consolidated Balance Sheets.

Capitalized commission fees are amortized over the life of the franchise and are included in selling, general and administrative expenses. During the fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022, the Company recognized \$114,700, \$109,700 and \$100,800 of commission fee expense, respectively.

### *Income Taxes*

The Company accounts for incomes taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

### *Sales Tax*

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

## WINMARK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
December 28, 2024, December 30, 2023 and December 31, 2022

### ***Earnings Per Share***

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

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

	Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Denominator for basic EPS — weighted average common shares	3,516,122	3,479,936	3,487,732
Dilutive shares associated with option plans	151,357	160,588	104,724
Denominator for diluted EPS — weighted average common shares and dilutive potential common shares	3,667,479	3,640,524	3,592,456
Options excluded from EPS calculation — anti-dilutive	7,578	2,913	21,153

### ***Fair Value Measurements***

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

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

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

### ***Recently Issued Accounting Pronouncements***

*Disaggregation – Income Statement Expenses* – In November 2024, the Financial Accounting Standards Board (“FASB”) issued guidance requiring additional disclosure of the nature of expenses included in the income statement in response to requests from investors for more information about an entity’s expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as disclosures about selling expenses. The guidance is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. The Company is currently evaluating the impact this new guidance will have on its financial statements and disclosures.

*Improvements to Income Tax Disclosures* – In December 2023, the FASB issued guidance that expands income tax disclosures for public entities, including requiring enhanced disclosures related to the rate reconciliation and income taxes paid information. The guidance is effective for annual disclosures for fiscal years beginning after December 15, 2024, with early adoption permitted. The guidance should be applied on a prospective basis, with retrospective application to all prior periods presented in the financial statements permitted. The Company is currently evaluating the impact this new guidance will have on its financial statements and disclosures.

### ***Recently Adopted Accounting Pronouncements***

*Segment Reporting* – In November 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-07 that expands segment disclosures for public entities, including requiring disclosure of significant segment expenses that are regularly provided to and reviewed by the chief operating decision maker (“CODM”), the title and position of the CODM and an explanation of how the CODM uses reported measures of segment profit or loss in assessing segment performance and allocating resources. The new guidance also expands disclosures about a reportable segment’s profit or loss and assets in interim periods and clarifies that a public entity may report additional measures of segment profit if the CODM uses more than one measure of a segment’s profit or loss. The new guidance does not remove existing segment disclosure

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requirements or change how a public entity identifies its operating segments, aggregates those operating segments, or determines its reportable segments. The guidance is effective for fiscal years beginning after December 15, 2023, and subsequent interim periods with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. The Company adopted this ASU for the December 28, 2024 reporting period, with required disclosures and explanations included in Footnote 13, Segment Reporting.

### **Reclassifications**

Certain reclassifications of previously reported amounts have been made to conform to the current year presentation. Such reclassifications did not impact net income or shareholders' equity (deficit) as previously reported.

### **3. Investment in Leasing Operations:**

In May 2021, the Company made the decision to no longer solicit new leasing customers in its middle-market leasing business and will pursue an orderly run-off of this leasing portfolio.

Investment in leasing operations consists of the following:

	<b>December 28, 2024</b>	<b>December 30, 2023</b>
Direct financing and sales-type leases:		
Minimum lease payments receivable	\$ —	\$ 77,100
Estimated unguaranteed residual value of equipment	—	17,700
Unearned lease income, net of initial direct costs deferred	—	(6,700)
Security deposits	—	(28,100)
Total investment in direct financing and sales-type leases	—	60,000
Allowance for credit losses	—	(1,500)
Net investment in direct financing and sales-type leases	—	58,500
Operating leases:		
Operating lease assets	543,800	876,500
Less accumulated depreciation and amortization	(543,800)	(859,900)
Net investment in operating leases	—	16,600
Total net investment in leasing operations	\$ —	\$ 75,100

As of December 30, 2023, the \$75,100 total net investment in leases was all classified as current.

As of December 28, 2024 and December 30, 2023, no customers had leased assets totaling more than 10% of the Company's total assets.

The Company's key credit quality indicator for its investment in direct financing and sales-type leases is the status of the lease, defined as accruing or non-accrual. Leases that are accruing income are considered to have a lower risk of loss. Non-accrual leases are those that the Company believes have a higher risk of loss. The Company experienced no credit losses in its lease portfolio during the fiscal years ended December 28, 2024, December 30, 2023, and December 31, 2022. At December 28, 2024, there were no direct financing and sales-type leases in the Company's lease portfolio. At December 30, 2023, no direct financing and sales-type leases in the Company's lease portfolio were past due, and all were on accrual status.

Leasing income as presented on the Consolidated Statements of Operations consists of the following:

	<b>Year Ended December 28, 2024</b>	<b>Year Ended December 30, 2023</b>	<b>Year Ended December 31, 2022</b>
Interest income on direct financing and sales-type leases	\$ 6,700	\$ 246,200	\$ 760,500
Selling profit (loss) at commencement of sales-type leases	—	94,900	1,326,900
Operating lease income	1,023,400	2,999,400	2,243,300
Income on sales of equipment under lease	391,800	834,500	1,798,000
Other	389,900	591,200	809,000
Leasing income	\$ 1,811,800	\$ 4,766,200	\$ 6,937,700

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**4. Receivables:**

The Company's current receivables consisted of the following:

	<u>December 28, 2024</u>	<u>December 30, 2023</u>
Trade	\$ 71,100	\$ 189,600
Royalty	1,219,700	1,110,500
Other	45,600	175,200
	<u>\$ 1,336,400</u>	<u>\$ 1,475,300</u>

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

**5. Intangible Assets:**

In June 2022, Winmark terminated an agreement that contained the rights for eleven Play It Again Sports stores to operate separately from Winmark's franchise system. In terminating the agreement, which included \$3.54 million of consideration paid by Winmark, Winmark reacquired the franchise rights to these eleven stores. Upon termination of the agreement, individual franchise agreements were signed for these eleven stores, each with an initial term of ten years. Intangible assets consist of these reacquired franchise rights. The Company amortizes the fair value of the reacquired franchise rights over the contract term of the franchise. The Company recognized \$354,000 of amortization expense for each of the years ended December 28, 2024 and December 30, 2023, respectively.

Intangible assets consist of the following:

	<u>December 28, 2024</u>	<u>December 30, 2023</u>
Reacquired franchise rights	\$ 3,540,000	\$ 3,540,000
Accumulated amortization	(899,700)	(545,700)
	<u>\$ 2,640,300</u>	<u>\$ 2,994,300</u>

The following table illustrates future amortization to be expensed for the next five fiscal years and fiscal years thereafter related to reacquired franchise rights as of December 28, 2024.

<u>Amortization expected to be expensed in</u>	<u>Amount</u>
2025	\$ 354,000
2026	354,000
2027	354,000
2028	354,000
2029	354,000
Thereafter	870,300
	<u>\$ 2,640,300</u>

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### 6. Shareholders' Equity (Deficit):

#### *Dividends*

In 2024, the Company declared and paid quarterly cash dividends totaling \$3.50 per share (\$12.3 million) and a \$7.50 per share special cash dividend. The special dividend paid in 2024 totaled \$26.5 million and was paid by cash on hand.

In 2023, the Company declared and paid quarterly cash dividends totaling \$3.10 per share (\$10.8 million) and a \$9.40 per share special cash dividend. The special dividend paid in 2023 totaled \$32.9 million and was paid by cash on hand.

In 2022, the Company declared and paid quarterly cash dividends totaling \$2.55 per share (\$8.9 million) and a \$3.00 per share special cash dividend. The special dividend paid in 2022 totaled \$10.4 million and was paid by cash on hand.

#### *Repurchase of Common Stock*

In 2022, the Company purchased 226,165 shares of our common stock for an aggregate purchase price of \$49.1 million.

Under the Board of Directors' authorization, as of December 28, 2024 the Company has the ability to repurchase an additional 78,600 shares of its common stock. Repurchases may be made from time to time at prevailing prices, subject to certain restrictions on volume, pricing and timing.

#### *Stock Option Plans and Stock-Based Compensation*

The Company had authorized up to 700,000 shares of common stock for granting either nonqualified or incentive stock options to officers and key employees under the Company's 2010 Stock Option Plan (the "2010 Plan"). The 2010 Plan expired on February 24, 2020. The Company had also sponsored a Stock Option Plan for Nonemployee Directors (the "Nonemployee Directors Plan"), which had reserved a total of 350,000 shares for issuance to directors of the Company who are not employees.

At the April 29, 2020 Annual Shareholders Meeting, the Company's shareholders approved a new stock option plan, the 2020 Stock Option Plan (the "2020 Plan"). The 2020 Plan (as described more completely in the Company's definitive Proxy Statement filed with the United States Securities and Exchange Commission on March 10, 2020) provides for the issuance of up to 100,000 shares of common stock plus (i) the number of common stock authorized and unissued under the 2010 Plan (as of April 29, 2020, 125,465 shares), and (ii) the number of shares of common stock authorized and unissued under the Nonemployee Director Plan (as of April 29, 2020, 24,500 shares) in the form of either nonqualified or incentive stock option grants. At the April 24, 2024 Annual Shareholders meeting, the Company's shareholders approved an increase in the number of common stock available for granting either nonqualified or incentive stock options to officers and key employees under the Company's 2020 Stock Option Plan (the "2020 Plan") by 100,000 shares. Participants in the 2020 Plan may include employees, officers, directors, consultants and advisors of the Company.

Grants under the 2020 Plan are (as they were under the 2010 Plan and Nonemployee Directors Plan) made by the Compensation Committee of the Board of Directors at a price of not less than 100% of the fair market value on the date of grant. If an incentive stock option is granted to an individual who owns more than 10% of the voting rights of the Company's common stock, the option exercise price may not be less than 110% of the fair market value on the date of grant. The term of the options may not exceed 10 years, except in the case of nonqualified stock options, whereby the terms are established by the Compensation Committee. Options may be exercisable in whole or in installments, as determined by the Compensation Committee.



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Stock option activity under the 2010 Plan, 2020 Plan and Nonemployee Directors Plan (collectively, the “Option Plans”) as of December 28, 2024 was as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Intrinsic Value
Outstanding, December 25, 2021	355,621	\$ 146.03		
Granted	62,540	217.03		
Exercised	(50,032)	94.97		
Forfeited	(6,501)	183.28		
Outstanding, December 31, 2022	361,628	164.70		
Granted	21,320	328.68		
Exercised	(37,304)	107.49		
Forfeited	(3,752)	204.26		
Outstanding, December 30, 2023	341,892	180.73		
Granted	25,300	377.63		
Exercised	(42,767)	117.70		
Forfeited	(4,581)	239.61		
Outstanding, December 28, 2024	<u>319,844</u>	<u>\$ 203.89</u>	<u>5.72</u>	<u>\$ 61,841,500</u>
Exercisable, December 28, 2024	<u>233,931</u>	<u>\$ 173.68</u>	<u>4.82</u>	<u>\$ 52,073,200</u>

The fair value of options granted under the Option Plans during 2024, 2023 and 2022 were estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions and results:

	Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Risk free interest rate	4.34 %	3.88 %	3.15 %
Expected life (years)	6	6	6
Expected volatility	29.13 %	28.10 %	27.58 %
Dividend yield	2.84 %	2.94 %	4.29 %
Option fair value	\$ 98.64	\$ 79.88	\$ 40.59

The total intrinsic value of options exercised during 2024, 2023 and 2022 was \$11.3 million, \$9.2 million and \$6.6 million, respectively. The total fair value of shares vested during 2024, 2023 and 2022 was \$11.1 million, \$11.7 million and \$10.9 million, respectively.

All unexercised options at December 28, 2024 have an exercise price equal to the fair market value on the date of the grant.

Compensation expense of \$1,988,000, \$1,952,400 and \$1,652,400 relating to the vested portion of the fair value of stock options granted was expensed to “Selling, General and Administrative Expenses” in 2024, 2023 and 2022, respectively. As of December 28, 2024, the Company had \$6.6 million of total unrecognized compensation expense related to stock options that is expected to be recognized over the remaining weighted average vesting period of approximately 2.2 years.

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### 7. Debt:

#### *Line of Credit/Term Loan*

During 2022, the Company's Line of Credit with CIBC Bank USA (the "Line of Credit") was amended to, among other things:

- Provide for a new \$30.0 million delayed draw term facility, with available draws summarized as follows:
  - The Company may draw up to five (5) loans over a period of 18 months, each draw having a principal amount not less than \$3.0 million (or higher integral multiples of \$1.0 million), with aggregate draws outstanding not to exceed \$30.0 million;
  - The final maturity of all drawn loans of April 12, 2029, with all payments of principal due on such date;
  - Interest at a rate to be determined at the time of each draw, payable monthly in arrears on the outstanding aggregate principal balance.
- Decrease the aggregate commitments for revolving loans from \$25.0 million to \$20.0 million;
- Extend the termination date for revolving loans from August 31, 2024 to April 12, 2027;
- Remove the borrowing base covenant restriction for revolving loans;
- Replace LIBOR with SOFR as an interest rate option in connection with borrowings on revolving loans and adjust the definition of and reduce the applicable margin to reflect such replacement;
- Amend the fixed charge coverage ratio definition to exclude principal payments on non-amortizing term loans that are refinanced with proceeds from permitted debt (as defined within the amendment);
- Permit the Company to issue additional term notes under a new Private Shelf Agreement with Prudential as described below.

As of December 28, 2024, there were no revolving loans outstanding under the Line of Credit, leaving \$20.0 million available for additional revolving borrowings. During the year ended December 28, 2024, the Company had delayed draw term loan borrowings totaling \$30.0 million under the Line of Credit bearing interest ranging from 4.60% to 4.75%.

The Line of Credit has been and will continue to be used for general corporate purposes. The Line of Credit is secured by a lien against substantially all of the Company's assets, contains customary financial conditions and covenants, and requires maintenance of minimum levels of debt service coverage and maximum levels of leverage (all as defined within the Line of Credit). As of December 28, 2024, the Company was in compliance with all of its financial covenants.

The Line of Credit allows the Company to choose between two interest rate options in connection with its borrowings. The interest rate options are the Base Rate (as defined) and the SOFR Rate (as defined) plus an applicable margin of 0% and 1.75%, respectively. Interest periods for SOFR borrowings can be one month. The Line of Credit also provides for non-utilization fees of 0.25% per annum on the daily average of the unused commitment.

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### *Notes Payable*

The Company has a Note Agreement (the "Note Agreement") with PGIM, Inc. (formerly Prudential Investment Management, Inc.) (collectively, "Prudential"). During 2022, the Note Agreement with Prudential was amended to, among other things:

- Permit the Company to incur the obligations described in and conform to the changes made by the Company's entry into the amendments to the Line of Credit described above;
- Permit the Company to incur the obligations described in and conform to the changes made by the Company's entry into the Shelf Agreement described below.

In December 2024, the Company optionally prepaid the remaining balance of the Series A of \$1.5 million and the Series B note of \$3.4 million, both inclusive of accrued interest and a de minimis Yield Maintenance Amount. The prepayment was made with cash on hand.

As of December 28, 2024, the Company had aggregate principal outstanding of \$30.0 million under the Note Agreement; consisting of the principal outstanding from the \$30.0 million Series C notes issued in September 2021.

The final maturity of the Series C notes is 7 years from the issuance date. For the Series C notes, interest at a rate of 3.18% per annum on the outstanding principal balance is payable quarterly until the principal is paid in full. The Series C notes may be prepaid, at the option of the Company, in whole or in part (in a minimum amount of \$1.0 million), but prepayments require payment of a Yield Maintenance Amount, as defined in the Note Agreement.

The Company's obligations under the Note Agreement are secured by a lien against substantially all of the Company's assets (as the notes rank *pari passu* with the Line of Credit), and the Note Agreement contains customary financial conditions and covenants, and requires maintenance of minimum levels of fixed charge coverage and maximum levels of leverage (all as defined within the Note Agreement). As of December 28, 2024, the Company was in compliance with all of its financial covenants.

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

In April 2022, the Company entered into a Private Shelf Agreement (the "Shelf Agreement") with Prudential, summarized as follows:

- For a period three years from entry into the Shelf Agreement, subject to certain customary conditions, the Company may offer and Prudential may purchase from the Company privately negotiated senior notes ("Shelf Notes") in the aggregate principal amount up to (i) \$100.0 million, less (ii) the aggregate principal amount of notes outstanding at such point (including notes outstanding under the existing Prudential Note Agreement);
- Each Shelf Note issued will have an average life and maturity of no more than 12.5 years from the date of original issuance, with interest payable at a rate per annum determined at the time of each issuance;
- The Shelf Notes will be secured by all of the Company's assets and the Shelf Notes will rank *pari passu* with the Company's obligations to the lenders under the amended Line of Credit and the amended Note Agreement;
- The Shelf Notes may be prepaid, at the option of the Company, in whole or in part (in a minimum amount of \$1 million), but prepayments require payment of a Yield Maintenance Amount (as defined within the Shelf Agreement);
- The Shelf Agreement contains customary affirmative covenants and negative covenants that are substantially the same as those contained in the amended Line of Credit and amended Note Agreement.

As of December 28, 2024, the Company had not issued any notes under the Shelf Agreement and was in compliance with all of its financial covenants.

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As of December 28, 2024, required payments of the notes payable and term loans for each of the next five years and thereafter are as follows:

	<u>Notes Payable</u>	<u>Term Loans</u>
2025	\$ —	\$ —
2026	—	—
2027	—	—
2028	30,000,000	—
2029	—	30,000,000
Thereafter	—	—
Total	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>

### 8. Accrued Liabilities:

Accrued liabilities at December 28, 2024 and December 30, 2023 are as follows:

	<u>December 28, 2024</u>	<u>December 30, 2023</u>
Accrued compensation and benefits	\$ 592,900	\$ 587,700
Operating lease liability	641,900	590,200
Accrued interest	167,700	244,200
Accrued purchases of goods and services	239,900	637,000
Other	223,800	799,100
	<u>\$ 1,866,200</u>	<u>\$ 2,858,200</u>

### 9. Contract Liabilities:

The Company's contract liabilities for its franchise revenues consist of deferred revenue associated with franchise fees and software license fees. The table below presents the activity of the current and noncurrent deferred franchise revenue during fiscal years 2024 and 2023, respectively:

	<u>December 28, 2024</u>	<u>December 30, 2023</u>
Balance at beginning of period	\$ 9,323,600	\$ 8,618,100
Franchise and software license fees collected from franchisees, excluding amount earned as revenue during the period	2,046,900	2,470,600
Fees earned that were included in the balance at the beginning of the period	(1,683,200)	(1,765,100)
Balance at end of period	<u>\$ 9,687,300</u>	<u>\$ 9,323,600</u>

The following table illustrates future estimated revenue to be recognized for the next five fiscal years and fiscal years thereafter related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 28, 2024:

<u>Contract Liabilities expected to be recognized in</u>	<u>Amount</u>
2025	\$ 1,659,700
2026	1,455,300
2027	1,280,600
2028	1,111,200
2029	962,800
Thereafter	3,217,700
	<u>\$ 9,687,300</u>

We have applied the optional exemption, as provided for under ASC Topic 606, *Revenue from Contracts with Customers*, which allows us to not disclose the transaction price allocated to unsatisfied performance obligations when the transaction price is a sales-based royalty.

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### 10. Operating Leases:

As of December 28, 2024, the Company leases its Minnesota corporate headquarters in a facility with an operating lease that expires in December 2029. Our lease includes both lease (fixed payments including rent) and non-lease components (common area or other maintenance costs and taxes) which are accounted for as a single lease component as we have elected the practical expedient to group lease and non-lease components for all leases. The lease provides us the option to extend the lease for two additional five year periods. The lease renewal option is at our sole discretion; therefore, the renewals to extend the lease term are not included in our right of use asset and lease liabilities as they are not reasonably certain of exercise. The weighted average remaining lease term for this lease is 5.0 years and the discount rate is 5.5%. As our lease does not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. The Company recognized \$1,067,400, \$1,171,100 and \$1,207,200 of rent expense for the periods ended December 28, 2024, December 30, 2023 and December 31, 2022, respectively.

Maturities of operating lease liabilities is as follows as of December 28, 2024:

<u>Operating Lease Liabilities expected to be recognized in</u>	<u>Amount</u>
2025	\$ 806,000
2026	828,200
2027	851,100
2028	874,600
2029	898,700
Thereafter	—
Total lease payments	<u>4,258,600</u>
Less imputed interest	<u>(542,800)</u>
Present value of lease liabilities	<u>\$ 3,715,800</u>

Of the \$3.7 million operating lease liability outstanding at December 28, 2024, \$0.6 million is included in Accrued liabilities in the Current liabilities section of the Consolidated Balance Sheets.

For leases that contain predetermined fixed escalations of the minimum rent, we recognize the related rent expense on a straight-line basis from the date we take possession of the property to the end of the initial lease term. We record any difference between the straight-line rent amounts and amounts payable under the leases as an adjustment to the amortization of the operating lease right of use asset and operating lease liabilities.

Cash or lease incentives received upon entering into certain leases (“tenant allowances”) are recognized on a straight-line basis as a reduction to rent from the date we take possession of the property through the end of the initial lease term. In 2019, we recorded a \$2.1 million tenant allowance for non-cash landlord leasehold improvements received as a reduction to the operating lease right of use asset. The reduction in rent also causes a reduction in the amortization of the operating lease right of use asset through the end of the initial lease term.

The Company’s policy for leases with a term of twelve months or less is to exclude these short-term leases from our right of use asset and lease liabilities.

Supplemental cash flow information related to our operating leases is as follows for the periods ended December 28, 2024 and December 30, 2023:

	<u>Year Ended</u>	
	<u>December 28, 2024</u>	<u>December 30, 2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow outflow from operating leases	<u>\$ 784,400</u>	<u>\$ 763,300</u>

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### 11. Income Taxes:

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

	Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Federal income tax expense at statutory rate (21%, 21%, 21%)	\$ 10,757,000	\$ 10,785,900	\$ 10,664,500
Change in valuation allowance	180,000	(551,600)	(6,600)
State and local income taxes, net of federal benefit	1,435,800	1,513,100	1,515,900
Permanent differences, including stock option expenses	(1,479,400)	(1,372,300)	(955,900)
Expiration of attributes	—	528,600	—
Adjustment to uncertain tax positions	258,500	240,100	185,300
Other, net	117,900	39,400	(44,600)
Actual income tax expense	<u>\$ 11,269,800</u>	<u>\$ 11,183,200</u>	<u>\$ 11,358,600</u>

Components of the provision for income taxes are as follows:

	Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Current:			
Federal	\$ 8,840,600	\$ 9,237,600	\$ 8,892,200
State	2,025,500	1,883,900	2,167,900
Foreign	563,000	573,800	586,200
Current provision	<u>11,429,100</u>	<u>11,695,300</u>	<u>11,646,300</u>
Deferred:			
Federal	(108,900)	(504,700)	(351,500)
State	(50,400)	(7,400)	63,800
Deferred provision	<u>(159,300)</u>	<u>(512,100)</u>	<u>(287,700)</u>
Total provision for income taxes	<u>\$ 11,269,800</u>	<u>\$ 11,183,200</u>	<u>\$ 11,358,600</u>

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

	December 28, 2024	December 30, 2023
Deferred tax assets:		
Accounts receivable and lease reserves	\$ 100	\$ 500
Non-qualified stock option expense	1,942,000	1,769,200
Deferred revenue	1,728,100	1,612,200
Trademarks	40,200	36,900
Lease deposits	—	6,700
Lease revenue and initial direct costs	21,300	29,200
Foreign tax credits	597,300	631,100
Valuation allowance	(530,000)	(350,000)
Operating lease liabilities	884,500	1,026,600
Other	348,300	291,100
Total deferred tax assets	<u>5,031,800</u>	<u>5,053,500</u>
Deferred tax liabilities:		
Depreciation and amortization	(820,000)	(1,001,100)
Total deferred tax liabilities	<u>(820,000)</u>	<u>(1,001,100)</u>
Total net deferred tax assets	<u>\$ 4,211,800</u>	<u>\$ 4,052,400</u>

The Company has assessed its taxable earnings history and prospective future taxable income. Based upon this assessment, the Company has determined that it is more likely than not that its deferred tax assets will be realized in future periods and no valuation allowance is necessary, except for the deferred tax assets related to the foreign tax credits. The foreign tax credits will expire after 10 years. As a result, valuation allowances of \$530,000 and \$350,000 as of December 28, 2024 and December 30, 2023, respectively, have been recorded.

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The amount of unrecognized tax benefits, including interest and penalties, as of December 28, 2024 and December 30, 2023, was \$1,663,400 and \$1,345,000, respectively, primarily for potential state taxes. All of these unrecognized tax benefits, if recognized, would impact the effective tax rate.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense for all periods presented. The Company had accrued approximately \$369,100 and \$261,900 for the payment of interest and penalties at December 28, 2024 and December 30, 2023, respectively.

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

	<u>Total</u>
Balance at December 31, 2022	\$ 871,300
Increases related to current year tax positions	277,600
Expiration of the statute of limitations for the assessment of taxes	<u>(65,800)</u>
Balance at December 30, 2023	1,083,100
Increases related to current year tax positions	283,100
Expiration of the statute of limitations for the assessment of taxes	<u>(71,900)</u>
Balance at December 28, 2024	<u>\$ 1,294,300</u>

The Company and its subsidiaries file income tax returns in the U.S. federal, numerous state and certain foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2020. The Company is currently under examination by the Internal Revenue Service for the 2022 tax year. We expect various statutes of limitation to expire during the next 12 months. Due to the uncertain response of taxing authorities, a range of outcomes cannot be reasonably estimated at this time.

### 12. Commitments and Contingencies:

#### *Employee Benefit Plan*

The Company provides a 401(k) Savings Incentive Plan which covers substantially all employees. The plan provides for matching contributions and optional profit-sharing contributions at the discretion of the Board of Directors. Employee contributions are fully vested; matching and profit sharing contributions are subject to a five-year service vesting schedule. Company contributions to the plan for 2024, 2023 and 2022 were \$364,900, \$371,200 and \$397,700, respectively.

#### *Litigation*

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

## WINMARK CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
December 28, 2024, December 30, 2023 and December 31, 2022

### 13. Segment Reporting:

The Company currently has one reportable business segment, franchising, and one non-reportable operating segment. The franchising segment franchises value-oriented retail store concepts that buy, sell and trade merchandise. The non-reportable operating segment includes the Company's equipment leasing business. Segment reporting is intended to give financial statement users a better view of how the Company manages and evaluates its businesses. The Company's CODM is its Chief Executive Officer. Our CODM primarily reviews revenue and income from operations for purposes of allocating resources and evaluating financial performance. Expenses are reviewed on a consolidated basis. The Company's internal management reporting is the basis for the information disclosed for its operating segments. The following tables summarize financial information by segment and provide a reconciliation of segment contribution to income from operations:

	Year ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Revenue:			
Franchising	\$ 79,477,300	\$ 78,477,300	\$ 74,473,100
Other	1,811,800	4,766,200	6,937,700
Total revenue	\$ 81,289,100	\$ 83,243,500	\$ 81,410,800
Franchising segment operating expenses:			
Merchandise COGS	\$ 3,379,200	\$ 4,461,500	\$ 3,712,800
Selling, general and administrative expenses	24,504,800	24,639,900	21,752,400
Total franchising segment expenses	\$ 27,884,000	\$ 29,101,400	\$ 25,465,200
Reconciliation to operating income:			
Franchising segment income from operations	\$ 51,593,300	\$ 49,375,900	\$ 49,007,900
Other operating segment income from operations	1,337,300	3,904,700	4,604,900
Total income from operations	\$ 52,930,600	\$ 53,280,600	\$ 53,612,800
Depreciation and amortization:			
Franchising	\$ 715,500	\$ 646,900	\$ 463,100
Other	83,800	125,800	140,000
Total depreciation and amortization	\$ 799,300	\$ 772,700	\$ 603,100
Identifiable assets:		As of	
		December 28, 2024	December 30, 2023
Franchising		\$ 7,289,500	\$ 7,570,000
Other		19,400	281,200
Unallocated		19,535,600	21,116,500
Total		\$ 26,844,500	\$ 28,967,700

Revenues are all generated from United States operations other than franchising revenues from Canadian operations of \$7.3 million, \$6.8 million and \$6.4 million in each of fiscal 2024, 2023 and 2022, respectively. All long-lived assets are located within the United States.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Winmark Corporation

### **Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of Winmark Corporation (a Minnesota corporation) and subsidiaries (the “Company”) as of December 28, 2024 and December 30, 2023, the related consolidated statements of operations, changes in shareholders’ equity (deficit), and cash flows for each of the three years in the period ended December 28, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 28, 2024 and December 30, 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 28, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 26, 2025 expressed an unqualified opinion.

### **Basis for opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical audit matters**

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2006.

Minneapolis, Minnesota  
February 26, 2025

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Winmark Corporation

### **Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of Winmark Corporation (a Minnesota corporation) and subsidiaries (the “Company”) as of December 28, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 28, 2024, and our report dated February 26, 2025 expressed an unqualified opinion on those financial statements.

### **Basis for opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and limitations of internal control over financial reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Minneapolis, Minnesota  
February 26, 2025

## **ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A: CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective as of December 28, 2024.

#### *Attestation Report of Independent Registered Public Accounting Firm*

The attestation report required under Item 9A is contained earlier in the Form 10-K under the heading ‘Item 8, Financial Statements and Supplementary Data.’

#### *Management’s Annual Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control — Integrated Framework (2013), our management concluded that our internal control over financial reporting was effective as of December 28, 2024.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

During the most recent fiscal quarter ended December 28, 2024, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B: OTHER INFORMATION**

All information required to be reported in a report on Form 8-K during the fourth quarter covered by this Form 10-K has been reported.

During the three months ended December 28, 2024, no director or officer of the Company adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

### **ITEM 9C: DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

### **PART III**

#### **ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The sections entitled “Election of Directors,” “Executive Officers,” “Audit Committee,” “Majority of Independent Directors; Committees of Independent Directors,” and “Code of Ethics and Business Conduct,” appearing in our proxy statement for the annual meeting of stockholders to be held on April 23, 2025 are incorporated herein by reference.

#### **ITEM 11: EXECUTIVE COMPENSATION**

The sections entitled “Executive Compensation,” “2024 Director Compensation,” “Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation” appearing in our proxy statement for the annual meeting of stockholders to be held on April 23, 2025 are incorporated herein by reference.

#### **ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The sections entitled “Security Ownership of Certain Beneficial Owners, Directors and Executive Officers” and “Securities Authorized for Issuance Under Equity Compensation Plans” appearing in our proxy statement for the annual meeting of stockholders to be held on April 23, 2025 are incorporated herein by reference.

#### **ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The sections entitled “Transactions with Related Persons, Promoters and Certain Control Persons,” “Review, Approval or Ratification of Transactions with Related Persons” and “Majority of Independent Directors; Committees of Independent Directors” appearing in our proxy statement for the annual meeting of stockholders to be held on April 23, 2025 is incorporated herein by reference.

#### **ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The section entitled “Principal Accountant Fees and Services” appearing in our proxy statement for the annual meeting of stockholders to be held April 23, 2025 is incorporated herein by reference.

### **PART IV**

#### **ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

The following documents are filed as a part of this Report:

1. Financial Statements  
The financial statements filed as part of this report are listed on the Index to Consolidated Financial Statements on page 18.
2. Financial Statement Schedules  
All schedules for which provision is made in the applicable accounting regulations of the SEC have been omitted as not required or not applicable, or the information required has been included elsewhere by reference in the consolidated financial statements and related items.
3. Exhibits  
Exhibits that are not filed herewith have been previously filed with the Securities and Exchange Commission and are incorporated herein by reference.

<b>Exhibit Number</b>	<b>Description</b>
3.1	Articles of Incorporation, as amended (Exhibit 3.1) <sup>(1)</sup>
3.2	By-laws, as amended and restated to date (Exhibit 3.2) <sup>(2)</sup>
4.1	Description of the Company's Common Stock (Exhibit 4.1) <sup>(18)</sup>
10.1	Amended and Restated Stock Option Plan for Nonemployee Directors (Exhibit 10.3) <sup>(3)(4)</sup>
10.2	Multi-Tenant Office Lease with Utah State Retirement Investment Fund for Corporate Headquarters dated September 28, 2008 (Exhibit 10.1) <sup>(5)</sup>
10.3	2010 Stock Option Plan, including forms of stock option agreements (Exhibit 10.18) <sup>(3)(6)</sup>
10.4	Credit Agreement, dated July 13, 2010, among Winmark Corporation and its subsidiaries and CIBC Bank USA (formerly known as The PrivateBank and Trust Company) (Exhibit 10.2) <sup>(7)</sup>
10.5	Amendment No. 1 to Credit Agreement, among Winmark Corporation and its subsidiaries, CIBC Bank USA (formerly known as The PrivateBank and Trust Company), and BMO Harris Bank N.A., dated January 30, 2012 (Exhibit 10.1) <sup>(8)</sup>
10.6	Amendment No. 2 to Credit Agreement, among Winmark Corporation and its subsidiaries, CIBC Bank USA (formerly known as The PrivateBank and Trust Company), and BMO Harris Bank N.A., dated February 29, 2012 (Exhibit 10.1) <sup>(9)</sup>
10.7	Lease Amending Agreement No. 1 to Multi-Tenant Office Lease by and between Winmark Corporation and AX Waterford L.P. dated October 21, 2013 (Exhibit 10.1) <sup>(10)</sup>
10.8	Amendment No. 3 to Credit Agreement, among Winmark Corporation and its subsidiaries, CIBC Bank USA (formerly known as The PrivateBank and Trust Company), and BMO Harris Bank N.A., dated February 21, 2014 (Exhibit 10.1) <sup>(11)</sup>
10.9	First Amendment to the 2010 Stock Option Plan (Exhibit 10.1) <sup>(3)(12)</sup>
10.10	First Amendment to the Amended and Restated Stock Option Plan for Nonemployee Directors (Exhibit 10.2) <sup>(3)(12)</sup>
10.11	Amendment No. 4 to Credit Agreement, among Winmark Corporation and its subsidiaries, CIBC Bank USA (formerly known as The PrivateBank and Trust Company), and BMO Harris Bank N.A., dated April 14, 2015 (Exhibit (b)(2)) <sup>(13)</sup>
10.12	Amended and Restated Security Agreements, dated May 14, 2015, among Winmark Corporation, each of its subsidiaries and CIBC Bank USA (formerly known as The PrivateBank and Trust Company) (Exhibit 10.4) <sup>(14)</sup>
10.13	Amended and Restated Pledge Agreement, dated May 14, 2015, among Winmark Corporation and CIBC Bank USA (formerly known as The PrivateBank and Trust Company) (Exhibit 10.5) <sup>(14)</sup>
10.14	Trademark Security Agreement, dated May 14, 2015, among Winmark Corporation and its subsidiaries and CIBC Bank USA (formerly known as The PrivateBank and Trust Company) (Exhibit 10.6) <sup>(14)</sup>
10.15	Intercreditor and Collateral Agency Agreement, dated May 14, 2015, among CIBC Bank USA (formerly known as The PrivateBank and Trust Company), BMO Harris Bank N.A. and Prudential Investment Management, Inc., its affiliates and managed accounts (Exhibit 10.7) <sup>(14)</sup>
10.16	Note Agreement, dated May 14, 2015, among Winmark Corporation and its subsidiaries and Prudential Investment Management, Inc., its affiliates and managed accounts (Exhibit 10.8) <sup>(14)</sup>
10.17	Amendment No. 5 to Credit Agreement, among Winmark Corporation and its subsidiaries, CIBC Bank USA (formerly known as The PrivateBank and Trust Company), and BMO Harris Bank N.A., dated July 18, 2017 (Exhibit (b)(7)) <sup>(15)</sup>
10.18	Amendment No. 1 to Note Agreement dated July 19, 2017 among Winmark Corporation and its subsidiaries and Prudential Investment Management, Inc., its affiliates and managed accounts (Exhibit (b)(8)) <sup>(15)</sup>

Exhibit Number	Description
10.19	Amendment No. 1 to Intercreditor and Collateral Agency Agreement dated July 19, 2017 (Exhibit (b)(9)) <sup>(15)</sup>
10.20	Second Amendment to the 2010 Stock Option Plan (Exhibit (d)(7)) <sup>(3)(15)</sup>
10.21	Lease Amending Agreement No. 2 dated May 17, 2018 between Winmark Corporation and G&I VIII 605 Waterford LLC (Exhibit 10.1) <sup>(16)</sup>
10.22	Amendment No. 6 to Credit Agreement, among Winmark Corporation and its subsidiaries, CIBC Bank USA (formerly known as The PrivateBank and Trust Company), and BMO Harris Bank N.A., dated December 16, 2019 (Exhibit (b)(6)) <sup>(17)</sup>
10.23	Amendment No. 2 to Note Agreement dated December 16, 2019 among Winmark Corporation and its subsidiaries and Prudential Investment Management, Inc., its affiliates and managed accounts (Exhibit (b)(7)) <sup>(17)</sup>
10.24	2020 Stock Option Plan, including forms of stock option agreements (Exhibit 10.34) <sup>(3)(18)</sup>
10.25	Amendment No.7 to Credit Agreement, among Winmark Corporation and its subsidiaries, CIBC Bank USA (formerly known as The PrivateBank and Trust Company), and BMO Harris Bank N.A., dated September 2, 2020 (Exhibit 10.1) <sup>(19)</sup>
10.26	Amendment No.3 to Note Agreement dated September 2, 2020, among Winmark Corporation and its subsidiaries and Prudential Investment Management, Inc. its affiliates and managed accounts (Exhibit 10.3) <sup>(19)</sup>
10.27	Amendment No.2 to Intercreditor and Collateral Agency Agreement, dated September 2, 2020 (Exhibit 10.5) <sup>(19)</sup>
10.28	Amendment No. 8 to Credit Agreement, among Winmark Corporation and its subsidiaries and CIBC Bank USA (formerly known as The PrivateBank and Trust Company), dated October 14, 2020 (Exhibit 10.1) <sup>(20)</sup>
10.29	Consent and Amendment No. 4 to Note Agreement dated October 14, 2020 among Winmark Corporation and its subsidiaries and Prudential Investment Management, Inc., its affiliates and managed accounts (Exhibit 10.3) <sup>(20)</sup>
10.30	Amendment No. 9 to Credit Agreement, among Winmark Corporation and its subsidiaries and CIBC Bank USA, dated September 10, 2021 (Exhibit 10.1) <sup>(21)</sup>
10.31	Amendment No. 5 to Note Agreement dated September 10, 2021 among Winmark Corporation and its subsidiaries and PGIM, Inc. (formerly Prudential Investment Management, Inc.) its affiliates and managed accounts (exhibit 10.3) <sup>(21)</sup>
10.32	Amendment No. 3 to Intercredit and Collateral Agency Agreement dated September 10, 2021 (exhibit 10.5) <sup>(21)</sup>
10.33	Amendment No. 10 to Credit Agreement dated April 12, 2022 (Exhibit 10.1) <sup>(22)</sup>
10.34	Private Shelf Agreement dated April 12, 2022, among Winmark Corporation and its subsidiaries and PGIM, Inc., its subsidiaries and managed accounts (Exhibit 10.3) <sup>(22)</sup>
10.35	Amendment No. 6 to Note Agreement dated April 12, 2022 (Exhibit 10.4) <sup>(22)</sup>
10.36	Amended and Restated Intercreditor and Collateral Agency Agreement dated April 12, 2022 (Exhibit 10.6) <sup>(22)</sup>
10.37	Omnibus Amendment to Collateral Documents dated April 12, 2022 (Exhibit 10.7) <sup>(22)</sup>
10.38	First Amendment to the 2020 Stock Option Plan (Exhibit 10.1) <sup>(3)(23)</sup>
19*	Insider Trading Policy
21.1	Subsidiaries: Grow Biz Games, Inc., a Minnesota corporation; Winmark Capital Corporation, a Minnesota corporation and Wirth Business Credit, Inc., a Minnesota corporation
23.1*	Consent of GRANT THORNTON LLP; Independent Registered Public Accounting Firm
24.1	Power of Attorney (Contained on signature page to this Form 10-K)
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description
97	Winmark Corporation Policy For the Recovery of Erroneously Awarded Compensation (Exhibit 97) <sup>(24)</sup>
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: Financial statements from the Annual Report on Form 10-K of Winmark Corporation and Subsidiaries for the year ended December 28, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Shareholders' Equity (Deficit), (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.
104	The Cover page from the Annual Report on Form 10-K of Winmark Corporation and subsidiaries for the year ended December 28, 2024; formatted in Inline XBRL (contained in Exhibit 101).

\* Filed Herewith

- (1) Incorporated by reference to the specified exhibit to the Registration Statement on Form S-1, effective August 24, 1993 (Reg. No. 33-65108).
- (2) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 30, 2006.
- (3) Indicates management contracts, compensation plans or arrangements required to be filed as exhibits.
- (4) Incorporated by reference to the specified exhibit to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2009.
- (5) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on October 2, 2008.
- (6) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 26, 2009.
- (7) Incorporated by reference to the specified exhibit to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2010.
- (8) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on January 31, 2012.
- (9) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on March 1, 2012.
- (10) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on October 23, 2013.
- (11) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on February 21, 2014.
- (12) Incorporated by reference to the specified exhibit to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2014.
- (13) Incorporated by reference to the specified exhibit to the Schedule TO filed on April 15, 2015.
- (14) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on May 18, 2015.
- (15) Incorporated by reference to the specified exhibit to the Schedule TO filed on July 19, 2017.
- (16) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on May 18, 2018.
- (17) Incorporated by reference to the specified exhibit to the Schedule TO filed on December 17, 2019.
- (18) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 28, 2019.
- (19) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on September 2, 2020.
- (20) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on October 14, 2020.
- (21) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on September 10, 2021.
- (22) Incorporated by reference to the specified exhibit to the Current Report on Form 8-K filed on April 13, 2022.
- (23) Incorporated by reference to the specified exhibit to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2024.
- (24) Incorporated by reference to the specified exhibit to the Annual Report on Form 10-K for the fiscal year ended December 30, 2023.

#### ITEM 16: FORM 10-K SUMMARY

Not Applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### WINMARK CORPORATION

By: /s/ BRETT D. HEFFES Date: February 26, 2025  
Brett D. Heffes  
Chair of the Board and  
Chief Executive Officer

KNOWN TO ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Brett D. Heffes and Anthony D. Ishaug and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any amendments to this Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ BRETT D. HEFFES</u> Brett D. Heffes	Chair of the Board and Chief Executive Officer (principal executive officer)	February 26, 2025
<u>/s/ ANTHONY D. ISHAUG</u> Anthony D. Ishaug	Executive Vice President, Chief Financial Officer and Treasurer (principal financial and accounting officer)	February 26, 2025
<u>/s/ LAWRENCE A. BARBETTA</u> Lawrence A. Barbetta	Director	February 26, 2025
<u>/s/ AMY C. BECKER</u> Amy C. Becker	Director	February 26, 2025
<u>/s/ JENELE C. GRASSLE</u> Jenele C. Grassle	Director	February 26, 2025
<u>/s/ PHILIP I. SMITH</u> Philip I. Smith	Director	February 26, 2025
<u>/s/ GINA D. SPRENGER</u> Gina D. Sprenger	Director	February 26, 2025
<u>/s/ PERCY C. TOMLINSON, JR.</u> Percy C. Tomlinson, Jr.	Director	February 26, 2025