

FRANCHISE DISCLOSURE DOCUMENT

Chili's® Grill & Bar
Chili's® Special Venue



Brinker International Payroll Company, L.P.
A Delaware Limited Partnership
3000 Olympus Boulevard
Dallas, TX 75019
(972) 980-9917

www.chilis.com
www.brinker.com

The franchise is for a Chili's® Grill & Bar or a Chili's® Special Venue restaurant (collectively, "Chili's Restaurants"). Chili's Grill & Bar restaurants are ~~full-service~~[full-service](#) restaurants featuring a casual dining atmosphere and a ~~full-service~~[full-service](#) bar. Chili's Special Venue is an abbreviated format that typically is based upon reduced square footage and/or a reduced menu.

The total investment necessary to begin operation ranges from \$3,959,695 to \$6,354,695 for a prototypical Chili's Grill & Bar and \$2,261,195 to \$5,088,695 for a Chili's Special Venue. These totals include approximately \$60,000 to \$65,000 that must be paid to us or an affiliate if you enter into a Franchise Agreement to open and operate one Chili's Restaurant. Additionally, if you sign a Development Agreement, you will also pay a development fee which is based on the factors described in Item 5 and could range from \$40,000 to \$500,000.

This disclosure document summarizes certain provisions of your Franchise Agreement and Development Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: September 19, 2025

**ADDENDUM TO
DISCLOSURE DOCUMENT
FOR THE STATE OF MICHIGAN**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) a prohibition on the right of a franchisee to join an association of franchisees.
- (b) a requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) a provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) a provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) a provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) a provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) a provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) a provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as

| a bona fide ~~third party~~ willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) a provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

Address for notices to the Michigan Attorney General:

Department of the Attorney General
Consumer Protection Division
Franchise Section
G. Mennen Williams Building, 1st Floor
525 W. Ottawa Street
Lansing, MI 48909
517-373-7117

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

The franchisor is Brinker International Payroll Company, L.P., referred to in this disclosure document as “Brinker,” “we,” “us” or “our.” We refer to the person interested in buying a franchise as “you” or “your.” If you are a corporation, partnership, limited liability company or other entity, certain provisions of the Franchise and Development Agreements will apply to your owners. These will be addressed in this disclosure document where appropriate.

We were incorporated as a Delaware corporation in June 1987 under the name CBS Development Company. Our name was changed to CRM Payroll Corporation in January 1991 and changed again to Brinker International Payroll Corporation in July 1991. In December 2001 we were converted to a limited partnership and our name was changed to Brinker International Payroll Company, L.P. Our principal offices are located at 3000 Olympus Boulevard, Dallas, Texas 752019 and our telephone number is (972) 980-9917. Our agents for service of process are listed in Exhibit E. Our general partner is BIPC Management, LLC, a Delaware limited liability company (“General Partner”). Our General Partner shares our principal business address.

We became the franchisor for Chili’s Restaurants and assumed all of the existing Chili’s Restaurant franchise agreements from our predecessor and parent, Brinker International, Inc. (“BII”), on July 1, 2010. BII was incorporated as a Delaware corporation in September 1983 to succeed to the business operated by Chili’s, Inc., a Texas corporation formed in August 1977. BII shares our principal business address.

We do business under our company name and under the trademarks, trade names, and service marks “Chili’s®” and “Chili’s® Grill & Bar” and other trademarks and service marks, including those listed in Item 13. Certain operators use the “Chili’s Too®” mark in connection with the operation of their Chili’s Restaurants.

We or our predecessors have operated Chili’s Restaurants since 1975 and have offered franchises for Chili’s Restaurants since 1984. As of the end of our last fiscal year (June 25, 2025), in the United States, we and our ~~wholly-owned~~ wholly owned subsidiaries operated 1,109 company-owned Chili’s Restaurants and 99 franchised Chili’s Restaurants. We are also actively expanding in various international markets.

In addition to Chili’s, we do business as, and operate and franchise Italian restaurants under, the names Maggiano’s Little Italy® and/or Maggiano’s®. BII acquired Maggiano’s Little Italy by merger in August 1995, and we began selling franchises for Maggiano’s restaurants in 2017. Maggiano’s restaurants feature Italian food in an inviting “Little Italy” atmosphere, with a ~~full-service~~ full-service bar. As of June 25, 2025, BII operated 49 company-owned Maggiano’s restaurants and had three franchised Maggiano’s restaurants open and operating.

Our Affiliates

Except as described in this Item 1, neither we nor any predecessor or affiliate has conducted any other business and has not offered franchises in any other line of business. However, we or our subsidiaries or affiliates may in the future develop or acquire other businesses, including other restaurant concepts, some of which may be sold as franchises. We expect that any such concept would operate under marks different from the Proprietary Marks described in Item 13 and that you will have no rights regarding those restaurants.

The Franchise Offered

We offer qualified applicants a franchise arrangement for Chili's Restaurants. Chili's Grill & Bar restaurants are full-service restaurants featuring a casual atmosphere and a varied menu of freshly prepared appetizers, chicken, beef and seafood entrees, hamburgers and other sandwiches, salads, barbecue ribs, fajitas and other southwestern-style cuisine, desserts and a full-service bar. Emphasis is placed on serving substantial portions of ~~high-quality~~high-quality food for a great value. Chili's Restaurants also include abbreviated formats that typically are based upon reduced square footage. We refer to these abbreviated formats in this disclosure document as "Chili's Special Venue" restaurants. Chili's Restaurants are generally open from 12 to 14 hours a day, 7 days a week, for lunch, dinner and ~~late-night~~late-night meals and feature quick, efficient table service designed to minimize customer waiting time.

Chili's Restaurants are typically free-standing restaurants located in a metropolitan area or surrounding suburbs. Proximity to office buildings, shopping malls, airports, shopping centers and other high traffic areas is desirable.

Chili's Restaurants are characterized by a system (the "System") which includes distinctive exterior and interior design, decor, color scheme and furnishings; special recipes and menu items; uniform standards, specifications and procedures for operation; quality and uniformity of products and services offered; procedures for inventory and management control; training and assistance; and advertising and promotional programs. The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including the marks "CHILI'S" and "CHILI'S GRILL & BAR" and other marks we authorize for use by Chili's Restaurants, which may also include newly developed marks in connection with special menu offerings (the "Proprietary Marks").

We continue to improve and develop the System and provide new information and techniques to you by means of a Chili's Franchise Manual consisting of operations manuals, policies, specifications, standards, checklists, evaluation forms, spreadsheets, guides, recipes, handbooks, and documents (collectively, the "CFM"). We own the System.

We may, from time to time, offer franchisees that meet program requirements the opportunity to participate in limited-time product offerings through which franchisees prepare products in existing Restaurant kitchens using primarily existing equipment via ~~third-party~~third-party delivery platforms under separate trademarks ("Virtual Product Offering"). To participate in a Virtual Product Offering, you must execute the program addendum for such offering. Currently, we offer franchisees the opportunity to participate in the "It's Just Wings" Virtual Product Offering through which participating franchisees utilize their existing Restaurant kitchens and equipment to prepare and offer chicken wings, fries, desserts, drinks, and other products we designate under the "It's Just Wings" trademark for to-go offerings initiated via an online platform ("IJW Concept"). The franchise agreement addendum for the IJW Concept is attached as Exhibit D. The terms of subsequent Virtual Product Offering offerings may materially differ from those related to the IJW Concept.

A franchise applicant may be an individual, corporation, partnership or other form of legal entity. We offer a Development Agreement (the "Development Agreement"), which grants you the right to establish 2 or more Chili's Restaurants, and a separate Franchise Agreement (the "Franchise Agreement") for each restaurant you establish under the terms of the development schedule contained in the Development Agreement. The Franchise Agreement, which you must sign for each restaurant developed under the Development Agreement, will be in the form of the Franchise Agreement attached to this disclosure document as Exhibit C. We may also offer a Franchise Agreement for 1 Chili's Restaurant without offering a Development Agreement, in which case you must comply with the Site Development Obligations in Attachment I to the Franchise Agreement. The terms of previous and subsequent franchise agreements and development agreements may vary from the terms of the Development Agreement and Franchise Agreement offered under this disclosure document.

Column 1	Column 2	Column 3	Column 4
Type of Fee (1)	Amount	Due Date	Remarks
	attending training.		your personnel attend supplemental training.
Product Testing Fee	Approximately \$1,500 per product annually typically charged to the supplier; additional product testing may be required due to specification non-compliance	30 days after billing	If we have not previously approved a supplier and/or an item you wish to use, you must apply to us for approval and pay the cost of the test.
Supplier Facility Inspection	Currently, approximately <u>Approximately</u> \$1,025 per day plus travel expenses normally charged to the supplier or distributor	30 days after billing	If we have not previously approved a supplier, distributor, and/or item you wish to use, you must apply to us for approval and pay the cost of the facility inspection. Multiple day inspections may be necessary for larger facilities.
Licensing Fees	Currently, none <u>None</u>	As invoiced	You may be required to pay a license fee for any computer or point-of-sale system we make available to you.
Restaurant Inspection	Varies	On demand	If you fail within a reasonable time to correct any deficiencies that we identify during our inspection, you must pay us a reasonable fee if we must assist in the correction of these deficiencies.
Mandatory Sanitation and Food Safety Program (SAFE)	Currently, approximately <u>Approximately</u> \$201.08 per food safety assessment visit; \$323.80 per coaching visit.	30 days after billing	Participation in the Brinker (Safe-Sanitation and Food Evaluation) restaurant assessment program is required. Unannounced assessments will be conducted at least 4 times per year. All restaurants are required to participate in food safety training in the first quarter of the fiscal year. We reserve the right to include the rules, terms, and conditions of the assessment program in the CFM and modify the rules, terms, and conditions of the assessment program from time to time.

Column 1	Column 2	Column 3	Column 4
Type of Fee (1)	Amount	Due Date	Remarks
Transfer Fee	Franchise/Development Agreements – the greater of \$5,000 or an amount necessary to reimburse us for our expenses, with a single transfer maximum of \$25,000	Payable in two installments: (Installment 1) \$2,500 due upon receipt of notification regarding transfer and application from proposed transferee and (Installment 2) the greater of \$2,500 or an amount necessary to reimburse us for our costs and expenses associated with the transfer up to \$22,500	No fee is charged to an individual or partnership franchisee that transfers its rights to a wholly-owned corporation.
Offering	Franchise/Development Agreements – \$10,000	30 days after billing	This covers our cost to review the proposed offering of your securities.
Audit	Cost of audit, including travel, lodging, wages, and legal and accounting costs.	On demand	Payable only if we find that you have underpaid or understated any amount owed to us by at least 2%.
Late Charge and Interest	\$500 late charge for each delinquent payment, and the lesser of 18% per annum or maximum legal rate (the maximum legal rate in California is 10% per annum).	On demand	Payable on all overdue amounts.
Indemnification	Franchise/Development Agreements - Will vary depending on loss.	On demand	You must indemnify us for all losses and expenses we incur because of your actions. See Note 5.
Enforcement Costs	Franchise/Development Agreements - Will vary.	When determined	In any judicial or other proceeding, the prevailing party will be entitled to recover its reasonable costs and

Column 1	Column 2	Column 3	Column 4
Type of Fee (1)	Amount	Due Date	Remarks
			expenses (including court costs, attorneys' fees, and discovery costs) from the other party. In any other situation in which we must enforce your obligations under the Agreements, you must pay our costs and expenses.
Liquidated Damages for Failure to Meet Development Schedule	\$10,000/month Maximum period: 1 year	Monthly during any period of non-compliance	If you are not in compliance with your development schedule, we may, at our sole option, grant you a period of forbearance, if you pay liquidated damages to compensate us for lost royalties and other fees. We will not terminate the Development Agreement during this forbearance period as long as liquidated damages are paid; however, if you are still not in compliance after this forbearance period, then we may terminate the Development Agreement.
Relocation or Reconstruction	Minimum royalty and technical services fee agreed by you and us	Monthly during period Restaurant is not in operation	If your Restaurant is closed more than 30 days through no fault of your own, we may approve a relocation or reconstruction of your restaurant and may charge a minimum monthly royalty and technical services fee for the duration of time the Restaurant is closed.
Successor Fee	100% of our then-current Franchise Fee	When the successor franchise agreement is signed	We may offer to you a successor franchise if you meet our qualifications to remain a franchisee for one 20 year successor term. The successor fee is in addition to any costs for remodeling that we may require as a condition of entering into a successor franchise agreement with us after the term of your Franchise Agreement expires.
Decor Items, Certain Furniture and Fixtures	Currently, the <u>The</u> prices that we charge our company-owned restaurants for the items,	Prior to placing order	We are an approved supplier of décor items, including certain furniture and fixtures. You may establish buying relationships with other approved

Column 1	Column 2	Column 3	Column 4
Type of Fee (1)	Amount	Due Date	Remarks
	including a 15% administration fee; prices are subject to change with prior written notice.		suppliers. See Item 8.
Gift Cards	Approximately \$1,500 per year/per restaurant	As invoiced	You must participate in and bear certain costs associated with our gift card program. Fiserv (formerly known as First Data) is our third-party <u>third-party</u> gift card provider. Fiserv may bill you for certain items related to start-up, but generally Fiserv will bill us monthly. Fiserv reconciliation includes B2B and third-party <u>third-party</u> gift card redemptions by franchisees including a reconciliation of certain costs and benefits of program participation.
Management Services	10% of Gross Sales	As deducted from fund	If we exercise the option to purchase the Restaurant, then we have the right to appoint a manager to maintain the operation of the Restaurant until the closing of the purchase occurs and charge the management services fee.
Mandatory Remodeling	Actual costs you incur	As arranged	See Note 6.

Notes:

- (1) All fees and expenses described in this Item 6 are nonrefundable. Unless we have otherwise indicated in the preceding chart, all fees and expenses are imposed by, and are payable to, us. Generally, all fees are uniformly imposed on our franchisees, but we may, in our sole discretion, negotiate some fees under certain circumstances. Except as specifically stated above, these amounts may be subject to increases based on changes in market conditions, our cost of providing services, and future policy changes.
- (2) The Technical Services Fee is paid as consideration for your right to use the System and receive certain services under the Franchise Agreement.

Unless we notify you in writing of a change, royalties, technical services fees and other monthly payments must be paid by the 10th day of each month on Gross Sales for the preceding month~~;~~ and must be submitted to us together with any required reports or statements. You may not

Column 1 Type of expenditure	Column 2 Actual or Estimated Cost Low – High	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Made
Working Capital ¹²	\$20,000-\$30,000	As arranged	As incurred	Contractors/ suppliers
Inventory ¹³	\$100,000-\$150,000	As arranged	As incurred	Suppliers
Bar/Kitchen Accessories ¹⁴	\$50,000-\$60,000	As arranged	As arranged	Suppliers
Liquor License ¹⁵	Varies	As arranged	As arranged	Government Agencies; your attorneys or other third- party third-party
Computer POS System/Kitchen display system/ Installation ¹⁶	\$75,000-\$100,000	As arranged	As arranged	Suppliers
Online Ordering ¹⁷	\$695	As arranged	As arranged	Supplier
Additional Funds ¹⁸ (3 months)	\$525,000-\$725,000	As arranged	3 months	Lessor/Suppliers
TOTAL ¹⁹	\$3,959,695-\$6,354,695			

Notes:

- ¹ The above chart provides an estimate of your initial investment for one Chili's Grill & Bar restaurant based on our experience with our Prototype 18 building. The Prototype 18 is a free-standing building, which includes a facility of approximately 4,800 to 5,200 square feet. Prototype 18 has a total seating capacity of 166 to 206. We reserve the right to modify Prototype 18 or develop new prototypes, and all franchisees will be required to use the prototype then used by us for each of their franchised Chili's restaurants. You must adapt the Prototype 18 plans to accommodate the particular circumstances of the proposed site for your Restaurant. (See Item 8.) We may provide suggestions on such adaptations, and you must obtain our approval of the final plans. Changes in existing prototypes or development of new prototypes may increase or otherwise change the initial investment costs described above.

- ² The low end of the range represents the initial franchise fee for each restaurant developed under a Development Agreement and does not include the development fee. The high end of the range is the initial franchise fee if you sign a franchise agreement that is not entered into under a Development Agreement. See Item 5. In the event that you sign a Development Agreement, you will also pay a development fee which could range from \$40,000 to \$500,000, and is based on a variety of factors as further described in Item 5.
- ³ Due to the cost of land acquisition, the premises for Chili's Restaurants are normally leased. These amounts assume that you will lease the premises for the restaurant and do not include costs of land acquisition. If land for the restaurant site is purchased, purchase costs will vary significantly depending on the market in which the Chili's Restaurant prototype restaurant will be located; however, these costs generally range from \$1,500,000 to \$2,000,000 based on our experience in acquiring restaurant sites nationwide. We estimate that rent payments typically range from \$22,000 to \$34,000 per month based on a build to suit lease and from \$14,000 to \$19,000 for a ground lease. Land and site preparation costs will vary ~~substantially~~ depending on the lot size, geographic area and market conditions. Costs related to evaluation of the restaurant site are not included in this estimate.
- ^{4a} This estimate includes pre-construction costs for architectural and related drawings, engineering, testing, permits, utility tap fees and other fees. Costs may vary ~~significantly~~ if you lease an in-line site for the restaurant, and utility tap fees can vary ~~substantially~~ from location to location.
- ^{4b} This estimate includes foundation, slab, materials, hardware, roof, plumbing, electrical, HVAC equipment, and labor. Costs may vary ~~significantly~~ based on the site and regional construction costs.
- ⁵ This work includes the cost to cover the extension of utilities to the building from a point on the site where the landlord/developer has delivered them, paving of parking areas, pouring sidewalks and curbs, and installation of outdoor lighting. If the property is a pad site, the cost will be between \$100,000 and \$150,000 for pad development plus \$20,000 to \$60,000 for landscaping, and up to \$1,000,000 for a full site. These costs can vary depending on the stage of development the site is in when the landlord or developer delivers the site to you.
- ⁶ The range given includes exterior graphics and door signage. The low end of the range includes standard building signage of 2 exterior building signs; the high end of the range also includes a to-go sign, a free-standing pole sign or highway sign and a free-standing monument sign.
- ⁷ We require you to purchase benches, chairs, stools, décor, decorative elements, and tables that meet our specifications. We are an approved supplier of certain furniture and decor packages.
- ⁸ The estimate given covers the cost of kitchen and bar equipment, hood ventilation and refrigeration equipment. We require you to purchase certain kitchen equipment that meets our specifications.
- ⁹ The advertising you may need to purchase before opening the restaurant includes geo-targeted digital and social media, direct mail and/or radio.
- ¹⁰ We provide initial training for up to 5 of your managers (in addition to your Managing Owner and Operating Partner). This is an estimate of the costs that you will incur for transportation, lodging and food, and wages for attendees of our initial training program. The low end of the estimate assumes that your Managing Owner, Operating Partner, and 1 other representative will attend initial training, and the high end of the estimate assumes that your Managing Owner, Operating Partner, and 5 other representatives will attend initial training. The actual cost will depend on the distance the attendees must travel and the type of accommodations you choose.
- ¹¹ The figures given include the cost of an opening crew provided by us. See Item 5.
- ¹² This estimate for working capital is for organizational expenses.
- ¹³ We estimate that the range given will be sufficient to cover your inventory needs for the first month

of operation.

- ¹⁴ The estimate includes restaurant smallwares, like cooking, serving, and other utensils for food preparation.
- ¹⁵ License fees will vary ~~significantly~~, depending on the locale and the requirements of the applicable state, county or municipal liquor licensing laws and related liquor licensing authorities, so we cannot provide an accurate estimate. In some states, liquor licenses must be purchased at costs ranging from \$5,000 to \$1,000,000. This amount does not include entity-related franchise taxes required by some states.
- ¹⁶ This estimate is for the cost per Restaurant of a computerized point-of-sale system with a kitchen display system, including installation and wiring costs as well as iPads and other software and technology we require. This estimate also includes the purchase or lease, initial wiring and installation and IT support for Table Top Devices (defined below) and Meraki Wi-Fi network.
- ¹⁷ This is the negotiated yearly cost per restaurant location for online ordering services via our hosted website and mobile apps.
- ¹⁸ This is our estimate of the amount needed to cover your expenses for the start-up phase of the business, including lease payments, inventory (including restaurant equipment and food), payroll, facility expenses like utilities, insurance, pest control, security, repairs and maintenance and complimentary sales and other costs. The range provided also includes our best estimate of the cash requirements including Builders Risk insurance (at preferred months of operations). For the purpose of this disclosure document, we have estimated the start-up phase to be 3 months from the date the restaurant opens for business. These figures are estimates and we cannot assure you that you will not have additional expenses starting the restaurant. These amounts do not include any estimates for debt service.
- ¹⁹ See Notes 3 and 15 describing significant additional expenses related to the purchase of a restaurant site and the acquisition of a liquor license for the restaurant, which expenses are not included in the estimated total investment. The total estimated initial investment does not include the development fee described in Item 5. The numbers above are representative of costs expended for construction of a Chili's Restaurant in the State of Texas (a right-to-work state). You should consult a construction standard index to determine whether these costs accurately reflect the costs of construction in the area in which you will develop.

Column 1 Type of expenditure	Column 2 Actual or Estimated Cost Low – High	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Made
Inventory ¹³	\$100,000-\$150,000	As arranged	As incurred	Suppliers
Bar/Kitchen Accessories ¹⁴	\$40,000 - \$50,000	As arranged	As arranged	Suppliers
Liquor License ¹⁵	Varies	As arranged	As arranged	Government Agencies; your attorneys or other third-party <u>third-party</u>
Computer POS system/Kitchen display system/Installation ¹⁶	\$75,000-\$100,000	As arranged	As arranged	Suppliers
Online Ordering ¹⁷	\$695	As arranged	As arranged	Supplier
Additional Funds ¹⁸ (3 months)	\$525,000-\$725,000	As arranged	3 months	Lessor/Suppliers
TOTAL¹⁹	\$2,261,195-\$5,088,695			

Notes:

- ¹ The above chart provides an estimate of your initial investment for 1 Chili's Special Venue restaurant. The Chili's Special Venue concept does not have a specific prototype building, but instead is designed as a "special" building using a standardized kit of design elements. It may be built as either a free-standing unit, food court finish-out, an existing in-line/end-cap type of finish-out or as a counter service interior finish-out. Because of the flexibility in the design, Chili's Special Venue units currently operate in a square foot range of 2,000 to 6,000. Seat counts could vary ~~significantly~~ depending on the square footage, service style, inclusion/exclusion of bar, and the type of bar, but most current units contain anywhere from 70 to 250 seats.
- ² The low end of the range represents the initial franchise fee for each restaurant developed under a Development Agreement and does not include the development fee. The high end of the range is the initial franchise fee if you sign a franchise agreement that is not entered into under a Development Agreement. See Item 5.
- ³ Due to the cost of land acquisition, the premises for Chili's Special Venue restaurants are normally leased. These amounts assume that you will lease the premises for the restaurant and do not include

costs of land acquisition. If land for the restaurant site is purchased, purchase costs will vary significantly depending on the market in which the Chili's Special Venue restaurant will be located; however, these costs generally range from \$850,000 to \$1,750,000 based on our experience in acquiring restaurant sites nationwide. We estimate that rent payments typically range from \$14,000 to \$32,000 per month based on a ~~build-to-suit~~build-to-suit lease and from \$10,500 to \$15,000 for a ground lease based on our experience in leasing restaurant sites nationwide. Rent amounts may vary ~~significantly~~ for airport locations. Land and site preparation costs will vary ~~substantially~~ depending on the lot size, geographic area and market conditions. Costs related to evaluation of the restaurant site are not included in this estimate.

- 4a This estimate includes pre-construction costs for architectural and related drawings, engineering, testing, permits, utility tap fees and other fees. Costs may vary significantly if you lease an in-line site for the restaurant, and utility tap fees can vary ~~substantially~~ from location to location.
- 4b This estimate includes re-using an existing building or in-line space and converting it to a Chili's Restaurant. It would include new materials, hardware, roof, plumbing, electrical, HVAC equipment, and labor. Costs may vary ~~significantly~~ based on the site, size of the space, and regional construction costs.
- 5 This work includes the cost to cover the extension of utilities to the building from a point on the site where the landlord/developer has delivered them, paving of parking areas, pouring sidewalks and curbs, and installation of outdoor lighting. These costs can vary greatly depending on the condition of the paving, sidewalks, and landscaping already in place.
- 6 This will depend on the building type.
- 7 We require you to purchase benches, chairs, stools, decor, decorative elements, and tables that meet our specifications. We are an approved supplier of certain furniture and decor packages.
- 8 The estimate given covers the cost of kitchen and bar equipment, hood ventilation and refrigeration equipment. We require you to purchase certain kitchen equipment to meet our specifications.
- 9 The advertising you may need to purchase before opening the restaurant includes geo-targeted digital and social media, direct mail and/or radio.
- 10 We provide initial training for up to 5 of your representatives (in addition to your Managing Owner and Operating Partner). This is an estimate of the costs that you will incur for transportation, lodging and food, and wages for attendees of our initial training program. The low end of the estimate assumes that your Managing Owner, Operating Partner, and 1 other representative will attend initial training, and the high end of the estimate assumes that your Managing Owner, Operating Partner, and 5 other representatives will attend initial training. The actual cost will depend on the distance the attendees must travel and the type of accommodations you choose.
- 11 The figures given include the cost of an opening crew provided by us. See Item 11.
- 12 This estimate for working capital is for organizational expenses.
- 13 We estimate that the range given will be sufficient to cover your inventory needs for the first month of operation.
- 14 The estimate includes restaurant smallwares, like cooking, serving, and other utensils for food preparation.
- 15 License fees will vary significantly, depending on the locale and the requirements of the applicable state, county or municipal liquor licensing laws and related liquor licensing authorities, so we cannot provide an accurate estimate. In some states, liquor licenses must be purchased at costs ranging from

\$5,000 to \$500,000. This amount does not include entity-related franchise taxes required by some states.

- ¹⁶ This estimate is for the cost per Restaurant of a computerized point-of-sale system and a kitchen display system including installation and wiring costs, iPads and other software and technology we require. This estimate also includes the purchase or lease, initial wiring and installation and IT support for Table Top Devices (defined below) and Meraki Wi-Fi network.
- ¹⁷ This is the negotiated yearly cost per restaurant location for online ordering services via our hosted website and mobile apps
- ¹⁸ This amount is our estimate of the amount needed to cover your expenses for the start-up phase of the business, including lease payments, inventory (including restaurant equipment and food), payroll, facility expenses like utilities, insurance, pest control, security, repairs and maintenance and complimentary sales and other costs. The range provided also includes our best estimate of the cash requirements including Builders Risk insurance (at preferred months of operations). For the purpose of this disclosure document, we have estimated the start-up phase to be 3 months from the date the restaurant opens for business. These figures are estimates and we cannot assure you that you will not have additional expenses starting the restaurant. These amounts do not include any estimates for debt service.
- ¹⁹ See Notes 3 and 15 describing significant additional expenses related to the purchase of a restaurant site and the acquisition of a liquor license for the restaurant, which expenses are not included in the estimated total investment. The total estimated initial investment does not include the development fee described in Item 5. The numbers above are representative of costs expended for construction of a Chili's Special Venue restaurant in the State of Texas (a right-to-work state). You should consult a construction standard index to determine whether these costs accurately reflect the costs of construction in the area in which you will develop.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases from Designated and Approved Suppliers

You generally have no obligation to purchase or lease from us, our affiliates, or other designated ~~third-party~~third-party suppliers any of the products, services, supplies, fixtures, equipment, inventory or real estate used in establishing or operating the Restaurant. However, you must obtain gift card processing services from our designated ~~third-party~~third-party supplier, purchase computer/network hardware and software and electronic cash register systems and kitchen display systems from our designated ~~third-party~~third-party supplier and lease Table Top Devices from our designated ~~third-party~~third-party supplier. We are an approved supplier (but not the only approved supplier) of the other items listed below.

Gift Cards – You may only purchase and sell gift cards that have been approved by us. The only gift card processor you may use is Fiserv. The estimated cost to purchase gift cards for sale in your restaurant is approximately \$1,500 per year/per restaurant. We will reconcile costs and benefits of the gift card program and generate periodic accountings to franchisees. We have implemented a comprehensive gift card policy that is applicable to you and with which you must comply. We may supplement, replace, revise, or otherwise modify the gift card policy at any time, and you must comply with any revised gift card policy. We may require you to sign a gift card participation agreement in the future.

Computer System – You must purchase and install a POS system and kitchen display system that we approve. The Aloha POS system is the only approved POS system, and the QSR CSK (Connected

Smart Kitchen and associated ELO Hardware) is the only approved kitchen display system. You must purchase the Aloha platform (hardware and software) from NCR, if NCR sells the required system. If not, you must purchase the required system from a supplier we approve. NCR and QSR Automations, Inc. are the only approved suppliers of QSR kitchen display systems. Currently, you may use one of several designated suppliers for ongoing service, although we may in the future require you to use a single designated supplier source for required hardware, software and/or database maintenance services (and that single designated supplier may be us or an affiliate).

Table Top Devices – If you elect to participate in table top product offerings, you must lease or purchase, install and use approved portable table-top digital ordering, point-of-sale, and entertainment devices that allow customers the ability to review the menu, place food and drink orders, access premium content, view advertisements and make payments at their table (“Table Top Devices”). Currently, Ziosk TTM is the only approved supplier of Ziosk Table Top Devices. The Ziosk Table Top Device must be purchased from Ziosk TTM. The agreement you must sign with Ziosk TTM allows you to retain a significant portion of the revenue from premium content on the Ziosk Table Top Device.

Décor Products, Furniture & Fixtures – BII and we are approved suppliers of the decor packages and certain restaurant furniture and fixtures.

Merchandise, Marketing and Training Products & Supplies – You must purchase certain merchandise, marketing and training products and supplies from our approved suppliers.

Advertising and Promotional Materials – You must purchase certain advertising and promotional materials from our approved suppliers.

Third-Party Delivery Programs – Currently, the DoorDash, Uber Eats and Grubhub platforms are the only approved third-party delivery platform for the IJW Virtual Product Offering.

None of our officers owns an interest in any privately held suppliers, or a material interest in any publicly held suppliers, of the Chili’s franchise system. From time to time, our officers may own non-material interests in publicly held companies that may be suppliers to our franchise system.

Purchases According to Specifications

Food, Beverages, FF&E and Other Items – You must comply with all of our standards and specifications for the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale at the Restaurant.

Site Selection – The site for your Restaurant must satisfy our site selection criteria. Before you acquire a site for a Restaurant, you must submit to us the information we require, as well as a letter of intent or other evidence satisfactory to us confirming your favorable prospects for obtaining the site. We will have 30 days after we receive the information from you to approve or disapprove the proposed site. We will not unreasonably withhold our approval, but no site will be deemed approved unless we have expressly approved it in writing. (See Item 11)

Lease Terms – If you enter into a lease for the Restaurant premises, we have the right to ask you to provide us with a copy of the executed lease and you must provide us with a copy within 3 business days of our request. Unless we agree to waive a particular provision, any lease for a Chili’s Restaurant must contain the provisions listed at Section 4.2 (a) – (h) of the Development Agreement. These provisions are designed to protect our rights as your franchisor.

Construction and Opening – You must begin construction of the Restaurant in compliance with our standards and specifications within 180 days after we approve the site (or, if the premises is then occupied, immediately after you gain possession). Among other requirements, you must employ a qualified architect and engineer, reasonably acceptable to us, to prepare for our approval preliminary

- (vi) commercial umbrella liability or excess liability insurance with a minimum limit of \$5,000,000 per occurrence, which policy must provide excess limits for the general liability, automobile liability and employer's liability forms required above or at least as broad in coverage; and
- (vii) cyber liability insurance with a minimum coverage of \$5,000,000 general aggregate.

You may, with our written consent, elect reasonable deductibles for the coverages described in (i), (ii), (v), and (vi) above. You may not, without our prior written consent, agree to sublimits in the insurance policies listed above. Except for worker's compensation insurance, all insurance policies must name us, our affiliates, successors and assigns (and their officers, directors, shareholders, partners, employees, servants, representatives and agents) as additional insureds. In addition, all insurance policies must waive subrogation in favor of us, our affiliates, successors and assigns (and their officers, directors, shareholders, partners, employees, servants, representatives and agents).

Supplier Approval Procedure

You must purchase all food items, ingredients, supplies, materials and other products used or offered for sale at the Restaurant solely from suppliers (including manufacturers, distributors (including distributors of groceries, bakery, dairy, produce, seafood and meat items) and other sources) who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably; who have been approved in writing by us before you make any purchases from any supplier; and who have not been disapproved. We may change the number of approved suppliers at any time and may designate ourselves, our affiliate, or a ~~third-party~~[third-party](#) as the exclusive source for any particular item. We may profit from your purchases from approved suppliers, and we and/or our affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of your purchases. If you wish to purchase any products from an unapproved supplier, you or the proposed supplier must submit a written request for approval to us and you will be required to have the supplier sign a confidentiality agreement. You may not purchase from any supplier unless and until we have approved the supplier in writing. We (and our representatives) will have the right to inspect the supplier's facilities and take samples from the supplier for testing at your or the supplier's expense. (See Item 6) We also have the right to re-inspect the facilities and products of any approved supplier periodically and to revoke our approval if the supplier fails to continue to meet any of our then-current criteria. We may use an audit company that we select to conduct such inspections, and the proposed supplier must achieve a score that we approve.

Among other things, we consider the following in determining whether to approve a supplier:

Technical – Whether the proposed supplier offers innovations or expertise not available elsewhere that would give the System some competitive advantage in the marketplace.

Quality – Whether the proposed supplier fills a need in quality.

Supply – Whether the proposed supplier offers needed additional capacity or fills a geographical weakness in the supply chain.

Cost – Whether the proposed supplier offers an opportunity to reduce System costs while maintaining or improving quality, supply and service.

Safety – Whether the manufacturing processes are effective to maintain the required food safety standards.

and we must approve or disapprove the plans and materials within 14 days from the date of receipt. You may not use any plans or materials until they have been approved by us and must promptly discontinue use of any advertising or promotional plans or materials upon receiving notice from us.

You must participate in supplemental marketing programs, like limited time offers, gift cards, gift certificates, coupons, loyalty programs, customer relationship management, and other supplemental marketing programs as we may periodically require. You may be responsible for certain costs associated with these supplemental marketing programs. We may change the required supplemental marketing program designation periodically. Under certain limited circumstances (e.g., for a significant multi-unit development plan, a large metropolitan area, airports or unique restaurant sites), we may modify the contributions or participation for a specific franchisee in our sole discretion.

We currently do not have a formal franchisee advisory council or association.

Computer System

You must record all sales on a computerized POS system and utilize a kitchen display system that we have approved and report your Gross Sales weekly via our Web portal in the manner we specify in the CFM or through other electronic data interfaces that we may define at a future date. The computerized POS system and kitchen display system are comprised of terminals, monitors, printers and all hardware, software and data used to record and analyze sales, labor, inventory, product usage and tax information to operate the Restaurant (the "Computer System"). We require all Chili's Grill & Bar restaurants to use the Aloha POS system and the QSR kitchen display system. You must purchase the Aloha POS system (hardware and software) from NCR, if NCR sells the required system. If not, you must purchase the required system from a supplier we approve. You must purchase the QSR kitchen display system from NCR or from QSR Automations, Inc. or, if we designate, another supplier. The cost to obtain a Computer System, which includes all BOH and FOH equipment and software and, depending on the size of the restaurant, 4 to 8 POS terminals for a Chili's Grill & Bar (the specific components of which are described more fully in the CFM) is typically in the range of approximately \$75,000 to \$100,000 per restaurant. The Computer System for a Chili's Special Venue is typically in the range of approximately \$75,000 to \$100,000. Your estimated annual per-restaurant recurring software and hardware maintenance costs may be between \$2,000 and \$5,000. Neither we, our affiliates, nor any third parties are required or designated to provide ongoing maintenance, repairs, upgrades, or updates to your computer system. Currently, there are no optional or required maintenance/upgrade contracts for the Computer System. We can require you to replace your existing Computer System with one designated by us and, in such event, you will be given a reasonable timeframe not to exceed 24 months. Currently, we do not have direct access to the information and data on the Computer System, however we have the right under the Franchise Agreement to establish such access in the future. We also have the right to designate changes or enhancements to the Computer System used in your Restaurant including the POS terminals, computer hardware, software and other equipment. At such time as we designate the changes or enhancements to the Computer System, you may be required to make certain payments to our designated suppliers. You must acquire the right to use hardware, software, peripheral equipment, and accessories and arrange for installation, maintenance, and support services of the initial equipment and services and changes or enhancements, all at your cost.

In addition, franchisees may participate in a table management system, Yelp! Guest Manager, which allows guests to see if a wait is at any given Restaurant or put their names on a wait list. If you choose to use Yelp! Guest Manager, you will contract with Yelp! Guest Manager and you will incur an estimated one-time implementation fee of \$350 as well as monthly fees and maintenance fees of approximately \$42 per restaurant.

You must participate in the integrated online ordering solution we designate. Currently, the Chili's online ordering platform is Olo; it is the mandatory and exclusive online ordering platform for all Chili's Restaurants and is required for integration into ~~third-party~~[third-party](#) delivery applications should

you elect to participate in a Virtual Product Offering program. Currently, the cost of the online ordering system is a one time activation fee of \$250 per Restaurant, with a monthly subscription fee of \$75/month per location + .010% per transaction fee through your gateway. In the event you transfer services to a different owner/company, there is a ~~one-time~~one-time \$100 per location transfer fee as well. In connection with using Olo, you will be required to secure an additional eCommerce merchant ID for each Restaurant from your payment processor. If you elect to use a payment processor not affiliated with Olo, then you will have to use Olo's Braintree solution and pay the associated costs.

You must also participate in any loyalty program designated by us. Currently, My Chili's Rewards is the Chili's loyalty program. You are responsible for configuring and offering the same loyalty rewards that are designated by us through your Computer System. Your online ordering platform (Olo) and Table Top Devices (described below) (Zioks) must be installed and operational prior to enabling My Chili's Rewards.

If you elect to participate in a Virtual Product Offering, you must enroll in and obtain a subscription for the designated third-party delivery platform for such Virtual Product Offering. For the IJW Virtual Product Offering, you must utilize DoorDash, Uber Eats or Grubhub and enroll in each of these third-party delivery provider's respective subscription service. Currently, the commission rate for orders placed for the IJW Virtual Product Offering are as follows:

- a. DoorDash - 19% of order total for standard delivery, 5% of order total for pickup, and 24% of order total for DashPass orders.
- b. UberEats - 12% of order total for standard delivery, 6% of order total for pickup, and 15% of order total for EatsPass.
- c. Grubhub - 12% of order total for standard delivery, 5% of order total for pickup, and 0% of order total for Grubhub+ for year one, then 10% thereafter.

Table Top Devices

If you elect to participate in table top product offerings, you must lease or purchase install and use approved Table Top Devices in your Restaurant. Currently, Ziosk TTM, Inc.. is the only-approved supplier of Table Top Devices known as The Ziosk Table Top Devices must be purchased from Ziosk TTM, Inc., and the purchase price is approximately \$25,000 per Restaurant. You are responsible for integrating the Table Top Devices with your POS system. You will be responsible for providing an Internet connection with sufficient bandwidth to support Ziosk management and content updates. You will be required to maintain a monthly Internet subscription at your sole cost for such Internet connectivity. There is no additional annual cost to franchisees for upgrades or maintenance outside of your lease payments. We will not have independent access to the information generated and stored by the Table Top Devices; however, we are provided information through the supplier.

Operations Manual

The Table of Contents of our CFM is attached as Exhibit E to this disclosure document. The CFM has 544 pages.

Training

Your Managing Owner or Operating Partner and up to 5 of your managers (if you open only one Restaurant) or 10 of your managers (if you open two or more Restaurants) must attend and complete our initial management training program to our satisfaction. All new managers hired by you and any Managing Owner or Operating Partner later appointed by you must attend and complete our initial training program to our satisfaction.

We will provide instructors and training materials for the initial training of your Managing Owner or Operating Partner and up to 5 of your managers (if you open only one Restaurant) or up to 10

Category	Section	Summary
– defined		otherwise encumbering any direct or indirect interest in the Developer, Development Agreement the Franchised Restaurant and/or the Chili's Marks.
l. Franchisor approval of transfer by Developer	8.2	You must obtain our written consent before transferring any interest. We will not unreasonably withhold our consent.
m. Conditions for Franchisor approval of transfer	8.2	You must: pay all amounts due to us or our subsidiaries, affiliates, and third-party third-party suppliers; not be in default of your Development Agreement; execute a general release; pay a transfer fee; remain liable for pre-transfer obligations. Your proposed transferee must sign a written agreement agreeing to assume all obligations of your Development Agreement; meet our criteria for becoming a Chili's developer; sign our then-current development agreement; complete our training programs; if the proposed transferee is an entity, it must show us its compliance with the representation, warranties, and covenants in the Franchise Agreement; and satisfy other conditions that we reasonably require.
n. Franchisor's right of first refusal to acquire Developer's business	8.4 and Attachment "D"	Within 30 calendar days after notice, we have the option to purchase the transferred interest on the same terms and conditions.
o. Franchisor's option to purchase Franchisee's business	Not applicable	Not applicable
p. Death or disability of Developer	8.5	Upon death or permanent disability of any person with an interest in the Development Agreement and/or Developer, a distributee must be approved by us, or the development rights must be transferred to someone approved by us within 12 months from death or for permanent disability, 6 months after notice to you.
q. Non-competition covenants during the term of the Development Agreement	9.3(a)	Subject to state law, you are prohibited from: diverting or attempting to divert any business or customer to any competitor or taking any actions that injure or prejudice the Chili's Marks and System; having any interest in any restaurant business which is in the casual dining market segment of the restaurant

	Temple		City			County
The Prentice-Hall Corporation System, Inc.	15 West South Temple	Suite 600	Salt Lake City	UT	84101	Salt Lake County
United States Corporation Company	15 West South Temple	Suite 600	Salt Lake City	UT	84101	Salt Lake County
Corporation Service Company	100 Shockoe Slip	2nd Floor	Richmond	VA	23219	Richmond City
The Prentice-Hall Corporation System, Inc.	100 Shockoe Slip	2nd Floor	Richmond	VA	23219	Richmond City
United States Corporation Company	100 Shockoe Slip	2nd Floor	Richmond	VA	23219	Richmond City
Corporation Service Company	100 North Main Street	Suite 2	Barre	VT	05641	
The Prentice-Hall Corporation System, Inc.	100 North Main Street	Suite 2	Barre	VT	05641	
United States Corporation Company	100 North Main Street	Suite 2	Barre	VT	05641	
Corporation Service Company	MC-CSC1, 300 Deschutes Way SW	Suite 208	Tumwater	WA	98501	Thurston County
The Prentice-Hall Corporation System, Inc.	MC-CSC1, 300 Deschutes Way SW	Suite 208	Tumwater	WA	98501	Thurston County
United States Corporation Company	MC-CSC1, 300 Deschutes Way SW	Suite 208	Tumwater	WA	98501	Thurston County
Washington Department of Financial Institutions, Securities Division	150 Israel Rd SW		Tumwater	WA	98501	Thurston County
Corporation Service Company	33 East Main Street	Suite 610	Madison	WI	53703	Dane County
The Prentice-Hall Corporation System, Inc.	33 East Main Street	Suite 610	Madison	WI	53703	Dane County
United States Corporation Company	33 East Main Street	Suite 610	Madison	WI	53703	Dane County
Corporation Service Company	808 Greenbrier Street		Charleston	WV	25311	Kanawha County
The Prentice-Hall Corporation System, Inc.	808 Greenbrier Street		Charleston	WV	25311	Kanawha County
United States Corporation Company	808 Greenbrier Street		Charleston	WV	25311	Kanawha County
Corporation Service Company	1821 Logan Avenue		Cheyenne	WY	82001	Laramie County
The Prentice-Hall Corporation System, Inc.	1821 Logan Avenue		Cheyenne	WY	82001	Laramie County
United States Corporation Company	1821 Logan Avenue		Cheyenne	WY	82001	Laramie County

WASHINGTON ADDENDUM TO
THE FRANCHISE DISCLOSURE DOCUMENT,
FOR THE STATE OF WASHINGTON
THE FRANCHISE AGREEMENT, THE DEVELOPMENT AGREEMENT AND ALL
RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

~~The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to 19.100.940. To the extent that the Disclosure Document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:~~

- ~~1. Item 5 and Item 7 are supplemented by the following:~~

~~"In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location."~~

1. ~~2.~~ **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~chapter 19.100 RCW ~~shall~~will prevail.
2. ~~3.~~ **Franchisee Bill of Rights.** RCW 19.100.180 ~~which~~ may supersede provisions in the franchise agreement ~~in or related agreements concerning~~ your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~ supersede the franchise agreement ~~in or related agreements concerning~~ your relationship with the franchisor ~~including the areas of termination and renewal of your franchise.~~ Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. ~~4.~~ **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. ~~5.~~ **General Release.** A release or waiver of rights ~~executed by in the franchise agreement or related agreements purporting to bind the~~ franchisee ~~shall not include rights to~~ waive compliance with any provision under the Washington Franchise Investment Protection Act, ~~or any rule or order~~rules or orders thereunder ~~is void~~ except when executed

pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel—, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions ~~such as those which~~ contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. ~~6.~~ **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. ~~7.~~ **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any ~~provisions~~provision contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.
15. ~~8.~~ **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

~~9. The franchisor [uses/may use] the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.~~

16. ~~10.~~ Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____, 20____.

Signature of Franchisor Representative
Signature of Franchisee Representative

Title of Franchisor Representative Title of
Franchisee Representative

Signature of Franchisor Representative Signature
of Franchisee Representative

Title of Franchisor Representative Title of
Franchisee Representative