



January 19, 2020

To Our Valued Franchisee:

Today, I am reaching out to you to let you know about the steps we are taking to position Krystal for future growth and success.

On Sunday, January 19, 2020, the Krystal Company and related entities (collectively, the "Company") filed voluntary petitions for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Georgia

The Company intends to use these proceedings to protect and support its ongoing business operations, address its obligations, and pursue an orderly sale of its business and assets as a going concern. The management team and Board of Directors have chosen this step after careful review of all strategic alternatives and believe it is the best possible path to position Krystal and its franchisees for future success.

We are committed to our relationship with our franchisees and expect our operations will continue in the ordinary course throughout this process. To ensure this, the Company has filed a number of motions with the U.S. Bankruptcy Court seeking authorization to operate its business in the ordinary course during the Chapter 11 proceedings. These include, among others, authorization to continue to pay employee wages and benefits, honor customer programs, and ensure utility services.

Below are answers to several frequently asked questions about our restructuring process. Court filings and information about the claims process can be found at a separate website maintained by our claims agent, KCC, at <http://www.kccllc.net/krystal>

As always, your Franchise Business Manager is available, to answer any questions or direct you to the appropriate resource.

We look forward to continuing to work with and support our network of franchise owners, who are the backbone of our business. We believe this process will ultimately position our company and our franchisees for future growth and success.

Sincerely,

Tim Ward
President



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FREQUENTLY ASKED QUESTIONS FOR KRYSTAL FRANCHISE OWNERS

What does it mean to file for Chapter 11 protection?

- Chapter 11 is the section of the United States Bankruptcy Code that regulates corporate restructurings.
- Chapter 11 permits, and even encourages, daily business operations to continue as usual.
- Many companies have successfully utilized Chapter 11, including United Airlines, General Motors, Six Flags, Macy's, and many restaurant companies that continue to operate today.

How will the Ch. 11 affect my franchise?

- There should be no impact on your franchise. We are committed to our relationship with you and expect our operations will continue in the ordinary course throughout this process.

What do we tell our employees? Are their jobs at risk?

- As you know, employees in franchised restaurants are not employed by Krystal; they are employed by each particular franchise owner.
- Accordingly, the Chapter 11 filing has no impact on their job, pay and benefits.
- As we move forward, it's important to remind your employees to continue to concentrate on their normal responsibilities, and on providing customers with excellent service and their favorite high-quality menu items.
- Employees must understand that actions will go a lot farther than words in reassuring customers that Krystal is open and eager for their business.

What about the Krystal supply chain for franchisees?

- You should continue to source your products through your regular suppliers and distribution centers.
- We have been in touch with our key suppliers to help ensure that products will continue to be delivered to our franchisees in a timely fashion.

What if I'm approached by the media?

- If you receive any inquiries from the media or other interested third parties, please refer them to <http://www.kccllc.net/krystal> only.

How does this impact my franchise agreement?

- The terms of the franchise agreement are not impacted by this action.

Do I still owe my weekly royalty and advertising fees?

- Yes, the terms of the franchise agreement are not impacted by this filing.

What about my Franchise Business Manager? Will he still be working with me?

- Yes.



I have a Facebook page for my restaurant. What should I post there?

- Just as you would with a customer who is in your restaurant, emphasize that you are open and operating as usual, and customers can expect to continue to enjoy their favorite high-quality menu items.