WINMARK CORP
Form 10-Q
April 23, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 28, 2015

or

o 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	**41-1622691**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
605 Highway 169 North, Suite 400, Minneapolis, MN	**55441**
(Address of principal executive offices)	(Zip Code)

(763) 520-8500

(Registrant s telephone number, including area code)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes x No o

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

Large accelerated filer o		Accelerated filer x
Non-accelerated filer o	(Do not check if a smaller reporting company)	Smaller reporting company o

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

Yes o No x

Common stock, no par value, 4,999,594 shares outstanding as of April 14, 2015.

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WINMARK CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1: Financial Statements

WINMARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

		March 28, 2015		December 27, 2014
ASSETS				
Current Assets:				
Cash and cash equivalents	$	2,160,300	$	2,089,700
Marketable securities		225,200		466,800
Receivables, less allowance for doubtful accounts of $2,600 and $1,600		1,189,000		1,328,200
Net investment in leases - current		19,222,500		19,831,600
Income tax receivable				4,163,900
Inventories		76,100		93,500
Prepaid expenses		530,100		467,400
Total current assets		23,403,200		28,441,100
Net investment in leases - long-term		23,627,700		24,188,900
Property and equipment, net		1,365,400		1,420,300
Other assets		677,500		677,500
	$	49,073,800	$	54,727,800
LIABILITIES AND SHAREHOLDERS EQUITY				
Current Liabilities:				
Line of credit	$	5,600,000	$	18,500,000
Accounts payable		2,462,800		1,955,500
Income tax payable		1,500,000		
Accrued liabilities		1,789,100		1,759,200
Discounted lease rentals		186,100		227,300
Deferred revenue		2,300,300		2,142,600
Deferred income taxes		3,928,200		4,412,600
Total current liabilities		17,766,500		28,997,200
Long-Term Liabilities:				
Discounted lease rentals				25,800
Deferred revenue		1,348,200		1,347,800
Other liabilities		1,343,000		1,403,200
Deferred income taxes		801,400		1,344,300
Total long-term liabilities		3,492,600		4,121,100
Shareholders Equity:				
Common stock, no par, 10,000,000 shares authorized, 4,999,594 and 4,998,512 shares issued and outstanding		844,400		422,400
Accumulated other comprehensive loss		(8,300)		(37,100)
Retained earnings		26,978,600		21,224,200
Total shareholders equity		27,814,700		21,609,500
	$	49,073,800	$	54,727,800

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

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WINMARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended	
	March 28, 2015	**March 29, 2014**
REVENUE:		
Royalties	$ 9,726,200	$ 8,810,000
Leasing income	10,009,600	4,375,600
Merchandise sales	733,700	788,000
Franchise fees	294,400	349,000
Other	260,200	230,000
Total revenue	21,024,100	14,552,600
COST OF MERCHANDISE SOLD	698,200	754,700
LEASING EXPENSE	4,257,400	306,600
PROVISION FOR CREDIT LOSSES	(69,100)	38,900
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	6,163,500	6,017,900
Income from operations	9,974,100	7,434,500
INTEREST EXPENSE	(85,700)	(62,100)
INTEREST AND OTHER INCOME (EXPENSE)	(59,100)	100
Income before income taxes	9,829,300	7,372,500
PROVISION FOR INCOME TAXES	(3,775,000)	(2,820,600)
NET INCOME	$ 6,054,300	$ 4,551,900
EARNINGS PER SHARE BASIC	$ 1.21	$ .88
EARNINGS PER SHARE DILUTED	$ 1.17	$ .86
WEIGHTED AVERAGE SHARES OUTSTANDING BASIC	4,999,475	5,148,519
WEIGHTED AVERAGE SHARES OUTSTANDING DILUTED	5,167,466	5,307,946

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

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WINMARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended	
	March 28, 2015	March 29, 2014
NET INCOME	$ 6,054,300	$ 4,551,900
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX:		
Unrealized net gains (losses) on marketable securities:		
Unrealized holding net gains (losses) arising during period	48,700	(12,000)
Reclassification adjustment for net gains included in net income	(2,300)	(3,800)
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX	46,400	(15,800)
INCOME TAX (EXPENSE) BENEFIT RELATED TO ITEMS OF OTHER COMPREHENSIVE INCOME:		
Unrealized net gains/losses on marketable securities:		
Unrealized holding net gains/losses arising during period	(18,500)	4,600
Reclassification adjustment for net gains included in net income	900	1,400
INCOME TAX (EXPENSE) BENEFIT RELATED TO ITEMS OF OTHER COMPREHENSIVE INCOME	(17,600)	6,000
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	28,800	(9,800)
COMPREHENSIVE INCOME	$ 6,083,100	$ 4,542,100

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

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WINMARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended	
	March 28, 2015	**March 29, 2014**
OPERATING ACTIVITIES:		
Net income	$ 6,054,300	$ 4,551,900
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	107,600	105,300
Provision for credit losses	(69,100)	38,900
Compensation expense related to stock options	405,300	344,500
Deferred income taxes	(1,027,300)	
(Gain) loss on sale of marketable securities	22,800	(9,400)
Deferred initial direct costs	(154,900)	(520,300)
Amortization of deferred initial direct costs	259,400	163,600
Tax benefits on exercised stock options	(16,600)	(60,000)
Change in operating assets and liabilities:		
Receivables	139,200	157,700
Income tax receivable / payable	5,662,900	2,061,700
Inventories	17,400	
Prepaid expenses	(62,700)	5,600
Accounts payable	507,300	(824,700)
Accrued and other liabilities	(14,100)	876,600
Rents received in advance and security deposits	(242,100)	(41,100)
Deferred revenue	158,100	146,900
Net cash provided by operating activities	11,747,500	6,997,200
INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	299,000	463,000
Purchase of marketable securities	(33,800)	(524,500)
Purchase of property and equipment	(52,700)	(128,300)
Purchase of equipment for lease contracts	(7,873,100)	(6,499,900)
Principal collections on lease receivables	9,166,900	4,272,600
Net cash provided by (used for) investing activities	1,506,300	(2,417,100)
FINANCING ACTIVITIES:		
Proceeds from borrowings on line of credit	600,000	14,000,000
Payments on line of credit	(13,500,000)	
Repurchases of common stock		(1,075,100)
Proceeds from exercises of stock options	100	227,600
Dividends paid	(299,900)	(26,023,400)
Tax benefits on exercised stock options	16,600	60,000
Net cash used for financing activities	(13,183,200)	(12,810,900)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	70,600	(8,230,800)
Cash and cash equivalents, beginning of period	2,089,700	10,642,600
Cash and cash equivalents, end of period	$ 2,160,300	$ 2,411,800
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 103,500	$ 29,800
Cash paid (received) for income taxes, net	$ (860,600)	$ 762,300

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

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WINMARK CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. Management s Interim Financial Statement Representation:

The accompanying consolidated condensed financial statements have been prepared by Winmark Corporation and subsidiaries (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The Company has a 52/53 week year which ends on the last Saturday in December. The information in the consolidated condensed financial statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of such financial statements. The consolidated condensed financial statements and notes are presented in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q, and therefore do not contain certain information included in the Company s annual consolidated financial statements and notes. This report should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company s latest Annual Report on Form 10-K.

Revenues and operating results for the three months ended March 28, 2015 are not necessarily indicative of the results to be expected for the full year.

2. Organization and Business:

The Company offers licenses to operate franchises using the service marks Plato s Closet®, Once Upon A Child®, Play It Again Sports®, Music Go Round® and Style Encore®. The Company also operates both middle market and small-ticket equipment leasing businesses under the Winmark Capital® and Wirth Business Credit® marks.

3. Fair Value Measurements

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

- Level 1 quoted prices in active markets for identical assets and liabilities.
- Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities.

- Level 3 unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

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

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

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4. Investments:

Marketable Securities

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

	March 28, 2015		December 27, 2014	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Equity securities	$ 238,600	$ 225,200	$ 526,600	$ 466,800

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

	March 28, 2015	December 27, 2014
Unrealized gains	$ 3,900	$ 3,300
Unrealized losses	(17,300)	(63,100)
Net unrealized losses	$ (13,400)	$ (59,800)

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

	Three Months Ended	
	March 28, 2015	**March 29, 2014**
Realized gains	$ 13,400	$ 22,200
Realized losses	(36,200)	(12,800)
Net realized gains/(losses)	$ (22,800)	$ 9,400

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

5. Investment in Leasing Operations:

Investment in leasing operations consists of the following:

	March 28, 2015	December 27, 2014
Direct financing and sales-type leases:		
Minimum lease payments receivable	$ 39,989,900	$ 40,739,900
Estimated residual value of equipment	4,087,100	4,347,100
Unearned lease income net of initial direct costs deferred	(5,405,100)	(6,061,100)
Security deposits	(3,027,300)	(3,253,200)
Equipment installed on leases not yet commenced	7,955,600	8,364,100
Total investment in direct financing and sales-type leases	43,600,200	44,136,800
Allowance for credit losses	(932,600)	(386,000)
Net investment in direct financing and sales-type leases	42,667,600	43,750,800
Operating leases:		
Operating lease assets	938,100	806,100
Less accumulated depreciation and amortization	(755,500)	(536,400)
Net investment in operating leases	182,600	269,700
Total net investment in leasing operations	$ 42,850,200	$ 44,020,500

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As of March 28, 2015, the $42.9 million total net investment in leases consists of $19.2 million classified as current and $23.7 million classified as long-term. As of December 27, 2014, the $44.0 million total net investment in leases consists of $19.8 million classified as current and $24.2 million classified as long-term.

As of March 28, 2015, leased assets with three customers approximated 16%, 15% and 13%, respectively, of the Company s total assets.

Future minimum lease payments receivable under lease contracts and the amortization of unearned lease income, net of initial direct costs deferred, is as follows for the remainder of fiscal 2015 and the full fiscal years thereafter as of March 28, 2015:

	Direct Financing and Sales-Type Leases Minimum Lease Payments Receivable	Direct Financing and Sales-Type Leases Income Amortization	Operating Leases Minimum Lease Payments Receivable
2015	$ 18,635,700	$ 3,279,800	$ 41,200
2016	14,869,000	1,788,500	
2017	6,318,300	333,800	
2018	164,900	3,000	
2019	2,000		
Thereafter			
	$ 39,989,900	$ 5,405,100	$ 41,200

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

	March 28, 2015	March 29, 2014
Balance at beginning of period	$ 386,000	$ 822,700
Provisions charged to expense	(69,100)	38,900
Recoveries	620,600	9,000
Deductions for amounts written-off	(4,900)	
Balance at end of period	$ 932,600	$ 870,600

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

	March 28, 2015		December 27, 2014	
	Investment In Leases	Allowance for Credit Losses	Investment In Leases	Allowance for Credit Losses
Collectively evaluated for loss potential	$ 43,600,200	$ 932,600	$ 44,136,800	$ 386,000
Individually evaluated for loss potential				
Total	$ 43,600,200	$ 932,600	$ 44,136,800	$ 386,000

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-accruing. Leases that are accruing income are considered to have a lower risk of loss. Non-accrual leases are those that the

Company believes have a higher risk of loss. The following table sets forth information regarding the Company s accruing and non-accrual leases. Delinquent balances are determined based on the contractual terms of the lease.

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	March 28, 2015 0-60 Days Delinquent and Accruing	61-90 Days Delinquent and Accruing	Over 90 Days Delinquent and Accruing	Non-Accrual	Total
Middle-Market	$ 42,453,400	$	$	$	$ 42,453,400
Small-Ticket	1,141,800	5,000			1,146,800
Total Investment in Leases	$ 43,595,200	$ 5,000	$	$	$ 43,600,200

	December 27, 2014 0-60 Days Delinquent and Accruing	61-90 Days Delinquent and Accruing	Over 90 Days Delinquent and Accruing	Non-Accrual	Total
Middle-Market	$ 42,948,000	$	$	$	$ 42,948,000
Small-Ticket	1,188,800				1,188,800
Total Investment in Leases	$ 44,136,800	$	$	$	$ 44,136,800

6. Recent Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition that supersedes existing revenue recognition guidance (but does not apply to nor supersede accounting guidance for lease contracts). The ASU s core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for reporting periods beginning after December 15, 2016, and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. In April 2015, the FASB proposed deferring the effective date by one year. If the deferral is approved, the new standard will become effective for the Company beginning with the first quarter of fiscal 2018. The Company is currently in the process of evaluating the impact of the adoption of this ASU on the Company s consolidated results.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge (as an asset). The ASU is effective for reporting periods beginning after December 15, 2015, but early adoption is permitted. The new guidance would be applied retrospectively to all prior reporting periods presented. The Company is currently in the process of evaluating the impact of the adoption of this ASU on the Company s consolidated financial statements.

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7. Earnings Per Share:

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

	Three Months Ended	
	March 28, 2015	**March 29, 2014**
Denominator for basic EPS weighted average common shares	4,999,475	5,148,519
Dilutive shares associated with option plans	167,991	159,427
Denominator for diluted EPS weighted average common shares and dilutive potential common shares	5,167,466	5,307,946
Options excluded from EPS calculation anti-dilutive	21,058	13,938

8. Shareholders Equity:

Dividends

On January 28, 2015, the Company s Board of Directors approved the payment of a $0.06 per share quarterly cash dividend to shareholders of record at the close of business on February 11, 2015, which was paid on March 2, 2015.

Repurchase of Common Stock

In the first three months of 2015 the Company repurchased no shares of its common stock. Under the Board of Directors authorization, as of March 28, 2015, the Company has the ability to repurchase an additional 166,700 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 750,000 shares of common stock be reserved for granting either nonqualified or incentive stock options to officers and key employees under the Company s 2001 Stock Option Plan (the 2001 Plan). The 2001 Plan expired on February 20, 2011. The Company has authorized up to 500,000 shares of common stock to be reserved for granting either nonqualified or incentive stock options to officers and key employees under the Company s 2010 Stock Option Plan (the 2010 Plan).

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

Stock option activity under the 2001 Plan, 2010 Plan and Nonemployee Directors Plan (collectively, the Option Plans) as of March 28, 2015 was as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Intrinsic Value
Outstanding at December 27, 2014	597,700	$ 48.50	6.93	$ 20,973,700
Exercised	(1,669)	28.77		
Outstanding at March 28, 2015	596,031	$ 48.55	6.69	$ 22,282,900
Exercisable at March 28, 2015	348,453	$ 36.27	5.51	$ 17,307,400

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No options were granted during the three months ended March 28, 2015 or the three months ended March 29, 2014. During the three months ended March 28, 2015, option holders surrendered 587 shares of previously owned common stock as payment for option shares exercised as provided for by the Option Plans. All unexercised options at March 28, 2015 have an exercise price equal to the fair market value on the date of the grant.

Compensation expense of $405,300 and $344,500 relating to the vested portion of the fair value of stock options granted was expensed to Selling, General and Administrative Expenses in the first three months of 2015 and 2014, respectively. As of March 28, 2015, the Company had $3.4 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 2.4 years.

9. Line of Credit

As of March 28, 2015, there were $5.6 million in borrowings outstanding under the Company s $35.0 million Line of Credit with the PrivateBank and Trust Company and BMO Harris Bank N.A., bearing interest at 3.25%, leaving $29.4 million available for additional borrowings.

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 tangible net worth and maximum levels of leverage (all as defined within the Line of Credit). As of March 28, 2015, the Company was in compliance with all of its financial covenants. (See Note 12 Subsequent Events .)

10. Discounted Lease Rentals:

The Company utilized certain lease receivables and underlying expenses as collateral to borrow from financial institutions at a weighted average rate of 3.26% at March 28, 2015 on a non-recourse basis.

11. Segment Reporting:

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

summarize financial information by segment and provide a reconciliation of segment contribution to operating income:

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	Three Months Ended	
	March 28, 2015	March 29, 2014
Revenue:		
Franchising	$ 11,014,500	$ 10,177,000
Leasing	10,009,600	4,375,600
Total revenue	$ 21,024,100	$ 14,552,600
Reconciliation to operating income:		
Franchising segment contribution	$ 5,636,800	$ 4,701,200
Leasing segment contribution	4,337,300	2,733,300
Total operating income	$ 9,974,100	$ 7,434,500
Depreciation:		
Franchising	$ 85,300	$ 83,100
Leasing	22,300	22,200
Total depreciation	$ 107,600	$ 105,300

	As of	
	March 28, 2015	December 27, 2014
Identifiable assets:		
Franchising	$ 3,601,800	$ 3,258,300
Leasing	43,788,700	44,870,800
Unallocated	1,683,300	6,598,700
Total	$ 49,073,800	$ 54,727,800

12. Subsequent Events:

On April 14, 2015, the Line of Credit was amended to, among other things:

- Provide the consent of the lenders for a self-tender offer by the Company to purchase up to 875,000 shares of its outstanding common stock for a price of $84.72 per share that was announced on April 15, 2015 (the Tender Offer);

- Increase the aggregate commitments from $35.0 million to $60.0 million to partially fund the Tender Offer;

- Extend the termination date from February 28, 2018 to a date that is four years from the effective date of the amendment;

- Amend the tangible net worth covenant calculation to remove the effect of the Tender Offer and amend the leverage ratio to allow for an increase in the maximum of such ratio for a period of approximately two years from the effective date of the amendment;

- Provide for a change in the applicable margin on the interest rate options based upon the leverage ratio;

- Provide for additional LIBOR interest periods of six months and twelve months and remove the fixed rate interest options; and

- Permit the Company to sell up to $30 million in term notes to one or more affiliates or managed accounts of Prudential Investment Management, Inc. (Prudential) to partially fund the Tender Offer.

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The effectiveness of the amendment is subject to the satisfaction or waiver of a number of conditions, including receipt of an intercreditor agreement with Prudential, in form and substance acceptable to the lenders. If the conditions to the effectiveness of the amendment are not satisfied or waived by the lenders on or before May 29, 2015, the amendment will be void and of no force or effect.

ITEM 2: Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

As of March 28, 2015, we had 1,099 franchises operating under the Plato s Closet, Once Upon A Child, Play It Again Sports, Music Go Round and Style Encore brands and had a leasing portfolio of $42.9 million. Management closely tracks the following financial criteria to evaluate current business operations and future prospects: royalties, leasing activity, and selling, general and administrative expenses.

Our most profitable source of franchising revenue is royalties received from our franchise partners. During the first three months of 2015, our royalties increased $0.9 million or 10.4% compared to the first three months of 2014.

During the first three months of 2015, we purchased $7.9 million in equipment for lease customers compared to $6.5 million in the first three months of 2014. Overall, our leasing portfolio (net investment in leases current and long-term) decreased to $42.9 million at March 28, 2015 from $44.0 million at December 27, 2014. Leasing income net of leasing expense during the first three months of 2015 was $5.8 million compared to $4.1 million in the same period last year. Fluctuations in period-to-period leasing income and leasing expense result primarily from the manner and timing in which leasing income and leasing expense is recognized over the term of each particular lease in accordance with accounting guidance applicable to leasing. For this reason, we believe that more meaningful levels of leasing activity are the purchases of equipment for lease customers and the medium- to long-term trend in the size of the leasing portfolio.

Management continually monitors the level and timing of selling, general and administrative expenses. The major components of selling, general and administrative expenses include salaries, wages and benefits, advertising, travel, occupancy, legal and professional fees. During the first three months of 2015, selling, general and administrative expense increased $0.1 million, or 2.4%, compared to the first three months of 2014.

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 franchising activity for the first three months ended March 28, 2015:

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					THREE MONTHS ENDED 3/28/15	
	TOTAL 12/27/14	OPENED	CLOSED	TOTAL 3/28/15	AVAILABLE FOR RENEWAL	COMPLETED RENEWALS
Plato s Closet						
Franchises - US and Canada	426	7	0	433	8	8
Once Upon A Child						
Franchises - US and Canada	308	1	0	309	8	8
Play It Again Sports						
Franchises - US and Canada	301	0	3	298	10	9
Music Go Round						
Franchises - US	33	0	1	32	1	1
Style Encore						
Franchises - US	24	3	0	27		
Total Franchised Stores	1,092	11	4	1,099	27	26

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. During the first three months of 2015, we renewed 26 of the 27 franchise agreements available for renewal.

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, (iii) increase lease originations and minimize write-offs in our leasing portfolios, and (iv) control our selling, general and administrative expenses.

Results of Operations

The following table sets forth selected information from our Consolidated Condensed Statements of Operations expressed as a percentage of total revenue:

	Three Months Ended	
	March 28, 2015	March 29, 2014
Revenue:		
Royalties	46.3%	60.5%
Leasing income	47.6	30.1
Merchandise sales	3.5	5.4
Franchise fees	1.4	2.4
Other	1.2	1.6
Total revenue	100.0%	100.0%
Cost of merchandise sold	(3.3)	(5.2)
Leasing expense	(20.3)	(2.1)
Provision for credit losses	0.3	(0.3)
Selling, general and administrative expenses	(29.3)	(41.3)
Income from operations	47.4	51.1
Interest expense	(0.4)	(0.4)
Interest and other income (expense)	(0.3)	
Income before income taxes	46.7	50.7

Provision for income taxes	(17.9)	(19.4)
Net income	28.8%	31.3%

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Comparison of Three Months Ended March 28, 2015 to Three Months Ended March 29, 2014

Revenue

Revenues for the first three months of 2015 totaled $21.0 million compared to $14.6 million for the comparable period in 2014.

Royalties and Franchise Fees

Royalties increased to $9.7 million for the first three months of 2015 from $8.8 million for the first three months of 2014, a 10.4% increase. The increase was due to higher Plato s Closet and Once Upon A Child royalties of $0.4 million and $0.3 million, respectively. The increase in royalties for these brands is primarily from having 36 additional Plato s Closet and 21 additional Once Upon A Child franchise stores in the first three months of 2015 compared to the same period last year as well as higher franchisee retail sales.

Franchise fees decreased to $294,400 for the first three months of 2015 compared to $349,000 for the first three months of 2014, primarily as a result of opening five fewer franchises in the 2015 period compared to the same period in 2014.

Leasing Income

Leasing income increased to $10.0 million for the first three months of 2015 compared to $4.4 million for the same period in 2014. The increase is primarily due to a higher level of equipment sales to customers.

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 $733,700 for the first three months of 2015 compared to $788,000 in the same period of 2014. The decrease is due to a decrease in 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 $698,200 for the first three months of 2015 compared to $754,700 in the same period of 2014. 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 the first three months of 2015 and 2014 was 95.2% and 95.8%, respectively.

Leasing Expense

Leasing expense increased to $4.3 million for the first three months of 2015 compared to $306,600 for the first three months of 2014. The increase is primarily due to an increase in the associated cost of equipment sales to customers discussed above.

Provision for Credit Losses

Provision for credit losses was $(69,100) for the first three months of 2015 compared to $38,900 for the first three months of 2014. The provision level for the first three months of 2015 was impacted by net recoveries in the leasing portfolio. During the first three months of 2015, we had total net recoveries of $615,700 compared to $9,000 in the first three months of 2014.

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Selling, General and Administrative

Selling, general and administrative expenses increased 2.4% to $6.2 million in the first three months of 2015 from $6.0 million in the same period of 2014. The increase was primarily due to an increase in advertising production expenses.

Interest Expense

Interest expense increased to $85,700 for the first three months of 2015 compared to $62,100 for the first three months of 2014. The increase is primarily due to higher average corporate borrowings when compared to last year.

Interest and Other Income (Expense)

During the first three months of 2015, we had interest and other income (expense) of $(59,100) compared to $100 of interest and other income in the first three months of 2014. Interest and other income (expense) during the first three months of 2015 included losses on sales of marketable securities while interest and other income during the first three months of 2014 included gains on sales of marketable securities. (See Note 4 Investments).

Income Taxes

The provision for income taxes was calculated at an effective rate of 38.4% and 38.3% for the first three months of 2015 and 2014, respectively.

Segment Comparison of Three Months Ended March 28, 2015 to Three Months Ended March 29, 2014

Franchising Segment Operating Income

The franchising segment s operating income for the first three months of 2015 increased by $0.9 million to $5.6 million from $4.7 million for the first three months of 2014. The increase in segment contribution was primarily due to increased royalty revenue.

Leasing Segment Operating Income

The leasing segment s operating income for the first three months of 2015 increased by $1.6 million to $4.3 million from $2.7 million for the first three months of 2014. The increase in segment contribution was due to an increase 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 condensed statement of operations that reduce our net income but do not affect our liquidity include non-cash items for depreciation and compensation expense related to stock options.

We ended the first quarter of 2015 with $2.2 million in cash and cash equivalents compared to $2.4 million in cash and cash equivalents at the end of the first quarter of 2014.

Operating activities provided $11.7 million of cash during the first three months of 2015 compared to $7.0 million provided during the same period last year. The increase in cash provided by operating activities in the first three months of 2015 compared to 2014 was primarily due to the increase in net income and a decrease in cash paid for income taxes.

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Investing activities provided $1.5 million of cash during the first three months of 2015. The 2015 activities consisted primarily of principal collections on lease receivables of $9.2 million and the purchase of equipment for lease customers of $7.9 million.

Financing activities used $13.2 million of cash during the first three months of 2015. Our most significant financing activities during the first quarter of 2015 consisted of net payments on our line of credit of $12.9 million and $0.3 million for the payment of dividends. (See Note 8 Shareholders Equity and Note 9 Line of Credit).

As of March 28, 2015, we had no off balance sheet arrangements.

As of March 28, 2015, our borrowing availability under our credit agreement with The PrivateBank and Trust Company and BMO Harris Bank, N.A. (the Line of Credit) was $35.0 million (the lesser of the borrowing base or the aggregate line of credit). There were $5.6 million in borrowings outstanding at March 28, 2015 under the Line of Credit bearing interest at 3.25%, leaving $29.4 million available for additional borrowings.

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 our assets, contains customary financial conditions and covenants, and requires maintenance of minimum levels of debt service coverage and tangible net worth and maximum levels of leverage (all as defined within the Line of Credit). As of March 28, 2015, we were in compliance with all of our financial covenants.

On April 15, 2015, we announced the commencement of a self-tender to purchase up to 875,000 shares, or approximately 17.5% of our outstanding common stock, for a price of $84.72 per share (the Tender Offer) for approximately $74.1 million plus expenses. We intend to finance the Tender Offer with an expansion of our existing Line of Credit as well as an additional term loan. The tender offer will expire on May 13, 2015, unless extended or withdrawn.

The Tender Offer is subject to a financing condition, if we have not received financing to fund purchases of shares in the Tender Offer in accordance with an increase to our Line of Credit and an agreement in principle with Prudential Investment Management, Inc. (Prudential) for a term loan, we will not be required to close the Tender Offer.

On April 14, 2015, the Line of Credit was amended to, among other things:

- Provide the consent of the lenders for the Tender Offer;
- Increase the aggregate commitments from $35.0 million to $60.0 million to partially fund the Tender Offer;
- Extend the termination date from February 28, 2018 to a date that is four years from the effective date of the amendment;

- Amend the tangible net worth covenant calculation to remove the effect of the Tender Offer and amend the leverage ratio to allow for an increase in the maximum of such ratio for a period of approximately two years from the effective date of the amendment;

- Provide for a change in the applicable margin on the interest rate options based upon the leverage ratio;

- Provide for additional LIBOR interest periods of six months and twelve months and remove the fixed rate interest options; and

- Permit the Company to sell up to $30 million in term notes to one or more affiliates or managed accounts of Prudential to partially fund the Tender Offer.

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The effectiveness of the amendment is subject to the satisfaction or waiver of a number of conditions, including receipt of an intercreditor agreement with Prudential, in form and substance acceptable to the lenders. If the conditions to the effectiveness of the amendment are not satisfied or waived by the lenders on or before May 29, 2015, the amendment will be void and of no force or effect. The foregoing discussion is a summary of the amendment to the Line of Credit and is qualified in its entirety by reference to the full text of the amendment, which is referenced by exhibit to this 10-Q and included as Exhibit (b)(2) to the Schedule TO that we filed with the Securities and Exchange Commission on April 15, 2015 for the Tender Offer.

We have also entered into an agreement in principle with Prudential, described below, setting forth the terms and conditions of Prudential s obligations to lend and the term loan. The agreement in principle from Prudential describes a term loan summarized as follows:

- Prudential will purchase from us senior notes of up to $25 million with an agreed upon schedule of principal payments;

- The final maturity of the notes is up to 10 years;

- The term notes will bear a fixed interest rate based upon yield to maturity on U.S. treasuries having maturity equal to or closest to the average life of each note plus a credit spread. The fixed rate indications based upon a seven year average life of the term notes is 5.50% to 6.00% as of the date of the agreement in principle. Interest will be paid in arrears at our option of monthly, quarterly or semi-annually;

- The term notes will be secured by all of our assets and the term notes will rank *pari passu* with our obligations to the lenders under the amended Line of Credit;

- The term notes may be prepaid, at our option, in whole or in part (in a minimum amount of $1 million), but prepayments will require payment of a Yield Maintenance Amount, as defined in the agreement in principle; and

- The definitive agreements for the term notes will contain customary affirmative covenants and negative covenants that are substantially the same as those contained in the amended Line of Credit.

Prudential s purchase of the term notes is subject to satisfaction of a number of conditions, including an intercreditor agreement with the lenders under the amended Line of Credit.

We will incur increased indebtedness in connection with the purchase of shares in the Tender Offer and, as a result, will be more leveraged. We expect to generate the cash necessary to pay our expenses, finance our leasing business 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, finance our leasing business 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 our Form 10-K for the fiscal year ended December 27, 2014. 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.

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We may utilize discounted lease financing to provide funds for a portion of our leasing activities. Rates for discounted lease financing reflect prevailing market interest rates and the credit standing of the lessees for which the payment stream of the leases are discounted. We believe that discounted lease financing will continue to be available to us at competitive rates of interest through the relationships we have established with financial institutions.

We believe that the combination of our cash on hand, the cash generated from our franchising business, cash generated from discounting sources, our Line of Credit and anticipated proceeds from the sale of term notes will be adequate to fund our planned operations through 2015.

Critical Accounting Policies

The Company prepares the consolidated condensed 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, estimates of royalty amounts due are made based on applying historical weekly sales information to the number of weeks of unreported franchisee sales. If there are significant changes in the actual performance of franchisees versus the Company s estimates, its royalty revenue would be impacted. During the first three months of 2015, the Company collected $12,000 more than it estimated at December 27, 2014. As of March 28, 2015, the Company s royalty receivable was $1,066,300.

The Company collects initial franchise fees when franchise agreements are signed and recognizes the initial franchise fees as revenue when the franchise is opened, which is when the Company has performed substantially all initial services required by the franchise agreement. Franchise fees collected from franchisees but not yet recognized as income are recorded as deferred revenue in the liability section of the consolidated condensed balance sheet. As of March 28, 2015, deferred franchise fees were $2,104,200.

Leasing Income Recognition

Leasing income for direct financing leases is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on the lease. Generally, when a lease is more than 90 days delinquent (where 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.

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

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

Allowances 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. (See Note 5 Investment in Leasing Operations).

Stock-Based Compensation

The Company currently uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of the awards on the date of grant using an option-pricing model is affected by stock price as well as assumptions regarding a number of complex and subjective variables. These variables include implied volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

The Company evaluates the assumptions used to value awards on an annual basis. If factors change and the Company employs different assumptions for estimating stock-based compensation expense in future periods or if the Company decides to use a different valuation model, the future periods may differ significantly from what it has recorded in the current period and could materially affect operating income, net income and earnings per share.

Forward Looking Statements

The statements contained in this Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations that are not strictly historical fact, including without limitation, the Company s belief that it will have adequate capital and reserves to meet its current and contingent obligations and operating needs, the Company s intent to finance the Tender Offer with an expansion of its existing Credit Facility as well as an additional term loan, as well as its disclosures regarding market rate risk are 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 that 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. See the section appearing in our Annual Report on Form 10-K for the fiscal year ended

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December 27, 2014 entitled Risk Factors and Part II, Item 1A in this Report for a more complete discussion of certain factors that may cause the Company s actual results to differ from those in its forward looking statements. 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 statements for any reason.

ITEM 3: 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 March 28, 2015, the Company had available a $35.0 million line of credit with The PrivateBank and Trust Company and BMO Harris Bank, N.A. The interest rates applicable to this agreement are based on either the bank s base rate or LIBOR for short-term borrowings (less than three months) or the bank s index rate for borrowings one year or greater. The Company had $5.6 million of debt outstanding at March 28, 2015 under this line of credit, all of which was in the form of short-term borrowings subject to daily changes in the bank s base rate. The Company s earnings would be affected by changes in these short-term interest rates. With the Company s borrowings at March 28, 2015, a one percent increase in short-term rates would reduce annual pretax earnings by $56,000. The Company had no interest rate derivatives in place at March 28, 2015.

None of the Company s cash and cash equivalents at March 28, 2015 was invested in money market mutual funds, which are subject to the effects of market fluctuations in interest rates.

Although the Company conducts business in foreign countries, international operations are not material to its consolidated financial position, results of operations or cash flows. Additionally, foreign currency transaction gains and losses were not material to the Company s results of operations for the three months ended March 28, 2015. Accordingly, the Company is not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on its future costs or on future cash flows it would receive from its foreign activity. 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 4: Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of its 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 upon, and as of the date of that evaluation, the principal executive officer and principal financial officer concluded that the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. There was no change in the Company s internal control over financial reporting during its most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1: Legal Proceedings

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

ITEM 1A: Risk Factors

In addition to the other information set forth in this report, including the important information in Forward-Looking Statements, you should carefully consider the Risk Factors discussed in our Annual Report on Form 10-K for the year ended December 27, 2014. If any of those factors were to occur, they could materially adversely affect our financial condition or future results, and could cause our actual results to differ materially from those expressed in its forward-looking statements in this report. We are aware of no material changes to the Risk Factors discussed in our Annual Report on Form 10-K for the year ended December 27, 2014, other than the following:

On April 15, 2015, we announced the commencement of a self-tender to purchase up to 875,000 shares, or approximately 17.5% of our outstanding common stock, for a price of $84.72 per share (the Tender Offer) for approximately $74.1 million plus expenses. We intend to finance the Tender Offer with an expansion of our existing Line of Credit as well as an additional term loan. The tender offer will expire on May 13, 2015, unless extended or withdrawn.

The Tender Offer is subject to a financing condition, whereby if we shall not have received financing to fund purchases of shares in the Tender Offer in accordance with an increase to our Line of Credit and an agreement in principle with Prudential Investment Management, Inc. (Prudential) for a term loan, we will not be required to close the Tender Offer.

We will incur increased indebtedness in connection with the purchase of shares in the Tender Offer and, as a result, will be more leveraged. We expect to generate the cash necessary to pay our expenses, finance our leasing business 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, finance our leasing business 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 our Form 10-K for the fiscal year ended December 27, 2014. 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.

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

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan(1)	Maximum Number of Shares that may yet be Purchased Under the Plan
December 28, 2014 to January 31, 2015		$		166,700
February 1, 2015 to February 28, 2015		$		166,700
March 1, 2015 to March 28, 2015		$		166,700

(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 is currently limited to 5,000,000 shares, of which 166,700 may still be repurchased

ITEM 3: Defaults Upon Senior Securities

None.

ITEM 4: Mine Safety Disclosures

Not applicable.

ITEM 5: Other Information

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

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ITEM 6: Exhibits

3.1 Articles of Incorporation, as amended (Exhibit 3.1)(1)

3.2 By-laws, as amended and restated to date (Exhibit 3.2)(2)

10.1 Amendment No. 4 to Credit Agreement dated April 14, 2015(3)

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 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

101 Interactive Data Files Pursuant to Rule 405 of Regulation S-T: Financial statements from the quarterly report on Form 10-Q of Winmark Corporation and Subsidiaries for the quarter ended March 28, 2015, formatted in XBRL: (i) Consolidated Condensed Balance Sheets, (ii) Consolidated Condensed Statements of Operations, (iii) Consolidated Condensed Statements of Comprehensive Income, (iv) Consolidated Condensed Statements of Cash Flows, and (v) Notes to Consolidated Condensed Financial Statements.

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*Filed Herewith

(1) Incorporated by reference to the specified exhibit to the Registration Statement on Form S-1, effective August 24, 1993 (Reg. No. 333-65108).

(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) Incorporated by reference to Exhibit (b)(2) to the Schedule TO filed on April 15, 2015.

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SIGNATURES

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

	WINMARK CORPORATION	
Date: April 23, 2015	By:	/s/ John L. Morgan John L. Morgan Chairman of the Board and Chief Executive Officer (principal executive officer)
Date: April 23, 2015	By:	/s/ Anthony D. Ishaug Anthony D. Ishaug Chief Financial Officer and Treasurer (principal financial and accounting officer)

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EXHIBIT INDEX

WINMARK CORPORATION

FORM 10-Q FOR QUARTER ENDED MARCH 28, 2015

Exhibit No.	**Description**
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