

WINMARK CORP  
Form 424B3  
April 29, 2010  
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**Filed Pursuant to Rule 424(b)(3)**

**File Number 333-133393**

**PROSPECTUS SUPPLEMENT NO. 1**

**to Prospectus, as amended and restated,**

**declared effective on March 19, 2010**

**(Registration No. 333-133393)**

**WINMARK CORPORATION**

This Prospectus Supplement No.1 supplements our Prospectus, as amended and restated, declared effective March 19, 2010.

You should read this Prospectus Supplement No. 1 together with the Prospectus.

This Prospectus Supplement No. 1 includes the attached Quarterly Report of Winmark Corporation for the period ended March 27, 2010 on Form 10-Q as filed with the Securities and Exchange Commission on April 21, 2010.

The information contained herein, including the information attached hereto, supplements and supersedes, in part, the information contained in the Prospectus. This Prospectus Supplement No. 1 should be read in conjunction with the Prospectus, and is qualified by reference to the Prospectus except to the extent that the information in this Prospectus Supplement No. 1 supersedes the information contained in the Prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement No. 1 is April 29, 2010.

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 27, 2010**

**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**

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**WINMARK CORPORATION**

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(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, MN**

(Address of principal executive offices)

**55441**

(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  No

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  No

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

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes  No

Common stock, no par value, 5,008,748 shares outstanding as of April 15, 2010.

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WINMARK CORPORATION AND SUBSIDIARIES

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**WINMARK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

	March 27, 2010 (Unaudited)	December 26, 2009 (Audited)
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 13,109,300	\$ 9,490,800
Marketable securities	341,500	1,274,000
Current investments	2,000,000	2,000,000
Receivables, less allowance for doubtful accounts of \$27,200 and \$35,700	1,726,700	1,761,100
Net investment in leases - current	15,788,000	17,575,900
Inventories	118,700	111,400
Prepaid expenses	371,900	398,800
Total current assets	33,456,100	32,612,000
Net investment in leases - long-term	18,840,100	19,423,700
Long-term investments	2,212,600	2,232,900
Long-term receivables, net	11,800	14,900
Property and equipment, net	1,801,800	1,843,500
Other assets	677,500	677,500
	\$ 56,999,900	\$ 56,804,500
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current Liabilities:		
Current line of credit	\$ 4,012,200	\$ 3,983,100
Current renewable unsecured subordinated notes	9,049,400	9,166,900
Accounts payable	1,294,900	1,415,200
Income tax payable	271,200	183,500
Accrued liabilities	2,257,300	1,794,100
Current discounted lease rentals	659,500	972,600
Current rents received in advance	334,300	294,400
Current deferred revenue	1,332,100	1,188,800
Deferred income taxes	1,057,700	1,057,700
Total current liabilities	20,268,600	20,056,300
Long-term line of credit	4,290,100	5,298,900
Long-term renewable unsecured subordinated notes	11,449,500	12,058,700
Long-term discounted lease rentals	400,300	507,600
Long-term rents received in advance	1,198,700	1,332,000
Long-term deferred revenue	744,500	709,500
Other long-term liabilities	1,269,100	1,298,400
Deferred income taxes	214,400	214,400
Shareholders Equity:		

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Common stock, no par, 10,000,000 shares authorized,  
5,113,323 and 5,125,025 shares issued and outstanding

Accumulated other comprehensive (loss) income	(37,400)	9,600
Retained earnings	17,202,100	15,319,100
Total shareholders' equity	17,164,700	15,328,700
	\$ 56,999,900	\$ 56,804,500

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 27, 2010	March 28, 2009
<b>REVENUE:</b>		
Royalties	\$ 6,363,500	\$ 5,633,500
Leasing income	2,524,900	2,701,700
Merchandise sales	494,700	625,400
Franchise fees	223,500	150,000
Other	236,200	139,400
Total revenue	9,842,800	9,250,000
<b>COST OF MERCHANDISE SOLD</b>	471,000	595,900
<b>LEASING EXPENSE</b>	547,300	682,500
<b>PROVISION FOR CREDIT LOSSES</b>	172,100	419,700
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	4,855,900	4,882,500
Income from operations	3,796,500	2,669,400
<b>LOSS FROM EQUITY INVESTMENTS</b>	(20,200)	(3,500)
<b>INTEREST EXPENSE</b>	(288,200)	(351,100)
<b>INTEREST AND OTHER INCOME</b>	177,700	61,100
Income before income taxes	3,665,800	2,375,900
<b>PROVISION FOR INCOME TAXES</b>	(1,484,700)	(962,200)
<b>NET INCOME</b>	\$ 2,181,100	\$ 1,413,700
<b>EARNINGS PER SHARE BASIC</b>	\$ .43	\$ .26
<b>EARNINGS PER SHARE DILUTED</b>	\$ .42	\$ .26
<b>WEIGHTED AVERAGE SHARES OUTSTANDING BASIC</b>	5,128,408	5,396,156
<b>WEIGHTED AVERAGE SHARES OUTSTANDING DILUTED</b>	5,196,377	5,398,276

The accompanying notes are an integral part of these financial statements

Table of Contents**WINMARK CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 27, 2010</b>	<b>March 28, 2009</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 2,181,100	\$ 1,413,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	119,500	131,200
Provision for credit losses	172,100	419,700
Compensation expense related to stock options	166,800	170,300
Gain on sale of marketable securities	(73,700)	
Gain from disposal of property and equipment		(1,200)
Loss from equity investments	20,200	3,500
Deferred initial direct costs	(81,400)	(136,700)
Amortization of deferred initial direct costs	206,800	226,500
Change in operating assets and liabilities:		
Receivables	37,600	6,600
Income tax receivable / payable	117,400	(537,300)
Inventories	(7,300)	(4,000)
Prepaid expenses	26,900	180,900
Deferred income taxes		1,396,700
Accounts payable	(120,300)	17,600
Accrued and other liabilities	433,900	(614,100)
Additions to advance and security deposits	581,600	30,500
Deferred revenue	178,300	109,700
Net cash provided by operating activities	3,959,500	2,813,600
<b>INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable securities	995,900	
Purchase of marketable securities	(66,400)	(259,400)
Proceeds from sale of property and equipment		1,800
Purchases of property and equipment	(77,800)	(693,400)
Purchase of equipment for lease contracts	(4,064,300)	(4,909,100)
Principal collections on lease receivables	4,968,300	5,501,500
Net cash provided by (used for) investing activities	1,755,700	(358,600)
<b>FINANCING ACTIVITIES:</b>		
Payments on line of credit	(979,700)	(1,437,600)
Proceeds from issuance of subordinated notes	52,200	2,898,500
Payments on subordinated notes	(778,900)	(572,500)
Repurchases of common stock	(658,000)	(905,900)
Proceeds from exercises of stock options	193,100	
Proceeds from discounted lease rentals	74,600	428,100
Net cash (used for) provided by financing activities	(2,096,700)	410,600
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,618,500</b>	<b>2,865,600</b>
Cash and cash equivalents, beginning of period	9,490,800	2,140,000
Cash and cash equivalents, end of period	\$ 13,109,300	\$ 5,005,600
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest	\$ 587,600	\$ 650,500
Cash paid for income taxes	\$ 1,486,300	\$ 103,900
Non-cash landlord leasehold improvements	\$	\$ 1,072,400



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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 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 27, 2010 are not necessarily indicative of the results to be expected for the full year.

*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 as previously reported.

**2. Organization and Business:**

The Company offers licenses to operate franchises using the service marks Play It Again Sports®, Plato's Closet®, Once Upon A Child®, Music Go Round® and Wirth Business Credit®. In addition, the Company sells inventory to its Play It Again Sports franchisees through its buying group. The Company also operates both small-ticket and middle market equipment leasing businesses under the Wirth Business Credit® and Winmark Capital® marks.

**3. Investments:**

*Marketable Securities*

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The following is a summary of marketable securities classified as available-for-sale securities as required by Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic (ASC) 320, *Investments-Debt and Equity Securities*:

**March 27, 2010**

**December 26, 2009**