

**WINMARK CORPORATION  
BOARD OF DIRECTORS**

**COMPENSATION COMMITTEE CHARTER  
(effective December 2011)**

The purpose of the Compensation Committee (the “Committee”) is to assist the board in the discharge of its responsibilities relating to (a) fair, reasonable and competitive compensation practices for executive officers and other key employees of the Company which are consistent with company objectives; (b) oversight of broad-based employee compensation policies and programs; and (c) fair, reasonable and competitive compensation and benefit programs for the Company’s Directors who are not employees of the Company (the “non-employee directors”).

**1. Membership**

The Committee shall be composed of at least three directors, each of whom shall meet the definition of an “independent director” as defined in NASDAQ and the SEC Rules. The members of the Committee shall be appointed by the Board.

**2. Compensation Policy**

The Committee shall:

- Periodically review and approve the Company’s overall philosophy and policies regarding compensation of executives and other key employees and non-employee directors.
- Annually assess the competitiveness of the Company’s compensation programs for executives and non-employee directors and ensure that total compensation paid to the Company’s executive officers and non-employee directors is fair, reasonable and consistent with the Company’s objectives.

**3. Compensation of CEO and Other Executive Officers**

The Committee shall:

- Review and approve annually appropriate incentive compensation goals and objectives for the CEO and other executive officers (for these purposes, “executive officer” shall be the company’s “officers” within the meaning of Section 16 of the Securities Exchange Act of 1934).
- Consider and approve the base salary, incentive and equity-based compensation awards and other compensation actions for the CEO based upon an evaluation of the CEO’s performance, effectiveness and other relevant considerations.
- Conduct a performance evaluation, at least annually, of the CEO.
- Review and approve base salaries, incentive and equity-based compensation awards and other compensation actions for all other executive officers, based upon an evaluation of such officer’s performance, effectiveness, the recommendations of the CEO and other relevant considerations.

- Administer all of the Company's executive, incentive and equity-based compensation. Approve the design of performance measurements, targets and compensation under the Company's executive incentive compensation programs.
- Review and approve any employment-related contracts with the CEO and other executive officers, if applicable.
- Participate in the preparation of information for inclusion in the Company's proxy statement for its annual meeting of shareholders in accordance with applicable rules and regulations of the Securities and Exchange Commission, including the preparation of the Compensation Discussion and Analysis and issuance of an annual report on executive compensation if required.

#### **4. General Employee Compensation, Benefit and Retirement Plans**

The Committee shall administer and make recommendations to the Board regarding any proposed changes to the terms of the Company's equity-based compensation plans.

#### **5. Director Compensation and Benefits**

The Committee shall:

- Review and approve the overall compensation and benefit programs for nonemployee directors, including:
  - a. Cash compensation;
  - b. Equity-based compensation; and
  - c. Such other compensation or benefit programs as the Committee deems appropriate.
- Ensure that compensation and benefit plans for non-employee directors are reasonable and are competitive with similar programs for non-employee directors at peer companies.

#### **6. Independent Advisors; Support of Committee**

The Committee is authorized to retain independent attorneys, consultants or other independent persons to advise and assist the Committee, as it deems appropriate. Management of the Company will also assist the Committee with its functions by providing information, recommendations or other support as needed or requested.

#### **7. Authority**

The Committee shall have the authority, as and when it shall determine to be necessary or appropriate to the functions of the Committee, to:

- At the expense of Company, if required, conduct such studies, analyses and evaluations necessary to perform the duties and fulfill the responsibilities assigned to it by the Board of Directors.
- Have full and independent access to Company personnel, after first notifying the Chief Executive Officer of the intention to interview personnel.

- Have full and independent access to Company business and financial information.
- At the expense of Company, identify and engage such compensation and other consulting assistance as it deems necessary to fulfill its responsibilities. To the extent the Committee determines to expend in excess of \$5,000 during any fiscal year on such consulting experience, it shall seek preapproval from the Board of such excess expenditures.
- Take all action appropriate to the performance of the Committee's duties.

## **8. Meetings**

- The Committee shall meet at least one time per year. The Committee Chair shall determine whether additional meetings are necessary or desirable in response to the needs of the Company or any issues that may arise.
- At the request of the Committee, the Company's Chief Executive Officer and other selected executives shall meet regularly with the Committee to provide information to and support the activities of the Committee as requested.
- The Committee shall meet in executive session on a regular basis to provide an opportunity for private discussion of matters independent of any members of management. The Committee may invite outside advisors to such executive sessions, as it deems appropriate.

## **9. General**

- The Committee shall report all significant Committee activities and findings to the Board with recommendations for action when appropriate.
- The Committee shall perform such other functions that may be delegated by the Board from time to time.
- The Committee shall review and reassess this charter at least annually, and shall submit any proposed changes to the Board of Directors for approval.