

FRANCHISE DISCLOSURE DOCUMENT



Krystal Restaurants LLC
a Delaware limited liability company
1455 Lincoln Parkway E., Suite 600
Dunwoody, GA 30346
Phone: (770) 351-4500
franchiseinquiry@krystal.com
www.krystal.com

Krystal franchisees operate quick service restaurants featuring specialty hamburgers and hotdogs, chicken sandwiches, french fries, shakes, ice cream and breakfast items from traditional and non-traditional restaurant locations (each a “Krystal Business”). We offer franchises for single Krystal Businesses and for area development for the right to open multiple Krystal Businesses. We also offer conversion opportunities to existing independent businesses that provide services and products similar to those offered by Krystal Businesses to qualified candidates.

The total investment necessary to begin operation of a standard traditional or non-traditional franchised Krystal Business is between \$1,380,500 and \$2,160,000. This includes \$46,000 to \$46,400 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a conversion Krystal franchised business is between \$787,000 and \$1,520,000. This includes \$46,000 to \$46,400 that must be paid to the franchisor or its affiliates.

If you sign an Area Development Agreement for the opportunity to develop multiple Krystal Businesses (we do not specify a minimum number to be eligible for an Area Development Agreement), you will pay a development fee for the rights to those development opportunities. The development fee will vary depending on the number of Krystal Businesses you are committed to develop, and is calculated as the total of the \$35,000 for your first franchise and \$17,500 for each additional franchise to be developed (the development fee is separate from the initial franchise fee). The total investment necessary under an Area Development Agreement (based on a commitment of two to ten Krystal Businesses) ranges from \$58,500 to \$202,500. This includes \$52,500 to \$192,500 that must be paid to the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement 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.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Krystal’s franchise department at 1455 Lincoln Parkway E., Suite 600, Dunwoody, Georgia 30346 and (770) 351-4600.

The terms of your contract will govern your franchise relationship. Do not 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 an 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.

Issuance Date: June 14, 2024

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Krystal business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 <i>tell</i> you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Krystal franchisee?	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, or litigation only in Georgia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Georgia than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**NOTICE REQUIRED BY
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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the 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 terms 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 six (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 or 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 there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

***NOTE: NOTWITHSTANDING PARAGRAPH (f) ABOVE, WE INTEND TO SEEK ENFORCEMENT OF THE ARBITRATION CLAUSE IN THE FRANCHISE AGREEMENT TO THE FULLEST EXTENT PERMITTED UNDER THE FEDERAL ARBITRATION ACT.**

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ITEM 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “KRL,” “we,” “us” and “our” means Krystal Restaurants LLC, the franchisor. “You,” “your” and “Franchisee” means the purchaser of the franchise from KRL. If the purchaser of the franchise is a business entity (corporation, partnership, limited liability company, or another entity form), “you,” “your” and “Franchisee” means both the purchaser and the persons who own the entity. Additionally, when discussing Area Development Agreements offered under this disclosure document, the term “you” or “your” refers to the “Area Developer” and, if it is a business entity, the persons who owner of the Area Developer entity.

The Franchisor

KRL is a Delaware limited liability company formed on April 2, 2020. We operate under our company name and the name Krystal. Our principal business address is 1455 Lincoln Parkway E., Suite 600, Dunwoody, Georgia 30346. We offer franchises to operate quick service restaurants featuring specialty hamburgers and hotdogs, chicken sandwiches, french fries, shakes, ice cream and breakfast items from traditional and non-traditional restaurant locations (each a “Krystal Business,” “Krystal Franchise” or “Franchise”) and have done so since September 2020. As of the December 31, 2023 (our prior fiscal year end date), we had 137 company-operated Krystal Businesses. We do not conduct business under any other name or in any other line of business and we do not offer, and have not in the past offered, franchises in any other line of business.

Our agent for service of process in Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange St., Wilmington, DE 19801. Our agents for service of process in various other states are identified by state in Exhibit A. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Parents, Predecessors and Affiliates

KRL is a wholly owned subsidiary of DB KRST Investors LLC (“DB KRST”). DB KRST is an indirect subsidiary of DB KRST Holdings LLC (“KRST Holdings”), which is a subsidiary of SPB LeadershipCo LLC (“LeadershipCo”) and an indirect subsidiary of CFTW Holdings II Corp. (“Holdings II”). DB KRST and DB KRST Holdings share our principal business address at 1455 Lincoln Parkway E., Suite 600, Dunwoody, Georgia 30346. DB KRST entered into an asset purchase agreement on May 6, 2020 with our predecessor, The Krystal Company, Inc. (“TKC”), to purchase the Krystal system by acquiring substantially all of TKC’s assets. At the closing of the transaction, DB KRST assigned to KRL its rights to purchase substantially all of TKC’s assets, and that sale closed on May 18, 2020. TKC is now defunct, but its last known principal business address is 1455 Lincoln Parkway E., Suite 600, Dunwoody, Georgia 30346. TKC began operating quick service restaurants similar to the type being offered under this Franchise Disclosure Document in 1932 and began offering franchises similar to the Franchises granted under this Franchise Disclosure Document in 1990. TKC did not offer franchises in any other line of business.

Holdings II was formed on January 1, 2023 in connection with a restructuring transaction in which Drawbridge Special Opportunities Fund LP contemporaneously contributed its interests in KRST Holdings to Holdings II. Holdings II is also the indirect parent of SPB Hospitality, LLC (“SPB”). The principal business address of LeadershipCo, Holdings II, and SPB is 19219 Katy Freeway Suite 500 Houston, TX 77094. Certain subsidiaries and affiliates of SPB offer, or have in the past offered, franchises under other brand names, as described below.

Logan’s Roadhouse Franchising II LLC (“LRF”) maintains its principal business address at 19219 Katy Fwy, Suite 500, Houston, Texas 77094. LRF and its predecessor, Logan’s Roadhouse, Inc., and subsidiaries offered and sold “Logan’s Roadhouse” franchises from approximately 1996 to 2006. LRF has been offering franchises since August 2021 for “Logan’s Roadhouse” restaurants, which are full-service dine-in and take-out neighborhood restaurants that feature a welcoming casual dining atmosphere serving grilled steaks and traditional American fare. As of December 31, 2023, LRF and its subsidiaries had 108 corporate locations and 22 franchise locations. LRF is not engaged in any other business activity and has not offered or sold franchises in any other line of business.

Old Chicago Franchising II LLC (“OCF II”) maintains its principal business address at 19219 Katy Fwy, Suite 500, Houston, Texas 77094. OCF II has since August 2021 offered and sold “Old Chicago” restaurant franchises, which are full-service dine-in and take-out neighborhood restaurants that feature a casual dining atmosphere, pizza, pasta, calzones, burgers, salads, and related food items and beverages. As of December 31, 2023, OCF II and its subsidiaries had 43 corporate locations and 29 franchise locations. OCF II is not engaged in any other business activity and has not offered or sold franchises in any other line of business.

Old Chicago Franchising LLC (“OCF I”) had a principal business address at 8001 Arista Place, Suite 500, Broomfield, Colorado 80021 and began offering franchises for “Old Chicago” Restaurants in February 2000. From July 2009 to December 2017, OCF I offered “Rock Bottom Brewery” restaurant franchises, which are casual brewery restaurants, and “ChopHouse” restaurant franchises, which feature steaks, chops, seafood and on-site brewed ales. OCF I is not engaged in any other business activity and has not offered or sold franchises in any other line of business.

Rock Bottom Franchising LLC (“RBF”) maintains its principal business address at 19219 Katy Fwy, Suite 500, Houston, Texas 77094. RBF’s predecessor, Rock Bottom License, LLC offered and sold “Rock Bottom” restaurant franchises beginning in 2019. As of December 31, 2023, RBF and its subsidiaries had 121 corporate locations and no franchise locations. RBF is not engaged in any other business activity and has not offered or sold franchises in any other line of business.

Special Restaurant Franchising LLC (“SRF”) maintains its principal business office at 19219 Katy Fwy, Suite 500, Houston, Texas 77094. SRF and its predecessor have offered and sold ChopHouse Restaurant & Brewery franchises since 2018. As of December 31, 2023, SRF had two corporate ChopHouse Restaurant location and three ChopHouse Restaurant licensed locations. SRF has not offered new franchises or licenses since 2014, but SRF may offer renewals to existing ChopHouse licensees. SRF is not engaged in any other business activity and has not offered or sold franchises in any other line of business.

Gordon Biersch Franchising, LLC (“GBF”), maintains its principal business office at 19219 Katy Fwy, Suite 500, Houston, Texas 77094. GBF and its predecessor have offered and sold Gordon Biersch Brewery Restaurant franchises since 2011. Gordon Biersch Brewery Restaurants include an on-site brewery and feature offer an elevated brewery restaurant menu. As of December 31, 2023, GBF had three corporate locations and four licensed non-traditional locations. GBF is not engaged in any other business activity and has not offered or sold franchises in any other line of business.

None of our parents or affiliates have offered franchises in any line of business (except as described in this Item 1). None of our parents or affiliates offer products or services to franchisees. We have no other parents, predecessors or affiliates that must be disclosed in this Item.

The Franchise

Krystal franchisees operate quick service restaurants featuring specialty hamburgers and hotdogs, chicken sandwiches, french fries, shakes, ice cream and breakfast items. Our operating system includes recognizable design, décor color scheme, recipes, uniform standards, specifications, rules and procedures of operation, techniques, philosophies, quality and uniformity of products and services offered, and procedures for inventory and management control (the “System”). We grant franchises to operate Krystal Businesses using the System and our trade names, trademarks, service marks, emblems, logos, slogans and copyrights, including the mark “Krystal” and any other trade names and marks that we designate in writing for use with the System (the “Marks”) from an approved retail location (each a “Restaurant”). We may also allow operators of existing restaurants to become our franchisees and convert their business to a Krystal Business (“Conversion Franchise”).

We offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified corporations and persons (“**you**”) that wish to establish and operate Krystal Businesses. If approved to become a *Krystal* franchisee, you must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit C (“Franchise Agreement”). You will operate one Krystal Business for each Franchise Agreement you sign. If you will be a Conversion Franchise, then in addition to the Franchise Agreement, you will also sign a “Conversion Addendum to Franchise Agreement” in the form attached to this Franchise Disclosure Document in Exhibit H.

We also offer to select qualified persons (“Area Developers”) the opportunity to sign a development agreement (“Area Development Agreement”), our current form of which is attached to this Franchise Disclosure Document as Exhibit D, to acquire the right to develop multiple Krystal Businesses in a designated development area (“Development Territory”) according to a specified schedule (“Development Schedule”). We will establish the Development Territory based on the consumer demographics of the Development Territory, geographical area, city, county and other boundaries. If you enter into an Area Development Agreement, you must sign a Franchise Agreement for your first Krystal Business (“Initial Franchise Agreement”) when you sign the Area Development Agreement. As you develop additional Krystal Business under the Area Development Agreement, you must sign our then-current form of Krystal franchise agreement for each Krystal Business that you develop. This franchise agreement may differ from the current Franchise Agreement included with this Franchise Disclosure Document. You must enter into each additional franchise agreement while we are still offering franchises.

If your Krystal Business is located in a “Non-Traditional Location,” it will be referred to as a “Non-Traditional Restaurant.” A Non-Traditional Location is located within another primary business, or in conjunction with other businesses, or in an institutional setting. Non-Traditional Restaurants operate under the Marks and may share their premises with other businesses or within a host facility and may provide limited menu items. Franchisees that operate Non-Traditional Restaurants will sign the “Non-Traditional Addendum to Franchise Agreement” in the form attached to this Franchise Disclosure Document in Exhibit H.

Market and Competition

The primary market for the products and services offered by Krystal Businesses is the general public. The products and services offered by Krystal Businesses are not seasonal. The restaurant market is well-developed and highly competitive and includes retail units, delivery, mobile food trucks and kiosks selling various types of food. You may have to compete with numerous other independent and chain-affiliated restaurants, some of which may be franchised. Many restaurant franchise systems have already established national and international brand recognition.

Industry-Specific Laws

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Krystal Business, including those that: (a) establish general standards, specifications and requirements for the construction, design and maintenance of your Restaurant; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements; employee practices concerning the storage, handling and preparation of food; restrictions on smoking and exposure to tobacco smoke or other carcinogens or reproductive toxicants and saccharin; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) govern the use of vending machines; (f) regulate the proper use, storage and disposal of waste, insecticides and other hazardous materials; (g) establish general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free” and (h) establish requirements concerning withholdings and employee reporting of taxes on tips. You must also obtain all necessary permits, licenses and approvals to operate your Krystal Business.

Many local or state jurisdictions require food service permits for those preparing, handling and serving food to the public. You and your employees may have to pass a test or other certification process to obtain these permits. There may also be local ordinances and regulations governing food storage, preparation and service.

The Payment Card Industry Data Security Standard (“PCI”) requires all companies that process, store or transmit credit or debit card information to maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accept, transmit or store any cardholder data. Franchisees must also comply with applicable federal and state laws regulating the privacy and security of sensitive consumer and employee information.

You alone are responsible for investigating, understanding and complying with all applicable laws, rules, regulations, ordinances and requirements applicable to you and your Krystal Business, despite any advice or information that we may give you. You should consult with a legal advisor about whether these and/or other requirements apply to your Krystal Business. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer: Josh Kern

Mr. Kern has served as our Chief Executive Officer since January 2023. Mr. Kern has also served as the Chief Executive Officer of SPB Hospitality since June 2023 and as its Interim Chief Executive Officer from August 2022 to June 2023, and is based in Houston, Texas. Prior to that time, Mr. Kern served as Chief Marketing Officer and President of Concepts of SPB Hospitality since June 2020 and as the Chief Experience Officer of Craftworks Holdings in Broomfield, Colorado from December 2018 to May 2020. Additionally, Mr. Kern served as Chief Marketing Officer for Cerca Trova Restaurants Concepts in Denver, Colorado from November 2016 to December 2018.

Chief Financial Officer: Jessica Hagler

Ms. Hagler has been our Chief Financial Officer since January 2023. Ms. Hagler has served as the Chief Financial Officer of SPB Hospitality in Houston, Texas since September 2022 and also served on a

consulting basis as the interim Chief Financial Officer since April 2022. Ms. Hagler served as Vice President, Chief Financial Officer, Treasurer and Secretary of J. Alexander's Holdings, Inc. ("JAX") in Nashville, Tennessee from May 2019 to January 2022. Prior to that time, Ms. Hagler held various roles at JAX including Vice President, Controller and Chief Accounting Officer; Director of Financial Reporting; and Director of Compliance beginning in November 2010.

Dan James: Vice President of Real Estate and Construction

Mr. James has served as our Vice President of Real Estate and Construction since November 2021 in Dunwoody, Georgia. He served as the Chief Development Officer for Carolina Franchise Holdings from April 2021 to October 2021 in Atlanta, Georgia. Mr. James also served as the Director of Real Estate Development, Gulf Division for GPS Hospitality from October 2016 to April 2021 in Atlanta, Georgia.

Thomas Petska: Vice President of Franchise Sales

Mr. Petska has served as our Vice President of Franchise Sales, and in the same position for SPB Hospitality since August 2023, and is based in Houston, Texas. Mr. Petska served as the Vice President MSO Sales for Ideal Image Medspa from March 2022 to February 2023 in Tampa, Florida, and as its Vice President Franchise Sales from March 2019 to March 2022. Mr. Petska also served as Senior Director, Franchise Sales for Jackson Hewitt from July 2016 to February 2019 in Jersey City, New Jersey.

Melissa Hodge: Senior Director of Franchise:

Ms. Hodge has served as our Senior Director of Franchise since June 2020 in Dunwoody, Georgia. She served as Director of Sales and Recruiting for Tom James Company from June 2010 to May 2020 in New York, New York.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

Disclosures of TKC (Our Predecessor):

TKC, which formerly operated out of 1455 Lincoln Parkway, Ste. 600, Dunwoody, Georgia 30346, but which now has no physical address or place of business and is for all intents defunct, filed a Chapter 11 bankruptcy petition (Case No. 20-61065) on January 19, 2020, in the United States Bankruptcy Court for the Northern District of Georgia. DB KRST was the initial purchaser of substantially all the assets of TKC in a sale under 11 U.S.C. § 363. DB KRST then assigned its rights to purchase the assets of TKC to KRL, which sale closed on May 18, 2020. Following the sale of substantially all of its assets to KRL, the bankruptcy court dismissed TKC's Chapter 11 case on November 13, 2020. There are no cases, actions or other proceedings under the laws of foreign nations relating to bankruptcy.

When TKC filed for Chapter 11 bankruptcy protection, two affiliated companies simultaneously filed bankruptcy and these three bankruptcy cases were jointly administered. Krystal Holdings, Inc. filed a Chapter 11 petition (Case No. 20-61067) on January 19, 2020, in the United States Bankruptcy Court for the Northern District of Georgia, and K-Square Acquisition Co., LLC filed a Chapter 11 petition (Case No. 20-61068) on January 19, 2020, in the United States Bankruptcy Court for the Northern District of Georgia. The bankruptcy court dismissed these entities' Chapter 11 cases on November 13, 2020.

Except as provided above, no bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee or Corporate Transfer Fee

The "Initial Franchise Fee" for a single Krystal Business is \$35,000. The Initial Franchise Fee is uniform for new franchisees. If you purchase a Krystal Business that we or an affiliate own and operate, you will pay us a fee of \$15,000 ("Corporate Transfer Fee") instead of an Initial Franchise Fee. The Initial Franchise Fee or Corporate Transfer Fee, as applicable, is payable as a lump sum when you sign your Franchise Agreement, is fully earned by us once paid, and is non-refundable under any circumstances. The Initial Franchise Fee or Corporate Transfer Fee is uniform for new franchisees. During our fiscal year ended December 31, 2023, the Initial Franchise Fees we charged varied in some circumstances, including in connection with our sale of company-owned Krystal Businesses. The amount charged for each Krystal Business during our last fiscal year ranged from \$8,125 (in a refranchising sale of multiple company-owned units) to \$32,500 (our then-current initial franchise fee).

Area Development Agreement

Franchisees may also purchase the rights to open multiple Krystal Businesses by signing our Area Development Agreement and paying a development fee ("Development Fee"). The Development Fee is equal to the Initial Franchise Fee for your first Franchise Agreement (\$35,000) plus \$17,500 multiplied by the number of Krystal Businesses (excluding the first Krystal Business) to be developed under the Area Development Agreement. To open additional Krystal Franchises under this Agreement, you will be required to sign our then-current franchise agreement and pay the then-current initial franchise fee. We will credit a portion of the Development Fee that you paid (\$17,500 for the second and each subsequent franchise agreement) against the Initial Franchise Fee for each additional franchise agreement you enter into until the Development Fee is exhausted. We do not specify a minimum or maximum number of units that may be part of an Area Development Agreement, but to illustrate: if a Development Agreement is for two Krystal Businesses, the Development Fee will be \$52,500, and if a Development Agreement is for ten Krystal Businesses, the Development Fee will be \$192,500.

The Development Fee is uniformly calculated for new development rights, payable when you sign your Area Development Agreement. The Development Fee is fully earned by us once paid and is non-refundable under any circumstances, even if you fail to open any Krystal Businesses. During our fiscal year that ended December 31, 2023, the Development Fees were calculated based on our then-current standard fee structure, except that in one transaction that also involved the sale of multiple existing company-owned units, the Development Fee was calculated as \$10,000 for each Krystal Business (including the first Krystal Business to be developed), and we varied the due date for payment of the Development Fees (in one agreement the payment was extended by approximately six months and in

another we permitted the portions attributable to the second and later Krystal Businesses to be paid when each of the second and later Franchise Agreements is signed).

Onsite Assistance and Opening Support Fee

You will pay us \$10,000 for on-site assistance and opening support (“Onsite Assistance and Opening Support Fee”) for restaurant management training. The Onsite Assistance and Opening Support Fee covers up to ten days of on-site assistance prior to and during opening of the Krystal Business, and includes travel related costs and expense such as airfare, transportation costs, lodging, meals and incidental expenses. This fee applies to new Krystal Franchises, Conversion Franchises, and transfers of existing Krystal Businesses. If you open multiple Krystal Businesses, this fee is payable only for the first Krystal Restaurant that you develop. The Onsite Assistance and Opening Support Fee is uniform to new franchisees. The fee is fully earned by us once paid and is non-refundable under any circumstances.

Manager Workstation

You must purchase your manager workstation from us for \$1,000 to \$1,400 prior to opening your Krystal Business. You must purchase a workstation for each Krystal Business you operate. This cost is uniform to new franchisees. The payment is fully earned once paid and is non-refundable under any circumstances.

ITEM 6 OTHER FEES

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty ⁽²⁾	5% of Gross Sales	Due every two weeks on the Tuesday following the end of each two-week period	The “ <u>Royalty</u> ” is based on “ <u>Gross Sales</u> ” during the previous two weeks. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance.
Marketing Obligation ⁽³⁾	4.5% of your monthly Gross Sales	Same as Royalty	Currently, your Marketing Obligation is: (a) 4.5% of your Gross Sales contributed to the Brand Fund; or (b) if we require that you participate in a regional Cooperative, 1.0% of your Gross Sales contributed to the Brand Fund and 3.5% contributed to the Cooperative. We have the right to reallocate the Marketing Obligation among the Brand Fund, a regional Cooperative (or a Regional Advertising Fund) and/or local marketing expenditures. See Note 3 and in Item 11 under “Advertising.”
Unauthorized Advertising Fee	\$500 per occurrence	On demand	This fee is payable to the Brand Fund if you use unauthorized advertising in violation of the terms of the Franchise Agreement.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Insurance	Reimbursement of our costs, plus a 20% administration surcharge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance.
Catastrophe Fee	5% of any insurance proceeds	As incurred	You will pay us 5% of any insurance proceeds due to business interruption as a result of your Krystal Business being closed due to a casualty event or any other reason.
Additional Training or Assistance Fees	<p>The then-current fee (currently \$500 per additional person for initial training and a fee equal to two times the Krystal staff member's daily compensation for additional training)</p> <p>If we must conduct the GMT Program (defined in Item 11) for you, you must pay our then-current tuition fee (currently \$500) for each manager that attends the program</p>	Payable in advance of the training or assistance	We provide initial training at no charge for you (if you are an individual) or your Operating Owner (defined in Item 15) and up to seven additional employees, so long as they attend the same initial training program. We may charge you for training additional persons, newly hired personnel, refresher training courses, advanced training courses and additional or special assistance or training you need or request, as well as for failing to send required attendees to initial training. You will pay for any expenses incurred by you or your employees in connection with attending training, including transportation, lodging, meals, wages and other incidentals. If the training program is conducted at your Restaurant, then you must reimburse us for the expenses we or our representatives incur in providing the training.
Technology Services Fee ⁽⁴⁾	Varies (currently \$125 - \$275 per restaurant per month)	Monthly, by the last day of the month for the following month	This fee covers certain technologies used in the operation of your Krystal Business. This fee is subject to change based on technology upgrades and advances. This fee may be adjusted to reflect price increases. You will also be responsible for any increase in fees that result from any upgrades, modifications or additional software.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Franchise Software System Fee ⁽⁵⁾	Varies (currently \$47 - \$62 per restaurant per month)	Monthly, by the last day of the month for the following month	This fee covers certain technologies and software platforms used in the operation of your Krystal Business for your franchise location. This fee is subject to change based on technology upgrades and advances. This fee may be adjusted to reflect price increases or reduced accordingly. You will also be responsible for any increase in fees that result from any upgrades, modifications or additional software.
Conference Fee	The then-current fee (currently estimated to be \$500 per person)	On demand	Payable to us to help defray the cost of your attendance at any annual conference that we choose to hold. This fee is due regardless of whether you attend our annual conference in any given year.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$500)	On demand	Payable if we inspect a new product, service or proposed supplier nominated by you.
Annual Food Safety Audit Fee ⁽⁶⁾	Currently \$564 per restaurant per year for 2 audits per restaurant; billed as \$47 per month	Monthly, by the last day of the month for the following month	This fee covers food safety audits by an independent 3 rd party vendor. We require you to have a minimum of 2 audits per year. This fee is subject to change based on the providers actual costs. This fee is meant to be a pass-through fee that we will collect and pay on your behalf. This fee may be adjusted to reflect price increases or reduced accordingly.
Food Safety Audit	Cost of audit (estimated to be approximately \$2,500)	As incurred	If you fail a food safety audit (described above), we will require you to undergo an additional food safety audit at your own expense within 45 days. You will pay the third-party auditor directly upon invoicing or must reimburse us if we are invoiced.
Gift Card Fees	Our approved supplier's current rate (which will vary based upon the transaction volume, number of cards purchased, services used and the terms of your contract with our designated processor). Currently not in effect.	Monthly as determined by our designated gift card platform	You must participate in and subscribe to the " <u>Krystal Gift Card Program</u> " during any period it is in effect. As of the date of this Disclosure Document, we do not have a Krystal Gift Card Program in effect, but we plan to implement a new program. See Item 8 for more information. When in effect, the program will be administered through our designated gift card platform. In addition, we may enter arrangements with third-party gift card distributors to place Krystal gift cards in big box stores,

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
			grocery and pharmacy chains. You may be required to pay commissions to our distributors through the processor when redeeming gift cards sold through the network of retailers, which we estimate may range from 10% to 14% of the total amount redeemed.
Customer Issue Resolution	Varies (reasonable costs we incur for responding to a customer complaint, which will typically be between \$20 and \$100)	After receipt of invoice	Payable if a customer of your Krystal Business contacts us with a complaint and we provide a gift card, refund or other value to the customer as part of our addressing the issue.
Payment Service Fee	Up to 4% of total charge	As incurred	If payment is made to us or our affiliates by credit card for any fee required, we may charge a service charge of up to 4% of the total charge.
Late Payment Fee	\$100 per occurrence, plus the lesser of the daily equivalent of 18% per year simple interest or the highest rate allowed by law	As incurred	Payable if any payment due to us or our affiliate is not made by the due date. Interest accrues from the original due date until payment is received in full.
Non-Sufficient Funds Fee	\$100 per occurrence, plus the lesser of the daily equivalent of 18% per year simple interest or the highest rate allowed by law	As incurred	Payable if any check or electronic payment is not successful due to insufficient funds, stop payment or any similar event.
Failure to Submit Required Report Fee	\$100 per occurrence and \$100 per week	Your bank account will be debited for failure to submit any requested report or financial statement when due	Payable if you fail to submit any required report or financial statement when due. Fines collected are paid to the Brand Fund. You will continue to incur this fee until you submit the required report.
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting, legal and travel expenses	On demand	You must pay this if an audit reveals that you understated Gross Sales by more than 2% or if you fail to submit required reports.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Management Fee	\$200 per day, plus costs and expenses	As incurred	Payable if we or our affiliate manage(s) your Krystal Business if (1) you cease to perform your responsibilities (whether due to retirement, death, disability or for any other reason) and you fail to find an adequate replacement Operating Owner within 30 days, (2) you are in material breach of the Franchise Agreement or (3) upon a crisis management event.
Professional Fees and Expenses	Will vary under circumstances	As incurred	You must reimburse us for any legal, accounting or other professional fees (“ <u>Professional Fees</u> ”) that we incur as a result of any breach or termination of your Franchise Agreement or as a result of your indemnity obligations. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement. You will also be required to pay any professional fees that we incur for certain transfers as discussed in this Item 6.
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses, including Professional Fees, that we or our representatives incur related in any way to your Krystal Business or Franchise.
Renewal Fee	50% of our then-current Initial Franchise Fee	At the time you sign the successor franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement. If we are not offering Franchise at the time of your renewal, the renewal fee will be 50% of the initial franchise fee in our most recent Krystal Franchise Disclosure Document.
Relocation Fee	Our costs (including attorneys’ fees)	Upon relocation	You must reimburse us for our reasonable expenses if we permit you to relocate your Restaurant unless you demonstrate your Krystal Restaurant was operating at a loss and relocate within a twelve-month period following the closure. We may extend our waiver of the Relocation Fee for six additional months if you provide 90 days’ of notice before the end of the twelve-month period and show good cause for the delay.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
De-Identification	All amounts incurred by us related to de-identification	As incurred	Payable if we must de-identify your Restaurant upon termination, relocation or expiration.
Transfer Fee	<p>If transferring to existing Krystal franchisee: \$5,000 per Krystal Business;</p> <p>If the Transfer is to any other bona fide third-party transferee approved by us: \$15,000;</p> <p>If you are an entity and the transferee is acquiring less than a controlling ownership stake in you: \$2,500;</p> <p>If transferred due to your death or disability: \$5,000;</p> <p>If you propose to transfer multiple Krystal Restaurants at the same time to the same bona fide third-party transferee, then your transfer fee will be \$15,000 for the first Krystal Restaurant plus \$5,000 for each additional Krystal Restaurant transferred but will not exceed a total of \$50,000 for contemporaneous transfers to the same bona fide third-party transferee</p>	\$1,000 non-refundable deposit at time of transfer application submittal and the remaining balance of fee at time of the approved transfer	Payable in connection with the transfer of your Krystal Business, a transfer of ownership of your legal entity, or the Franchise Agreement.
Liquidated Damages ⁽⁷⁾	Will vary under the circumstances	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause.
Broker Fees	Our actual cost of the brokerage commissions, finder's fees or similar charges	As incurred	If you transfer your Krystal Business to a third party or purchaser, you must reimburse all our actual costs for commissions, finder's fees and similar charges.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Securities Review	The greater of (a) a non-refundable fee equal to 50% of our then-current initial franchise fee (or 50% of the initial franchise fee in our most recent Krystal Franchise Disclosure Document if we are not then offering Franchises) or (b) our reasonable costs and expenses associated with reviewing the proposed offering	Due when you ask us to review a proposed securities offering	You must obtain our approval if you plan to offer securities. You must submit all documents we reasonably request and pay this fee.

Notes:

1. Fees. All fees paid to us or our affiliates are uniformly applied to new system franchisees, and are non-refundable under any circumstances once paid. However, in some instances that we consider appropriate, we have, and may in the future, agree to waive or reduce some or all of these fees. Additionally, we may periodically offer development incentives, including for multi-unit development or in connection with the sale of existing company-owned locations, that may alter certain fees, including royalty fees or advertising fees. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (“EFT”) or other similar means. You must complete the “Automated Clearing House Payment Authorization Form” attached to this Franchise Disclosure Document in Exhibit H. We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement, however we will not require a shorter payment frequency than what is already required. If you enter into an Area Development Agreement to operate multiple Krystal Businesses, the fees indicated in the table above are the fees charged and/or incurred for each Krystal Businesses. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.
2. Royalty. “Gross Sales” means the total of all revenue, income and consideration from the sale of all Krystal merchandise, products and services to your customers whether or not sold or performed at or from the Krystal Business, and whether received in cash, coupon, in services in kind, from barter or exchange, on credit (whether or not payment is received) or otherwise. If you offer any services, all receipts from these services are included in Gross Sales. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits, charged tips and allowances you give in good faith to your customers. All barter or exchange transactions in which you furnish products or services in exchange for products or services provided to you by a vendor, supplier or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the products or services provided to you.

3. Marketing Obligation. During the term of the Franchise Agreement, you must satisfy a marketing obligation for each two-week period that is equal to 4.5% of the Gross Sales of your Krystal Business (the “Marketing Obligation”). We have the right to designate how and in what proportion you must contribute and/or spend your Marketing Obligation among any one or more of the following: (a) contributions to the system-wide Brand Fund (each a “Brand Fund Contribution”); (b) contributions to a regional Cooperative or a Regional Fund or a for your area; and/or (c) expenditures on marketing and promotion that you independently conduct in your local area. As of the date of this Disclosure Document, we require that you contribute all 4.5% of your Gross Sales to the Brand Fund, unless your Krystal Restaurant operates in an area where we have established and maintain a regional Cooperative, in which event you will contribute 1% of Gross Sales to the Brand Fund and 3.5% of Gross Sales to the Cooperative. At this time, we do not require you to spend additional monies on local advertising, other than for Grand Opening Program. We have the right to change how we allocate your Marketing Obligation between the Brand Fund, regional Cooperatives (or a Regional Advertising Fund) and local marketing, but the total that we require will not will exceed 4.5% of your Gross Sales. See Item 11 under “Advertising” for additional information.

As of the date of the Disclosure Document, we have established regional Advertising Cooperatives in multiple areas (we do not currently have any Regional Advertising Funds). Under the current rules governing the Advertising Cooperative, each Krystal franchisee and each Krystal Business that we or our affiliates own has one vote for each Krystal Business operated in the Advertising Cooperative. Each Krystal Business we or our affiliates own that exists within the cooperative’s area will contribute to the cooperative on the same basis as franchisees. We have the right to form, change, merger and dissolve Cooperatives at any time. See Item 11 for additional information on Advertising Cooperatives.

4. Technology Services Fee. We will provide you with certain technical services in exchange for your monthly technology services fee (“Technology Services Fee”), which may change from time to time based on changes to the technical services we provide and/or our costs to provide these services. The Technology Services Fee is intended to be a “pass through” of costs incurred by us in providing technology services to you. As a result, the Technology Services Fee will only consist of amounts that: (i) we are charged by vendors, suppliers and affiliates without mark-up by us; and/or (ii) we reasonably incur in creating, developing, implementing, administering and maintaining technology services to franchisees generally or that are specifically requested by you. The current Technology Services Fee ranges from \$125 to \$275 per month and begins the month you begin operations.
5. Franchise Software System Fee. We will provide you with certain technical software and related services in exchange for your monthly franchise software system fee (“Franchise Software System Fee”), which may change from time to time based on changes to the technical services we provide and/or our costs to provide these services. The Franchise Software System Fee is intended to be a “pass through” of costs incurred by us in providing technology services to you. As a result, the Franchise Software System Fee will only consist of amounts that: (i) we are charged by vendors, suppliers and affiliates without mark-up by us; and/or (ii) we reasonably incur in creating, developing, implementing, administering and maintaining technology services to franchisees generally or that are specifically requested by you. The current Franchise Software System Fee ranges from \$47 to \$62 per month and begins the month you begin operations. This service will allow access for all franchise owners, district managers of a franchisee and general managers at the store level. A Franchise Owner requesting additional users may be subject to an “additional user fee” of \$75 per user. Currently, additional users are not charged the fee, subject to change per the vendors fees and structure.

6. **Food Safety Audit Fee.** We require you to obtain and pass two annual audits for food safety through a third-party independent vendor. You must use our designated vendor. The Food Safety Audit Fee is intended to be a “pass through” of actual costs. Currently the cost for two visits a year is \$564. You will be billed monthly at a rate of \$47 and collected via ACH along with your royalties and advertising. You will be required to assist us in scheduling these visits with the vendor. The intention is to have these two audits at least four to six months apart. We may require these audits be completed on short notice or with no notice to you.
7. **Liquidated Damages.** Liquidated damages are determined by multiplying the combined monthly average of the Royalty and Brand Fund Contributions, without regard to any fee waivers or other reductions, that are owed by you to us, beginning with the date you open your Krystal Business through the date of early termination, multiplied by the lesser of (i) 36 or (ii) the number of months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30,000.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

1. **Krystal Franchise Agreement (non-Conversion)**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽¹⁾	\$35,000	\$35,000	Lump Sum	When You Sign the Franchise Agreement	Us
Professional Fees and Closing Costs ⁽²⁾	\$6,000	\$10,000	As Incurred	As Incurred	Your Attorneys, Advisors, CPAs and Other Professionals and Closing Costs
Site Development ⁽³⁾	\$300,000	\$500,000	As Incurred	As Incurred	Contractors
Building Construction ⁽⁴⁾	\$500,000	\$800,000	As Incurred	As Incurred	Suppliers and/or contractors
Equipment ⁽⁵⁾	\$280,000	\$330,000	As Incurred	As Incurred	Suppliers
Computers, Network and POS Systems ⁽⁶⁾	\$30,000	\$60,000	As Incurred	As Incurred	Suppliers and Us
Signage ⁽⁷⁾	\$50,000	\$140,000	As Incurred	As Incurred	Suppliers
Insurance ⁽⁸⁾	\$9,000	\$15,000	As Incurred	As Incurred	Insurance Company
Architecture Fees and Permits	\$55,000	\$80,000	As Incurred	As Incurred	Architect, Government Agencies
Onsite Assistance and Opening Support ⁽⁹⁾	\$10,000	\$10,000	Lump Sum	Before Opening	Us

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Opening Training Expenses ⁽¹⁰⁾	\$12,000	\$15,000	As Incurred	As Incurred	Transportation, Third Parties
Initial Inventory ⁽¹¹⁾	\$12,000	\$18,000	As Incurred	As Incurred	Suppliers
Grand Opening Advertising ⁽¹²⁾	\$7,500	\$15,000	As Incurred	As Incurred	Suppliers
Miscellaneous Opening Costs ⁽¹³⁾	\$24,000	\$32,000	As Incurred	As Incurred	Utilities, Government Agencies, Third Parties
Additional Funds – 3 Months ⁽¹⁴⁾	\$50,000	\$100,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹⁵⁾	\$1,380,500	\$2,160,000			

Notes to Franchise Agreement Investment:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating a standard Krystal Business. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniformly applied to new franchises and are non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

While still within the estimated range above, the estimated initial investment for a Non-Traditional Restaurant may be lower than a traditional Krystal Business. These figures represent the approximate cost for purchasing, installing and equipping the Restaurant. Because they are typically located in a host facility, Non-Traditional Restaurants may require lower construction and equipment costs than traditional Krystal Business. Opening inventory expenditures may be lower as well, but the initial investment in a Non-Traditional Restaurant depends on the type, location and configuration of the Restaurant and of the host facility (if applicable).

1. Initial Franchise Fee. The Initial Franchise Fee is paid upon execution of the Franchise Agreement and is non-refundable. See Item 5 for additional information regarding the Initial Franchiser Fee, and the Corporate Transfer Fee, which applies if you purchase a company-owned Krystal Business.
2. Professional Fees and Closing Costs. We recommend that you hire a lawyer, accountant or other professional to advise you on this Franchise offering and to assist you in setting up your Krystal Business. Rates for professionals can vary significantly based on area and experience. This estimate also includes an estimate of what your closing costs will be.
3. Site Development. Site development costs represent usual and customary expenses, however, these vary significantly based upon topography, soil conditions, availability of utilities to site, size of parcel and governmental zoning and building requirements. With each site developed we recommend that you complete and ALTA (American Land Title Association) Survey, Phase I Environmental report including Asbestos, if the site has existing building in place, Geotech soils investigation, and appropriate Civil and Architectural engineers to complete plans for permitting. No estimate of land cost is given since it will vary depending upon various factors, including purchased versus leased, the size and location of the property and the availability of financing. The

approximate size of the real property for the Restaurant site is 20,000 to 40,000 square feet and the building itself will be approximately 1,300 to 2,500 square feet. The Restaurant location will most likely be one accessible to vehicular traffic from a highway and/or commercial development.

4. Building Construction. This estimate is based on construction costs for a full-service Krystal Business of approximately 1,300 square feet for a drive-through only Restaurant to 1,870 square feet for a Restaurant with 20 dining room seats using conventional construction. The construction cost will vary depending upon size of building and location of site.
5. Equipment, Fixtures and Furnishings. We require franchisees to purchase equipment, fixtures and furnishings needed to prepare and operate the Restaurant. In addition to operating equipment, these elements include floor coverings, menu boards, trade dress, décor items and other related interior and exterior features. You will need to obtain the exact items we specify and in some cases from the vendor we specify. Restaurant size and building design may cause equipment, furnishings and fixture costs to vary. The estimate above includes installation costs and item costs. The costs shown in the table include certain components of the required menu boards, while other components are included in the estimate for the POS System and signage.
6. Computer, Network and POS Systems. The estimate given for this category is based upon the approved components of the Network System (defined in Item 11) and includes installation and training. The Network System includes point-of-sale registers, a back-office computer, a drive-thru speed of service monitoring system and a kitchen video system, each of which include one or more hardware and/or software components. We do not provide a maintenance support program for computers or drive-thru speed of service monitoring system after initial set-up. This estimate includes three months of the Technology Services Fee payable to us, which is currently \$125 to \$275 per month. In addition, you must purchase the manager workstation from us, estimated to cost \$1,000 to \$1,400. We anticipate that you will also pay \$1,300 per month to third party providers including NCR and Netsurion for various technology services.
7. Signage. The sign package is furnished by approved suppliers capable of meeting our specifications. The estimate given does not include the cost of a high-rise highway sign.
8. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require and satisfy other insurance-related obligations. If you have had prior issues or claims from previous operations unrelated to the operation of a Krystal Business, your rates may be significantly higher than those estimated above.
9. Onsite Assistance and Opening Support Fee. The Onsite Assistance and Opening Support Fee covers on-site assistance prior to and during your initial opening after your conversion to a Krystal Business. This fee covers up to ten days' of on-site opening assistance prior to and during opening and includes travel related costs and expense such as airfare, transportation costs, lodging, meals and incidental expenses. If you develop more than one Krystal Business, then for your second (or later) we may not require that you obtain on-site assistance from us. This fee applies only to the franchised locations for which we provide on-site opening assistance.
10. Opening Training Expenses. This estimate includes travel, living and food expenses for you or your Operating Owner and up to seven of your employees to complete our General Manager Training Program (defined in Item 11) prior to your Krystal Business opening. These figures do not include your employees' compensation. We may request that you pre-pay the estimated expenses, in which case we will provide you with a final invoice and reconcile any difference.

11. **Initial inventory.** All Krystal menu products must be in inventory and available for customer purchase daily during store operating hours, including limited-time and special offers. Among other items, menu products include beef patties, french fries, chicken patties, hot dogs, cheese, bacon, drink syrup products, bread products, ice cream, breakfast items and condiments. The estimate covers initial inventory of these items.
12. **Grand Opening Marketing.** You must spend at least \$7,500 on advertising the grand opening of the Restaurant during the first six months of operation if the population within five-miles of the anticipated location for your Restaurant is less than 40,000. If your Restaurant is located in a five-mile trade area with a population greater than 40,000, you must spend at least \$15,000. You should hold the majority of grand opening events during the first two weeks following the opening of your Restaurant. If this is your second or subsequent Krystal Business, there is no minimum grand opening expenditure requirement for your Restaurant.
13. **Miscellaneous Opening Costs.** These costs include security deposits, utility deposits, business licenses and other prepaid expenses.
14. **Additional Funds.** These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Krystal Business. They include payroll, administrative, maintenance, utilities, rent, software license fees, working capital and other items. These figures do not include standard pre-opening expenses, Royalties, or advertising fees payable under the Franchise Agreement or debt service and assume that none of your expenses are offset by any sales generated during the start-up phase. Our estimates are based on our experience and our current requirements for Krystal Franchises. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Krystal Business opens for business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Krystal Business. Your costs will depend on factors such as: how well you follow our methods and procedures; your management skills, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; the sales level reached during the start-up period and the size of your Krystal Business. Additional funds for the operation of your Krystal Business will be required after the first three months of operation if sales produced by the Krystal Business are not sufficient to produce positive cash flow.
15. **Figures May Vary.** This is an estimate of your initial start-up expenses for one Krystal Business. You should review these figures carefully with a business advisor, a certified public accountant with relevant industry experience and/or your attorney before making any decision to purchase the franchise.

2. **Franchise Agreement for Conversion Krystal Business**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽¹⁾	\$35,000	\$35,000	Lump Sum	When You Sign the Franchise Agreement	Us

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Professional Fees and Closing Costs ⁽²⁾	\$4,800	\$10,000	As Incurred	As Incurred	Your Attorneys, Advisors, CPAs and Other Professionals and Closing Costs
Site Development ⁽³⁾	\$75,000	\$180,000	As Incurred	As Incurred	Contractors
Building/Leasehold Improvements ⁽⁴⁾	\$300,000	\$500,000	As Incurred	As Incurred	Suppliers and/or contractors
Equipment ⁽⁵⁾	\$160,000	\$330,000	As Incurred	As Incurred	Suppliers
Computers, Network and POS Systems ⁽⁶⁾	\$30,000	\$60,000	As Incurred	As Incurred	Suppliers and Us
Signage ⁽⁷⁾	\$40,000	\$140,000	As Incurred	As Incurred	Suppliers
Insurance ⁽⁸⁾	\$7,200	\$15,000	As Incurred	As Incurred	Insurance Company
Architecture Fees and Permits	\$35,000	\$65,000	As Incurred	As Incurred	Architect, Government Agencies
Opening Training Expenses ⁽⁹⁾	\$12,000	\$15,000	As Incurred	As Incurred	Transportation, Third Parties
Initial Inventory ⁽¹⁰⁾	\$12,000	\$18,000	As Incurred	As Incurred	Suppliers
Onsite Assistance and Opening Support ⁽¹¹⁾	\$10,000	\$10,000	Lump Sum	Before Opening	Us
Grand Opening Advertising ⁽¹²⁾	\$7,500	\$10,000	As Incurred	As Incurred	Suppliers
Miscellaneous Opening Costs ⁽¹³⁾	\$19,200	\$32,000	As Incurred	As Incurred	Utilities, Government Agencies, Vendors, Third Parties
Additional Funds – 3 Months ⁽¹⁴⁾	\$40,000	\$100,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT ⁽¹⁵⁾	\$787,700	\$1,520,000			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating a Conversion Franchise. We do not offer direct or indirect financing for these items. All

expenditures paid to us or our affiliates are uniformly applied to new franchises and are non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. Initial Franchise Fee. The Initial Franchise Fee is paid upon execution of the Franchise Agreement and is non-refundable. See Item 5 for additional information regarding the Initial Franchise Fee.
2. Professional Fees and Closing Costs. We recommend that you hire a lawyer, accountant or other professional to advise you on this Franchise offering and to assist you in setting up your Krystal Business. Rates for professionals can vary significantly based on area and experience. This estimate also includes an estimate of what your closing costs will be.
3. Site Development. Site development costs represent usual and customary expenses, however, these vary significantly based upon topography, soil conditions, availability of utilities to site, size of parcel and governmental zoning and building requirements.
4. Leasehold Improvements. This estimate is based on leasehold improvements for a full-service Krystal Business of approximately 1,300 square feet for a drive-through only Restaurant to 1,870 square feet for a Restaurant with 20 dining room seats using the costs to customize your existing building to meet our specifications. The leasehold improvement costs will vary depending upon size of building and location of site.
5. Equipment. We require franchisees to purchase equipment needed to operate the Restaurant. You will need to obtain the exact equipment we specify and in some cases from the vendor we specify. Restaurant size and building design may cause equipment and fixtures costs to vary. The estimate above includes installation costs and equipment.
6. Computer, Network and POS Systems. The estimate given for this category is based upon the approved components of the Network System (defined in Item 11) and includes installation and training. The Network System includes point-of-sale registers, a back-office computer, a drive-thru speed of service monitoring system and a kitchen video system, each of which include one or more hardware and/or software components. We do not provide a maintenance support program for computers or drive-thru speed of service monitoring system after initial set-up. This estimate includes three months of the Technology Services Fee payable to us, which is currently \$125 to \$275 per month. In addition, you must purchase the manager workstation from us, estimated to cost \$1,000 to \$1,400. We anticipate that you will also pay \$1,300 per month to third party providers including NCR and Netsurion for various technology services.
7. Signage. The sign package is furnished by approved suppliers capable of meeting our specifications. The estimate given does not include the cost of a high-rise highway sign.
8. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require and satisfy other insurance-related obligations. If you have had prior issues or claims from previous operations unrelated to the operation of a Krystal Business, your rates may be significantly higher than those estimated above.
9. Opening Training Expenses. This estimate includes travel, living and food expenses for you or your Operating Owner and up to seven of your employees to complete our General Manager Training Program (defined in Item 11) prior to your Krystal Business opening. These figures do not include your employees' compensation.

10. Initial Inventory. All Krystal menu products must be in inventory and available for customer purchase daily during store operating hours, including limited-time and special offers. Among other items, menu products include beef patties, french fries, chicken patties, hot dogs, cheese, bacon, drink syrup products, bread products, ice cream, breakfast items and condiments. The estimate covers initial inventory of these items.
11. Onsite Assistance and Opening Support Fee. The Onsite Assistance and Opening Support Fee covers on-site assistance prior to and during your initial opening after your conversion to a Krystal Business. This fee covers up to ten days' of on-site opening assistance prior to and during opening and includes travel related costs and expense such as airfare, transportation costs, lodging, meals and incidental expenses. If you develop more than one Krystal Business, then for your second (or later) we may not require that you obtain on-site assistance from us. This fee applies only to the franchised locations for which we provide on-site opening assistance.
12. Grand Opening Marketing. You must spend at least \$7,500 on advertising the grand opening of the Restaurant during the first six months of operation if the population within five-miles of the anticipated location for your Restaurant is less than 40,000. If your Restaurant is located in a five-mile trade area with a population greater than 40,000, you must spend at least \$15,000. You should hold the majority of grand opening events during the first two weeks following the opening of your Restaurant. If this is your second or subsequent Krystal Business, there is no minimum grand opening expenditure requirement for your Restaurant.
13. Miscellaneous Opening Costs. These costs include security deposits, utility deposits, business licenses and other prepaid expenses.
14. Additional Funds. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Krystal Business. They include payroll, administrative, maintenance, utilities, rent, software license fees, working capital and other items. These figures do not include standard pre-opening expenses, Royalties, or advertising fees payable under the Franchise Agreement or debt service and assume that none of your expenses are offset by any sales generated during the start-up phase. Our estimates are based on our experience and our current requirements for Krystal Franchises. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Krystal Business opens for business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Krystal Business. Your costs will depend on factors such as: how well you follow our methods and procedures; your management skills, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; the sales level reached during the start-up period and the size of your Krystal Business. Additional funds for the operation of your Krystal Business will be required after the first three months of operation if sales produced by the Krystal Business are not sufficient to produce positive cash flow.
15. Figures May Vary. This is an estimate of your initial start-up expenses for one Krystal Business. You should review these figures carefully with a business advisor before making any decision to purchase the Franchise.

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YOUR ESTIMATED INITIAL INVESTMENT

AREA DEVELOPMENT AGREEMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Development Fee ⁽¹⁾	\$52,500	\$192,500	Lump sum	At the Time You Sign your Area Development Agreement	Us
Professional Fees and Closing Costs ⁽²⁾	\$6,000	\$10,000	As Incurred	As Incurred	Your Attorneys, Advisors, CPAs and Other Professionals and Closing Costs
Totals	\$58,500	\$202,500			

Notes to Development Agreement Investment

We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. **Development Fee.** If you sign an Area Development Agreement with us, you will develop a mutually agreed upon number of Krystal Businesses under an agreed upon Development Schedule. You must pay us a Development Fee, which as described in Item 5 is equal to the Initial Franchise Fee for your Initial Franchise Agreement (\$35,000) plus \$17,500 multiplied by the number of Krystal Businesses (excluding the first Krystal Business) to be developed under the Area Development Agreement. We do not specify a minimum or maximum number of units that may be part of an Area Development Agreement. The Development Fee is separate from the Initial Franchise Fees that will be due under the Franchise Agreement for each Unit, but if you are in compliance with the Development Agreement and other agreements with us, we will credit a portion of the Development Fee that you paid against each Initial Franchise Fee (\$17,500 for the second and each subsequent franchise agreement) until the Development Fee is exhausted. See Item 5 for additional information regarding the Development Fee and the Initial Franchise Fee. Your estimated initial investment under the Area Development Agreement will vary depending on the number of Krystal Businesses that you agree to develop within the Development Area. The low estimated amount equals the Development Fee for the right to open two Restaurants and the high estimated amount equals the Development Fee for the right to open ten Restaurants. No part of this initial investment is refundable.
2. **Professional Fees and Closing Costs.** We recommend that you hire a lawyer, accountant or other professional to advise you on the offering of the Development Agreement and to assist you in setting up your business that will develop Krystal Businesses (each K. Rates for professionals can vary significantly based on area and experience. This estimate also includes an estimate of what your closing costs will be.

3. Estimated Investment. For each Krystal Businesses that you develop under the Area Development Agreement, you must sign a Franchise Agreement and you will also incur the expenses in the applicable table above in this Item 7 for the Franchise Agreement investment.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Krystal Franchise according to our System and specifications. This includes purchasing or leasing all products, services, supplies, fixtures, furnishings, equipment, signs, inventory, computer hardware and software and real estate related to establishing and operating the Krystal Business under our specifications, which may include purchasing these items from our approved suppliers, us, our affiliates or other designees. You must not deviate from these methods, standards and specifications without our prior written consent, or otherwise operate in any manner that reflects adversely on our Marks or the System.

Our confidential operations manual (“Brand Standards Manual”) states our standards, specifications and guidelines for all products and services you must use in establishing and operating your Krystal Franchise and the approved vendors for these products and services. We will notify you of new or modified standards, specifications and guidelines through amendments or supplements to the Brand Standards Manual or through other written communication (including electronic communication such as email or through a system-wide intranet).

You must purchase, install, maintain in sufficient supply and only use fixtures, furnishings, equipment, signs and supplies that conform to the standards and specifications described in the Brand Standards Manual or otherwise in writing.

We may utilize proprietary food products and recipes and may continue to develop and own proprietary recipes. In order to protect our trade secrets and to monitor the manufacture, packaging, processing and sale of proprietary food products, we or our affiliates may (i) manufacture, supply and sell proprietary food products to Krystal franchisees and/or (ii) disclose the formula for methods and preparation of the proprietary food products to a limited number of suppliers, including one or more of our affiliates, who we authorize to manufacture these proprietary food products to our precise specifications and sell these products to Krystal franchisees. You must purchase the proprietary products we or our affiliates develop for proprietary recipes or formulas and purchase them only from us or a third party whom we have licensed to prepare and sell the products. All non-proprietary ingredients, beverage products, cooking materials, containers, cartons, bags, menus, napkins, other paper and plastic products, utensils, uniforms and other supplies and materials used in your Krystal Business must strictly conform to our quality standards and specifications. Certain products such as plates, cups, boxes and containers bearing the trademarks must be purchased from certain suppliers we approve and who are authorized to manufacture these products.

We are not currently an approved supplier of any products or services provided to franchisees. We and our affiliates reserve the right to become approved suppliers of any proprietary food products and non-proprietary products, and we and our affiliates may be the sole approved supplier of certain items. None of our officers owns an interest in any supplier.

You must always maintain an inventory of approved food products, beverages, ingredients and other products in sufficient quantities and variety to realize the full potential of your Krystal Business. You must, at your expense, use the menus and menu boards that we designate and serve meals and products in the manner we designate.

You must use the computer hardware and software, including the point-of-sale system that we designate to operate your Krystal Business. You must obtain the computer hardware, software licenses, maintenance and support services and other related services that meet our specifications from the suppliers we specify.

You must obtain the insurance coverage required under the Franchise Agreement for each Restaurant, as follows: \$1,000,000 (per occurrence), \$2,000,000 annual general aggregate, and \$2,000,000 products and completed operations annual aggregate commercial general liability, workers' compensation (statutory amount required by law), Employers Liability with a minimum limit of \$1,000,000, \$1,000,000 combined single limit for automobile liability and \$2,000,000 per occurrence umbrella liability insurance; all with deductibles not to exceed \$1,000. If your deductible(s) exceed \$1,000, you may request a waiver. You are also required to carry all risks property insurance for the full replacement value of all your property or equipment of any nature located at, on, in or about the restaurant, or in any way used in the operation of the restaurant, including all contents, awnings, signs, and glass with deductibles acceptable to us and all risks business interruption insurance to cover your loss of revenue and ongoing expenses and to cover any amounts owing to us under the Franchise Agreement (including, in the case of a casualty loss, the Royalty Fees, Brand Fund Contributions and other fees and payments we would have received had the casualty loss not occurred) or any other agreement between you and us or our Affiliates, in the amount specified by us in the Franchise Agreement or otherwise in writing for a minimum period of time as designated by us. We may require you to carry additional insurance policies in the future, including tradename restoration, cyber insurance and employment related liability insurance. The insurance company must be authorized to do business in the state where your Krystal Business is located and must be approved by us. It must also be rated "A" or better by A.M. Best & Company, Inc. We may increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties. Your policy must provide that the insurer will not cancel or materially alter the policies without giving us at least 30 days' prior written notice.

You will purchase or lease all products, supplies, equipment, services, and other items specified in the Brand Standards Manual. We may require that you purchase, use, offer and/or promote, and maintain in stock at the Krystal Restaurant, in such quantities as are needed to meet reasonably anticipated consumer demand: (i) certain proprietary products, sauces, dressings, condiments, beverages, food products and other ingredients and raw materials, which are grown and produced or manufactured in accordance with our trade secrets, proprietary recipes, specifications and/or formulas or which we designate as "proprietary," and (ii) certain packaging, information systems, other products, supplies, services and equipment designated by us as "proprietary" ("Proprietary Products"). As described above, you will purchase Proprietary Products only from us, our affiliates, or our designees. We are not obligated to disclose trade secrets, recipes, specifications and/or formulas of Proprietary Products to you, non-designated suppliers, or any other third parties. We may designate certain food products, condiments, merchandise, beverages, raw materials, fixtures, furnishings, equipment, signs, uniforms, supplies, paper goods, services, menus, packaging, forms, information systems, and other products, supplies, services and equipment, other than Proprietary Products, which you may or must use and/or offer and sell at the Krystal Restaurant ("Non-Proprietary Products"). You may only use, offer or sell Non-Proprietary Products that we have authorized and that you purchase or obtain from us or a producer, manufacturer, distributor, supplier or service provider designated or approved by us.

We will provide you with a list of our designated and approved suppliers in our Brand Standards Manual. If you want to use or sell a Non-Proprietary product or service that we have not yet evaluated, or purchase or lease a Non-Proprietary product or service from a supplier or provider that we have not yet approved (for products and services that require supplier approval), you must notify us and submit to us the information, specifications and samples we request. We will use commercially reasonable efforts to notify you within

30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. The supplier will be deemed disapproved if we do not notify you within the 30-day period. We reserve the right to charge a fee to evaluate the proposed product, service or supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to Krystal Businesses to ensure timely deliveries of the products or services; (5) the dependability of the supplier and (6) other factors. We will not unreasonably reject your request for the use of a new supplier of Non-Proprietary Products. The supplier may also be required to sign a supplier agreement with us. We may re-inspect approved suppliers' facilities and products, and we reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

We estimate that approximately 90% of purchases required to open your Krystal Business and 90% of purchases required to operate your Krystal Business will be from us or from other approved suppliers or under our specifications. We and our affiliates may receive rebates from some suppliers based on your purchase of products and services. We have entered into a beverage marketing agreement with our approved supplier of soft drink syrups. We currently receive rebates from our approved supplier equal to \$1.36 per gallon of soft drink syrup purchased by Krystal Businesses within the system. These rebates may include credit for marketing initiatives that incorporate the soft drink syrup supplier's products. We will utilize these credits to support marketing initiatives conducted by, and focused on the promotion of beverages from, our approved soft drink syrup supplier. You may retain any rebates that you receive directly from these suppliers from whom you make direct purchases. During our last fiscal year ended December 31, 2023, we derived \$182,455 as a result of franchisees' required purchases or leases, which is approximately 0.1% of our total revenue of \$170,725,248.

We may negotiate purchase arrangements with suppliers and distributors for the benefit of our franchisees, and we may receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you. We currently do not have any purchasing or distribution cooperatives.

We may, and currently plan to, designate a gift card platform for our Krystal Gift Card Program. During any periods that a Krystal Gift Card Program is in effect, you must subscribe to the platform, participate in the program and accept Krystal gift cards as payment, and pay our designated supplier's then-current commissions for the use of the service. In addition, we may enter arrangements with gift card distributors to place Krystal gift cards in big box stores, pharmacy chains and other retailers, and you must pay our distributor's then-current commissions for such gift card placement services. Item 6 contains a description of the Krystal Gift Card Program fees.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement/ Area Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 7	Items 7 and 11
b. Pre-opening purchases/leases	Sections 7 and 15	Items 7, 8 and 11

Obligation	Section in Franchise Agreement/ Area Development Agreement	Disclosure Document Item
c. Site development and other pre-opening requirements	Sections 7 and 15	Items 7 and 11
d. Initial and ongoing training	Section 5	Items 6, 7 and 11
e. Opening	Sections 5, 7 and 11	Items 6, 7, 9 and 11
f. Fees	Sections 5, 6, 7, 8, 11, 12, 13, 15, 16 and 19	Items 5, 6 and 7
g. Compliance with standards and policies/Brand Standards Manual	Sections 6, 11 and 12	Items 8, 11, 12, 14 and <u>Exhibit I</u>
h. Trademarks and proprietary information	Sections 12 and 17	Items 13 and 14
i. Restrictions on products/services offered	Section 12	Items 8 and 16
j. Warranty and customer service requirements	Section 12	Items 1 and 11
k. Territorial development and sales quotas	Section 3	Items 1, 11 and 12
l. Ongoing product/service purchases	Section 12	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Section 12	Items 7, 8 and 11
n. Insurance	Section 15	Items 6, 7 and 8
o. Advertising	Section 11	Items 11, 13 and 14
p. Indemnification	Section 18	Not Applicable
q. Owner's participation/management and staffing	Section 8	Items 11, 15 and 17
r. Records and reports	Section 15	Item 11
s. Inspections and audits	Section 16	Items 6 and 11
t. Transfer	Section 19	Item 17
u. Renewal	Section 4	Item 17
v. Post-termination obligations	Sections 14 and 21	Item 17
w. Non-competition covenants	Section 14	Item 17 and <u>Exhibit H-2</u>
x. Dispute resolution	Section 22	Item 17

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM AND TRAINING

Except as listed below, we are not obligated to provide you with any assistance.

Pre-opening Obligations

Before you open your Krystal Business, we (or our designee) will provide the following assistance and services to you:

1. Provide an initial training program (See Franchise Agreement - Section 5.1). We will not provide general business or operations training to your employees or independent contractors. We may provide limited training on the System and brand standards to your key employees. You will be responsible for training your employees and independent contractors, including any training on the day-to-day operations of the Krystal Business. You will be responsible for hiring, training, directing, scheduling and supervising your employees and independent contractors in the day-to-day operations of the Krystal Business. See below under “Initial Training” for additional details.

2. Loan you one copy of the Brand Standards Manual. The Brand Standards Manual contains approximately 221 pages. The table of contents for the Brand Standards Manual is attached to this Franchise Disclosure Document as Exhibit I (See Franchise Agreement - Section 6.1).

3. Provide you with advice and general specifications for identifying a suitable location for your Restaurant (See Franchise Agreement - Sections 6.2 and 7.1). See below under “Site Selection” and

4. Once you have an approved site for your Restaurant, we will designate a territory (See Franchise Agreement - Section 3). If you sign an Area Development Agreement, we will designate the Development Territory before you sign the Area Development Agreement.

5. Review your lease agreement for your Restaurant to ensure that its terms contain our required provisions and otherwise meet our minimum standards (See Franchise Agreement - Section 7.2).

6. Provide a copy of our basic specifications for the design and layout of your Restaurant. You are responsible for the costs of preparing architectural, engineering and construction drawings and site plans, which you must submit to us for our review and approval before you begin construction of your Restaurant. You are responsible for the costs of construction and remodeling (Franchise Agreement - Section 7.3.)

7. Provide you with consultation in connection with the grand opening marketing for your Krystal Business (See Franchise Agreement - Section 11.4).

8. Provide you with up to ten days of on-site assistance prior to and during of your Krystal Business following payment of the Onsite Assistance and Opening Support Fee. We provide this for the first Krystal Restaurant only (See Franchise Agreement - Section 5.3).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase an existing Krystal Business or Conversion Franchise.

Continuing Obligations

During the operation of your Krystal Business, we (or our designee) will provide the following assistance and services to you:

1. Inform you of mandatory standards, specifications and procedures for the operation of your Krystal Business (See Franchise Agreement - Sections 4.2, 7.3, 12.2, 12.6, 12.7, 12.8 and 17.1).

2. Upon reasonable request, provide advice regarding your Krystal Business’s operation based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods in our discretion (See Franchise Agreement - Section 6.3).

3. Provide you with advice and guidance on advertising and marketing (See Franchise Agreement - Sections 6.4 and 11).

4. Provide additional training to you for newly hired personnel on the Krystal brand and System guidelines, refresher training courses and additional training or assistance that you request or, in our discretion, you need. You may be required to pay additional fees for this training or assistance (See Franchise Agreement - Section 5).

5. Allow you to continue to use confidential materials, including the Brand Standards Manual and the Marks (See Franchise Agreement - Sections 6.1, 12.1, 12.2, 14.2 and 17).

We are not obligated by the Franchise Agreement or any other agreement to provide any other supervision, assistance or services in connection with the on-going operation of your Restaurant.

Optional Assistance

During the term of the Franchise Agreement, we (or our designee) may, but are not required to, provide the following assistance and services to you:

1. Modify, update or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new menu items, new equipment or new techniques (See Franchise Agreement - Section 12).

2. Make periodic visits to the Krystal Business for the purpose of assisting in any aspect of the operation and management of the Krystal Business, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Krystal Business, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges (See Franchise Agreement - Section 5.4).

3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice (See Franchise Agreement - Section 11.1).

4. Hold periodic national or regional conferences to discuss business and operational issues affecting Krystal franchisees (See Franchise Agreement - Section 5.6).

5. Provide advice or guidance related to the food and other products offered at your Krystal Business. We reserve the right to establish reasonable minimum and maximum resale prices for use with marketing programs and special price promotions as allowed by law. Otherwise, you retain the sole right to determine the prices that you charge at your Krystal Business (See Franchise Agreement Section – 6.8).

Site Selection:

You must use our approved vendor to advise and counsel you on site selection for your Restaurant (unless you purchase a Conversion Franchise). Although we will consult with you on your site and require your site be subject to our final authorization, you have the ultimate responsibility in choosing, obtaining and developing the site for your Restaurant. We do not guarantee the suitability or success of the accepted site. You must obtain our approval of a site for your Restaurant within 120 days after signing the Franchise Agreement (the process is described below). If you do not obtain our approval by this deadline, you will be default and we may terminate the Franchise Agreement. You must obtain our approval that site before you sign the lease or purchase the site.

In evaluating a proposed site, we consider such factors as general location and neighborhood, traffic patterns, parking, size, lease terms, income per capita, existence of competitors and other physical characteristics. Before leasing or purchasing the site for your Restaurant, you must submit to us, in the form we specify, a description of the site, with other information and materials we may reasonably require. We will have 30 days after we receive the information and materials to evaluate the proposed site. If we disapprove of the proposed site, you must select another site, subject to our consent. You must purchase or lease the site for your Restaurant within 180 days after signing the Franchise Agreement. If you fail to meet this deadline, you will be default and we may terminate the Franchise Agreement. We generally do not own the premises for the Restaurant and lease it to you. In the past, we have subleased premises that we lease from third parties but we do not plan to do this in the future.

Schedule for Opening

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of your Krystal Business is six to twelve months. You must open your Krystal Business within twelve months after signing the Franchise Agreement. Some factors that may affect this timing are your ability to acquire a location through lease or purchase negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other ordinances; your ability to obtain any necessary permits and certifications; the timing of the delivery of equipment, tools and inventory; and the time to convert, renovate or build-out your Restaurant.

If you are an Area Developer, you must sign the Initial Franchise Agreement for your first Krystal Business at the same time you sign the Area Development Agreement. The typical length of time between the signing of the Franchise Agreement and the opening of your first Krystal Business under an Area Development Agreement is the same as for a Krystal Business that is not part of multi-unit plans under an Area Development Agreement. Each additional Krystal Business you develop must be opened according to the terms of your Development Schedule. The site selection and approval process for each Krystal Business under an Area Development Agreement is the same as that for a single Krystal Business and will be governed by the franchise agreement signed for that location.

Advertising

For each two-week period, you must contribute or spend an amount equal to 4.5% of the Gross Sales of your Krystal Business for marketing (the “Marketing Obligation”). We have the right to allocate your Marketing Obligation among one or more of the following: (a) contributions to the Brand Fund; (b) contributions to the regional Cooperative or Regional Advertising Fund established for your area (if there is one, and we are not required to establish or maintain a Cooperative or Regional Fund for your area); and (c) expenditures on local marketing and promotion that you will independently conduct for your Krystal Business. As of the date of this Disclosure Document, we allocate the Marketing Obligation as follows: you will contribute 4.5% of your Gross Sales to the Brand Fund, unless your Krystal Restaurant operates in an area where we have established and maintain a regional advertising cooperative (a “Cooperative”), in which event you will contribute 1% of Gross Sales to the Brand Fund and 3.5% of Gross Sales to the Cooperative during the period that you are a member of the Cooperative.

We have the right to periodically change the allocation of the Marketing Obligation. If we make a change, we will give you at least 30 days advance written notice of that change, which will take effect as stated in the notice.

Brand Fund

We have established a Brand Fund for marketing, developing and promoting the System, the Marks and Krystal Franchises. You are required to make monthly Brand Fund Contributions based on your Gross Sales as described above. Your Brand Fund Contribution will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the Brand Fund, but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement and whether or not they are in an Advertising Cooperative. Krystal Businesses owned by us or our affiliates will contribute to the Brand Fund on the same basis as franchisees in the relevant area and as described in this Franchise Disclosure Document.

The Brand Fund will be administered by us, or our affiliate or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The Brand Fund monies will be maintained in a separate bank account, commercial account or savings account.

We have the sole right to determine how the Brand Fund will be utilized. We may use the Brand Fund to pay costs and expenses as we determine, including for local, regional or national marketing; advertising, sales promotion and promotional materials; public and consumer relations; website development and maintenance and search engine optimization; the development of technology for the System; and any other purpose to promote the Marks or the System. We may use any media for disseminating Brand Fund advertisements, including direct mail, print ads, the internet, radio, billboards and television. We may reimburse ourselves, our authorized representatives or our affiliates from the Brand Fund for administrative costs; independent audits; reasonable accounting, bookkeeping, reporting and legal expenses; taxes and all other direct or indirect expenses associated with the programs funded by the Brand Fund. In spending advertising monies from the Brand Fund, we are not obligated to make expenditures that will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the Brand Fund Contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct or administer the Brand Fund. Any unused funds that were collected in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.

The Brand Fund is not audited. Upon your written request, once complete, we will provide to you an annual unaudited accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year as it becomes available. During our last fiscal year, ended on December 31, 2023, the expenditures of the Brand Fund were as follows: 22% of the Brand Fund monies on creative production and merchandising; 10% on research (including econometric modeling driving pricing tiering), 20% on tech stack (including local listings, Loyalty/digital platforms, and email/SMS), 22% on retainers and media fees (including PR, creative, and media partners) ; and 26% on administrative expenses, including the G&A for the marketing department.

Regional Advertising Cooperatives and Funds

We also have the right, but are not required, to establish regional or area specific advertising programs through regional Cooperatives and Regional Advertising Funds and, if we do so, we may allocate a portion of your Marketing Obligation to that regional program. During any period that we establish and require you to participate in a regional Cooperative and a Regional Advertising Fund for a geographic area

that covers your Krystal Business, you will be required to make contributions to it based on the allocation that we periodically designate. Company-owned and affiliate-owned Krystal Businesses in the geographic area covered by a Regional Advertising Fund or a Regional Co-op will be obligated to contribute to that Cooperative or Fund. We have not yet established any Regional Advertising Funds.

As of the date of this disclosure document, we have established some regional Cooperatives that are operating in certain areas in the United States. The area of each Advertising Cooperative is defined by Designated Marketing Areas (each a “DMA”), and we typically form an Advertising Cooperative only in a DMA containing at least two franchised Krystal Businesses and at least one company-owned or affiliate-owned Krystal Business. Krystal Advertising Cooperatives are governed by a board of directors that consists of three directors. We will appoint a representative of Krystal in our sole discretion and the other two members are franchise owners. Krystal Advertising Cooperatives operate from written governing documents that are available for your review upon request. Advertising Cooperatives are not obligated to prepare periodic financial statements but we will maintain records of cooperative receipts and expenditures that will be available for review by the cooperative members and us. As described above, our current requirement is that you contribute 3.5% of your Gross Sales for each two-week period that you are part of an Advertising Cooperative. We have the right to change your payment allocation between the Advertising Cooperative and Brand Fund.

Each franchisee member of the Advertising Cooperative is entitled to one vote per Restaurant it operates within the cooperative area. Company-owned and affiliate-owned Krystal Businesses are also entitled to one vote per Restaurant operated within the cooperative area. We have veto power over certain decisions under consideration by cooperatives. Your voting rights may be suspended if you fail to make your required contributions or you are not in compliance with an agreement with us. Cooperative decisions are made by a majority vote of all members, unless otherwise specified by an individual cooperative’s by-laws. We have the power to require Advertising Cooperatives to be formed, changed, dissolved or merged. You must sign our then-current Advertising Cooperative Subscription Agreement, a sample of which is in Exhibit H.

Local Advertising

Currently, we do not require that new franchisees spend a minimum amount on local advertising, other than for the Grand Opening Program (which is described below). As explained above in this Item 11, we have the right to designate a portion of the Marketing Obligation for you to independently spend monies on local marketing and promotion in your area. If we do so, then you must submit appropriate documentation to verify compliance with any local marketing spending obligations. If you fail to comply with the local advertising requirements or to submit documentation of your compliance, we have the right to require that you pay contribute those amounts to the Brand Fund. We are not required to place any local advertising materials in your market on your behalf.

For any advertising that you conduct, you must order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, including your own website, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. You may not use our logos, Marks and other name identification materials on items to be sold or services to be provided without our prior written approval. You must pay a fee of \$500 per occurrence to the Brand Fund if you use unauthorized advertising materials. You must follow our current standards and guidelines as written in the Brand Standards Manual. Failure to do so is a breach of the Franchise Agreement.

You will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Krystal Businesses, and you will not issue coupons or discounts of any type except as approved by us. See Item 8 for information about the Krystal Gift Card Program.

Grand Opening Program

You must spend at least \$7,500 on advertising the grand opening of the Restaurant during the first six months of operation if the population within five-miles of the anticipated location for your Restaurant is less than 40,000. If your Restaurant is located in a five-mile trade area with a population greater than 40,000, you must spend at least \$15,000. You should hold the majority of grand opening events during the first two weeks following the opening of your Restaurant. If this is your second or subsequent Krystal Business, there is no minimum grand opening expenditure requirement for your Restaurant. Upon request, you will provide us with an accurate accounting (in the form prescribed by us) of your expenditures for grand opening marketing, advertising and promotion. All expenditures for grand opening marketing, advertising and promotion will be in addition to your other marketing, advertising and promotion obligations under the Franchise Agreement.

System Website

We have established a website for Krystal Businesses (“System Website”). We intend that any franchisee website will be accessed only through our System Website. A fee may be added to the Technology Services Fee for each franchisee for the continuing development and maintenance of the System Website.

If you wish to advertise online, you must follow our online policy which is contained in our Brand Standards Manual. Our online policy may change as technology and the internet changes. We may restrict your use of social media. We may not allow you to independently market on the internet or use any domain name, address, locator, link, metatag or search technique with words or symbols similar to the Marks.

We will have the right to use the Brand Fund’s assets to develop, maintain, modify and update the System Website. You must promptly notify us whenever any information on your listing changes or is inaccurate. We have final approval rights of all information on the System Website. We may implement and periodically modify System standards relating to the System Website.

We may remove any reference to your Krystal Business from the System Website during any period that you are not in full compliance with your Franchise Agreement and all System standards.

Advisory Council

We currently do not have, but may form, an advisory council (“Council”) to advise us on advertising policies. The Council would be governed by by-laws. Members of the Council would consist of both franchisees and corporate representatives. Members of the Council would be selected by way of a voting method specified in the Council’s by-laws. The Council would serve in an advisory capacity only. We will have the power to form, change or dissolve the Council, in our sole discretion.

Computer System

You must purchase an approved computer hardware and software system. We refer to the required hardware and software, POS systems and network components as the “Network System.” The Network System includes the front-end and back-office hardware, software and network components necessary to

operate a Krystal Business. We will not complete installation of the Network System until you and your managers have passed the Network System training described below. You must maintain, upgrade, and update your computer hardware, software, and Internet service providers or other communications system during the term of the Franchise Agreement as we require, at your expense. We may revise our specifications for the computer system periodically. You must upgrade or replace your computer system at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

We estimate the cost of purchasing the current Network System will be between \$65,000 and \$80,000. The Network System currently includes the following components: a POS system that supports dine-in, take-out, drive-thru, and delivery revenue centers; a kitchen production system (“KPS”) to expedite orders; a drive-thru speed of service monitoring system; a back-office system with connectivity to the POS; software tools for managing sales, product mix, cash, food, and labor data and networking firewalls, switches, wireless access points, cables, monitoring appliances and other devices necessary for Network System connectivity, functionality and security. You must maintain a high-speed internet connection at the Restaurant capable of receiving data at a minimum of 30 Mbps and sending data at a minimum of 3 Mbps.

You must purchase the following hardware for the Network System from our approved vendors: POS hardware including a minimum of three cash registers, cash drawers, and customer facing order confirmation display screens, each with one compatible receipt printer per terminal; KPS hardware including a minimum of five KPS devices, each connected to a bump bar and monitor with all necessary mounting hardware and drive-thru hardware including a timer; guest internet connectivity hardware including wireless access points and a system monitor and back-office hardware including a computer capable of running Windows 10 and Office 2016 or Office 365 and that meets our current standards contained in our Brand Standards Manual, and any other item related to the manager workstation.

You must also purchase the following software: back-office restaurant management software; client configuration management software; firewall and network switch software; POS and KPS software and Windows 10 and Office 2016 or Office 365.

You must also participate in the Network System support network provided by us and our approved vendors. This support network includes primary and advanced help desk support, data administration support and software maintenance. This support may require assistance from you or your personnel in the Restaurant in order to perform in-person tasks. Although we will attempt to minimize the impact on Restaurant personnel and operations, you must fully cooperate with our requests in a timely manner.

In order to ensure continual functionality and viability, your Network System must connect to our server network (“Krystal Restaurant Network”) on at least a daily basis to exchange files and configuration information. We require that all Krystal Businesses be fully integrated into the Krystal Restaurant Network. Krystal has independent access to the information generated and stored in the franchisee’s POS system. You may not change or modify the Network System or your Restaurant configuration in any way that might degrade the Network System’s ability to fully integrate into the Krystal Restaurant Network.

As a participant in the Network System support services, you will receive certain POS system and other software updates subject to applicable fees, provided you are in good standing and have remained current with any required software maintenance fees that may be due to the particular software vendor. Although we will facilitate the technical implementation, installation and support of Network Systems, all contractual issues involving maintenance, repairs, upgrades and updates to hardware or software for Network Systems are between the franchisee and the hardware or software vendor.

You must sign the Network System Support and Maintenance Agreement attached to the Franchise Agreement as Attachment E.

During the warranty period for hardware and software products, our approved vendors may have a contractual obligation to provide support for their products. After the warranty periods, most vendors offer annual maintenance contracts for their products. The terms and pricing in these contracts are between the franchisee and the particular vendor.

In order to continue to receive support, maintenance and upgrades from us, you must maintain and upgrade your hardware and software as we require. Because the need for upgrades and updates comes primarily from third-party hardware and software vendors, we are unable to predict the frequency or cost of these events. There are no contractual limits on the frequency and cost of these obligations as these costs could vary (as discussed above).

Initial Training

You and certain representatives that we require must complete the initial training programs to our reasonable satisfaction, as determined by the specific program instructors, before you open your Krystal Business. We will hold the initial training classes on an as-needed basis to train new franchisees. You will not receive any compensation or reimbursement for services or expenses for participation in initial training. You must pay our then-current tuition fee for additional attendees (currently \$500 per person). You must also pay all expenses for you or any of your representatives to attend any training program, including lodging, transportation, food, salaries, and similar expenses. You must pay our then-current tuition fee (currently \$500 per person). The components of initial training are described in the table below.

GMT Program

Approximately two months before opening your first Restaurant you (if you are an individual) or the Operating Owner(s) and the number of managers we require (currently up to seven employees including five salaried managers and two breakfast supervisors) must complete the “General Manager Training Program” or “GMT Program” at the location we designate. Any person in charge of day-to-day management of your Krystal Business must complete and become fully certified in the GMT Program. The GMT Program takes up to seven weeks to complete. Training times and sequence of topics will vary depending on needs in the training restaurant and abilities of trainees. We offer the GMT Program throughout the year on an as-needed basis. There is no fee for our training of you or your Operating Owner and up to seven members of your management team for each Krystal Business, so long as you attend the same GMT Program. You must pay our then-current tuition fee (currently \$500 per person) for additional managers that attend the GMT Program, as well as for required attendees who do not attend the initial GMT Program. You or the trainee will pay the cost of all travel and living expenses and compensation during training. In addition to the Krystal GMT Program, all of your Restaurant’s management personnel must obtain and maintain a valid and current ServSafe Food Safety certification issued by the National Restaurant Association or Foodservice Operator’s Training Achievement Program issued by TAP Series, LLC (See Franchise Agreement - Section 5.1). You are the employer of your employees and trainees. Your employees must be covered by your worker’s compensation insurance policy before they attend training. Additionally, each franchisee and participant in the training must complete the “Franchisee Training Agreement And Release Of Liability” form attached as Exhibit H-10 prior to the start of training.

If you are an Area Developer, you will need to have one of your Restaurants designated as a certified training Restaurant and conduct the GMT Program for each additional Krystal Business for your managers and staff under the supervision of your trainer that is certified to conduct the program. If we

conduct the GMT Program for you, you must pay our then-current tuition fee (currently \$500) for each manager that attends the program. We plan to provide GMT Program training listed in the table below:

GMT PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
· Core menu item and breakfast menu item production · Station cleaning and daily maintenance · Customer service skills, order taking, order filling at drive-thru and front counter and crew training	0	100	Designated Training Restaurant (Atlanta, GA, Chattanooga, TN or other location we designate)
· Floor Supervision, travel path, shift planning, shift change duties, daily and shift administration · Managing food and labor cost and post shift follow-up	0	150	Designated Training Restaurant (Atlanta, GA, Chattanooga, TN or other location we designate)
POS/Back-of-House/Network System Training	0	24	Training Center in Atlanta, GA or a Designated Training Restaurant (Atlanta, GA, Chattanooga, TN or other location we designate)
Online training modules for brand standards and processes	0	26	Designated Training Restaurant (Atlanta, GA, Chattanooga, TN or other location we designate)
TOTALS	0	300	

Notes:

1. We reserve the right to vary the length and content of the GMT Program based upon the experience and skill level of the individual(s) attending the training program. We will use the Brand Standards Manual as the primary instruction materials during the training program.
2. Ralph McKee, our Director of Operations, currently oversees our training program to which he brings more than 40 years of experience as a restaurant operator supervising and training restaurant operators, including 8 years with Krystal.
3. Other instructors will include certified corporate trainers and may include experienced Krystal Business managers or crew employees with at least 15 years of experience in training restaurant operators.

Franchisee Orientation Program

You, your Operating Owner and members of your Leadership Group (as defined in Item 15) who are not attending the GMT Program described above must complete a separate five-day owner orientation program at our corporate headquarters in Dunwoody, Georgia or in another location we designate (“Franchisee Orientation Program”). If you send more than three trainees to the program or your required attendees do not attend the initial training, you must pay our then-current tuition fee (currently \$500 per person). We plan to provide the Franchisee Orientation Program training listed below:

FRANCHISEE ORIENTATION PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Day 1: Restaurant Support Center Orientation	0	8	Corporate Headquarters/Company-Owned Restaurants (currently Dunwoody, GA)
Day 2: Restaurant Operations	0	8	Corporate Headquarters/Company-Owned Restaurants (currently Dunwoody, GA)
Day 3: Marketing	0	8	Corporate Headquarters/Company-Owned Restaurants (currently Dunwoody, GA)
Day 4: Restaurant Technology	0	8	Corporate Headquarters/Company-Owned Restaurants (currently Dunwoody, GA)
Day 5: Restaurant Operations	0	8	Corporate Headquarters/Company-Owned Restaurants (currently Dunwoody, GA)
TOTALS	0	40	

1. We reserve the right to vary the length and content of the Franchisee Orientation Program based upon the experience and skill level of the individual(s) attending the training program. We will use the Brand Standards Manual as the primary instruction materials during the training program.
2. Ralph McKee, our Director of Operations, currently oversees our training program to which he brings more than 40 years of experience as a restaurant operator supervising and training restaurant operators, including seven years with the Krystal system.
3. Other instructors will include certified corporate trainers and may include experienced Krystal Business managers or crew employees with at least 15 years of experience in training restaurant operators.

Restaurant Management Training

You will pay us the Onsite Assistance and Opening Support Fee to facilitate the opening of your Krystal Business for up to ten days prior to and during the opening of your Krystal Business, during which we will provide restaurant management training (“Restaurant Management Training”). This fee includes travel related costs and expense such as airfare, transportation costs, lodging, meals and incidental expenses. This fee applies to new Krystal Franchises, Conversion Franchises, and transfers of existing Krystal Businesses, but only applies to a franchisee’s first Krystal Restaurant. If applicable, we plan to provide Restaurant Management Training listed in the table below:

RESTAURANT MANAGEMENT TRAINING

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
· Core menu item and breakfast menu item production	0	30	Your Restaurant

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
· Station cleaning and daily maintenance · Customer service skills, order taking, order filling at drive-thru and front counter and crew training			
· Floor Supervision, travel path, shift planning, shift change duties, daily and shift administration · Managing food and labor cost and post shift follow-up	0	30	Your Restaurant
POS/Back-of-House/Network System Training	0	10	Your Restaurant
Online training modules for brand standards and processes	0	10	Your Restaurant
TOTALS	0	80	

1. We reserve the right to vary the length and content of the Restaurant Management Training program based upon the experience and skill level of the individual(s) attending the training program. We will use the Brand Standards Manual as the primary instruction materials during the training program.
2. Christie Cruz, our Director of Training and Operations Services, currently oversees our training program, to which she brings more than 20 years of experience as a restaurant operator supervising and training restaurant operators.
3. Other instructors will include certified corporate trainers and may include experienced Krystal Business managers or crew employees with at least ten years of experience in training restaurant operators.

The following table summarizes the training programs your personnel must attend:

Position	Required Training
Operating Owner	Franchisee Orientation Program GMT Program Restaurant Management Training (if applicable)
General Manager	GMT Program Restaurant Management Training (if applicable)
Assistant Managers and Shift Leaders	GMT Program
Franchisee and Leadership Group	Franchisee Orientation Program

Restaurant Employee Training

Each of your Krystal Business employees must complete the training program required by our Brand Standards Manual, which includes an orientation and initial job station training program. This

training takes approximately 16 hours to complete. You will conduct all training programs for your employees. (See Franchise Agreement - Section 6.5).

Ongoing Training

From time to time, we may require that you or your Operating Owner, managers and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional, while others may be required. If you appoint a new Operating Owner or transfer ownership, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Krystal Business. Additional management training may be required for assistant managers, general managers and other employees in order to become a fully certified and licensed Krystal manager. This includes an in-store shift certification conducted by a Krystal Operations Consultant (“OC”).

All restaurant management and supervisory staff must complete the current Krystal GMT Program and become fully certified to run a shift. However, if you or an employee has been certified as a trainer by us and are approved to conduct management training in a Restaurant certified by us to do management training, you may train them using the training program materials provided by us. Graduates from your management training department must be certified by your OC or a member of our training department who has been approved to conduct management certifications. You may include your managers in our training classes offered from time to time in primary Krystal markets. If we conduct an inspection of your Restaurant and determine you are not operating in compliance with the Franchise Agreement, we may require that you or your Operating Owner, manager and other employees attend remedial training that addresses your operational deficiencies. You may also request that we provide additional training (either at corporate headquarters or at your Restaurant).

You must pay us a fee equal to two times each Krystal staff member’s daily compensation per day for all additional training. You must also pay for airfare, meals, transportation costs, lodging and incidental expenses for all your training program attendees. If we determine that you are not operating your Krystal Business in compliance with the Franchise Agreement or the Brand Standards Manual, we may require that you or your Operating Owner, managers and other employees attend remedial training at your expense. If the training program is conducted at your Restaurant, you must reimburse us for the expenses we or our representatives incur in providing the training.

ITEM 12 TERRITORY

Franchise Agreement

Restaurant

If you sign a Franchise Agreement, you will receive the right to establish and operate one Krystal Business at a specific site only, which will be the approved location. The approved location for your Krystal Business will be listed in the Franchise Agreement. If you have not identified an approved location for your Krystal Business when you sign the Franchise Agreement, as is typically the case, you and we will agree on the approved location in writing and amend the Franchise Agreement after you select and we approve the location. You are not guaranteed any specific approved location, and you may not be able to obtain your top choice as your approved location. You may not conduct your Krystal Business from any other location. You may not relocate your Krystal Business without our prior written approval. We may approve a request to relocate your Krystal Business consistent with the provisions of the Franchise Agreement and our then-current site selection policies and procedures.

Protected Area

Unless you operate from a Non-Traditional Restaurant, you will receive a non-exclusive territory (“Protected Area”). The Protected Area will be based on a particular area surrounding the Franchised Business. The size of the Protected Area granted for new franchises (except for Non-Traditional Units) will vary from franchise to franchise, but will typically be an area approximately the size of a circle with a one-half to one mile radius for a typical urban location, and a two to four mile radius for a suburban location, and up to five miles for locations beyond suburban areas. The exact size and boundaries of the Protected Area may vary based on a number of additional factors including the traffic patterns, demographics, competition, and location of any existing Krystal Business in the general area. This means that the Protected Area may not be a circle (for instance, it may be based on street blocks or territory borders may be identified by streets and road intersections), and a Krystal Business may not be in the center of its Protected Area. We will determine whether a location is “urban” or “suburban,” but an urban location will typically be located in or near a business district of a large metropolitan area, and a suburban location will typically be located near residential areas (that are not part of or included within a central business district) and in or near outdoor strip-malls. We will designate the Protected Area after you propose, and we approve, the premises for your Franchised Business. Once determined, the Protected Area will be identified in Exhibit B of the Franchise Agreement (which may include a map). Non-Traditional Restaurant will not have a Protected Area.

Except as described below under “Our Reserved Rights,” we will not establish or franchise others to establish another Krystal Business within your designated Protected Area during the term of the Franchise Agreement. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We may not grant you a Protected Area to you if your Krystal Business will be located in a Non-Traditional Location. “Non-Traditional Location” means a location that is within another primary business or operated in conjunction with other businesses or at institutional settings, or dark kitchens. Examples include toll roads, train stations, amusement parks, travel stations, hotels and motels, ships, ports, piers, casinos, stadiums, airports, theatres, big box retailers, warehouse club stores, colleges and universities, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, outlet malls, supermarkets and convenience stores and any site for which the lessor, owner or operator limits the operation of its food service facilities to a master concessionaire or contract food service. You are not prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Protected Area. If you renew your Franchise, your Protected Area may be modified depending on the then-current demographics of the Protected Area, and on our then-current standards for territories.

You may only offer and sell products to retail customers for consumption on the Restaurant’s premises, for personal carry out consumption, and for delivery service in a manner that complies with our policies, standards, and procedures in our Brand Standards Manual. Our off-site policies may allow you to provide catering and delivery services in the territories of other Krystal Businesses without compensating the operator of those businesses. These policies may allow other Krystal Businesses to provide catering and delivery services in your Protected Area without compensating you. We may impose restrictions in the future that prevent you from providing catering and delivery services outside of your Protected Area.

You agree to follow our delivery policies and procedures in the Brand Standards Manual, which may require you to provide delivery services and/or utilize third-party delivery services (e.g. Uber Eats, Grubhub, DoorDash, etc.) or may restrict the areas in which you may offer delivery services. You acknowledge that our delivery policies as well as any third-party’s delivery policies may allow other Krystal Restaurants to provide delivery services in your Protected Area and may allow you to provide delivery services outside of your Protected Area. We may require you to discontinue delivery services. You agree

to enter into agreements with our designated third-party delivery service providers. You may not sell products through other channels of distribution such as wholesale, internet or mail order sales.

Our Reserved Rights (Franchise Agreement). We retain all territorial rights not expressly granted to you, for ourselves and our affiliates, on any terms we deem advisable, and without granting you any rights. These include the right:

1. to own, franchise or operate Krystal Businesses at any location outside of the Protected Area, regardless of the proximity to your Restaurant or effect on your Krystal Business;
2. to use the Marks and the System to sell any products or services, including those similar to those which you will sell at your Krystal Business, through any alternate channels of distribution within or outside of the Protected Area. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the internet. We exclusively reserve the internet as a channel of distribution for us, and you may not independently market on the internet or conduct e-commerce;
3. to own, franchise or operate Krystal Businesses at Non-Traditional Locations, or to otherwise offer and sell food products, including frozen products and proprietary food products, under the Marks or any other marks, through Non-Traditional Locations within or outside of the Protected Area;
4. to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering specialty hamburgers, specialty hotdogs, chicken sandwiches, french fries, shakes, ice cream, and breakfast products and related products and services at any location, including within the Protected Area, which may be similar to or different from the Krystal Business operated by you;
5. to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Protected Area, provided that in such situations the newly acquired businesses may not operate under the Marks in the Protected Area;
6. to use and license the use of technology to non-franchisee locations inside and outside the Protected Area;
7. to deliver and cater and/or to license to other franchisees or third parties to deliver and cater at any location within or outside of the Protected Area without compensation to you, and to establish a delivery and catering policy which may restrict the delivery and catering jurisdiction of you, us, our affiliates and/or any other franchisees;
8. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and
9. to engage in any other business activities not expressly prohibited by the Franchise Agreement, both within and outside your Protected Area.

We are not required to pay you if we exercise any of the rights specified above within your Protected Area. The continuation of the Protected Area is not dependent upon your achievement of a certain

sales volume, market penetration or other contingency. We do not pay compensation for soliciting or accepting orders inside your Protected Area.

If you wish to purchase an additional Krystal Franchise, you must apply to us, and we may, in our discretion, offer an additional Krystal Franchise to you. We consider a variety of factors when determining whether to grant additional Krystal Franchises. Among the factors we consider, in addition to the then-current requirements for new Krystal franchisees, are whether the franchisee follows the requirements under their current Franchise Agreement.

You do not receive the right to acquire additional Krystal Franchises within the Protected Area unless you purchase the right under an area development agreement. You are not given a right of first refusal on the sale of existing Krystal Franchises.

Area Development Agreement

If you sign an Area Development Agreement, we will assign you a Development Territory under the Area Development Agreement in which you must develop a designated number of Krystal Franchises. The size of the Development Territory will depend on the number of Krystal Businesses to be developed, the demographics of the territory, the population, and other factors. In certain densely populated metropolitan areas, a Development Territory may be small if it has a high population density, while Development Territories in less densely populated urban areas may have significantly larger areas. The rights granted under the Area Development Agreement relate only to the development of the Krystal Franchises identified in the Area Development Agreement.

Except as provided in the Area Development Agreement and as described below under “Our Reserved Rights (Development Agreement),” and subject to your full compliance with the Area Development Agreement and any other agreement between you or any of your affiliates and us or any of our affiliates, neither we nor our affiliates will establish or authorize any other person or entity to establish a Krystal Franchise in your Development Territory during the term of the Area Development Agreement. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. As further described below, we, our affiliates and any other authorized person or entity (including any other Krystal Franchise) may, at any time, conduct any other type of activities within your Development Territory that we are permitted to conduct under the Franchise Agreement. The Development Territory will terminate upon the completion of the Development Schedule or the termination of the Area Development Agreement, whichever occurs first, and the only territorial protections that you will receive upon termination will be those under each individual franchise agreement.

Our Reserved Rights (Development Agreement). We reserve all other rights, for us and our affiliates, on any terms we deem advisable, and without granting you any rights:

1. to own, franchise or operate Krystal Businesses at any location outside of the Development Territory, regardless of the proximity to any Krystal Franchise developed or under development by you;
2. to own, franchise or operate Krystal Businesses at Non-Traditional Locations, or to otherwise produce, offer and sell, and to grant others the right to produce, offer and sell the products offered at Krystal Businesses and any other products displaying the Marks or other trademarks through alternative distribution channels and/or Non-Traditional Locations at any location and under any terms and conditions we deem appropriate, no matter the proximity to any Krystal Franchise developed under the Area Development Agreement;

3. to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any proprietary items which include any proprietary marks, including the Marks, at any location whatsoever;

4. to develop and license the use of proprietary marks other than the Marks in connection with the operation of a program or system which offers or distributes products or services which are the same or similar to those offered under the System on any terms and conditions we deem appropriate, at any location;

5. to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, whether franchised or corporately owned, including a business that competes directly with your development rights under the Area Development Agreement, wherever located; provided that in these situations the newly acquired businesses may not operate under the Marks in the Development Territory;

6. to use and license the use of technology to non-franchisee locations inside and outside the Development Territory;

7. to deliver and cater and/or to license to other franchisees or third parties to deliver and cater at any location within or outside of the Development Territory without compensation to you and to establish a delivery and catering policy in the future which may restrict the delivery and catering jurisdiction of you, us and/or any other franchisees;

8. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

9. to engage in any other business activities not expressly prohibited by the Area Development Agreement or your Franchise Agreements.

You will lose the territorial protections granted for the Development Territory upon your first failure to adhere to the Development Schedule. Any second or additional failures to adhere to the Development Schedule will constitute a material event of default under the Area Development Agreement for which we may, among other things: (i) terminate the Area Development Agreement; (ii) reduce the area of the Development Territory; (iii) permit you to extend the Development Schedule; or (iv) pursue any other remedy we may have at law or in equity, which includes a suit for non-performance.

The size of the Development Territory may be a single or multi-city area, single county area or other area and will be described in Attachment A of your Area Development Agreement. We will determine the Development Territory before you sign the Area Development Agreement based on various market and economic factors of our choosing. You have no options, rights of first refusal or similar rights to acquire additional franchises beyond the development rights granted by your Area Development Agreement.

Area Developers must own at least a 51% equity interest in the franchisee for each Krystal Franchise developed under the Area Development Agreement.

ITEM 13 TRADEMARKS

The Franchise Agreement and your payment of Royalties grant you the non-exclusive right and license to use the System, which includes the use of the Marks. You may also use other future trademarks, service marks, and logos we approve to identify your Krystal Business.

We have registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Trademark	Registration Number	Registration Date	Register
KRYSTAL	1,330,234	April 9, 1985	Principal
	1,330,251	April 9, 1985	Principal
	1,331,146	April 16, 1986	Principal
	4,743,522	May 26, 2015	Principal
	5,756,748	May 21, 2019	Principal
	5,810,997	July 23, 2019	Principal
	5,951,212	December 31, 2019	Principal
	5,951,213	December 31, 2019	Principal

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board or the trademark administrator of any state, or any court, and no pending infringement,

opposition or cancellation proceedings or material litigation involving the Marks. All required affidavits and renewals have been filed.

The Marks were assigned by TKC to Krystal Restaurants LLC and recorded with the USPTO on June 25, 2020. No agreement significantly limits our right to use or license the Marks in any manner material to the Krystal Franchise. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks. You must follow our rules when using the Marks. You cannot use our name or Marks as part of a corporate name or with modifying words, designs or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement and with a conspicuous sign in your Restaurant that you are an independently owned and operated licensed franchisee of Krystal. You may not use the Marks in the sale of unauthorized products or services or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale or other disposition of the Krystal Franchise, or any interest in the Krystal Franchise. All rights and goodwill from the use of the Marks accrue to us.

We will defend you against any claim brought against you by a third party that your use of the Marks, consistent with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us within three business days if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within 30 days after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop and use additional trademarks not listed here, and may make those trademarks available for your use and for use by other franchisees.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information in the Brand Standards Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the ingredients and formula of our products and recipes, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Brand Standards Manual, our advertising materials, the content and format of our products or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information ("Copyrighted Works") for the operation of your Krystal Franchise, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our Brand Standards Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation and franchising of Krystal Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Krystal Franchises and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Brand Standards Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Krystal Franchise during training and through guidance and assistance furnished to you under the Franchise Agreement and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Krystal Franchises during the term of the Franchise Agreement.

You must notify us within three business days after you learn about another’s use of language, a visual image or a recording of any kind that you perceive to be identical or substantially similar to one of our Copyrighted Works, use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us, our counsel or our designees regarding any infringement, challenge or claim. We will take action we deem appropriate regarding any infringement, challenge or claim, and have the sole right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give assistance and take actions that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets.

No patents or patents pending are material to us at this time.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are a business entity (other than one publicly held or wholly-owned subsidiary of a publicly held company), at least one individual equity owner must serve as the “Operating Owner” of the entity and have full authority to make binding business decisions for you. The Operating Owner must own 25% or more of the franchisee entity. The Operating Owner must devote its full-time and best efforts to supervising the operation and management of your Restaurant(s), successfully complete the GMT Program, be

approved by us, and live within a reasonable driving distance of at least one of your Restaurants (as determined by us). Any replacement Operating Owner must meet these same requirements and be approved by us. You must also designate a “Leadership Group,” which is composed of individuals who together own at least 60% of your ownership interests. The Operating Owner must be a member of the Leadership Group.

Your Krystal Business must always be under the direct, on-premises supervision of you or an employee acting as full-time manager (“General Manager”). If you operate more than one Krystal Business, at least one employee must act as General Manager. In addition, any person, whether designated as General Manager or not, who is actively in charge of the Krystal Business, must always be a person who has successfully completed our GMT Program and is fully certified as we require. The General Manager is not required by us to have an ownership interest in the franchisee. You will have sole discretion regarding all employment matters relating to your personnel, including, without limitation, hiring, firing, discipline, compensation, benefits and scheduling, without any influence from us, and such decisions and actions will not be, nor deemed to be, a decision or action of ours, even if we provide any advice or recommendations on any issue. You are solely responsible for ensuring that your employees are adequately trained. You must comply with all applicable labor, employment and wage and hour laws and regulations.

Any manager and, if you are an entity, an officer that does not own equity in the franchisee entity, must sign the “System Protection Agreement,” the form of which is attached to this Franchise Disclosure Document in Exhibit H, which includes certain confidentiality and non-compete restrictions. All of your employees, independent contractors, agents or representatives that may have access to our confidential information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit H. If you are an entity, each direct and indirect owner (i.e., each person holding an ownership interest in you) must sign an “Owner Agreement,” the form of which is attached to the Franchise Agreement as Attachment D. Additionally, we also may require that each Owner’s spouse sign an Owner Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those products and services we authorize and which meet our standards and specifications. Authorized products may differ among our franchisees and may vary depending on the operating season and geographic location of your Restaurant or other factors. You must follow our policies, procedures, methods and techniques. You must sell or offer for sale all types of products and services specified by us. We may change or add to our required products and services, at our discretion, with prior notice to you. If we change or add to our required products and services, the changes or additions will remain in permanent effect unless we specify otherwise. There are no limitations on our rights to make changes to the required products and services offered by you. You must discontinue selling and offering for sale any products and services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions as allowed by law.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the Krystal Franchise, us or any of our affiliates without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, internet or mail order sales. You may only offer and sell products to retail customers for consumption on the Restaurant’s premises, for personal carry out consumption, and for delivery service in a manner that complies with our standards.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.1	10 years.
b. Renewal or extension of the term	Section 4.1	You may enter into up to two successor franchise agreements, each with a ten-year term, if you are in good standing and you meet other requirements describe in “c” below. We may require that you sign our then-current form of Franchise Agreement, which may contain materially different terms and conditions than your original contract. You will operate on a month-to-month basis after your Franchise Agreement expires until we or you provide 30-days’ notice of termination.
c. Requirements for franchisee to renew or extend	Section 4.2	The term “renewal” refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. If you comply with the actions to renew, the successor franchise rights will permit you to remain as a Franchise after the initial term of your Franchise Agreement. The requirements to renew include: you are in good standing; you are not in material default of any other agreement with us; you provide timely written notice of intent to renew; you upgrade and remodel your Restaurant to comply with our then-current standards; execution of a renewal agreement (as described below) with general release; you pay a renewal fee; and other requirements. You must sign our then-current franchise agreement and ancillary documents for the successor term, and this new franchise agreement may have materially different terms and conditions (including, e.g., new fees) from the Franchise Agreement that covered your original term.
d. Termination by franchisee	Not Applicable	Not applicable.
e. Termination by franchisor without “cause”	Not Applicable	Not applicable.
f. Termination by franchisor with “cause”	Sections 20.1 and 20.2	We can terminate for violations of the Franchise Agreement by you, or upon 30 days’ notice if you are operating on a month-to-month basis after the expiration of your initial term.

Provision	Section in Franchise Agreement	Summary
g. Curable defaults	Section 20.2	All other defaults not specified in § 20.1 of the Franchise Agreement. You have 30 days to cure any defaults not listed in Section 20.1.
h. Non-curable defaults	Section 20.1	Non-curable defaults: the defaults listed in Section 20.1 of the Franchise Agreement.
i. Franchisee's obligations on termination/non-renewal	Sections 4.3, 20.5 and 21.1	Obligations include complete de-identification, payment of amounts due and return of Brand Standards Manual, all Confidential Information, Trade Secrets and records.
j. Assignment of contract by franchisor	Section 19.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Attachment A	Includes any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest, or change of ownership in the Franchise Agreement, the Franchise or interest in the Franchise.
l. Franchisor approval of transfer by franchisee	Section 19.2	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Section 19.2	We may approve your transfer to a new owner if you are in good standing and meet other requirements listed in Section 19.2, which include you and your owners signing a general release, the buyer's signature of a new Franchise Agreement, payment of transfer fee, and others.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 19.5	We have 30 days to match any offer for your Franchise.
o. Franchisor's option to purchase franchisee's business	Section 21.2	We may, but are not required to, purchase your Franchise, inventory or equipment at fair market value if your Franchise is terminated for any reason.
p. Death or disability of franchisee	Section 19.4	The Franchise Agreement must be transferred or assigned to a qualified party within 180 days of death or disability or the Franchise Agreement may be terminated. Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 calendar days of your death or disability.
q. Non-competition covenants during the term of the Franchise	Section 14.3	You may not: own, operate or have an interest (excluding interest of less than 5% of a publicly traded business) in a Competitive Business (defined below); divert or attempt to divert business from any Krystal Business; or induce any customer of a Krystal Business to transfer their business to you or a non-Krystal Business anywhere. A " <u>Competitive Business</u> " is a business that (1) is substantially engaged in the sale of hamburgers (i.e., derives at least 20% of its overall food—not beverage—sales revenues from hamburgers during any 12-month period), (2) is a quick service restaurant engaged in the

Provision	Section in Franchise Agreement	Summary
		sale of hamburgers, (3) has a method of operation or trade dress similar to that employed in the System and/or (4) is one of the competing restaurants listed in Attachment A to the Franchise Agreement. You may not interfere with our or our other franchisees' Krystal Franchises, subject to applicable state law.
r. Non-competition covenants after the Franchise is terminated or expires	Section 14.4	Owners may not have an interest in, own, manage, operate, finance, control or participate in any Competitive Business within 5 miles of the Franchise or any Krystal Business for two years. If you or your Operating Owner engages in any activities prohibited by the Franchise Agreement during the restricted period (other than having an interest in a Competitive Business that is permitted under Section 14.4 of the Franchise Agreement), then the restricted period applicable to you or the non-compliant Operating Owner shall be extended by the period of time during which you or the non-compliant Operating Owner, as applicable, engaged in the prohibited activities, subject to applicable state law.
s. Modification of agreement	Sections 4, 12.2 and 25.9	No modifications of the Franchise Agreement during the term unless agreed to in writing (the Brand Standards Manual is subject to change at any time in our discretion). Modifications are permitted on renewal.
t. Integration/merger clause	Section 25.9	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 22	Except for certain claims, all disputes must be mediated via Zoom or via other electronic video conference means and arbitrated in the city closest to our principal place of business (currently Atlanta, Georgia), subject to applicable state law.
v. Choice of forum	Section 22	All disputes must be mediated via Zoom or via other electronic video conference means and arbitrated the city closest to our principal place of business (currently Atlanta, Georgia), subject to applicable state law. If applicable, disputes will be litigated in the principal city closest to our principal place of business (currently Atlanta, Georgia), subject to applicable state law.
w. Choice of law	Sections 22 and 25	Georgia law applies, subject to applicable state law.

THE AREA DEVELOPER RELATIONSHIP

This table lists certain important provisions of the Area Development Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Area Development Agreement	Summary
a. Length of the franchise term	1.2	The earlier of the expiration or termination of the Area Development Agreement.
b. Renewal or extension of the term	Not applicable	Not applicable.
c. Requirements for area developer to renew or extend	Not applicable	Not applicable.
d. Termination by area developer	Not applicable	Not applicable.
f. Termination by franchisor with “cause”	Sections 4.2, 7.1 and 7.3	We can terminate if you or any of your affiliates materially default under the Area Development Agreement, any individual Franchise Agreement or any other agreement with us, or if you fail to comply with the Development Schedule on two or more occasions.
g. “Cause” defined – curable defaults	Not applicable	Not applicable.
h. “Cause” defined – non-curable defaults	Sections 4.2, 7.1 and 7.3	If you default on the Area Development Agreement or any individual Franchise Agreement, or any other agreement with us, or if you fail to comply with the Development Schedule on two or more occasions.
i. Area Developer’s obligations on termination/non-renewal	Section 7.4	Obligations include the payment of all amounts due. You remain bound by all Franchise Agreements.
j. Assignment of contract by franchisor	Section 8.1	No restrictions on our right to assign the Area Development Agreement.
k. “Transfer” by area developer – definition	Not applicable	Not applicable.
l. Franchisor approval of transfer by area developer	8.2	You may not assign the Area Development Agreement or any rights to the Development Territory.
m. Conditions for franchisor approval of transfer	Not applicable	Not applicable.
n. Franchisor’s right of first refusal to acquire area developer’s business	Not applicable	Not applicable.
o. Franchisor’s option to purchase area developer’s business	Not applicable	Not applicable.

Provision	Section in Area Development Agreement	Summary
p. Death or disability of area developer	Section 7.2	The Area Development Agreement must be transferred or assigned to a qualified party within 180 days of death or disability or the Area Development Agreement may be terminated. Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 calendar days of your death or disability.
q. Non-competition covenants during the term of the Franchise	Not applicable	Not applicable.
r. Non-competition covenants after the Franchise is terminated or expires	Not applicable	Not applicable.
s. Modification of agreement	Section 10	No modifications of the Area Development Agreement unless agreed to in writing.
t. Integration/merger clause	Section 10	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and the Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 13	Except for certain claims, all disputes must be mediated via Zoom or via other electronic video conference means and arbitrated in the city closest to our principal place of business (currently Atlanta, Georgia), subject to applicable state law.
v. Choice of forum	Section 13	All disputes must be mediated via Zoom or via other electronic video conference means and arbitrated the city closest to our principal place of business (currently Atlanta, Georgia), subject to applicable state law. If applicable, disputes will be litigated in the principal city closest to our principal place of business (currently Atlanta, Georgia), subject to applicable state law.
w. Choice of law	Section 13	Georgia law applies, subject to applicable state law.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our Franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

The tables below reflect information about the past financial performance results for certain franchised Krystal Businesses (“Franchised Locations”) and company-owned Krystal Businesses (“Company Locations”) for our most recent fiscal year, which began on January 2, 2023 and ended December 31, 2023 (“FY 2023”). As of our fiscal year ended December 31, 2023, we had 143 Franchised Locations and 137 Company Locations (see Note 1 below). Please read carefully all of the information in this Item 19 (including the notes that follow the tables) for explanation of how these results are determined.

Table 1, “Sales Distributions,” presents historical information about the “Gross Sales” of the Franchised Locations and Company Locations during FY 2023. Gross sales reported in this Item 19 has the same meaning as “Gross Sales” in the Franchise Agreement; that is the sum of all revenue, income and consideration from the sale of merchandise, products and services to customers, but excluding (the costs of premiums, discounts and sales taxes paid). The term “Gross Sales” is explained in greater detail in the notes below and Item 6 of this disclosure document. Table 1 is organized to show the results in three categories: (1) consolidated Franchised Locations and Company Locations; (2) Company Locations only; and (3) Franchised Locations only. For each category, the results are divided into ranges of Gross Sales results. Additionally, for each category, the table show the average (mean) median, highest and lowest Gross Sales results within that category.

Table 2, “Sales of Franchised Locations (by Quartile),” presents historical information about the Gross Sales of the Franchised Locations only during FY 2023. This information is presented in quartiles (based on the Gross Sales performance) as well as in total.

Table 3, “Operational Results – Sales and Select Costs,” includes certain information about the Gross Sales and select cost performance of Company Locations during FY 2023. This information is presented in quartiles (based on the Gross Sales performance) as well as in total.

Table 1 - Sales Distributions

All Locations

January 2, 2023 to December 31, 2023

Annual Sales Level Range	Consolidated		Company Owned		Franchise Owned	
	Count	Percentage	Count	Percentage	Count	Percentage
Above \$1.7M	9	3.2%	6	4.4%	3	2.1%
\$1.5M - \$1.7M	13	4.7%	9	6.6%	4	2.8%
\$1.3M - \$1.5M	36	12.9%	20	14.7%	16	11.3%
\$1.1M - \$1.3M	59	21.2%	30	22.1%	29	20.4%
\$0.9M - \$1.1M	64	23.0%	37	27.2%	27	19.0%
\$0.7M - \$0.9M	57	20.5%	26	19.1%	31	21.8%
Below \$0.7M	40	14.4%	8	5.9%	32	22.5%

Total	278	100.0%	136	100.0%	142	100.0%
Mean Average Sales		\$1,049,485		\$1,120,324		\$981,640
# Meeting or Exceeding Mean Average Sales		130		62		68
% Meeting or Exceeding Mean Average Sales		46.8%		45.6%		47.9%
Median Annual Sales		\$1,031,201		\$1,089,059		\$964,054
High Annual Sales		\$2,017,738		\$2,017,738		\$1,888,338
Low Annual Sales		\$343,837		\$597,675		\$343,837

Table 2 –Sales of Franchised Locations (by Quartile)

January 2, 2023 – December 31, 2023

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Total</u>
Store Count (in Quartile)	36	35	36	35	142
Average Gross Sales (\$)	\$1,399,244	\$1,080,284	\$835,796	\$603,473	\$981,640
# of Locations Meeting or Exceeding Average Net Sales	12	20	21	22	68
% of Locations Meeting or Exceeding Average Net Sales	33.3%	57.1%	58.3%	62.9%	47.9%
Median Annual Net Sales (\$)	\$1,344,707	\$1,089,512	\$850,884	\$637,104	\$964,054
High Annual Net Sales (\$)	\$1,888,338	\$1,182,743	\$957,639	\$714,847	\$1,888,338
Low Annual Net Sales (\$)	\$1,215,489	\$970,470	\$720,273	\$343,837	\$343,837

Table 3 – Operational Results – Sales and Select Costs

Company Locations

January 2, 2023 – December 31, 2023

	<u>Quartile 1</u>	<u>Quartile 2</u>	<u>Quartile 3</u>	<u>Quartile 4</u>	<u>Total</u>
Store Count (in Quartile)	34	34	34	34	136
Average Gross Sales (\$)	\$1,526,480	\$1,181,697	\$1,000,969	\$772,148	\$1,120,324
Cost of Sales (\$)	\$462,925	\$367,227	\$ 316,242	\$252,389	\$349,696
% of Sales	30.3%	31.1%	31.6%	32.7%	31.2%
Gross Profit (\$)	\$1,063,555	\$814,471	\$684,726	\$519,759	\$770,628
% of Sales	69.7%	68.9%	68.4%	67.3%	68.8%
Royalty & Marketing Fees (\$)	\$145,016	\$112,261	\$95,092	\$73,354	\$106,431
% of Sales	9.5%	9.5%	9.5%	9.5%	9.5%
Other Operating Expenses (\$)	\$648,819	\$561,346	\$521,395	\$472,000	\$550,890
% of Sales	42.5%	47.5%	52.1%	61.1%	49.2%
Average EBITDAR (\$)	\$269,721	\$140,863	\$68,239	\$(25,595)	\$113,307
% of Sales	17.7%	11.9%	6.8%	-3.3%	10.1%
# of Locations > Average sales	13	14	18	19	62
% of Locations > Average sales	38.2%	41.2%	52.9%	55.9%	45.6%
# of Locations > Average EBITDAR	16	17	22	17	69

% of Locations > Average EBITDAR	47.1%	50.0%	64.7%	50.0%	50.7%
Median Annual Net Sales (\$)	\$1,485,530	\$1,155,909	\$1,008,077	\$789,236	\$1,089,059
High Annual Net Sales (\$)	\$2,017,738	\$1,313,493	\$1,085,133	\$887,694	\$2,017,738
High Annual EBITDAR (\$)	\$448,848	\$306,846	\$192,695	\$129,739	\$448,848
Low Annual Net Sales (\$)	\$1,328,894	\$1,092,985	\$912,484	\$597,675	\$597,675
Low Annual EBITDAR (\$)	\$110,686	\$(55,769)	\$(89,846)	\$(105,554)	\$(105,554)

Notes to Tables 1 - 3

1. The Tables include the Franchised Locations and Company Locations that were in operation during FY 2023. We excluded four (4) Krystal Business that operated as Company Locations and five (5) Krystal Businesses that operated as Franchise Locations for a portion of the year but closed permanently during FY2023. Additionally, a total of 20 Krystal Businesses that operated for a portion of the year as Company Locations but were purchased by franchisees in March 2023 and May 2023 are excluded from the Company Locations results above and are included in the Franchised Locations results above for the portion of FY2023 that they were owned by the franchisees. We include financial information for: (i) free-standing restaurants that are not co-branded with any other business (“Traditional Krystal Businesses”); and (ii) restaurants located within another primary business or operated in conjunction with other businesses, or in an institutional setting (“Non-Traditional Krystal Businesses”). Non-Traditional Krystal Businesses may share their premises with other businesses or within a host facility and may provide limited menu items.
2. Gross sales is defined in the Franchise Agreement as the total sum of all revenue, income and consideration from the sale of merchandise, products and services sold to customers whether or not sold or performed at or from the Krystal Business, and whether received in cash, coupon, in services in kind, from barter and/or exchange, on credit (whether or not payment is received) or otherwise, less any refunds, allowances, and discounts. Gross Sales does not include: (i) revenues collected from a customer and later refunded to that customer; (ii) any sales or use taxes paid to a government agency; or (iii) any tips, gratuities or service charges paid directly by customers to employees. Due to rounding, the percentages may not equal 100%.
3. The term “Average,” also known as the “mean,” is calculated as the sum of all data points in a set, divided by the number of data points in that set. The term “Median” used in this Item 19 means the unit with the middle result. For example, if there are 105 units, then the 53rd restaurant is the median. If there are 100 units, then the average of the results of the 50th and 51st restaurants is the median. Due to rounding, the percentages shown above may not equal 100%.
4. The data in the Tables above for Franchised Locations was prepared using financial information provided to us by franchisees. The franchisees' financial information is not audited. The data above for Company Locations was prepared from our internal operating records.
5. Operational Costs in Table 3 provides certain selected costs of the Company Locations. Each cost category is calculated separately, which means the location with the highest expense in one category may not be the same store with the highest expense in the next category. The average costs are shown as a percentage of Gross Sales and is calculated by dividing the total costs of the Company Locations in the category, by the total Gross Sales of the Company Locations in that Category. The following terms are used in Table 2, and have the following meanings:

“*Cost of Sales*” means the cost of all ingredients, food, beverage, and paper supplies used in the operation of the Krystal Business. The food, beverage, and paper costs may vary among Krystal Restaurants, but the costs to Company Locations for these items did not materially differ from the costs franchisees would pay for the same items.

“*Gross Profit*” as used in this Item 19 means the Gross Sales minus Cost of Sales.

“*Royalty & Marketing Fees*” - As a franchisee, you will be required to pay royalty fees to us and certain marketing fees to the Brand Fund and, if applicable, an Advertising Cooperative. Table 3 reflects the following, as the royalty fees and marketing costs for a new franchisee:

- Royalty fees payable to us of 5.0% of Gross Sales, and
- Contributions to the Brand Fund of 4.5% of Gross Sales. As described further in Items 6 and 11, the amount that you will contribute to the Brand Fund may vary between 1% and 4.5% of Gross Sales, based on whether your Krystal Business will be part of an Advertising Cooperative and a DMA.

“*Other Operating Expenses*” refers to other cost of the businesses that include the following: labor, payroll taxes, contract services, software fees, utilities, operating supplies, small equipment, repair and maintenance, utilities, office supplies, insurance, personal property taxes and business licenses. This excludes rent, real estate tax, income tax, interest, depreciation, and amortization.

“*EBITDAR*” means Earnings Before Interest, Tax, Depreciation, Amortization, and Rent.

Additional Factors and Costs – As noted above, the figures in Table 3 do not include costs for rent, real estate taxes, interest, income taxes, depreciation, and amortization. Additionally, you may also incur other types of expenses, cost and deposits in operating your franchise, such as: franchisee compensation over and above that earned from the operations of the Franchise (such as a salary that you may draw); debt service; facilities and property maintenance; employee benefits (such as health, vacation and pension plan contributions depending on the benefits you decide to offer to your staff); ongoing and supplemental training expenses; and recruitment expenses.

6. We strongly advise you to conduct an independent investigation of this information and the opportunity to buy a franchise so that you can decide whether or not you think the franchise will meet your financial needs. Among other things, we recommend that you contact the current and former franchisees listed in this Disclosure Document and that you also consult with a qualified attorney, accountant, and other professional advisors before entering into a Franchise Agreement. We suggest that you develop and review with your own professional advisors a pro forma cash flow statement, balance sheet and statement of operations, and that you make your own financial projections regarding sales, costs, customer base, and business development for your own Krystal Business.
7. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may

provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Senior Director of Franchise at 1455 Lincoln Parkway E., Suite 600, Dunwoody, Georgia 30346, (770) 351-4600 or the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2021 – 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	110	105	-5
	2022	105	127	+22
	2023	127	143	+16
Company-Owned	2021	181	182	1
	2022	182	160	-22
	2023	160	137	-23
Total Outlets	2021	291	287	-4
	2022	287	287	0
	2023	287	280	-7

Table No. 2

Transfers from Franchisees to New Owners (other than the Franchisor)
For Years 2021 - 2023

State	Year	Number of Transfers
Florida	2021	0
	2022	0
	2023	3
Georgia	2021	0
	2022	6
	2023	0
Totals	2021	0
	2022	6
	2023	3

Table No. 3

Status of Franchised Outlets
For Years 2021 – 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2021	11	0	0	0	0	0	11
	2022	11	0	0	0	0	0	11
	2023	11	3	0	0	0	0	14
Arkansas	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	9	0	0	0	0	1	8
	2022	8	21*	0	0	0	0	29
	2023	29	1	0	0	0	0	30
Georgia	2021	39	1	0	0	1	3	36
	2022	36	0	0	0	0	1	35
	2023	35	6	0	0	0	1	40
Kentucky	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Louisiana	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Mississippi	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14
	2023	14	0	0	0	0	1	13
Puerto Rico	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Tennessee	2021	30	0	0	0	1	0	29
	2022	29	0	0	0	0	0	29
	2023	29	10	0	0	0	2	37
Totals	2021	110	1	0	0	2	4	105
	2022	105	23*	0	0	0	1	127
	2023	127	20	0	0	0	4	143

*In 2022, 21 Company-owned and affiliate-owned Krystal Businesses in Florida were sold to a franchisee.

Table No. 4

Status of Company-Owned Outlets
For Years 2021 - 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Alabama	2021	31	0	0	0	0	31
	2022	31	0	0	0	0	31
	2023	31	1	0	1	3	28
Arkansas	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Florida	2021	23	0	0	0	0	23
	2022	23	0	0	1	21*	1
	2023	1	0	0	0	1	0
Georgia	2021	66	0	1	0	0	67
	2022	67	0	0	0	0	67
	2023	67	0	0	1	6	60
Kentucky	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Mississippi	2021	10	0	0	0	0	10
	2022	10	0	0	0	0	10
	2023	10	0	0	0	0	10
South Carolina	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Tennessee	2021	48	0	1	1	0	48
	2022	48	0	0	0	0	48
	2023	48	0	0	2	10	36
Total Outlets	2021	181	0	2	1	0	182
	2022	182	0	0	1	21*	160
	2023	160	1	0	4	20	137

*In 2022, 21 Company-owned and affiliate-owned Krystal Businesses in Florida were sold to a franchisee.

**In 2022, one Company-owned Krystal Business in Georgia was temporarily closed and has not reopened, and in 2023, a second Company-owned Krystal Business in Georgia was temporarily closed.

Table No. 5

Projected Openings as of
January 1, 2024 (for 2024)

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	1	4	0
Florida	0	4	0
Georgia	0	2	1

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
New Jersey	0	0	1
North Carolina	1	2	0
South Carolina	0	0	2
Texas	0	2	0
Total	2	14	4

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit E. The name, last known address and telephone number of every current franchisee and every franchisee who has had a Krystal Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the one-year period ending December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, are listed in Exhibit E. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the Krystal System. During the last three years, we have had franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Krystal Franchise System. If you buy a Krystal Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

The following independent franchisee association has asked to be included in this disclosure document: KF Franchisee Association, Inc., which may be reached at P.O. Box 725487, Atlanta, GA 31139-9487; Telephone: 404-352-2848; Fax 404-352-4472.

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit B to this disclosure document are the audited consolidated financial statements for Krystal Restaurants LLC and Subsidiaries as of and for the fiscal years ended December 31, 2023, January 1, 2023, and December 26, 2021. Our fiscal year-end is the closest Sunday to December 31st.

ITEM 22 CONTRACTS

Exhibit C	Franchise Agreement
Exhibit D	Area Development Agreement
Exhibit F	State Specific Disclosures
Exhibit G	State Specific Amendments to the Franchise Agreement and Development Agreement
Exhibit H	Contracts for Use With the Krystal Franchise:
Exhibit H - 1	Sample General Release Agreement
Exhibit H - 2	Sample System Protection Agreement
Exhibit H - 3	Sample Confidentiality Agreement
Exhibit H - 4	Automatic Clearing House Payment Authorization Form
Exhibit H - 5	Sample Approval of Requested Assignment
Exhibit H - 6	Lease Addendum
Exhibit H - 7	Krystal Advertising Cooperative Subscription Agreement

Exhibit H – 8	Non-Traditional Addendum to Franchise Agreement
Exhibit H - 9	Conversion Addendum to Franchise Agreement
Exhibit H - 10	Franchisee Training Agreement and Release of Liability
Exhibit J	Franchise Disclosure Questionnaire

ITEM 23
RECEIPT

The last pages of this Franchise Disclosure Document, Exhibit L, are a detachable document, in duplicate. Please detach, sign, date and return one copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

EXHIBIT A

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (899) 275-2677 www.dfpi.ca.gov and Ask.DFPI@dfpi.ca.gov	NEW YORK New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, New York 10005 (212) 416-8285
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fourteenth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Securities Regulation 124 South Euclid Avenue, 2 nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General’s Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 335-7567	WASHINGTON Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (899) 275-2677 www.dfpi.ca.gov and Ask.DFPI@dfpi.ca.gov 7	NEW YORK New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fourteenth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
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MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General’s Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 335-7567	WASHINGTON Director of Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT B

FINANCIAL STATEMENTS



Krystal Restaurants, LLC and Subsidiaries

Independent Auditor's Report and Consolidated Financial Statements

Fiscal Years Ended December 31, 2023 and January 1, 2023




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1222 Demonbreun Street, Suite 950 / Nashville, TN 37203

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forvis.com

Independent Auditor's Report

Board of Managers
Krystal Restaurants, LLC and Subsidiaries
Dunwoody, GA

Opinion

We have audited the consolidated financial statements of Krystal Restaurants, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and January 1, 2023 and the related consolidated statements of operations, changes in member's equity, and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Krystal Restaurants, LLC and Subsidiaries as of December 31, 2023 and January 1, 2023, and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Krystal Restaurants, LLC and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Krystal Restaurants, LLC and Subsidiaries' ability to continue as a going concern one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

Nashville, TN
April 26, 2024

Krystal Restaurants, LLC and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and January 1, 2023

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,986,377	\$ 4,770,933
Restricted cash	1,339,293	-
Receivables, net of allowance for credit losses of \$116,742 and \$0, respectively	5,083,134	4,668,268
Inventories	1,413,310	1,662,298
Prepayments and other current assets	1,193,973	2,284,610
Total current assets	17,016,087	13,386,109
Property and equipment, net	18,549,548	24,577,625
Right-of-use asset - operating	104,393,483	128,320,181
Right-of-use asset - financing	1,454,475	902,748
Goodwill, net	7,596,423	8,789,746
Other intangibles, net	12,349,474	13,635,789
Deferred financing costs, net	727,421	291,922
Other non-current assets	93,465	146,533
Total assets	<u>\$ 162,180,376</u>	<u>\$ 190,050,653</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 9,457,756	\$ 9,960,018
Accrued liabilities	6,663,584	6,847,536
Deferred revenue	355,000	385,625
Current portion of operating lease liability	12,672,350	14,210,433
Current portion of finance lease liability	72,509	39,016
Total current liabilities	29,221,199	31,442,628
Revolving line of credit	18,022,033	18,347,033
Operating lease liability, net of current portion	93,793,002	114,431,489
Finance lease liability, net of current portion	1,483,156	1,015,998
Other noncurrent liabilities	1,502,020	1,149,355
Total liabilities	144,021,410	166,386,503
Member's equity:		
Paid-in capital	64,138,021	56,638,021
Accumulated deficit	(45,979,055)	(32,973,871)
Total member's equity	18,158,966	23,664,150
Total liabilities and member's equity	<u>\$ 162,180,376</u>	<u>\$ 190,050,653</u>

See accompanying notes.

Krystal Restaurants, LLC and Subsidiaries
Consolidated Statements of Operations
Fiscal Years Ended December 31, 2023 and January 1, 2023

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
Revenues	<u>\$ 170,725,248</u>	<u>\$ 211,136,702</u>
Company restaurant costs:		
Food and packaging	48,996,802	66,674,733
Payroll and employee benefits	49,419,701	61,393,316
Occupancy and other operating costs	<u>40,517,932</u>	<u>48,261,295</u>
Total company restaurant costs	138,934,435	176,329,344
Operating expenses:		
Selling, general and administrative	27,370,928	33,847,403
Franchised restaurants - occupancy	1,255,494	709,585
Depreciation and amortization	8,821,250	11,258,514
Management fees and related expenses	1,250,000	1,362,655
Restructuring expense	1,978,106	2,248,336
Loss on disposal of property and equipment	<u>2,308,550</u>	<u>2,507,278</u>
Total operating costs and expenses	<u>181,918,763</u>	<u>228,263,115</u>
Operating loss	<u>(11,193,515)</u>	<u>(17,126,413)</u>
Other (income) expense:		
Interest expense	1,944,865	739,718
Other income	<u>(327,042)</u>	<u>(134,049)</u>
Total other expense	<u>1,617,823</u>	<u>605,669</u>
Loss before state franchise tax expense	(12,811,338)	(17,732,082)
State franchise tax expense	<u>193,846</u>	<u>122,000</u>
Net loss	<u><u>\$ (13,005,184)</u></u>	<u><u>\$ (17,854,082)</u></u>

See accompanying notes.

Krystal Restaurants, LLC and Subsidiaries
Consolidated Statements of Member's Equity
Fiscal Years Ended December 31, 2023 and January 1, 2023

	<u>Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, at December 26, 2021	\$ 53,138,021	\$ (8,600,164)	\$ 44,537,857
Capital contribution	3,500,000	-	3,500,000
Distributions	-	(6,519,625)	(6,519,625)
Net loss	<u>-</u>	<u>(17,854,082)</u>	<u>(17,854,082)</u>
Balance, at January 1, 2023	56,638,021	(32,973,871)	23,664,150
Capital contribution	7,500,000	-	7,500,000
Net loss	<u>-</u>	<u>(13,005,184)</u>	<u>(13,005,184)</u>
Balance, at December 31, 2023	<u><u>\$ 64,138,021</u></u>	<u><u>\$ (45,979,055)</u></u>	<u><u>\$ 18,158,966</u></u>

Krystal Restaurants, LLC and Subsidiaries
Consolidated Statements of Cash Flows
Fiscal Years Ended December 31, 2023 and January 1, 2023

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
Cash flows from operating activities:		
Net loss	\$ (13,005,184)	\$ (17,854,082)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	8,821,250	11,258,514
Amortization of deferred financing costs	137,570	80,740
Noncash operating lease expense	12,981,675	13,698,255
Amortization of vendor advance	121,628	(133,083)
Loss on sale of property and equipment	2,308,550	2,507,278
Changes in operating assets and liabilities:		
Receivables	(414,866)	(1,821,909)
Inventories	248,988	110,670
Prepayments and other assets	1,143,705	(753,333)
Accounts payable	(502,262)	2,346,882
Accrued liabilities	(183,952)	(1,650,737)
Deferred revenue	(30,625)	385,625
Lease liabilities - operating	(11,197,502)	(15,081,885)
Other liabilities	231,037	68,825
Net cash provided by (used in) operating activities	<u>660,012</u>	<u>(6,838,240)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,256,974)	(7,140,130)
Proceeds from disposal of property and equipment	<u>700,100</u>	<u>425,000</u>
Net cash used in investing activities	<u>(2,556,874)</u>	<u>(6,715,130)</u>
Cash flows from financing activities:		
Payments on finance lease liability	(150,332)	(42,627)
(Payments on) proceeds from revolving line of credit, net	(325,000)	17,347,033
Deferred financing costs	(573,069)	(250,000)
Member contributions	7,500,000	3,500,000
Distribution to member	-	(6,519,625)
Net cash provided by financing activities	<u>6,451,599</u>	<u>14,034,781</u>
Net increase in cash and cash equivalents	4,554,737	481,411
Cash and cash equivalents and restricted cash, beginning of fiscal year	<u>4,770,933</u>	<u>4,289,522</u>
Cash and cash equivalents and restricted cash, end of fiscal year	<u>\$ 9,325,670</u>	<u>\$ 4,770,933</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 1,631,820</u>	<u>\$ 618,567</u>
Cash paid for state franchise taxes	<u>\$ 75,000</u>	<u>\$ 50,000</u>

See accompanying notes.

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Organization and business activities

Krystal Restaurants, LLC (the "Company"), a Delaware corporation, is engaged primarily in the development, operation, and franchising of quick-service restaurants in the southeastern United States. As of December 31, 2023, there were 278 Krystal restaurants operating in the United States of which 136 restaurants are owned by the Company and 142 are owned by franchisees. As of January 1, 2023, there were 286 Krystal restaurants operating in the United States of which 161 restaurants are owned by the Company and 125 are owned by franchisees. The Company is a wholly owned subsidiary of DB KRST Investors, LLC. DB KRST Investors, LLC has no significant assets or operations other than its investment in the Company.

Basis of presentation

The accompanying consolidated financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Reclassifications

Certain amounts as previously reported on the consolidated balance sheet and consolidated statement of operations as of and for the year ended January 1, 2023 have been reclassified for consistency within the current year presentation. Losses on disposal of property and equipment were reclassified from other (income) expense to operating expenses. The reclassification had no effect on the previously reported results of operations, member's equity, or cash flows from operating activities in the consolidated statement of cash flows.

Reporting period

The Company reports on a "52-53" week basis and ends the Sunday closest to December 31st each year. Fiscal 2023 year-end represents the 52-week period ending December 31, 2023. Fiscal 2022 year-end represents the 53-week period ending January 1, 2023.

Principles of consolidation

The accompanying consolidated financial statements consist of the wholly owned subsidiaries, Krystal Leaseco LLCs (140 total) as of December 31, 2023 and January 1, 2023. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with original maturities of three months or less. The Company maintains cash depository accounts, which, at times, may exceed federally insured limits. This risk is managed by maintaining all deposits in high quality financial institutions. The Company has not experienced any losses in such accounts.

Restricted cash

The Company maintains certain cash balances restricted as to withdrawal or use related to the advertising cooperatives that exist between the Company and its franchisees. These funds must be used for stated purposes in the related franchise agreements for advertising and promotional purposes.

The following is included in cash and cash equivalents, and restricted cash on the consolidated statements of cash flows:

	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Cash and cash equivalents	\$ 7,986,377	\$ 4,770,933
Restricted cash	<u>1,339,293</u>	<u>-</u>
	<u>\$ 9,325,670</u>	<u>\$ 4,770,933</u>

Accounts receivable

The Company's accounts receivable consists primarily of amounts due from credit card sales and amounts due from franchisees for royalties and advertising. Credit card receivables are generally collected within a short time frame and historically there have been no collectability issues. The Company monitors the amounts due from franchisees continually and maintains an allowance for expected credit losses for estimated losses resulting from the inability of any of its franchisees to make required payments.

Current expected credit losses

Receivable collectability is evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs and changes in the general market or business conditions that the Company has exposure. Specific events, such as bankruptcies, are also considered when applicable. Adjustments to the reserve for credit losses are made, when necessary, based on the results of analysis, the aging of receivables and historical and industry trends. The Company periodically evaluates the impact of observable external factors on the collectability of the financing receivables to determine if adjustments to the reserve for credit losses should be made based on current conditions or reasonable and supportable forecasts. Accounts receivable are written off in the period in which the receivable is deemed uncollectible. An allowance for credit losses of \$116,724 was deemed necessary as of December 31, 2023. No allowance was recorded as of January 1, 2023.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined using the first-in, first-out basis, and consist primarily of food, paper products, and other supplies. Amounts collected from vendors related to volume rebates are amortized based on usage and are recorded as a reduction of company restaurant costs in the consolidated statements of operations.

Property and equipment

All property and equipment are stated at cost. Expenditures which materially increase useful lives are capitalized, whereas ordinary maintenance and repairs are expensed as incurred. Depreciation of property and equipment is computed using the straight-line method for financial reporting purposes over the estimated useful lives of the related assets as follows:

Building and improvements	15 - 39 years
Equipment	5 years
Furniture and fixtures	7 years
Software	3 years
Leasehold improvements	Shorter of lease term, including reasonably assured renewal options, or 10 years

Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets from the businesses that the Company has acquired. The Company applies the provisions of ASC 350, *Intangibles - Goodwill and Other*, and has elected to amortize goodwill on a straight-line basis over a period of ten years. The Company evaluates goodwill for impairment only when a triggering event occurs indicating the fair value of the Company may be less than its carrying amount. When a triggering event occurs, the Company performs a qualitative assessment to determine if a quantitative test is needed. If that assessment demonstrates that it is more likely than not that an impairment does not exist, no further testing is required. If impairment of goodwill is more likely than not, a quantitative test is required that compares the fair value of the Company with its carrying amount. The amount by which the carrying amount exceeds fair value is recorded as an impairment loss, up to the carrying amount of goodwill. Management of the Company determined that certain conditions had occurred during the fiscal years ended December 31, 2023 and January 1, 2023 which required the evaluation of goodwill impairment. Management of the Company determined no impairment of goodwill was required as of December 31, 2023 or January 1, 2023.

The Company's franchise agreements are subject to amortization and are amortized using the straight-line method over the average remaining term of the agreement. The Company's tradename is not subject to amortization and has an indefinite life and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. No impairment of tradename was recorded in either fiscal year ended December 31, 2023 or January 1, 2023.

Long-lived assets

The Company reviews the carrying value of long-lived assets subject to depreciation and amortization for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flow expected to result from its use and eventual disposition. In cases where the estimated undiscounted future cash flow is less than the carrying value of an asset, an impairment loss is recognized equal to the amount by which the carrying value exceeds the fair value of the asset. No impairment indicators exist as of December 31, 2023 or January 1, 2023.

Accrued liabilities

Accrued liabilities consist primarily of accrued compensation and related benefits, state and local taxes, and other current liabilities incurred through operations.

Leases

The Company operates restaurants that are located on sites leased by the Company through its wholly owned subsidiaries, Krystal Leasescos LLC, and third parties. Rental expense of the Company and income of Krystal Leasescos LLC are eliminated in consolidation. The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right of use ("ROU") assets and lease liabilities on the

consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date. The Company combines lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office spaces. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all operating lease liabilities or the implicit rate in the lease if it is readily determinable. The risk-free rate is determined using a period comparable with the lease term. The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Company has elected not to record leases with an initial term of 12 months or less on the consolidated balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Deferred financing costs

Deferred financing costs include fees and costs incurred to obtain financing and are being amortized over the term of the respective obligations, utilizing the effective interest method. Amortization expense for deferred financing costs for the fiscal years ended December 31, 2023 and January 1, 2023 was \$137,750 and \$80,740, respectively, and is included as a component of interest expense in the consolidated statements of operations.

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants as well as royalties, rents and fees from restaurants operated by franchisees. Revenues from restaurant sales at Company-operated restaurants are recognized upon delivery of food to the customer. Sales taxes collected and remitted are reported on a net basis and thus are not included in revenue. Sales taxes collected from its customers are included as a component of accrued liabilities on the consolidated balance sheets. Payment for restaurant sales is due from the customer at the time of service.

The Company's franchise agreements provide the franchisee the right to construct, own, and operate a Krystal Restaurant upon a site accepted by the Company for a term specified within the agreement, subject to renewal based upon qualifying criteria detailed within the franchise agreement. An initial franchise fee is required to be paid to the Company thirty days prior to the scheduled opening date of the franchised restaurant and includes two distinct performance obligations. The Company has elected the practical expedient afforded to private-company franchisors to account for preopening services as a single performance obligation. The Company provides each new franchisee with owner and staff training as well as grand opening support. A portion of the initial franchise fee has been allocated to this performance obligation, which is satisfied upon the franchised restaurant's opening. In addition, the Company provides the franchised restaurant with certain ongoing services, such as authorization to use the Company's proprietary marks and trade name throughout the term of the agreement. The revenue allocated to this performance obligation is recognized ratably over the life of the agreement.

Franchise and advertising agreements are available for a single Krystal restaurant or for a multi-unit development over a specified period of time. The multi-unit development agreement establishes the number of restaurants the franchisee or licensee is to construct and open in the defined franchise area during the term of the agreement. New franchisees and licensees, as well as ongoing renewals, are required to pay the Company an initial franchise or license fee plus a weekly royalty and service fee of up to 5.0% and advertising fee of up to 4.5% of the restaurants' weekly gross receipts for the duration of the franchise agreement. These revenues are recognized at the time the underlying sales occur.

The Company provides goods or services related to various on-going services to certain franchisees that are distinct from the franchise agreement because they do not require integration with other goods or services the Company provides. The Company has determined that it is the principal in these arrangements. Accordingly, the related

Krystal Restaurants, LLC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and January 1, 2023

revenue is presented on a gross basis on the consolidated statements of operations. These revenues are recognized as the goods or services and transferred to the franchisee, and related expenses are recognized as incurred.

The Company's revenues disaggregated by major source are as follows during the fiscal years ended:

	<u>2023</u>	<u>2022</u>
Company-operated restaurant sales	\$ 157,893,920	\$ 201,274,965
Revenues from franchised restaurants	<u>12,831,328</u>	<u>9,861,737</u>
	<u>\$ 170,725,248</u>	<u>\$ 211,136,702</u>

Advertising

Advertising costs are expensed upon first showing of the advertisement and other advertising costs are expensed as incurred. Production and media costs for the fiscal years ended December 31, 2023 and January 1, 2023 was approximately \$10,819,000 and \$14,741,000, respectively.

Pre-opening expenses

Pre-opening expenses are expensed as incurred. These costs include costs associated with the opening and organizing of new stores, including payroll, utilities, training, recruiting, and travel costs for employees engaged in such startup activities. All rent incurred during construction periods is expensed and classified as a component of restructuring expenses on the consolidated statements of operations.

Income taxes and state franchise taxes

The Company, with the consent of its member, has elected to be formed as a limited liability company. The Company has also elected to be treated as a partnership for federal and state tax purposes. In lieu of paying federal and most state and local income taxes at the company level, the member of a limited liability company is taxed on their proportionate share of the Company's taxable operations. Accordingly, no provision or liability for federal or state income taxes has been included in the consolidated financial statements.

The Company accounts for uncertainty in income taxes using the provisions of ASC 740, *Income Taxes*. Using that guidance, tax positions are recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. As of December 31, 2023 and January 1, 2023, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. It is the Company's policy to include any penalties and interest related to income taxes in other expense. Additionally, the Company had no interest and penalties related to income taxes.

The Company is subject to state franchise tax obligations for restaurants operating in Tennessee. During the fiscal years ended December 31, 2023 and January 1, 2023, the Company incurred \$193,846 and \$122,000, respectively.

Related party transactions

The Company has entered into a consulting services agreements with certain affiliates (the "Advisors"). Pursuant to the consulting services agreements, the Advisors will provide the Company with advice on acquisition or sale transaction services, capital sourcing, strategic and tactical planning and selection and retention of key employees. As compensation for these services, the Company will pay the Advisors in advance a quarterly management fee subject to certain restrictions and subordination to the Company's credit agreement. Management fee expense under the management advisory agreement for the years ended December 31, 2023 and January 1, 2023 was

approximately \$1,250,000 and \$1,362,655, respectively. These charges are reflected in management fees and related expenses in the accompanying consolidated statements of operations.

Credit and economic risk

The Company's sources of liquidity have been and are expected to be cash from operating activities, available cash balances, capital contributions from its equity partners and revolving credit facility. The majority of the Company's sales are made to individual consumers in the quick-service restaurant industry on a cash basis or through the use of credit cards. The condition of the capital and credit markets could result in additional costs to the Company with respect to borrowings. In addition, the Company's operating cash flows might be adversely affected by adverse consequences to the Company's customers and the markets in which the Company competes.

Fair value measurements

ASC 820, *Fair Value Measurement and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or observable inputs corroborated by market data

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The values assigned to acquired intangible assets on the accompanying consolidated balance sheets as of the acquisition date were derived primarily from the allocation of the consideration paid using various valuation methodologies utilizing Level 3 inputs and are not remeasured to fair value on a recurring basis.

Insurance related matters

The Company maintains insurance for both property damage and business interruption relating to catastrophic events, such as fires and hurricanes. Insurance recoveries received in excess of the net book value of damaged assets, clean-up and demolition costs, and post-event costs are recognized as a gain on disposal of fixed assets on the consolidated statements of operations in the period received or committed when all contingencies associated with the recoveries are resolved. Property damage insurance proceeds are classified as cash flows from investing activities in the consolidated statements of cash flows. The Company received no proceeds related to property damage insurance and business interruption during the fiscal years ended December 31, 2023 and January 1, 2023.

Change in Accounting Principle

On January 2, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326) ("ASC 326"). This guidance, commonly referred to as Current Expected Credit Loss ("CECL"), significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

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Financial assets held by the company that are subject to the guidance in ASC 326 are receivables. The impact of the adoption was not considered material to the consolidated financial statements.

Note 2. Property and Equipment

Property and equipment consisted of the following at:

	December 31, 2023	January 1, 2023
Leasehold improvements	\$ 22,213,751	\$ 22,923,453
Equipment	15,571,001	16,439,452
Furniture and fixtures	1,806,452	1,902,675
Construction in progress	755,967	1,967,242
Software	184,694	33,723
Accumulated depreciation	<u>(21,982,317)</u>	<u>(18,688,920)</u>
	<u>\$ 18,549,548</u>	<u>\$ 24,577,625</u>

During the fiscal years ended December 31, 2023 and January 1, 2023, the Company recognized depreciation expense of \$6,276,400 and \$8,848,721, respectively.

Note 3. Goodwill and Other Intangible Assets

The change net goodwill is as follows:

	Amortization Period	2023	2022
Goodwill	10 Years	\$ 11,933,230	\$ 11,933,230
Accumulated amortization		<u>(4,336,807)</u>	<u>(3,143,484)</u>
Goodwill, net		<u>\$ 7,596,423</u>	<u>\$ 8,789,746</u>

Intangible assets consist of the following:

		December 31, 2023		
	Amortizable Life (Years)	Gross Value	Accumulated Amortization	Net Value
Franchisee rights	7	\$ 9,400,000	\$ 4,650,526	\$ 4,749,474
Tradename	Indefinite	<u>7,600,000</u>	<u>-</u>	<u>7,600,000</u>
		<u>\$ 17,000,000</u>	<u>\$ 4,650,526</u>	<u>\$ 12,349,474</u>

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		January 1, 2023		
	<u>Amortizable Life (Years)</u>	<u>Gross Value</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>
Franchisee rights	7	\$ 9,400,000	\$ 3,364,211	\$ 6,035,789
Tradename	Indefinite	<u>7,600,000</u>	<u>-</u>	<u>7,600,000</u>
		\$ 17,000,000	\$ 3,364,211	\$ 13,635,789

During the fiscal years ended December 31, 2023 and January 1, 2023, the Company recognized amortization expense related to goodwill and franchise rights of \$2,479,638 and \$2,435,181, respectively.

Estimated amortization expense of goodwill and other intangible assets with definite lives for each of the five years subsequent to December 31, 2023 and thereafter are as follows:

	<u>Amortization Expense</u>
2024	\$ 2,536,180
2025	2,536,180
2026	2,536,180
2027	1,914,226
2028	1,193,323
Thereafter	<u>1,629,808</u>
Total	<u>\$ 12,345,897</u>

Note 4. Indebtedness

On July 3, 2020, the Company initially entered into a credit agreement (the "Credit Agreement") consisting of a revolving credit facility of \$10,000,000 and amended to \$20,000,000 on February 22, 2021. On December 19, 2022, the Company and its lender executed the second amendment to the Credit Agreement which among other items (a) reduced the borrowing capacity for the revolving loan commitment to \$19,000,000, (b) extended the maturity date of April 3, 2025 subject to other requirements as set forth in the Credit Agreement, and (c) converted the interest rate benchmark to SOFR. Interest is payable monthly at a variable rate of SOFR which has a floor of 0.25% plus a margin between 2.25% and 3.50% that is dependent upon the Company's consolidated senior lease adjusted leverage ratio as defined in the Credit Agreement.

On June 30, 2023, the Company and its lender executed the third amendment to the Credit Agreement, the sole purpose of which was to permit the issuance of a letter of credit secured by the Credit Agreement which otherwise would not have been permitted due to certain existing restrictions.

The Credit Agreement contains certain restrictive covenants, including maintaining certain financial covenants. The Company failed to comply with certain covenants during the periods from July through November 2023. As a result, on December 8, 2023, the Company and its lender entered into the fourth amendment to the Credit Agreement and limited waiver which waived the existing events of default. Additionally, the fourth amendment to the Credit Agreement, among other items, (a) extended the maturity date of the revolving loan to October 3, 2026 (b) redefined the permitted asset disposition definition to further restrict such dispositions in future periods (c) established revised

financial covenants related to minimum consolidated adjusted EBITDA levels beginning the first fiscal quarter of 2024 as well as a minimum liquidity requirement that must be maintained at all times (d) required an equity contribution of \$7,500,000 by the Company's ownership as well as the execution of an additional contribution agreement requiring a maximum of \$2,500,000 to be made available as a future equity contribution as a condition to effectiveness of the fourth amendment and (e) allows the Company to change its accounting calendar on a prospective basis.

The Credit Agreement is secured by assets and future acquired assets of the Company. As of December 31, 2023 there were outstanding borrowings of \$18,022,033 on the revolving line of credit and \$977,967 in letters of credit. As of January 1, 2023 there were outstanding borrowings of \$18,347,033 and \$652,967 on the revolving line of credit and letters of credit, respectively. Amounts outstanding under the Credit Facility are due in full upon maturity in October 2026.

Note 5. Leases

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date. The Company combines lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives.

The Company uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Company has elected to use the risk-free rate at the commencement date to determine the present value of lease payments.

The Company leases certain buildings and a number of restaurants (land and/or building) under non-cancelable lease agreements, some of which are subleased to third parties with rental operations recognized as earned. The restaurant lease terms are normally for a period of 15 to 20 years with options that permit renewals for additional periods and typically include escalating lease payments. Certain leases include contingent rentals based on sales in addition to the base rent. The building portions of certain restaurant leases have been recorded as finance leases, while the land portions have been recorded as operating leases.

Lease costs

The following table provides certain information related to the lease costs for finance and operating leases during the fiscal years ended December 31, 2023 and January 1, 2023:

	December 31, 2023	January 1, 2023
Finance lease cost:		
Interest	\$ 97,257	\$ 67,580
Depreciation	112,667	66,465
Operating lease cost	14,904,218	17,319,285
Short-term operating lease cost	648,228	828,541
Variable lease cost	80,997	117,298
	<u>\$ 15,843,367</u>	<u>\$ 18,399,169</u>

For the fiscal years ended December 31, 2023 and January 1, 2023, rental income under operating leases was approximately \$1,497,000 and \$770,000, respectively, and is included in other operating expenses, net in the accompanying consolidated statements of operations.

Supplemental cash flow information

The following table presents supplemental cash flow information for leases for the fiscal years ended December 31, 2023 and January 1, 2023:

	December 31, 2023	January 1, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance lease	\$ 65,212	\$ 67,580
Operating cash flows from operating leases	\$ 13,328,298	\$ 18,527,271
Financing cash flows from finance lease	\$ 150,332	\$ 42,627
Right of use assets obtained in exchange for new operating lease liabilities	\$ 201,346	\$ 20,936,733
Operating lease liabilities derecognized upon lease termination	\$ 11,180,414	\$ -

Undiscounted cash flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the finance lease liabilities and operating lease liabilities as of December 31, 2023:

	<u>Finance</u>	<u>Operating</u>
2024	\$ 165,527	\$ 14,118,757
2025	167,182	14,233,939
2026	182,960	15,420,249
2027	170,684	12,902,230
2028 and thereafter	<u>1,584,779</u>	<u>57,370,978</u>
Total minimum lease payments	2,271,133	114,046,153
Less: amount representing interest	<u>(715,468)</u>	<u>(7,580,801)</u>
Present value of future minimum lease payments	1,555,665	106,465,352
Less: current obligations under leases	<u>(72,509)</u>	<u>(12,672,350)</u>
Long-term lease obligations	<u>\$ 1,483,156</u>	<u>\$ 93,793,002</u>

Lease term and discount rate

	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Weighted average remaining lease term – finance leases	9.58 years	13.77 years
Weighted average remaining lease term – operating leases	12.90 years	10.60 years
Weighted average discount rate – finance leases	6.16%	6.18%
Weighted average discount rate – operating leases	1.64%	1.57%

Note 6. Member's Equity

The Company is a single member limited liability company. The management and control of the Company and its business affairs rest with DB KRST Investors, the Company's sole member, who exercises such rights in accordance with the Operating Agreement. Allocation of profits and losses and distributions are made in accordance with the Operating Agreement.

Note 7. Employee Benefit Plan

The Company sponsors a 401(k) plan that covers all eligible employees as defined by the plan agreement. Eligible employees are employees who are employed for 30 days and are at least 21 years of age. The plan permits participant deferrals up to the maximum limits allowed by the Internal Revenue Service. The plan also allows for a discretionary employer match. The Company recognized matching contributions of approximately \$47,000 and \$230,000 during the fiscal years ended December 31, 2023 and January 1, 2023, respectively.

Note 8. Commitments and Contingencies

Vendor purchase commitment

The Company has a multiyear purchase commitment with a beverage vendor for all of its company operated restaurants. The agreement requires a purchase commitment of approximately 4,067,000 gallons with approximately 2,609,000 and 2,905,000 of gallons remaining on the commitment as of December 31, 2023 and January 1, 2023, respectively. The Company received an advance of funding from this vendor as part of the agreement which the Company recognizes as a reduction of its company restaurant costs as it makes progress towards achieving the purchase volume commitment. The amount deferred was approximately \$1,070,000 and \$1,191,000 as of December 31, 2023 and January 1, 2023, respectively. The deferred amount is included in other noncurrent liabilities balance on the accompanying consolidated balance sheets.

Legal matters

The Company is subject to lawsuits, administrative proceedings and demands that arise in the ordinary course of business and which typically involve claims from customers, employees and others related to operational, employment, real estate and other issues common to the restaurant industry. A number of these claims may exist at any given time. The Company maintains coverage with a third-party insurer to limit its total exposure.

Note 9. Subsequent Events

The Company has evaluated subsequent events occurring through April 26, 2024, the date which the consolidated financial statements were available to be issued.

In January 2024, the Company received capital contributions totaling \$2,500,000 from members as described in Note 4 under the additional contribution agreement entered into in connection with the fourth amendment to the Credit Agreement.

Krystal Restaurants, LLC and Subsidiaries

Independent Auditor's Report and Consolidated Financial Statements

**Fiscal Years Ended
January 1, 2023 and
December 26, 2021**



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Independent Auditor's Report

Board of Managers
Krystal Restaurants, LLC and Subsidiaries
Dunwoody, GA

Opinion

We have audited the consolidated financial statements of Krystal Restaurants, LLC and Subsidiaries, which comprise the consolidated balance sheets as of January 1, 2023 and December 26, 2021 and the related consolidated statements of operations, changes in member's equity, and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Krystal Restaurants, LLC and Subsidiaries as of January 1, 2023 and December 26, 2021, and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Krystal Restaurants, LLC and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 6 to the consolidated financial statements, the Company has changed its method of accounting for leases in accordance with Accounting Standards Codification Topic 842, *Leases* effective December 27, 2021. The Company adopted this standard using an alternative transition method and has elected not to restate prior periods. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Krystal Restaurants, LLC and Subsidiaries' ability to continue as a going concern one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

**Birmingham, AL
May 25, 2023**

Krystal Restaurants, LLC and Subsidiaries
Consolidated Balance Sheets
January 1, 2023 and December 26, 2021

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,770,933	\$ 4,289,522
Receivables	4,668,268	2,846,359
Inventories	1,662,298	1,772,968
Prepayments and other current assets	<u>2,284,610</u>	<u>1,740,572</u>
Total current assets	13,386,109	10,649,421
Property and equipment, net	24,577,625	30,051,396
Right-of-use asset - operating	128,320,181	-
Right-of-use asset - financing	902,748	-
Goodwill, net	8,789,746	9,983,069
Other intangibles, net	13,635,789	14,922,105
Deferred financing costs, net	291,922	122,662
Other non-current assets	<u>146,533</u>	<u>122,376</u>
Total assets	<u>\$ 190,050,653</u>	<u>\$ 65,851,029</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 9,960,018	\$ 7,613,136
Accrued liabilities	6,847,536	8,498,273
Deferred revenue	385,625	-
Current portion of operating lease liability	14,210,433	-
Current portion of finance lease liability	<u>39,016</u>	<u>39,016</u>
Total current liabilities	31,442,628	16,150,425
Revolving line of credit	18,347,033	1,000,000
Operating lease liability, net of current portion	114,431,489	-
Finance lease liability, net of current portion	1,015,998	1,058,625
Other noncurrent liabilities	<u>1,149,355</u>	<u>3,104,122</u>
Total liabilities	<u>166,386,503</u>	<u>21,313,172</u>
Member's equity:		
Paid-in capital	56,638,021	53,138,021
Accumulated deficit	<u>(32,973,871)</u>	<u>(8,600,164)</u>
Total member's equity	<u>23,664,150</u>	<u>44,537,857</u>
Total liabilities and member's equity	<u>\$ 190,050,653</u>	<u>\$ 65,851,029</u>

See accompanying notes.

Krystal Restaurants, LLC and Subsidiaries
Consolidated Statements of Operations
Fiscal Years Ended January 1, 2023 and December 26, 2021

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Revenues	<u>\$ 211,136,702</u>	<u>\$ 227,619,517</u>
Company restaurant costs:		
Food and packaging	66,674,733	63,418,340
Payroll and employee benefits	61,393,316	61,406,005
Occupancy and other operating costs	<u>48,261,295</u>	<u>46,790,393</u>
Total company restaurant costs	176,329,344	171,614,738
Operating expenses:		
Selling, general and administrative	33,847,403	31,967,739
Franchised restaurants- occupancy	709,585	1,028,766
Depreciation and amortization	11,258,514	10,496,227
Management fees and related expenses	1,362,655	1,405,960
Restructuring expense	<u>2,248,336</u>	<u>649,124</u>
Total operating costs and expenses	<u>225,755,837</u>	<u>217,162,554</u>
Operating (loss) income	<u>(14,619,135)</u>	<u>10,456,963</u>
Other (income) expense:		
Interest expense	739,718	417,193
Loss on disposal of property and equipment	2,507,278	-
Other income	<u>(134,049)</u>	<u>(1,962,717)</u>
Total other expense (income)	<u>3,112,947</u>	<u>(1,545,524)</u>
(Loss) income before state franchise tax expense	(17,732,082)	12,002,487
State franchise tax expense	<u>122,000</u>	<u>373,628</u>
Net (loss) income	<u><u>\$ (17,854,082)</u></u>	<u><u>\$ 11,628,859</u></u>

See accompanying notes.

Krystal Restaurants, LLC and Subsidiaries
Consolidated Statements of Member's Equity
Fiscal Years Ended January 1, 2023 and December 26, 2021

	<u>Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, at December 28, 2020	\$ 53,138,021	\$ (167,534)	\$ 52,970,487
Distributions	-	(20,061,489)	(20,061,489)
Net income	<u>-</u>	<u>11,628,859</u>	<u>11,628,859</u>
Balance, at December 26, 2021	53,138,021	(8,600,164)	44,537,857
Capital contribution	3,500,000	-	3,500,000
Distributions	-	(6,519,625)	(6,519,625)
Net loss	<u>-</u>	<u>(17,854,082)</u>	<u>(17,854,082)</u>
Balance, at January 1, 2023	<u>\$ 56,638,021</u>	<u>\$ (32,973,871)</u>	<u>\$ 23,664,150</u>

Krystal Restaurants, LLC and Subsidiaries
Consolidated Statements of Cash Flows
Fiscal Years Ended January 1, 2023 and December 26, 2021

	Fiscal Year 2022	Fiscal Year 2021
Cash flows from operating activities:		
Net (loss) income	\$ (17,854,082)	\$ 11,628,859
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:		
Depreciation and amortization	11,258,514	10,496,227
Amortization of deferred financing costs	80,740	84,819
Deferred rent expense, ASC 840	-	1,234,725
Noncash operating lease expense, ASC 842	13,698,255	-
Amortization of vendor advance	(133,083)	(411,549)
Loss on sale of property and equipment	2,507,278	-
Changes in operating assets and liabilities:		
Receivables	(1,821,909)	592,926
Inventories	110,670	(121,684)
Prepayments and other assets	(753,333)	(181,964)
Accounts payable	2,346,882	(289,954)
Accrued liabilities	(1,650,737)	43,145
Deferred revenue	385,625	(1,382,716)
Lease liabilities - operating	(15,081,885)	-
Other liabilities	68,825	-
Net cash (used) provided by operating activities	<u>(6,838,240)</u>	<u>21,692,834</u>
Cash flows from investing activities:		
Purchases of property and equipment	(7,140,130)	(5,278,418)
Proceeds from disposal of property and equipment	425,000	-
Cash paid for business acquisition	-	(200,000)
Net cash used in investing activities	<u>(6,715,130)</u>	<u>(5,478,418)</u>
Cash flows from financing activities:		
Payments on finance lease liability	(42,627)	(39,016)
Proceeds on revolving line of credit, net	17,347,033	1,000,000
Deferred financing costs	(250,000)	(54,703)
Member contributions	3,500,000	-
Distribution to member	(6,519,625)	(20,061,489)
Net cash provided (used) by financing activities	<u>14,034,781</u>	<u>(19,155,208)</u>
Net increase (decrease) in cash and cash equivalents	481,411	(2,940,792)
Cash and cash equivalents, beginning of fiscal year	<u>4,289,522</u>	<u>7,230,314</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 4,770,933</u>	<u>\$ 4,289,522</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 618,567	\$ 259,191
Cash paid for state franchise taxes	\$ 50,000	\$ 490,000

See accompanying notes.

Notes to Consolidated Financial Statements

1. Nature of Business and Summary of Significant Accounting Policies

Organization and business activities

Krystal Restaurants, LLC (the “Company”), a Delaware corporation, is engaged primarily in the development, operation, and franchising of quick-service restaurants in the southeastern United States. As of January 1, 2023, there were 286 Krystal restaurants operating in the United States of which 161 restaurants are owned by the Company and 125 are owned by franchisees. As of December 26, 2021, there were 287 Krystal restaurants operating in the United States of which 182 restaurants were owned by the Company and 105 were owned by franchisees. The Company is a wholly owned subsidiary of DB KRST Investors, LLC. DB KRST Investors, LLC has no significant assets or operations other than its investment in the Company.

Basis of presentation

The accompanying consolidated financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Reclassifications

Certain amounts as previously reported on the consolidated balance sheet and consolidated statement of operations as of and for the year ended December 26, 2021 have been reclassified for consistency within the current year presentation. Approximately \$4,260,000 was reclassified from selling, general and administrative to occupancy and other operating costs. The reclassification had no effect on the previously reported results of operations, member's equity, or cash flows from operating activities in the consolidated statement of cash flows.

Reporting period

The Company reports on a “52-53” week basis and ends on the last Sunday of the year. Fiscal 2022 year-end represents the 53-week period ending January 1, 2023. Fiscal 2021 year-end represents the 52-week period ending December 26, 2021.

Principles of consolidation

The accompanying consolidated financial statements consist of the wholly owned subsidiaries, Krystal Leaseco LLCs (140 total) as of January 1, 2023 and December 26, 2021. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

Business combinations

The Company applies the provisions of Accounting Standards Codification (“ASC”) 805, Business Combinations, in accounting for its acquisitions. This standard requires the Company to recognize separately from goodwill the assets acquired, and liabilities assumed, at the acquisition date fair value. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and liabilities assumed. While best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date are used, these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, adjustments may be made to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in operations. During the fiscal year ended December 26, 2021, the Company recognized an adjustment to goodwill of \$1,670,342 as a result of a liability associated with a vendor contract. There were no other adjustments to the reported acquired assets or liabilities assumed as a result of the acquisitions.

Cash and cash equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. The Company maintains cash depository accounts, which, at times, may exceed federally insured limits. This risk is managed by maintaining all deposits in high quality financial institutions. The Company has not experienced any losses in such accounts.

Accounts receivable and allowance for doubtful accounts

The Company’s accounts receivable consists primarily of amounts due from credit card sales and amounts due from franchisees for royalties and advertising. Credit card receivables are generally collected within a short time frame and historically there have been no collectability issues. The Company monitors the amounts due from franchisees continually and maintains an allowance for doubtful accounts for estimated losses resulting from the inability of any of its franchisees to make required payments. No allowance was deemed to be necessary as of January 1, 2023 and December 26, 2021.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined using the first-in, first-out basis, and consist primarily of food, paper products, and other supplies. Amounts collected from vendors related to volume rebates are amortized based on usage and are recorded as a reduction of company restaurant costs in the consolidated statements of operations.

Property and equipment

All property and equipment are stated at cost. Expenditures which materially increase useful lives are capitalized, whereas ordinary maintenance and repairs are expensed as incurred. Depreciation of property and equipment is computed using the straight-line method for financial reporting purposes over the estimated useful lives of the related assets as follows:

Building and improvements	15 – 39 years
Equipment	5 years
Furniture and fixtures	7 years
Software	3 years
Leasehold improvements	Shorter of lease term, including reasonably assured renewal options, or 10 years

Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets from the businesses that the Company acquired. The Company adopted the accounting alternative provided by Accounting Standards Update (ASU) 2014-02, *Intangibles – Goodwill and Other (ASU 2014-02): Accounting for Goodwill (a consensus of the Private Company Council)* and elected to amortize goodwill on a straight-line basis over a period of ten years. Under ASU 2014-02, the Company evaluates goodwill for impairment only when a triggering event occurs indicating the fair value of the Company may be less than its carrying amount. When a triggering event occurs, the Company performs a qualitative assessment to determine if a quantitative test is needed. If that assessment demonstrates that it is more likely than not that an impairment does not exist, no further testing is required. If impairment of goodwill is more likely than not, a quantitative test is required that compares the fair value of the Company with its carrying amount. The amount by which the carrying amount exceeds fair value is recorded as an impairment loss, up to the carrying amount of goodwill. Management of the Company determined that a condition had occurred during the fiscal year ended January 1, 2023 which required the evaluation of goodwill impairment. Management of the Company determined no impairment of goodwill was required as of January 1, 2023. Management determined that no triggering events had had occurred during the fiscal year ended December 26, 2021 requiring evaluation.

The Company's franchise agreements are subject to amortization and are amortized using the straight-line method over the average remaining term of the agreement. The Company's tradename is not subject to amortization and has an indefinite life.

Long-lived assets

The Company reviews the carrying value of long-lived assets subject to depreciation and amortization for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flow expected to result from its use and eventual disposition. In cases where the estimated undiscounted future cash flow is less than the carrying value of an asset, an impairment loss is recognized equal to the amount by which the carrying value exceeds the fair value of the asset. No impairment indicators exist as of January 1, 2023 or December 26, 2021.

Accrued liabilities

Accrued liabilities consist primarily of accrued compensation and related benefits, state and local taxes, and other current liabilities incurred through operations.

Leases under ASC 840

The Company operates restaurants that are located on sites leased by the Company, through its wholly owned subsidiaries, Krystal Leasescos LLC, and third parties. Rental expense of the Company and income of Krystal Leasescos LLC are eliminated in consolidation. At inception, each lease is evaluated to determine whether the lease will be accounted for as an operating or finance lease based on the lease terms. When determining the lease term, option periods for which failure to renew the lease imposes a significant economic detriment are included. For operating leases, minimum lease payments, including minimum scheduled rent increases, are recognized as rent expense on a straight-line basis (Straight-Line Rent) over the applicable lease terms. Initial lease terms are generally between 15 and 20 years and, in most cases, provide for rent escalations and renewal options. The term used for Straight-Line Rent is calculated initially from the date the location opens through the expected lease termination date. For leases that contain rent escalations, the rent payable is realized, as determined above, on the straight-line basis over the term of the lease, and the excess of the Straight-Line Rent over the minimum rents paid is recognized as a deferred lease liability included in deferred rent in the consolidated balance sheets. Certain leases contain provisions, referred to as contingent rent (Contingent Rent), that require additional rental payments based upon restaurant sales volume. Contingent Rent is expensed each period as the liability is incurred. Management makes certain estimates and assumptions regarding each new lease agreement, lease renewal and lease amendment, including, but not limited to, property value, market rents, property lives, discount rates and probable term, all of which can impact (1) the classification and accounting for a lease as capital or operating, (2)

the escalations in payment that are taken into consideration when calculating Straight-Line Rent and (3) the term over which leasehold improvements for each restaurant are amortized. The amount of depreciation and amortization, interest, and rent expense reported would vary if different estimates and assumptions were used. See *Change in Accounting Principles*.

Deferred financing costs

Deferred financing costs include fees and costs incurred to obtain financing and are being amortized over the term of the respective obligations, utilizing the effective interest method. Amortization expense for deferred financing costs for the fiscal years ended January 1, 2023 and December 26, 2021 was \$80,740 and \$84,819, respectively, and is included as a component of interest expense in the consolidated statements of operations.

Revenue recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers (Topic 606)*. The core principle of Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. Topic 606 defines a five-step process to achieve this core principle and, in doing so, requires judgment and estimates within the revenue recognition process.

Nature of goods and services

The Company's revenues consist of sales by Company-operated restaurants as well as royalties, rents and fees from restaurants operated by franchisees.

Revenues from restaurant sales at Company-operated restaurants are recognized upon delivery of food to the customer. Sales taxes collected and remitted are reported on a net basis and thus are not included in revenue. Sales taxes collected from its customers are included as a component of accrued liabilities on the consolidated balance sheets. Payment for restaurant sales is due from the customer at the time of service.

The Company's franchise agreements provide the franchisee the right to construct, own, and operate a Krystal Restaurant upon a site accepted by the Company for a term specified within the agreement, subject to renewal based upon qualifying criteria detailed within the franchise agreement. An initial franchise fee is required to be paid to the Company thirty days prior to the scheduled opening date of the franchised restaurant and includes two distinct performance obligations. The Company has elected the practical expedient afforded to private-company franchisors to account for preopening services as a single performance obligation. The Company provides each new franchisee with owner and staff training as well as grand opening support. A portion of the initial franchise fee has been allocated to this performance obligation, which is satisfied upon the franchised restaurant's opening. In addition, the Company provides the franchised restaurant with certain ongoing services, such as authorization to use the Company's proprietary marks and trade name throughout the term of the agreement. The revenue allocated to this performance obligation is recognized ratably over the life of the agreement.

Franchise agreements require the franchisee to pay royalties, advertising cooperative fees, and brand fund contributions based on a percentage of gross receipts at the franchised restaurant. These revenues are recognized at the time the underlying sales occur.

The Company provides goods or services related to various on-going services to certain franchisees that are distinct from the franchise agreement because they do not require integration with other goods or services the Company provides. The Company has determined that it is the principal in these arrangements. Accordingly, the related revenue is presented on a gross basis on the consolidated statements of operations. These revenues are recognized as the goods or services and transferred to the franchisee, and related expenses are recognized as incurred.

Krystal Restaurants, LLC and Subsidiaries
Notes to Consolidated Financial Statements

The Company's revenues disaggregated by major source are as follows during the fiscal years ended:

	<u>2022</u>	<u>2021</u>
Company-operated restaurant sales	\$ 201,274,965	\$ 216,830,563
Revenues from franchised restaurants	<u>9,861,737</u>	<u>10,788,954</u>
	<u>\$ 211,136,702</u>	<u>\$ 227,619,517</u>

Franchise and advertising agreements

Franchise and advertising agreements are available for a single Krystal restaurant or for a multi-unit development over a specified period of time. The multi-unit development agreement establishes the number of restaurants the franchisee or licensee is to construct and open in the defined franchise area during the term of the agreement. New franchisees and licensees, as well as ongoing renewals, are required to pay the Company an initial franchise or license fee plus a weekly royalty and service fee of 5.0% and advertising fee of 4.5% of the restaurants' weekly gross receipts for the duration of the franchise agreement.

Advertising

Advertising costs are expensed upon first showing of the advertisement and other advertising costs are expensed as incurred. Production costs for the fiscal years ended January 1, 2023 and December 26, 2021 was approximately \$14,741,000 and \$12,834,000, respectively.

Pre-opening expenses

Pre-opening expenses are expensed as incurred. These costs include costs associated with the opening and organizing of new stores, including payroll, utilities, training, recruiting, and travel costs for employees engaged in such startup activities. All rent incurred during construction periods is expensed and classified as a component of restructuring expenses on the consolidated statements of operations.

Operations taxes and state franchise taxes

The Company, with the consent of its member, has elected to be formed as a limited liability company. The Company has also elected to be treated as a partnership for federal and state tax purposes. In lieu of paying federal and most state and local operations taxes at the company level, the member of a limited liability company is taxed on their proportionate share of the Company's taxable operations. Accordingly, no provision or liability for federal or state operations taxes has been included in the consolidated financial statements.

The Company accounts for uncertainty in operations taxes using the provisions of ASC 740, Operations Taxes. Using that guidance, tax positions are recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. As of January 1, 2023 and December 26, 2021, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. It is the Company's policy to include any penalties and interest related to operations taxes in other expense. Additionally, the Company had no interest and penalties related to operations taxes.

The Company is subject to state franchise tax obligations for restaurants operating in Tennessee. During the fiscal years ended January 1, 2023 and December 26, 2021, the Company incurred \$122,000 and \$373,628, respectively.

Related-party transactions

The Company has entered into a management advisory agreement with its owners (the Advisors). Pursuant to the management advisory agreement, the Advisors will provide the Company with advice on acquisition or sale transaction services, capital sourcing, strategic and tactical planning and selection and retention of key employees. As compensation for these services, the Company will pay the Advisors in advance a quarterly management fee. Management fee expense under the management advisory agreement for the fiscal years ended January 1, 2023 and December 26, 2021 was approximately \$1,363,000 and \$1,446,000, respectively. These charges are reflected in general and administrative expense in the accompanying consolidated statements of operations.

Credit and economic risk

The Company's sources of liquidity have been and are expected to be cash from operating activities, available cash balances and revolving credit facility. The majority of the Company's sales are made to individual consumers in the quick-service restaurant industry on a cash basis or through the use of credit cards. The condition of the capital and credit markets could result in additional costs to the Company with respect to borrowings. In addition, the Company's operating cash flows might be adversely affected by adverse consequences to the Company's customers and the markets in which the Company competes.

Fair value measurements

ASC 820, *Fair Value Measurement and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or observable inputs corroborated by market data

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The values assigned to acquired intangible assets on the accompanying consolidated balance sheets as of the acquisition date were derived primarily from the allocation of the consideration paid using various valuation methodologies utilizing Level 3 inputs and are not remeasured to fair value on a recurring basis.

Insurance related matters

The Company maintains insurance for both property damage and business interruption relating to catastrophic events, such as fires and hurricanes. Insurance recoveries received in excess of the net book value of damaged assets, clean-up and demolition costs, and post-event costs are recognized as a gain on disposal of fixed assets on the consolidated statements of operations in the period received or committed when all contingencies associated with the recoveries are resolved. Property damage insurance proceeds are classified as cash flows from investing activities in the consolidated statements of cash flows. The Company received no proceeds related to property damage insurance and business interruption during the fiscal year ended January 1, 2023.

The Company maintains insurance for workers' compensation claims. Pursuant to the Asset Purchase Agreement dated May 6, 2020, the Company is entitled to certain proceeds, refunds or other payments related to policies of the seller. During the fiscal year ended December 26, 2021, the Company received approximately \$1,096,000 related to such policies. The Company recognizes insurance related proceeds as other income in its consolidated statements of operations.

Change in Accounting Principle

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). This guidance applies to all entities that enter into leases and is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheets and disclosing key information about leasing arrangements. The new guidance requires lessees to recognize the assets and liabilities on the consolidated balance sheets for the rights and obligations created by leases with lease terms of more than twelve months, amends various other aspects of accounting for leases by lessees and lessors, and requires enhanced disclosures. Leases will be classified as finance or operating, with the classification affecting the pattern and classification of expense recognition within the consolidated statements of operations.

The Company transitioned to FASB Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), from ASC Topic 840, *Leases* (the "Previous Standard") on December 27, 2021 as the date of initial application. The consolidated financial statements reflect the application of ASC 842 guidance beginning in fiscal year 2022, while the consolidated financial statements for fiscal year 2021 were prepared under the guidance of the Previous Standard. The Company has elected to exclude short-term leases, or leases with a term of twelve months, from the consolidated balance sheet. The Company did not elect the hindsight practical expedient in determining the lease term for existing leases as of December 27, 2021. In addition, the Company has elected the transition package of practical expedients permitted within the new standard. This practical expedient permits the Company to carryforward the historical lease classification and not to reassess initial direct costs for any existing leases. The Company has elected the practical expedient that allows lessees to avoid separating lease and non-lease components within a contract if certain criteria are met. Lastly, the Company has elected the practical expedient to use the risk-free interest rate as the discount rate at the time of lease commencement or modification date in determining the present value of lease payments.

The most significant impact of adoption was the recognition of operating lease right-of-use ("ROU") assets of approximately \$134,353,000 and operating lease liabilities of approximately \$136,058,000 as of December 27, 2021. The accounting for capital leases now classified as finance leases remained substantially unchanged with the adoption of ASC 842.

Krystal Restaurants, LLC and Subsidiaries
Notes to Consolidated Financial Statements

The cumulative effect of the changes made to the consolidated balance sheet for the adoption of this standard was as follows:

	December 26, 2021 <u>As Reported</u>	ASC 842 Adjustment December 27, 2021	<u>As Adjusted</u>
Assets:			
Prepayments and other current assets ^(A)	\$ 1,740,572	\$ (185,138)	\$ 1,555,434
Property and equipment, net ^(B)	30,051,396	(967,020)	29,084,376
Right-of-use operating leases ^(C)	-	134,353,060	134,353,060
Right-of-use finance leases ^(D)	-	967,020	967,020
Total assets	65,851,029	134,167,922	200,018,951
Liabilities:			
Operating lease liabilities ^(E)	-	136,058,432	136,058,432
Other noncurrent liabilities ^(F)	3,104,122	(1,890,509)	1,213,613
Total liabilities	21,313,172	134,167,923	155,481,095

A) The adjustment represents the reclassification of prepaid rent to right-of-use operating assets.

B) The adjustment represents the reclassification to right-of-use finance assets.

C) The adjustment represents the capitalization of right-of-use operating asset, and the reclassification of prepaid rent offset by the reclassification of straight-line rent accruals.

D) This adjustment represents the capitalization of right-of-use finance assets, and the reclassification of historical capital leases under ASC 840.

E) The adjustment represents the recognition of operating lease liabilities.

F) The adjustment represents the reclassification of the straight-line rent accruals to right-of-use operating assets.

2. Business Acquisition

During the fiscal year ended December 26, 2021, the Company completed an acquisition which included substantially all of the assets of a Krystal Restaurant franchisee location located in Tennessee. The fair value of consideration paid for the acquisition was approximately \$200,000 which was financed by cash flows from current operations. The acquisition was accounted for using the acquisition method, and accordingly, the consideration was allocated to the net identifiable assets acquired based upon their estimated fair values at the date of acquisition. As a result of the acquisitions, the Company recognized approximately \$191,000 in equipment and \$9,000 in other net assets.

Goodwill is calculated as the difference between the acquisition date fair values of consideration transferred and the assets acquired, and liabilities assumed. The goodwill recorded in the acquisition represents the value of continual operations of the existing business and intangible assets that do not qualify for separate recognition (for instance, the acquired workforce).

3. Property and Equipment

Property and equipment consisted of the following at:

	<u>January 1, 2023</u>	<u>December 26, 2021</u>
Leasehold improvements	\$ 22,923,453	\$ 23,871,671
Equipment	16,439,452	15,447,898
Furniture and fixtures	1,902,675	1,356,153
Buildings under capital lease – See Note 1	-	1,068,639
Construction in progress	1,967,242	606,381
Software	33,723	33,723
Accumulated depreciation	<u>(18,688,920)</u>	<u>(12,333,069)</u>
	<u>\$ 24,577,625</u>	<u>\$ 30,051,396</u>

During the fiscal years ended January 1, 2023 and December 26, 2021, the Company recognized depreciation expense of \$8,848,721 and \$8,068,948, respectively.

4. Goodwill and Other Intangible Assets

The change in the gross value of goodwill is as follows:

Balance, December 27, 2020	\$ 10,262,888
Provisional adjustment	<u>1,670,342</u>
Balance, December 26, 2021	<u>11,933,230</u>
Balance, January 1, 2023	<u>\$ 11,933,230</u>

	<u>Amortization Period</u>	<u>2022</u>	<u>2021</u>
Goodwill	10 Years	\$ 11,933,230	\$ 11,933,230
Accumulated amortization		<u>(3,143,484)</u>	<u>(1,950,161)</u>
Goodwill, net		<u>\$ 8,789,746</u>	<u>\$ 9,983,069</u>

Krystal Restaurants, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Intangible assets consist of the following:

January 1, 2023				
	<u>Amortizable Life (Years)</u>	<u>Gross Value</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>
Franchisee rights	7	\$ 9,400,000	\$ 3,364,211	\$ 6,035,789
Tradename	Indefinite	<u>7,600,000</u>	<u>-</u>	<u>7,600,000</u>
		<u>\$ 17,000,000</u>	<u>\$ 3,364,211</u>	<u>\$13,635,789</u>
December 26, 2021				
	<u>Amortizable Life (Years)</u>	<u>Gross Value</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>
Franchisee Rights	7	\$ 9,400,000	\$ 2,077,895	\$ 7,322,105
Tradename	Indefinite	<u>7,600,000</u>	<u>-</u>	<u>7,600,000</u>
		<u>\$ 17,000,000</u>	<u>\$ 2,077,895</u>	<u>\$ 14,922,105</u>

During the fiscal year ended January 1, 2023, the Company recognized amortization expense related to goodwill and franchise rights of \$2,435,181. During the fiscal year ended December 26, 2021, amortization expense was \$1,778,927 related to goodwill and franchise rights.

Estimated amortization expense of goodwill and other intangible assets with definite lives for each of the five years subsequent to January 1, 2023 and thereafter are as follows:

	Amortization Expense
2023	\$ 2,536,180
2024	2,536,180
2025	2,536,180
2026	2,536,180
2027	2,536,180
Thereafter	<u>2,144,635</u>
Total expense	<u>\$ 14,825,535</u>

5. Indebtedness

On July 3, 2020, the Company initially entered into a credit agreement (the Credit Agreement) consisting of a revolving credit facility of \$10,000,000 and amended to \$20,000,000 on February 22, 2021. On December 19, 2022, the Company and its lender executed the second amendment to the Credit Agreement which among other items (a) reduced the borrowing capacity for the revolving loan commitment to \$19,000,000, (b) extended the maturity date of April 3, 2025 subject to other requirements as set forth in the Credit Agreement, and (c) converted the interest rate benchmark to SOFR. Interest is payable monthly at a variable rate of SOFR which has a floor of 0.25% plus a margin between 2.25% and 3.50% that is dependent upon the Company's consolidated senior lease adjusted leverage ratio as defined in the Credit Agreement. The Credit Agreement contains certain restrictive covenants, including maintaining certain financial covenants. As of January 1, 2023, the Company was in compliance with bank covenants. The Credit Agreement is secured by assets and future acquired assets of the Company. As of January 1, 2023 and December 26, 2021 there was a borrowing of \$18,347,033 and \$1,000,000 on the credit facility and letters of credit, respectively.

6. Leases

Operating leases under ASC 842

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date. The Company combines lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives.

The Company uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Company has elected to use the risk-free rate at the commencement date to determine the present value of lease payments. The weighted average discount rate was 1.41% as of the adoption date.

The Company leases certain buildings and a number of restaurants (land and/or building) under non-cancelable lease agreements, some of which are subleased to third parties with rental operations recognized as earned. The restaurant lease terms are normally for a period of 15 to 20 years with options that permit renewals for additional periods and typically include escalating lease payments. Certain leases include contingent rentals based on sales in addition to the base rent. The building portions of certain restaurant leases have been recorded as finance leases, while the land portions have been recorded as operating leases.

Lease term and discount rate

	January 1, 2023
Weighted average lease term – finance lease	13.77 years
Weighted average lease term – operating leases	10.60 years
Weighted average discount rate – finance lease	6.18%
Weighted average discount rate – operating leases	1.57%

Krystal Restaurants, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Lease costs

The following table provides certain information related to the lease costs for finance and operating leases during the fiscal year ended January 1, 2023:

Finance lease cost:	
Interest	\$ 67,580
Depreciation	66,465
Operating lease cost	17,319,285
Short-term operating lease cost	828,541
Variable lease cost	<u>117,298</u>
	<u>\$ 18,399,169</u>

For the fiscal year ended January 1, 2023, rental income under operating leases was approximately \$770,000 and is included in other operating expenses, net in the accompanying consolidated statements of operations.

Supplemental cash flow information

The following table presents supplemental cash flow information for leases during the twelve months ended January 1, 2023:

Cash paid for amounts included in the measurements of lease liabilities:	
Operating cash flows from finance lease	\$ 67,580
Operating cash flows from operating leases	18,527,271
Financing cash flows from finance lease	42,627
Right of use assets obtained in exchange for new operating lease liabilities	20,936,733

Krystal Restaurants, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Undiscounted cash flow

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the finance lease liabilities and operating lease liabilities as of January 1, 2023:

	<u>Finance</u>	<u>Operating</u>
2023	\$ 94,098	\$ 14,816,222
2024	102,427	15,953,967
2025	102,752	15,838,178
2026	103,529	15,677,318
2027	104,309	14,350,157
Thereafter	<u>932,110</u>	<u>62,990,508</u>
Total minimum lease payments	1,439,225	139,626,350
Less: amount representing interest	<u>(384,211)</u>	<u>(10,984,428)</u>
Present value of future minimum lease payments	1,055,014	128,641,922
Less: current obligations under leases	<u>(39,016)</u>	<u>(14,210,433)</u>
Long-term lease obligations	<u>\$ 1,015,998</u>	<u>\$114,431,489</u>

Leases under ASC 840

The Company leases certain buildings and equipment and a number of restaurants (land and/or building) under non-cancelable lease agreements, some of which are subleased to third parties with rental income recognized as earned. The restaurant lease terms are normally for a period of 15 to 20 years with options that permit renewals for additional periods and typically include escalating lease payments. Certain leases include contingent rentals based on sales in addition to the base rent. The building portions of certain restaurant leases have been recorded as capital leases, while the land portions have been recorded as operating leases. Future minimum rental commitments under non-cancelable leases (excluding real estate taxes, insurance and maintenance costs) are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
2022	\$ 109,270	\$ 13,117,870
2023	110,607	12,776,383
2024	110,960	12,566,425
2025	111,307	12,607,042
2026	112,156	12,541,740
Thereafter	<u>1,134,310</u>	<u>81,393,512</u>
Total minimum lease payments	1,688,610	<u>\$ 145,002,972</u>
Amount representing interest	<u>590,969</u>	
Total obligations	1,097,641	
Current portion	<u>39,016</u>	
Long-term obligations	<u>\$ 1,058,625</u>	

Krystal Restaurants, LLC and Subsidiaries
Notes to Consolidated Financial Statements

For the fiscal year ended December 26, 2021, rental expense under operating leases was approximately \$16,953,000.

The Company owns or leases from outside parties certain land and buildings which are leased / subleased to third parties. The following summarizes the minimum future rental receipts on such leases and subleases:

2022	\$ 709,084
2023	710,198
2024	713,688
2025	717,668
2026	721,693
Thereafter	<u>3,887,123</u>
Total minimum lease payments to be received	<u>\$ 7,459,454</u>

For the fiscal year ended December 26, 2021, rental income under operating leases was approximately \$755,000 and is included in other operating expenses, net in the accompanying consolidated statements of operations.

7. Member's Equity

The Company is a single member limited liability company. The management and control of the Company and its business affairs rest with DB KRST Investors, the Company's sole member, whom exercises such rights in accordance with the Operating Agreement. Allocation of profits and losses and distributions are made in accordance with the Operating Agreement.

8. Employee Benefit Plan

The Company sponsors a 401(k) plan that covers all eligible employees as defined by the plan agreement. Eligible employees are employees who are employed for 30 days and are at least 21 years of age. The plan permits a participant deferrals up to the maximum IRS-allowed limits with a discretionary Company match. Company recognized matching contributions of approximately \$230,000 and \$49,000 during the fiscal years ended January 1, 2023 and December 26, 2021, respectively.

9. Commitments and Contingencies

Vendor purchase commitment

The Company has a multiyear purchase commitment with a beverage vendor for all of its company operated restaurants. The agreement requires a purchase commitment of approximately 4,067,000 gallons with approximately 2,905,000 and 3,070,000 of gallons remaining on the commitment as of January 1, 2023 and December 26, 2021, respectively. The Company received an advance of funding from this vendor as part of the agreement which the Company recognizes as it makes progress towards achieving the purchase volume commitment. The amount deferred was approximately \$1,191,000 and \$1,259,000 as of January 1, 2023 and December 26, 2021, respectively. The deferred amount is included in other noncurrent liabilities balance on the accompanying consolidated balance sheets.

Legal matters

From time to time, the Company may be involved in certain legal matters that it considers incidental to its operations. In management's opinion, none of these legal matters will have a material effect on the Company's financial position or the results of operations.

10. Subsequent Events

The Company has evaluated subsequent events occurring through May 25, 2023, the date which the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or disclosures in these consolidated financial statements.

EXHIBIT C

FRANCHISE AGREEMENT



KRYSTAL
FRANCHISE AGREEMENT

Franchise #: _____

Franchisee: _____

Date: _____

Location: _____

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ATTACHMENTS:

Attachment A	Definitions
Attachment B	Franchise Data Sheet
Attachment C	Statement of Ownership
Attachment D	Owners Agreement
Attachment E	Network System Support and Maintenance Agreement

KRYSTAL

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Franchise Agreement”) is made, entered into and effective as of the “Effective Date” set forth in Attachment B to this Franchise Agreement, by and between Krystal Restaurants LLC, a Delaware limited liability company (“we,” “us,” or “our”), and the franchisee set forth in Attachment B to this Franchise Agreement (“you” or “your”). If more than one person or entity is listed as Franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Franchise Agreement.

This Franchise Agreement includes several attachments, each of which are legally binding and are a part of the complete Franchise Agreement, including an Owners Agreement which is attached to this Franchise Agreement as Attachment D (“Owners Agreement”). Certain provisions in this Franchise Agreement will also apply to all direct or indirect owners (“Owners”) and their spouses. Each Owner and each Owner’s spouse is required to sign the Owners Agreement.

1. DEFINITIONS. This Franchise Agreement has defined terms. A defined term is a shorthand reference within a document that refers to another name or idea in the document. Defined terms are underlined and surrounded by double quotes, typically with capitalized first letters, and may be contained in parentheses. Some defined terms are in Attachment A of this Franchise Agreement.

2. GRANT OF FRANCHISE. We hereby grant you a license to own and operate a “Krystal” restaurant franchised business (“Krystal Business”) using our Intellectual Property from a single location that we approve (“Krystal Restaurant”). As a Krystal franchisee, you will operate a Krystal Restaurant, which is a quick service restaurant featuring specialty hamburgers, hotdogs, chicken sandwiches, french fries, shakes, ice cream, and breakfast items as we designate and/or approve. These menu items are subject to change and we do not represent that your Krystal Business will always be permitted or required to offer all of the menu items offered. The license to operate a Krystal Franchise contained in this Franchise Agreement does not permit you, at or through any location, to: (i) operate any food trucks; (ii) offer catering services; (iii) sell any items offered by your Krystal Business outside of the Krystal Restaurant; or (iv) offer products for sale online, through the Internet, or at any Non-Traditional Location, without our express written consent or except as expressly permitted by the Brand Standards Manual. We reserve all rights not expressly granted to you.

3. TERRITORIAL RIGHTS AND LIMITATIONS. If your Krystal Restaurant is not located in a Non-Traditional Location, we will grant you a protected territory consisting of the geographic area, which will be identified in Attachment B (“Protected Area”). If your Krystal Restaurant receives a Protected Area, we will not operate, or grant a franchise or license to a third party to operate, a Krystal Business that is physically located within your Protected Area, except as otherwise provided in this Section.

During the Term of the Franchise Agreement and any renewal thereof, we retain the right, for ourselves and our affiliates, on any terms we deem advisable, and without granting you any rights:

- (i) to own, license, franchise, or operate Krystal Businesses at any location outside of the Protected Area, if applicable, and on terms and conditions we deem appropriate, regardless of the proximity to your Krystal Restaurant;
- (ii) to use the Marks and the System to sell any products or services, including any that are similar to those which you will sell at your Krystal Restaurant, through any alternate channels of distribution within or outside of the Protected Area. These reserved rights include, but are not

limited to, other channels of distribution such as television, catalog sales, frozen foods, grocery stores and wholesale clubs, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;

(iii) to own, license, franchise, or operate Krystal Businesses at Non-Traditional Locations, or to otherwise offer and sell food products, including frozen products and proprietary food products, under the Marks or any other marks through Non-Traditional Locations, within or outside of the Protected Area;

(iv) to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering products and services similar to those offered by Krystal Businesses, at any location, including within the Protected Area, which may be similar to or different from the Krystal Business operated by you;

(v) to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, whether franchised or corporately owned, including a business that competes directly with your Krystal Business, wherever located; provided that in such situations, the newly acquired businesses may not operate under the Marks in the Protected Area;

(vi) to use and license the use of technology to non-franchisee locations inside and outside the Protected Area;

(vii) to deliver and cater and/or to license to other franchisees or third parties to deliver and cater at any location within or outside of the Protected Area without compensation to you, and to establish a delivery and catering policy in the future which may restrict the delivery and catering jurisdiction of you, us and/or any other franchisees;

(viii) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

(ix) to engage in any other business activities not expressly prohibited by this Franchise Agreement, both within and outside your Protected Area.

We have no express obligation or implied duty to insulate or protect you from or against erosion in your revenues or market share as the result of your Krystal Business competing with other foodservice businesses, Non-Traditional Locations, or in the ways and to the extent this Section provides or contemplates. You waive any right to assert any claim against us based on the existence, actual or arguable, of any such obligation or duty. We are not required to pay you if we exercise any of the rights specified above within your Protected Area. We do not pay compensation for soliciting or accepting orders inside your Protected Area.

4. TERM AND RENEWAL.

4.1. Generally. The term of this Franchise Agreement will begin on the Effective Date and continue for 10 years (“Term”). If this Franchise Agreement is the initial franchise agreement for your Krystal Business, you may enter into a maximum of two successor franchise agreements (each, a “Successor Agreement”), as long as you meet the conditions for renewal specified below. The Successor Agreement

shall be the then-current form of franchise agreement that we use in granting Krystal Franchises as of the expiration of the Term. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Franchise Agreement. Each successor term will be 10 years. If you are signing this Franchise Agreement as a Successor Agreement, the references to “Term” shall mean the applicable renewal term of the Successor Agreement. Except as provided in Section 4.3 below, you will have no further right to operate your Krystal Business following the expiration of the successor term unless we grant you another Franchise, which we are not required to do. If you are renewing a prior franchise agreement with us under this Franchise Agreement, the renewal provisions in your initial franchise agreement will dictate the length of the Term of this Franchise Agreement, as well as your remaining renewal rights, if any.

4.2. Renewal Requirements. In order to enter into a Successor Agreement, you and each of your Owners (as applicable) must: (i) notify us in writing of your desire to enter into a Successor Agreement not less than six (6) months nor more than twelve (12) months before the expiration of the Term; (ii) not be in default under this Franchise Agreement or in material default of any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Agreement; (iii) sign the Successor Agreement and all ancillary documents that we require franchisees to sign, which may have materially different terms and conditions that are less favorable to you, including new fees; (iv) sign a General Release; (v) pay us a non-refundable renewal fee of 50% of our then-current initial franchise fee (or the last initial franchise fee if we are not then offering franchises for sale), at the time you sign the Successor Agreement; (vi) at least 60 days but not more than 180 days before the expiration of the Term, you must upgrade and remodel your Krystal Restaurant in accordance with Section 12.8 to comply with our then-current standards and specifications; (vii) have the right under your lease to maintain possession of the premises where your Krystal Restaurant is located for the duration of the successor term; and (viii) take any additional actions that we reasonably require.

4.3. Interim Term. If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Franchise Agreement, then, this Franchise Agreement will be treated as continued on a month-to-month basis (“Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. All of your obligations will remain in full force and effect during the Interim Term as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Franchise Agreement will be deemed to take effect upon the termination of the Interim Term. Except as otherwise permitted by this Section 4, you have no right to continue to operate your Krystal Business following the expiration of the Term.

5. TRAINING AND CONFERENCES.

5.1. Initial Training Fees. You and certain representatives that we require must complete initial training to our reasonable satisfaction, as determined by the specific program instructors, before you open your Krystal Business. We will provide our General Manager Training Program (“GMT Program”) at no charge for up to seven persons, including you, or, if you are an Entity, your Operating Owner (as defined in Section 8.1), and your Restaurant’s General Manager (if applicable) at a location we designate. Your Operating Owner and your Restaurant’s General Manager and such other persons we require must complete the GMT Program approximately eight weeks prior to the opening of your Restaurant at a location we designate and all other persons we require must complete the GMT Program at least two weeks prior to the opening of your first Restaurant. All persons in charge of day-to-day management of your Restaurant must complete the GMT Training, including at least one (1) salaried manager, two (2) assistant managers, and three (3) shift leaders prior to the opening of that first Restaurant. All of your Restaurant’s management personnel, including the General Manager and Operating Owner, must obtain and maintain a valid ServSafe Food Safety certification issued by the National Restaurant Association or

Foodservice Operator's Training Achievement Program issued by TAP Series, LLC. If this Franchise Agreement is being signed by you pursuant to an area development agreement between you and us or if you are the franchisee of more than one Restaurant, you will be required to have one of your Restaurants designated as a certified training Restaurant and you will conduct the GMT Program for each additional Restaurant after your first Restaurant under the supervision of a trainer that we have certified to conduct the GMT Program. Any members of your Leadership Group not required to attend the GMT Program, must attend our franchisee orientation program in lieu thereof ("Franchisee Orientation Program"). You must pay us our then-current training fee as specified in our Brand Standards Manual (as of the Effective Date, \$500 per person per day of training in most cases) for: (i) each additional person beyond three that attends our GMT Program or Franchisee Orientation Program before you open and each additional person that attends after you open your Krystal Business (such as a new Operating Owner or General Manager); (ii) any person who must retake training after failing to successfully complete training on a prior attempt; (iii) any person to whom we must provide training for the second or each subsequent Restaurant under an area development agreement between you and us; (iv) any remedial training that we require under Section 5.5; (v) each person to whom we provide additional training that you request; and (vi) each person who attends any system-wide or additional training that we conduct.

5.2. Initial Training for New Owners/General Managers. If you hire a new General Manager or appoint a new Operating Owner, the new General Manager or Operating Owner, as applicable, must attend and successfully complete our then-current GMT Program at a location we designate. You will be required to pay our then-current initial training fee.

5.3. On-Site Assistance and Opening Support Fee. We will provide on-site assistance and restaurant management training during the dates surrounding your opening or taking over operation of the first Restaurant that you operate. You agree to pay us a non-refundable on-site assistance and opening support fee of \$10,000 prior to our arrival. If you request or we deem that you need additional on-site assistance at any time, you must pay us a fee equal to two times the daily compensation for each representative that provides on-site training to you.

5.4. Periodic or Additional Training. We may offer periodic refresher or additional training courses for you or your Operating Owner, General Manager, assistant managers and other employees. Attendance at these training programs may be optional or mandatory. You may be required to pay a fee for this training as specified in our Brand Standards Manual. Upon your written request, we may provide additional assistance or training to you at a mutually convenient time. We may charge you our then-current fee for such assistance or training (as of the Effective Date, \$500 per person per day).

5.5. Remedial Training. If we conduct an inspection of your Krystal Restaurant and determine that you are not operating in compliance with this Franchise Agreement and/or the Brand Standards Manual, we may, at our option, require that you, or if you are an Entity, your Operating Owner and General Manager and management personnel attend remedial training that is relevant to your operational deficiencies. You must pay us the then-current training fee (as of the Effective Date, \$500 per person per day) and reimburse us for the expenses we or our representatives incur in providing any remedial training.

5.6. Conferences. We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting Krystal franchisees. Attendance at these conferences may be mandatory or optional. You are responsible for paying our then-current conference fee (as of the Effective Date, \$500 per person), whether or not you attend the conference in any given year.

5.7. Conference and Training Costs. You are solely responsible for all expenses and costs that you, or if you are an Entity, your Operating Owner, General Manager (if any) and each of your

trainees incur for all trainings and conferences under this Section 5, including wages, travel, lodging and living expenses. You also agree to reimburse us for all expenses and costs that we incur to travel to your Krystal Restaurant under this Section 5, including transportation, food, lodging and travel expenses. All training fees and expense reimbursements must be paid to us within ten days after invoicing.

6. OTHER ASSISTANCE.

6.1. Brand Standards Manual. We will provide you with access to a copy of our current Brand Standards Manual for the Term of this Franchise Agreement, and we will later provide you with all periodic modifications thereto and any other manual we may develop specifying the System standards (collectively, the “Brand Standards Manual”). If the copy of the Brand Standards Manual loaned to you is lost, stolen, destroyed or significantly damaged before you return it to us, you must pay us our then-current replacement fee. We reserve the right to provide the Brand Standards Manual electronically, such as by an intranet or password-protected website. You acknowledge that your compliance with the Brand Standards Manual is vitally important to us and other System franchisees and is necessary to protect our reputation and the goodwill of the Marks and to maintain the uniform quality of operation throughout the System. It is not designed to control the day-to-day operation of the Krystal Business.

6.2. Site Selection. If you are converting an existing restaurant of yours into a Krystal Restaurant under this Franchise Agreement, then you and we will indicate as such on Attachment B and you and we will execute the Conversion Addendum to this Franchise Agreement, the current form of which is attached to the Franchise Disclosure Document in Exhibit H. We will provide you with advice and general specifications for identifying a suitable location for your Krystal Restaurant, as further described in Section 7.1. You must use our approved vendor to advise and counsel you on-site selection for your Krystal Restaurant. Although we will consult with you on your site and require your site be subject to our final authorization, you have the ultimate responsibility in choosing, obtaining and developing the site for your Krystal Restaurant. We do not guarantee the suitability or success of the accepted site. We must approve the site before you sign the Lease.

6.3. General Guidance. We will, upon reasonable request, provide advice or guidance regarding your Krystal Business’s operation based on reports or inspections or discussions with you. Advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods, in our discretion.

6.4. Marketing Assistance. As further described in Section 11, we will provide you with other marketing assistance.

6.5. Website. We will maintain a website for Krystal restaurants that will include the information about your Krystal Business that we deem appropriate. We may modify the content of and/or discontinue the website at any time in our sole discretion. We are only required to reference your Krystal Business on our website while you are in full compliance with this Franchise Agreement and all System Standards. If you wish to advertise online, you must follow our online policy, which is contained in our Brand Standards Manual and discussed in Section 11.9 below. We must approve all content on your webpage. We will own the website (including any webpages for your Krystal Business) and domain name at all times.

6.6. Supplier Agreements. We may, but are not required to, negotiate agreements with suppliers to obtain discounted prices for us and our franchisees. If we succeed in negotiating an agreement, we may arrange for you to be able to purchase the products directly from the supplier at the discounted prices that we negotiate (subject to any rebates the supplier pays to us). We may also purchase certain items from suppliers in bulk and resell them to you at our cost (including overhead and salaries), plus shipping fees and a reasonable markup, in our sole discretion.

6.7. Proprietary Products. We may, but need not, create Krystal proprietary products for sale at your Krystal Restaurant. If we develop any of these products, you agree to maintain a reasonable inventory of these items at your Krystal Restaurant at all times.

6.8. Pricing.

(a) We may periodically provide you suggested advice or guidance related to the food or other products offered for sale at your Krystal Restaurant that, in our judgment, constitutes good business practice; however (subject to Section 6.8(b) below), you will always have the right to determine the prices you charge at your Krystal Business.

(b) You agree that we may mandate pricing for Limited Time Offers (LTOs) or permanent campaigns for the system or a particular Designated Marketing Area and that you will adhere to such campaign pricing, subject to applicable law. Additionally, we may set reasonable restrictions on the maximum and minimum prices you may charge for the food and other products offered and sold at the Krystal Restaurant under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): (a) if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and (b) if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established. .

6.9. Notice. If you believe that we or our affiliates have failed to adequately provide any assistance or services to you as provided in this Franchise Agreement, you will notify us in writing within 30 days following ours or our affiliates' provision of such services. Without the timely provision of such notice to us, you will be deemed to conclusively acknowledge that all such assistance or services required to be provided by us or our affiliates were sufficient and satisfactory in your judgment.

7. ESTABLISHING YOUR KRYSTAL BUSINESS.

7.1. Site Selection. The Krystal Restaurant must be located within the Protected Area identified in Attachment B-1 (if applicable) and must conform to our minimum site selection criteria. We must approve of the site for the Restaurant before you enter into a lease or a purchase contract. You must use our approved vendor to advise and counsel you on-site selection for the Krystal Restaurant. In addition, we recommend that you retain: (a) an experienced commercial real estate broker or salesperson to advise and counsel you on price, economics, viability, location and acquisition or lease of the site for the Krystal Restaurant; and (b) an experienced attorney to provide advice and counsel you on your Krystal Business and the terms, conditions and economics of the legal and other documents required to lease or purchase the site. You must send us a complete site report (containing the demographic, commercial and other information, photographs and video tapes) and other information and materials that we may reasonably require for your proposed site. We may require that you obtain a feasibility study for the proposed site at your sole cost. Upon receiving all requested information regarding a proposed site, we will review the information and either accept or reject the proposed site. If we do not accept your proposed site within 30 days after your submission (or 30 days after you provide any supplemental information we request), the site will be deemed rejected. If we disapprove of the proposed site, you must select another site, subject to our consent. You agree to locate and obtain our approval of the Krystal Restaurant within 120 days after the Effective Date. If you do not locate a site for the Krystal Restaurant which is acceptable to us within 120 days after the Effective Date, we may terminate this Franchise Agreement. We have the right to accept or reject all proposed sites in our commercially reasonable judgment. Our approval shall be evidenced by the execution of Attachment B-1 by you and us. You may only operate the Krystal Business at the location specified in Attachment B-1. You understand that our approval of a site does not constitute a representation

or warranty of any kind, express or implied, of the suitability of the site for a Krystal Restaurant. Our approval of the site indicates only that we believe the site meets our minimum criteria.

7.2. Lease. If you lease the premises for your Krystal Restaurant, before doing so, you must submit to us, in the form we specify, a description of the site, a proposed copy of the lease and such other information and materials we may reasonably require. You must also provide us with a proposed copy of the lease for the premises (or purchase contract) at least 30 days before signing. We will only review the lease (or purchase contract) to determine that it is in compliance with the terms of this Franchise Agreement and will not review the lease for or provide you with any business, economic, legal or real estate analysis or advice. If you hire our approved vendor, they may assist you in negotiating the lease for your Krystal Restaurant. However, you are solely responsible for the terms of the lease (or purchase contract) and any no-objection letter we provide for the lease (or purchase contract) does not provide any representation or warranty of any kind, express or implied, concerning the terms of the lease or the viability or suitability of the site for the Krystal Restaurant. You will ensure your landlord either: (1) signs the Lease Addendum that is attached to the Franchise Disclosure Document in Exhibit H; or (2) incorporates the terms of the Lease Addendum into the lease for the Krystal Restaurant. If your landlord refuses, we have the right to disapprove of your lease, in which case you must find a new site for your Krystal Restaurant. You and the landlord must sign the lease and Lease Addendum (or you must enter into a purchase contract, as applicable) within 180 days of the Effective Date. You must promptly send us a copy of your fully executed lease and any Lease Addendum (or purchase contract, as applicable) for our records. Your landlord may require you and, if you are an entity, the owners and spouses to sign a personal guaranty.

7.3. Architect & Construction. We will lend you a copy of our prototypical architectural plans and specifications for the design and layout for a Krystal Restaurant. You must submit to us a site survey and any modifications to our architectural plans for the Krystal Restaurant. You must hire an architect in order to modify these plans to comply with all local ordinances, building codes, permits requirements, and lease requirements and restrictions applicable to the premises. You must first review and accept the architect's drafted floor plan and submit your floor plan to us for our review and acceptance. Once we accept your floor plan, the architect must develop your full construction drawings for the Krystal Restaurant. Upon your review and acceptance, you must submit your construction drawings to us for our final review and approval. Once we accept your floor plan and approve your construction drawings, drawings and specifications may not be changed or modified without our prior written approval. Once accepted by us, you must, at your sole expense, construct and equip the Krystal Restaurant to the specifications contained in the Brand Standards Manual using a real estate and construction management company of your choosing and purchase (or lease) and install the equipment, fixtures, furnishings, signs and other items that we require. You agree to diligently pursue the construction of the Krystal Restaurant within 30 days of our acceptance and provide us written notice when construction begins. All exterior and interior signs of the Krystal Restaurant must comply with the specifications that we provide to you. We must approve the architects, contractors and other suppliers you use to construct your Krystal Restaurant. You agree to provide us with weekly status updates as to construction of the Krystal Restaurant. You acknowledge these requirements are necessary and reasonable to preserve the identity, reputation and goodwill we developed and the value of the Krystal System. We must approve the layout of your Krystal Restaurant prior to opening.

7.4. Opening. You must open your Krystal Business to the public within twelve months of the Effective Date. You may not open your Krystal Business before: (i) successful completion of the GMT Program by you or your Operating Owner and your General Manager, if you have one; (ii) you purchase all required insurance; (iii) you obtain all required licenses, permits and other governmental approvals; and (iv) we provide our written approval of the construction, buildout and layout of your Krystal Restaurant. We may conduct a pre-opening inspection of your Krystal Restaurant and you agree to make

any changes we require before opening. By virtue of opening your Krystal Business, you acknowledge that we have fulfilled all of our pre-opening obligations to you.

7.5. Relocation. You may relocate your Krystal Restaurant within your Protected Area with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate within your Protected Area, you must: (i) comply with Sections 7.1 through Section 7.4 of this Franchise Agreement with respect to your new Krystal Restaurant (excluding the twelve-month opening period); (ii) open your new Krystal Restaurant and resume operations within 30 days after closing your prior Krystal Restaurant; and (iii) reimburse us for our reasonable expenses (including attorney fees and costs). If we allow you to relocate your Krystal Restaurant because the Krystal Restaurant had been operating at a loss (as shown on your books and records and not including payments to owners in the calculation of a loss) we will not charge you any fees as long as your relocated Krystal Restaurant opens within twelve months of your existing Krystal Restaurant's closure. In the event that you anticipate that the relocation of the Krystal Restaurant will not be completed in a timely manner to allow for the franchised business to be open within twelve months of the prior Krystal Restaurant's closure, we will provide you with a one-time extension that shall not exceed six additional months provided that: (i) you notify us in writing of your request for the extension at last 90 days prior to the 12-month period; and (ii) you are using your best efforts to complete the relocation of the Krystal Restaurant and are actively communicating with us in this regard. You may not relocate your Krystal Restaurant outside of your Protected Area without our prior written approval, which we may withhold in our sole discretion. We may require that your Protected Area be modified as a condition to our approval of you relocating your Restaurant. Upon our approval of the relocation of your Krystal Restaurant, Attachment B shall be updated with the new location, and the remainder of this Franchise Agreement shall remain in full force and effect.

7.6. Catastrophes. If your Krystal Restaurant is destroyed or damaged by fire or other casualty and the Term of this Franchise Agreement and the lease for your Krystal Restaurant has at least two years remaining, you will: (a) within 30 days after the date of such destruction or damage of your Krystal Restaurant, commence all repairs and reconstruction necessary to restore the Krystal Restaurant to its condition prior to such casualty; or (b) relocate the Krystal Restaurant pursuant to Section 7.5, and the Term shall be extended for the period from the date the Krystal Restaurant closed due to the destruction or damage until it reopens. You will pay us five percent (5%) of any insurance proceeds due to business interruption as a result of your Krystal Restaurant being closed due to a casualty event or any other reason.

8. MANAGEMENT AND STAFFING.

8.1. Owner Participation. You acknowledge that a major requirement for the success of your Krystal Business is the active, continuing and substantial personal involvement and hands-on supervision by you or your Operating Owner, who must at all times be actively involved in the operation of the Krystal Business on a full-time basis and provide on-site management and supervision and have authority to make binding business decisions for you, unless we authorize you to delegate management functions to a General Manager. If you are not an individual, you must designate an Operating Owner ("Operating Owner") acceptable to us who will be principally responsible for communicating with us about the Krystal Business. The Operating Owner must have the authority and responsibility for the day-to-day operations of your Krystal Business and must have at least twenty-five percent (25%) equity. You must also designate a "Leadership Group", which is composed of individuals who own at least 60% of your ownership interests. The Operating Owner must be a member of the Leadership Group.

8.2. General Manager. You may hire a manager to assume responsibility for the daily on-site management and supervision of your Krystal Business ("General Manager"), but only if: (i) we approve the General Manager in our commercially reasonable discretion; (ii) the General Manager successfully completes GMT Program; and (iii) you or your Operating Owner agree to assume

responsibility for the on-site management and supervision of your Krystal Business if the General Manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement General Manager. The General Manager may, but is not required to, have an ownership interest in you. If you operate more than one Restaurant, you must designate one employee as a General Manager.

8.3. Employees. You must determine appropriate staffing levels for your Krystal Business to ensure full compliance with this Franchise Agreement and our System standards. You are solely responsible to hire, train and supervise employees or independent contractors to assist you with the proper operation of the Krystal Business. You must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings levied or fixed by any city, state or federal governmental agency, or otherwise required by law) due for your employees. These employees and independent contractors will be employees of yours and not of ours. We do not control the day-to-day activities of your employees or independent contractors or the manner in which they perform their assigned tasks. You must inform your employees and independent contractors that you are exclusively responsible for supervising their activities and dictating the manner in which they perform their assigned tasks. In this regard, you must use your legal business entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, consulting agreements, timecards and similar items. We also do not control the hiring or firing of your employees or independent contractors. You have sole responsibility and authority for all employment-related decisions, including employee selection and promotion, firing, hours worked, rates of pay and other benefits, work assignments, training and working conditions, compliance with wage and hour requirements, personnel policies, recordkeeping, supervision and discipline. We will not provide you with any advice or guidance on these matters. You must require your employees and independent contractors to review and sign any acknowledgement form we prescribe that explains the nature of the franchise relationship and notifies the employee or independent contractor that you are his or her sole employer. You must also post a conspicuous notice for employees and independent contractors in the back-of-the-house area explaining your franchise relationship with us and that you (and not we) are the sole employer. We may prescribe the form and content of this notice. You agree that any direction you receive from us regarding employment policies should be considered as examples, that you alone are responsible for establishing and implementing your own policies, and that you understand that you should do so in consultation with local legal counsel competent in employment law.

8.4. Assumption of Management; Step-In Rights. In order to prevent any interruption of operations which would cause harm to Krystal Business or System, thereby depreciating the value thereof, we have the right, but not the obligation, to step-in and designate an individual or individuals of our choosing ("Interim Manager") for so long as we deem necessary and practical to temporarily manage your Krystal Business: (i) if you fail to comply with any System standard or provision of this Franchise Agreement and do not cure the failure within the time period specified by the Franchise Agreement or us; (ii) if we determine in our reasonable judgment that the operation of your Krystal Business is in jeopardy; (iii) if we determine in our reasonable discretion that operational problems require that we operate your Krystal Business; (iv) if you abandon or fail to actively operate your Krystal Business; (v) upon your (or your Operating Owner, if an entity) or your General Manager's absence, termination, illness, death, incapacity or disability; (vi) if we reasonably deem you (or your Operating Owner, if any entity) or your General Manager incapable of operating your Krystal Business; or (vii) upon a Crisis Management Event ("Step-in Rights"). If we exercise the Step-In Rights:

- (a) you agree to pay us, in addition to all other amounts due under this Franchise Agreement, an amount equal to at least \$200 per day per representative that the Interim Manager manages your Krystal Business, plus all of the Interim Manager's direct out-of-pocket costs and expenses;

(b) all monies from the operation of your Krystal Business during such period of operation by us shall be kept in a separate account, and the expenses of the Krystal Business, including compensation and direct out-of-pocket costs and expenses for the Interim Manager, shall be charged to said account;

(c) you acknowledge that the Interim Manager will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Krystal Business incurs, or to any of your creditors for any supplies, products, or other assets or services your Krystal Business purchases, while Interim Manager manages it;

(d) the Interim Manager will have no liability to you except to the extent directly caused by its gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager, and you will indemnify and hold us harmless for and against any of the Interim Manager's acts or omissions, as regards to the interests of you or third parties; and

(e) you agree to pay all of our reasonable attorney's fees, accountant's fees, and other professional fees and costs incurred as a consequence of our exercise of the Step-In Rights.

Nothing contained herein shall prevent us from exercising any other right which we may have under this Franchise Agreement, including, without limitation, termination.

9. FRANCHISEE AS ENTITY. If you are an Entity, you agree to undertake each obligation under this Section 9. You must provide us with a list of all of the Owners. You must execute a resolution of the Entity authorizing the execution of this Franchise Agreement and provide us a copy of the Entity's organizational documents, and a current Certificate of Good Standing (or the functional equivalent thereof). You represent as of the Effective Date, and covenant during the Term (and any extensions thereof) to ensure that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation. You are, and will continue to be during the Term (and any extensions thereof), qualified and authorized to do business in the jurisdiction where the Krystal Restaurant is to be located and in each jurisdiction where it conducts business, maintains offices, owns real estate or where qualification is required by law. You agree to ensure that your organizational documents will at all times provide your business activities will be confined exclusively to the ownership and operation of the Krystal Business, unless otherwise consented to in writing by us. You agree that Attachment C to this Franchise Agreement completely and accurately describes all of the Owners and their interests in you as of the Effective Date. You and the Owners agree to sign and deliver to us revised versions of Attachment C periodically to reflect any permitted changes in the information that Attachment C now contains. You agree to, at all times, maintain a current schedule of the Owners of you and their ownership interests and to immediately provide us with a copy of the updated ownership schedule whenever there is any change of ownership to you. You represent that you and the Owners have no material liabilities, adverse claims, commitments or obligations of any nature as of the Effective Date, whether accrued, unliquidated, absolute, contingent or otherwise, except as disclosed to us in writing or set forth in any financial statements that have been provided to us. You will, at all times, maintain sufficient working capital to operate the Krystal Business and to fulfill its obligations under this Franchise Agreement, and will take steps to ensure availability of capital to fulfill your obligations to maintain and remodel the Krystal Restaurant premises in accordance with this Franchise Agreement. You agree not to use the name "Krystal" or any derivative thereof in the name of your Entity. You further acknowledge that the acknowledgements, representations, covenants and warranties contained in this Section are continuing obligations of you and the Owners and that any failure to comply with such representations, warranties and covenants will constitute a material breach of this Franchise Agreement.

10. OWNERS AGREEMENT. All Owners (whether direct or indirect) with an ownership in you and their spouses must sign the Owners Agreement, attached as Attachment D to this Franchise

Agreement, agreeing to be personally bound by all of this Franchise Agreement's terms. You agree that, if any person or Entity ceases to be one of your Owners, or if any individual or Entity becomes an Owner of you (such ownership change must comply with the Transfer requirements discussed in Section 19.2 below), you will require the new Owner (and the new Owner's spouse) to execute all documents required by us, including the Owners Agreement.

11. ADVERTISING & MARKETING.

11.1. Franchisee Obligations for Marketing Contributions and Expenditures. For each two-week period during the Term of this Agreement, you agree to satisfy a marketing obligation ("Marketing Obligation") for your Krystal Business that is equal to 4.5% of the Gross Sales of your Krystal Business, which amount will be allocated as provided in Sections 11.1.1 and 11.1.2 below. The Marketing Obligation is in addition to your obligations to spend money on and conduct the Grand Opening Program as further described in Section 11.6 below).

11.1.1 We have the right to allocate your Marketing Obligation in the proportion that we designate among any one or more of the following obligations: (a) contributions by you to the Brand Fund, as provided in Section 11.2 below (each a "Brand Fund Contribution"); (b) contributions to a Regional Fund or a regional Cooperative (if then established and in effect) for your area, as provided in Sections 11.3 and 11.4 below; and (c) amounts to be spent by you on local marketing and promotion of your Krystal Business, as provided Section 11.5 below.

11.1.2 As of the Effective Date, your Marketing Obligation of 4.5% of the Gross Sales of the Franchised Restaurant is allocated as follows: (a) 4.5% of your Gross Sales will be made as Brand Fund Contributions, except during any period (if any) that we require you participate in a Regional Fund or Cooperative; and (b) if we require that you participate in a Regional Fund or Cooperative that is in effect for the area in which your Franchised Restaurant is located, then you will contribute 3.5% of Gross Sales to such Regional Fund or Cooperative and contribute 1.0% of your Gross Sales to the Brand Fund. Your Brand Fund Contributions and, if applicable, contributions to a Regional Fund or Cooperative must be paid, at the same time and in the same manner as the Royalty.

11.1.3 We have the right to periodically make changes to the allocation of the Marketing Obligation by giving you written notice of the change a minimum of thirty (30) days prior to the date such changes will take effect.

11.1.4 No part of the Marketing Obligation will be subject to refund or repayment to you under any circumstances.

11.2 Brand Fund. We have established and, as of the Effective Date, maintain a brand promotion fund ("Brand Fund") for marketing, developing and promoting awareness of our brand and to improve our System. The Brand Fund will be administered by us or our affiliate or designees, at our discretion. We may use the Brand Fund to pay costs and expenses as we determine in our sole discretion, including, but not limited to, any of the following: (i) developing, maintaining, administering, directing, preparing, conducting, or reviewing advertising and marketing materials, promotions and programs, including social media management; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development and maintenance and search engine optimization; (vii) development and implementation of quality control programs; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) collecting and accounting for Brand Fund Contributions; (xii) preparing and distributing financial accountings of the Brand Fund; (xiii) conducting food audit programs and other reputation management functions; (xiv) any other programs or activities that

we deem necessary or appropriate to promote or improve the System; and (xv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities. We (or our designee) have right to direct all advertising, marketing, and public relations programs and activities, with sole discretion over the content, concepts, materials, media, endorsements, frequency, placement, location, and all other matters pertaining to any of the foregoing activities. Any surplus of monies in the Brand Fund may be invested, and we may lend money to the Brand Fund if there is a deficit. Any unused funds that were collected in any calendar year will be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable. The Brand Fund is not a trust, and we have no fiduciary obligations to you with respect to our administration of the Brand Fund. An unaudited financial accounting of the operations of the Brand Fund, including deposits into and disbursements from the Brand Fund, will be prepared annually and, once complete, made available to you upon thirty (30) days' advance written request. We may (but are not obligated to) require that any such annual accounting include an audit of the contributions and expenditures of Brand Fund prepared by an independent certified public accountant selected by us and prepared as an expense to the Brand Fund.

You agree that the Brand Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Brand Fund, to make expenditures from the Brand Fund in or affecting any geographic area that are proportionate or equivalent to the Brand Fund Contribution by you or other of our franchisees operating in that geographic area or that you or any other of our franchisees benefit directly or in proportion to your or their respective contributions to the Brand Fund. You have no right to reduce or withhold contributions based on any alleged lack of benefits to your Krystal Business or based on failure by any other franchisee (with or without our permission) to make its contributions to the Brand Fund. We will not use the Brand Fund for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating "Franchises Available" or similar phrasing.

From time to time, we or our designee may furnish franchisees with marketing, advertising and promotional materials at the cost of producing them, plus any related shipping, handling and storage charges. You may not modify any of these materials without our prior written consent. The Brand Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System.

You agree to contribute to the Brand Fund the portion of the Marketing Obligation that we allocate to the Brand Fund as provided in Section 11.1 above. Upon receipt by us, the sums paid by you shall become the property of ours or an advertising cooperative and shall not be considered to be held in trust for you. You agree to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Brand Fund.

We may, upon 30 days' prior written notice to you, reduce or suspend Brand Fund Contribution and operations for one or more periods of any length and terminate and/or reinstate the Brand Fund. If we terminate the Brand Fund, we may either spend the remaining amounts or distribute all unused contributions to contributing then-current franchisees, and to us or our affiliates, in proportion to respective contributions during the preceding 24-month period.

11.3. Regional Cooperatives. We have the right, but not the obligation, to create one or more local or regional advertising cooperatives (each a "Cooperative") for the purpose of creating and/or purchasing advertising programs for the benefit of Krystal Restaurants operating within a particular region. We may require that each Cooperative operate with governing documents and prepare annual unaudited financial statements. Upon our request that you participate in a Cooperative, you will be required to execute

our then-current form of Advertising Cooperative Subscription Agreement and you must do so in compliance with the provisions of the Brand Standards Manual, which we may periodically modify in our discretion. We have the right to determine the composition of all geographic territories and market areas for each Cooperative. You agree that, during any periods we require you to participate in a Cooperative, you will contribute the portion of the Marketing Obligation that we allocate to the Cooperative as provided in Section 11.1 above. Each Krystal Restaurant we own (or our affiliates own) that exists within the Cooperative's area will contribute to the Cooperative on the same basis as franchisees and will be entitled to vote as part of the Cooperative. An accounting of the Cooperative contributions and expenditures shall be prepared annually and shall be made available to you upon thirty (30) days' advance written request. We may (but are not obligated to) require that any such annual accounting include an audit of the contributions and expenditures of the Cooperative prepared by an independent certified public accountant selected by us and prepared as an expense to the Cooperative. We reserve the right to form, change, merger and dissolve Cooperatives at any time. Upon termination, all monies in the Cooperative shall be spent for advertising and/or promotional purposes. We or our designee may grant to any franchisee an exemption for any length of time from the requirement of membership in the Cooperative, upon written request of such a franchisee stating reasons supporting an exemption, or upon our initiative in the event that we determine the circumstances of a franchised Krystal Restaurant do not warrant participation in the Cooperative. Decisions regarding a request for exemption shall be final. We shall have the sole right to enforce the obligations of franchisees who are members of the Cooperative to contribute to the Cooperative, and neither you nor any other franchisees who contribute to the Cooperative will be deemed a third party beneficiary with respect to the Cooperative obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Cooperative.

11.4 Regional Advertising Funds. In lieu of a regional Cooperative, we shall have the right, in our sole discretion, to establish a regional advertising fund for Krystal Businesses for the area that includes your Franchised Restaurant ("Regional Advertising Fund"). If a Regional Advertising Fund is established for a geographical area that includes your Krystal Restaurant, you must contribute to that Regional Advertising Fund the portion of the Marketing Obligation that we allocate to the Regional Advertising Fund as provided in Section 11.1 above. Krystal Restaurants operated by us and our affiliates in an area covered by a Regional Advertising Fund shall contribute to the Regional Advertising Fund on the same basis as comparable franchisees. If established, we our affiliate or designees will administer the Regional Advertising Fund, and will direct all advertising, marketing, and public relations programs and activities financed by the Regional Advertising Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. You agree that the Regional Advertising Fund may be used for the same purposes as described in Section 11.2 above regarding the Brand Fund as such relate to the activities and expenses of a Regional Advertising Fund. You agree to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Regional Advertising Fund.

11.5. Local Advertising. Pursuant to Section 11.1 above, we may allocate a portion of your Marketing Obligations as amounts that you must spend on local advertising, marketing and promotion of your Krystal Business (the "Local Advertising Requirement"). During any periods in which we impose the Local Advertising Requirement for your Krystal Business, you agree to conduct local advertising, marketing and promotion in accordance with this Agreement and to spend the required amounts on a continuous basis (monthly if not otherwise as agreed with us in writing). Franchisee shall demonstrate on a quarterly basis, to the reasonable satisfaction of Franchisor, that Franchisee has made such expenditures. You must on a quarterly basis provide us with an accounting (in the form and manner we prescribe) of your expenditures for marketing, advertising and promotion to satisfy the Local Advertising Requirement. You agree to participate at your own expense in all advertising, promotional and marketing programs that we require, which will count towards the Local Advertising Requirement. We must approve all local

advertising in accordance with Section 11.8 below.

You understand and agree that Local Advertising Requirement shall not include, and you shall not include in your of the amounts so expended, any costs or expenses incurred in connection with any of the following: product price discounts or incentive programs, including the costs of honoring coupons or gift cards; market-wide or other research; food costs incurred in any promotion; salaries and expenses of any employees of you, including salaries or expenses for attendance at advertising meetings and activities; charitable, political or other contributions or donations; the cost or expense of signs, logos, or symbols placed on vehicles; in-store materials consisting of fixtures or equipment; seminar and education costs and expenses of employees of you; the purchase of specialty items (such as T-shirts, premiums, pins and awards) for resale unless such items are part of a market-wide advertising program and the cost of such items is not recovered by the promotion.

If you fail to comply with the Local Advertising Requirement, we may, upon written notice to you, reallocate your Local Advertising Requirement to the Brand Fund. In such event, you will be required that you contribute all such amounts to the Brand Fund, which reallocation may be permanent or for a limited period as we specify in the written notice to you.

11.6. Grand Opening Advertising Program. You must spend a minimum on approved grand opening marketing, advertising and promotion for your Krystal Business (“Grand Opening Program”) before and during the first six months after opening of your Krystal Business. The amount you are required to spend is set forth in Attachment B. We will consult with you in connection with your Grand Opening Program. You agree to provide us with an accounting (in the form and manner we prescribe) of your expenditures for grand opening marketing, advertising and promotion within 30 days after completion of your Grand Opening Program upon our request. All expenditures for grand opening marketing, advertising and promotion will be in addition to your other marketing, advertising and promotion obligations under the Franchise Agreement.

11.7. Standards for Advertising. All sales and marketing material you use must be ordered from us or our designated suppliers. All advertisements and promotions that you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws, rules and regulations. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property or legal rights of others.

11.8. Approval of Advertising. Our Chief Marketing Officer (or his or her designee) must pre-approve all advertising and promotional materials that we did not prepare or previously approve (including materials that we prepared or approved, and you modify). We will be deemed to have disapproved the materials if we fail to issue our written approval within 30 days after receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove). If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to the Brand Fund.

11.9. Internet and Websites. We may require that you utilize our designated supplier for social media marketing services. If you wish to utilize social media or advertise online, you must follow our online policy which is contained in our Brand Standards Manual. Our online policy may change as technology and the Internet changes. We may require that you utilize our designated supplier for social media marketing services at your expense. We may restrict your use of social media. Subject to Section 3 above, we restrict your ability to independently market on the Internet, and we may not allow you to use any domain name, address, locator, link, metatag or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page. At this time, we do not allow our franchisees to maintain their own websites (other than the localized webpage that we

provide) or market their Krystal Business on the Internet (other than through approved social media outlets). Accordingly, you may not maintain a separate website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Krystal Business without our express written permission, which we may revoke at any time, in our sole discretion.

11.10. Advisory Council. We also have the right to establish an advisory council (“Council”) to advise us on advertising policies and to promote communications between us and all franchisees. If the Council is formed, it will be governed by bylaws that will specify that members of the Council would consist of both franchisees and corporate representatives and will specify the manner in which members are selected, subject to any changes to such bylaws or structure that we deem necessary in our sole discretion. The Council would serve in an advisory capacity only. We reserve the right to grant to the Council any operation or decision-making powers that we deem appropriate. We reserve the right to form, change, merge or dissolve the Council, in our sole discretion.

11.11. Marketing Assistance from Us. We may create and make available to you, advertising and other marketing materials for your purchase. We may use the Brand Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). We may also enter into relationships with third-party suppliers who will create the advertising or marketing materials for your purchase.

12. BRAND STANDARDS.

12.1. Generally. You agree to operate your Krystal Business: (i) in a manner that will promote the goodwill of the Marks; and (ii) in full compliance with our standards and all other terms of this Franchise Agreement and the Brand Standards Manual. Any required standards exist to protect our interests in the System and the Marks, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Brand Standards Manual or other written materials. The Brand Standards Manual will also include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative; provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

12.2. Brand Standards Manual. You agree to establish and operate your Krystal Business in accordance with the Brand Standards Manual. The Brand Standards Manual may contain, among other things: (i) a description of the authorized products and services that you may offer at your Krystal Business; (ii) mandatory and suggested specifications, operating procedures, and quality standards for goods, products, services, ingredients and menu items that you use or offer at your Krystal Business; (iii) policies and procedures that we prescribe from time to time for our franchisees; (iv) mandatory reporting and insurance requirements; (v) mandatory and suggested specifications for your Krystal Business; (vi) policies and procedures pertaining to any gift card or gift certificate program that we establish (you shall be responsible for all fees from us or our designated third-party vendor based on participation in such program); and (vii) a written list of furniture, fixtures, equipment, and signs (which elements include, but are not limited to floor coverings, menu boards, trade dress, décor items and other related interior and exterior features), and products and services (or specifications for such items) that you must purchase for the development and operation of your Krystal Business and a list of any designated or approved suppliers for such items. The Brand Standards Manual is designed to establish and protect our brand standards and the uniformity and quality of the products and services offered by our franchisees. We can modify the

Brand Standards Manual at any time, but such modifications will not alter your rights under this Franchise Agreement. The modifications will become binding immediately when we send you notice of the modification. All mandatory provisions contained in the Brand Standards Manual (whether they are included now or in the future) are binding on you.

12.3. Authorized Products and Services. You agree to offer all products and services that we require from time to time. You may not offer any other products or services at your Krystal Business without our prior written permission. You may not use your Krystal Restaurant or permit your Krystal Restaurant to be used for any purpose other than offering the products and services that we authorize. We may, without obligation to do so, add, modify or delete authorized products and services, and you must do the same upon notice from us. Our addition, modification or deletion of one or more products or services shall not constitute a termination of the Franchise or this Franchise Agreement. You will not enter into any agreements with any third parties that can process orders for you on your behalf.

12.4. Suppliers and Purchasing. You agree to purchase or lease all products, supplies, equipment, services, and other items specified in the Brand Standards Manual. We may periodically require that you purchase, use, offer and/or promote, and maintain in stock at the Krystal Restaurant: (i) in such quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary products, sauces, dressings, condiments, beverages, food products and other ingredients and raw materials, which are grown and produced or manufactured in accordance with our trade secrets, proprietary recipes, specifications and/or formulas or which we designate as “proprietary,” and (ii) certain packaging, information systems, other products, supplies, services and equipment designated by us as “proprietary” (“Proprietary Products”). You shall purchase Proprietary Products only from us, our affiliates (if they sell the same), or our designees. We are not obligated to reveal trade secrets, recipes, specifications and/or formulas of such Proprietary Products to you, non-designated suppliers, or any other third parties. We may designate certain food products, condiments, merchandise, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, information systems, and other products, supplies, services and equipment, other than Proprietary Products, which you may or must use and/or offer and sell at the Krystal Restaurant (“Non-Proprietary Products”). You may use, offer or sell only such Non-Proprietary Products that we have authorized, and that are purchased or obtained from us or a producer, manufacturer, distributor, supplier or service provider designated or approved by us in accordance with this Section 12.4. You agree to use the technology, ordering system or service provider designated by us and to pay all ordering or service fees associated with such orders assessed by our approved or designated suppliers. You acknowledge that our right to specify the suppliers that you may use and add or remove suppliers is necessary and desirable so that we can control the uniformity and quality of products and services used, sold or distributed in connection with the development and ongoing operation of your Krystal Business, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. You may retain any rebates that you receive directly from these suppliers from whom you make direct purchases. If we receive rebates or other financial consideration from these suppliers based upon your purchases or any other of our franchisee’s purchases, we have no obligation to pass these amounts on to you or to use them for your benefit. If you want us to approve a supplier, product or service for a Non-Proprietary Product that you propose, you must send us a written notice specifying the supplier’s name and qualifications or product information and provide any additional information that we request. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. We will not unreasonably withhold our approval if you request the use of a new supplier for Non-Proprietary Products. We shall be deemed to have rejected your request if we fail to issue our approval within the 30-day period. You must reimburse us for all costs and expenses that we incur in reviewing a proposed supplier within ten days after invoicing.

12.5. Equipment Maintenance and Changes. You agree to maintain all of your furniture, fixtures, equipment, and signs in good condition and promptly replace or repair any furniture, fixtures, equipment, and signs that is damaged, worn out or obsolete. We may require that you add new furniture, fixtures, equipment, and signs or change, upgrade or replace these items, which may require you to make additional investments. Our ability to require franchisees to make significant changes to their furniture, fixtures, equipment, and signs is critical to our ability to administer and change the System, and you agree to comply with any such required change within the time period that we reasonably prescribe.

12.6. Software and Technology. You will, at your expense, purchase and maintain any point-of-sale system, cash register, computer hardware, software and networking, communication equipment, communication services, Internet services (including the requirement to maintain a high-speed Internet connection), drive-through speed of service monitoring system, kitchen and other video systems, dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment that we may specify for use in the Krystal Business. You may be required to purchase certain of these items only from our approved vendors. You will provide any assistance we require to connect your point-of-sale systems or computer systems with our computer system. We will have the right at any time to retrieve data and other information from your point-of-sale systems or computer systems as we, in our sole discretion, deem necessary or desirable. You shall ensure that we have access at all times to your point-of-sale systems and computer system, at your cost. You must provide us with any and all codes, passwords and information necessary to access your computer network. You must receive our prior approval before changing such codes, passwords and other necessary information. You will strictly comply with the policies and procedures specified in the Brand Standards Manual for all items associated with your point-of-sale systems, computer systems and communication equipment and services. You will keep the point-of-sale systems, computer systems and communication equipment in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications or substitutions to your point-of-sale systems, computer hardware, software, communication equipment, telephone and power lines, and other related accessories or peripheral equipment, as we may specify periodically. We may require that you license from us proprietary software for use in the Krystal Business, and, if so, you will sign the software license agreement we specify, and you will comply with all of its terms and conditions. You will utilize the point-of-sale systems, computer systems and communication equipment and services in connection with the Krystal Business pursuant to our policies and procedures as contained in the Brand Standards Manual.

You are required to pay us our then-current technology services fee (“Technology Services Fee”) (as of the Effective Date, this fee totals approximately \$125 to \$275 per Restaurant per month) in accordance with the terms of Section 13.4 of this Franchise Agreement for the use of certain technologies used in the operation of your Krystal Business. In addition, you agree to execute the Network System Support and Maintenance Agreement, a copy of which attached to this Agreement as Attachment E. The Technology Services Fee may include other items such as technical support and other costs as set forth in the Brand Standards Manual (which may be periodically revised and updated), email address, location website and intranet/extranet costs. Additionally, you are required to pay us our then-current franchise software system fee (“Franchise Software System Fee”) (as of the Effective Date, this fee totals approximately \$47 to \$62 per Restaurant per month and additional user fees may apply) in accordance with the terms of Section 13.4 of this Franchise Agreement for the use of certain technologies and software platforms used in the operation of your Krystal Business. The Technology Services Fee and the Franchise Software System Fee are intended to be a “pass through” of costs incurred by us in providing technology services to you. As a result, the Technology Services Fee and the Franchise Software System Fee shall only consist of amounts that: (i) we are charged by vendors, suppliers and affiliates without mark-up by us; and/or (ii) we reasonably incur in creating, developing, implementing, administering and maintaining technology services to franchisees generally or that are specifically requested by you. You must also pay initial setup and other fees to approved third-party providers, suppliers for certain business solutions that

will support your business efficiencies, including phone systems, security systems, scheduling software, employee shift/task management software, music subscription, managed firewall and switch, inventory solution and any other solutions we may require from time to time in the Brand Standards Manual for your Krystal Business. We reserve the right to upgrade, modify and add new systems and software, which may result in additional initial and ongoing expenses that you will be responsible for. You will be responsible for any increase in fees that result from any upgrades, modifications or additional systems or software and for any increase in fees from third-party providers. You are required to purchase or license and use our then-current point-of-sale system and pay any applicable support fee for the point-of-sale license and support to our designated vendor. We reserve the right to: (i) require you to license or purchase certain business solutions and software that will support your business efficiencies, including security systems, phone systems, scheduling software, employee shift/task management software, back office financial software, music subscription, inventory solutions and other solutions; (ii) upgrade, modify and add new solutions, software and technologies; (iii) change or add approved suppliers of these services at any time; and (iv) increase or decrease the Technology Services Fee, the Franchise Software System Fee, and other technology and licensing and expenses that you are required to pay under this Franchise Agreement upon 30 days' written notice to you. You acknowledge and agree that changes to technology are dynamic and are likely during the Term of this Franchise Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System and you agree to comply with those reasonable new standards that we establish as if we periodically revised this Section for that purpose. There is no limitation on the frequency and cost of your obligation to maintain, update or upgrade your computer system or its components. Although we will facilitate your computer system and software, except where set forth in Attachment E, all contractual issues involving maintenance, repairs, upgrades and updates to hardware or software for your computer system are between you and the applicable hardware or software vendor. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the computer system, your point-of-sale system, or other technology used in the operation of your Krystal Business, including all data protection or security laws, as well as Payment Card Industry compliance.

12.7. Maintenance. You agree to maintain your Krystal Restaurant in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations at your sole expense, to comply with our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (i) thorough cleaning, repainting and redecorating of the interior and exterior of the Krystal Restaurant at the intervals we may prescribe (or at such earlier times that such actions are required or advisable); and (ii) interior and exterior repair of the Krystal Restaurant as needed. You agree to comply with any reasonable maintenance, cleaning or facility upkeep schedule that we reasonably prescribe from time to time.

12.8. Remodeling. You agree to remodel and make all improvements and alterations to your Krystal Restaurant that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. You agree that such improvements, upgrading and/or remodeling shall be commercially reasonable to the extent required for your Krystal Restaurant to meet our then-current standards, specifications and image requirements. You will not install or permit to be installed on or about the Krystal Restaurant premises any furnishings, fixtures, equipment, signs, décor, ATM machines, vending machines, video games, juke boxes, public telephone or other type of vending machine, whether or not coin-operated, or the like that we have not previously approved. The revenues you receive from any approved machines shall be included in your Gross Sales. You may not remodel or significantly alter your Krystal Restaurant without our prior written approval, which will not be unreasonably withheld. However, we will not be required to approve any proposed remodeling or alteration if the same would not conform to our then-current standards, specifications or image requirements. You agree to complete any remodel of

the Krystal Restaurant within nine months after receiving our written request specifying the requirements. Except for maintenance under Section 12.7, we will not require that you remodel the Krystal Restaurant more than once every eight years.

12.9. Hours of Operation. You must keep your Krystal Business open for the minimum hours and minimum days of operation as specified in the Brand Standards Manual, which may change over the Term. Your Krystal Business must be open every day of the year, other than federal holidays, unless otherwise agreed to by us. You must establish specific hours of operation and submit those hours to us for approval.

12.10. Customer Complaints. If you receive a customer complaint, you must follow the complaint resolution process that we specify to protect the goodwill associated with the Marks. You must reimburse us for the reasonable costs we incur for responding to a customer complaint, including the value of any gift card, refund or other value we provide to the customer as part of addressing the issue.

12.11. Food Safety Audit. At any time, we reserve the right to engage the services of one or more mystery shoppers or quality assurance inspection firms who will inspect your Krystal Restaurant for quality control purposes. These inspections may address a variety of issues, including, but not limited to, customer service, food safety, sanitation, and inventory rotation. You agree to fully cooperate with any such inspection. If we implement such a program, you may be invoiced directly by the mystery shopper or quality assurance firm for the services rendered. Alternatively, we may be invoiced by the mystery shopper or quality assurance firm, in which case you must pay your proportional share of the total fee based on number of inspections performed. You agree to pay us this fee monthly at the same time you pay the Technology Services Fee and Franchise Software System Fee. As of the Effective Date, we currently require two (2) food safety audits per year, as we collect the fees payable for these audit services. Additionally, if you fail a food safety audit, we will require you to undergo an additional food safety audit at your own expense within 45 days.

12.12. Compliance with Standards. You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks.

12.13. Methods of Payment and Data Security. You agree to maintain, at all times, credit card relationships with the credit and debit card issuers or sponsors, check or credit verification services, financial center services, merchant service providers, loyalty and gift cards, and electronic fund transfer systems (together, “Credit Card Vendors”) that we may periodically designate as mandatory. The term Credit Card Vendors includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, Apple Pay and Google Wallet). You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval. We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider. You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

12.14. Crisis Management Event. You agree to notify us immediately by telephone and email upon the occurrence of a Crisis Management Event. We may establish emergency procedures which may require you to temporarily close the Krystal Business to the public, in which case you agree that we will not be held liable to you for any losses or costs.

12.15. Gift and Loyalty Cards. You agree to participate in our gift and loyalty card programs, if any, and agree to make gift and loyalty cards available for purchase and redemption at your Krystal Restaurant. We reserve the right to enter into arrangements with third-party gift card distributors to place gift cards in big box stores, grocery and pharmacy chains, in which case you agree to honor all gift and loyalty cards required by us. You may be required to pay commissions to our distributors through your processor when redeeming gift cards are sold through the network of retailers, which we estimate will range from 10% to 14% of the total amount redeemed. You agree not to issue or create any gift or loyalty cards or gift certificates that have and will only sell and redeem gift cards, loyalty cards and gift certificates that have been issued by us or approved by us.

12.16. Privacy. You agree to comply with all applicable laws pertaining to the privacy of customer, employee and transactional information ("Privacy Laws"). You also agree to comply with our standards and policies pertaining to Privacy Laws.

12.17. Music & Vending. You agree to only play the music selections and purchase the music equipment that has been approved by us in writing and in accordance with the Brand Standards Manual. Without our prior approval, you agree not to install any jukeboxes, vending machines, electronic games, ATM machines, newspaper racks, entertainment devices or gambling devices at the Krystal Restaurant and agree to not sell any tickets, subscriptions, chances, raffles or lottery tickets.

12.18. Annual Conferences. You, and such other persons employed or contracted by you as we may require, must attend the annual conferences, franchisee meetings, seminars and other gatherings or group sessions (collectively, "Conferences") we hold. We have the right to determine the topics covered, duration, date and location of all Conferences. You will pay the then-current conference fee we establish for each person attending a Conference ("Conference Fee") and will also pay the travel expenses and all other expenses incurred by the persons attending the Conference on your behalf. The Conference Fee is payable to us to help defray the cost of attendance at any Conference and is payable regardless of whether or not you attend any given Conference.

12.19. Delivery. You agree to follow our delivery policies and procedures in the Brand Standards Manual, which may require you to provide delivery services and/or utilize third-party delivery services (e.g., Uber Eats, Grubhub, DoorDash, etc.) or may restrict the areas in which you may offer delivery services. You acknowledge that delivery policies as well as any third-party's delivery policies may allow other Krystal Restaurants to provide delivery services in your Protected Area and may allow you to provide delivery services outside of your Protected Area. We may require you to discontinue delivery services. You agree to enter into agreements with third-party delivery service providers that we designate.

13. FEES.

13.1. Initial Franchise Fee. You must pay us an initial franchise fee ("Initial Franchise Fee") in the amount indicated in Section 3 of Attachment B in a lump sum at the time you sign this Franchise Agreement. The Initial Franchise Fee is fully earned by us and is non-refundable once this Franchise Agreement has been signed. If this Franchise Agreement is the first franchise agreement being signed under an area development agreement between you and us, or if this Franchise Agreement is the renewal of a prior franchise agreement with us for an existing Krystal Business, then no Initial Franchise Fee is due.

13.2. Royalty. On Tuesday of every second week (or such other date as we designate), you agree to pay us a royalty fee ("Royalty") equal to five percent (5%) of Gross Sales during the previous two-week period (each week is Monday through Sunday).

13.3. Advertising Fees. You shall spend and/or contribute for advertising. The exact amount of the advertising fees to be spent and/or contributed by you, and the allocation of the advertising fees, as of the date of this Agreement, is set forth in Section 11 of this Agreement.

13.4. Technology Related Fees. On the day of each month that we designate (currently the final day of each month for the following month), you must pay us our then-current monthly Technology Services Fee and our then-current monthly Franchise Software System Fee. Your first payment of the Technology Services Fee payment and Franchise Software System Fee must be made prior to the month in which you open and begin operating the Krystal Business.

13.5. Other Fees and Payments. You agree to pay all other fees, expense reimbursements, and all other amounts specified in this Franchise Agreement in a timely manner as if fully set forth in this Section 13. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon products or services that you sell or based upon products or services that we furnish to you (other than income taxes that we pay based on amounts that you pay us under this Franchise Agreement).

13.6. Late Payment Fee. If any sums due under this Franchise Agreement have not been received by us when due then, in addition to those sums, you must pay us \$100 per occurrence, plus the lesser of the daily equivalent of eighteen percent (18%) per year simple interest or the highest rate allowed by law. If no due date has been specified by us, then interest accrues from the original due date until payment is received in full.

13.7. Method of Payment. You must complete and send us an ACH Authorization Form allowing us to electronically debit a banking account that you designate ("Account") for: (i) all fees payable to us pursuant to this Franchise Agreement (other than the Initial Franchise Fee); and (ii) any amounts that you owe to us or any of our affiliates for the purchase of products or services. We will debit your Account for these payments on or after the due date. Our current form of ACH Authorization Form is attached to the Franchise Disclosure Document in Exhibit H. You must sign and deliver to us any other documents that we or your bank may require authorizing us to debit your Account for these amounts. You must deposit into the Account all revenues that you generate from the operation of your Krystal Business. You must make sufficient funds available for withdrawal by electronic transfer before each due date. If any check or electronic payment is not successful due to insufficient funds, stop payment or any similar event, any excess amounts that you owe will be payable upon demand, together with a non-sufficient funds fee of \$100 per occurrence, plus the lesser of the daily equivalent of eighteen percent (18%) per year simple interest or the highest rate allowed by law, and any late charge imposed pursuant to Section 13.5. If you make any payment to us or our affiliate(s) by credit card for any fee required, we may charge a payment service fee of up to four percent (4%) of the total charge. We reserve the right to periodically specify (in the Brand Standards Manual or otherwise in writing) different required payment methods for any payment due to us or our affiliates.

13.8. Payment Frequency. We reserve the right to periodically specify (in the Brand Standards Manual or otherwise in writing) different payment frequencies (for example, weekly/biweekly/monthly payments) for any payment due to us or our affiliates.

13.9. Application of Payments. We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate. We will not be bound by any instructions for allocation you specify. All fees paid to us unless otherwise specified are non-refundable.

13.10. Payment Obligations. Your obligations to pay us the fees under this Franchise Agreement are absolute and unconditional, and will remain in full force and effect throughout the entire

duration of this Franchise Agreement, and shall continue for such period of time thereafter as you owe us fees under this Franchise Agreement. You will have no right to offset any fees paid to us and must pay us all fees regardless of any claims you may have against us. We will have the right, at any time before or after termination of this Franchise Agreement, without notice to you, to offset any amounts or liabilities that you may owe to us against any amounts or liabilities that we may owe you under this Franchise Agreement or any other agreement, loan, transaction or relationship between the parties, including any amounts that you may claim for sales that you make through any stored value or gift card or similar program.

14. BRAND PROTECTION COVENANT.

14.1. Reason for Covenants. You acknowledge that the Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Franchise Agreement. You also acknowledge that competition by you, the Owners, or persons associated with you or the Owners (including family members) could seriously jeopardize the entire System because you and the Owners have received an advantage through knowledge of our day-to-day operations and Confidential Information related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our System.

14.2. Our Confidential Information. You will use the Confidential Information only in the operation of the Krystal Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Franchise Agreement. You will take all appropriate actions to preserve the confidentiality of all Confidential Information, including keeping the Brand Standards Manual in a secure location. Access to Confidential Information must be limited to only your employees or independent contractors who need the Confidential Information to perform their jobs and who are subject to your general policy on maintaining confidentiality as a condition of employment or who have first signed our System Protection Agreement or Confidentiality Agreement (the forms of which are attached to the Franchise Disclosure Document in Exhibit H). You will not copy or permit copying of Confidential Information. Your obligations under this section begin when you sign this Franchise Agreement and continue for trade secrets as long as they remain secret, and, for other Confidential Information, for as long as we continue to use the information in confidence (even if edited or revised) plus three years. We will respond promptly and in good faith to any inquiry by you about continued protection of any Confidential Information.

All data that you collect, create, provide or otherwise develop (including, but not limited to, customer information) is (and will be) owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you, at no additional cost, solely for the term of this Franchise Agreement and solely for your use in connection with the Krystal Business. You agree to provide us with the information that we reasonably require with respect to data and cybersecurity requirements. You agree to indemnify us for any loss of data, including, but not limited to, customer information resulting from a breach of such data caused, in whole or in part, by you.

The restrictions on the disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (iii) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney, and for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and Confidential Information is not otherwise disclosed except pursuant to court order.

14.3. Competition during Term. You and the Owners agree not to compete with us during the Term by engaging in any of the following activities ("Prohibited Activities"): (i) owning,

operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (iii) inducing any customer of ours (or of one of our affiliates' or franchisees') to transfer their business to you or to any other person that is not then a franchisee of ours.

14.4. Competition after Term. During the Post-Term Restricted Period, you and the Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and the Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within, and does not provide competitive products or services to, customers who are located within the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

14.5. Employees and Others Associated with You. Any General Manager and, if you are an Entity, any officer that does not own equity in you must sign our System Protection Agreement, the form of which is attached to the Franchise Disclosure Document in Exhibit H. You must ensure that all of your employees, officers, directors, partners, members, independent contractors, and other persons associated with you or your Krystal Business who may have access to our Confidential Information, and who are not required to sign a System Protection Agreement, sign and send us a Confidentiality Agreement, the form of which is attached to the Franchise Disclosure Document in Exhibit H, before having access to our Confidential Information. You must use your best efforts to ensure that these individuals comply with the terms of the Confidentiality Agreements and System Protection Agreements, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Confidentiality Agreement or System Protection Agreement, including reasonable attorney fees and court costs.

14.6. Covenants Reasonable. You and the Owners acknowledge and agree that: (i) the terms of this Franchise Agreement are reasonable both in time and in scope of geographic area; (ii) our use and enforcement of covenants similar to those described above with respect to other Krystal franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Krystal Business; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Franchise Agreement. You and the Owners hereby waive any right to challenge the terms of this Section 14 as being overly broad, unreasonable or otherwise unenforceable.

14.7. Breach of Covenants. You and the Owners agree that failure to comply with the terms of this Section 14 will cause substantial and irreparable damage to us and/or other Krystal franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of the terms of this Section 14 will entitle us to injunctive relief. We may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Franchise Agreement are exclusive of any other, but may be combined with others under this Franchise Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of

action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 14.

14.8. Ownership of Public Companies. Notwithstanding the provisions of this Section 14, you and the Owners will have the right to own up to five percent (5%) of any publicly-held company or mutual fund that owns, operates, has an interest in, or controls any Competitive Business; provided that such company has a class of securities that is publicly traded on a national exchange or quotation system and is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended.

15. YOUR OTHER RESPONSIBILITIES.

15.1. Insurance. Before your Krystal Business first opens for business, you will obtain insurance in the types and amounts specified herein. You will maintain all required insurance in force during the term of this Franchise Agreement, and you will obtain and maintain any additional or substituted insurance coverage, limits and amounts as we may periodically require. Your compliance with these insurance provisions does not relieve you of any liability under any indemnity provisions of this Franchise Agreement.

As of the Effective Date, we require you to maintain the following insurance coverages for each Restaurant:

(a) Comprehensive general liability insurance including products liability, broad form contractual liability, and personal/advertising liability in minimum amount of not less than one million dollars (\$1,000,000.00) per occurrence and two million dollars (\$2,000,000) annual general aggregate and two million dollars (\$2,000,000) products and completed operations annual aggregate for bodily injury and property damage combined at its expense;

(b) Automobile liability insurance covering all owned, hired and non-owned automobiles at its expense with limits of liability not less than one million dollars (\$1,000,000.00) per accident for bodily injury and property damage combined;

(c) Umbrella liability insurance with limits of liability not less than two million dollars (\$2,000,000.00) in excess of the primary general liability, automobile liability, and employers liability insurance required elsewhere in this Franchise Agreement for bodily injury and property damage combined at its expense;

(d) Automobile liability insurance covering all owned, hired and non-owned automobiles at its expense with limits of liability not less than one million dollars (\$1,000,000.00) per accident for bodily injury and property damage combined;

(e) Umbrella liability insurance with limits of liability not less than one million dollars (\$1,000,000.00) in excess of the primary general liability, automobile liability, and employers liability insurance required elsewhere in this Franchise Agreement;

(f) All risks property insurance on the Restaurant building, fixtures, equipment, and all other personal property used in the operation of the Restaurant for their full replacement values. This coverage shall be periodically updated to reflect current replacement values at its expense during the term of this Franchise Agreement. The policy deductible must not exceed one thousand dollars (\$1,000.00) unless you request and we agree to a written waiver;

(g) All risks business interruption insurance to cover estimated profits and continuing expenses for a period of at least three (3) months with a policy deductible that must not exceed one thousand dollars (\$1,000.00);

(h) Worker's compensation policy covering you and all of your employees consistent with applicable law. You must maintain unemployment insurance, as required by applicable law;

(i) employment practices liability insurance with limits of not less than \$1,000,000 per occurrence;

(j) Automobile liability insurance covering all owned, hired and non-owned automobiles at its expense with limits of liability not less than one million dollars (\$1,000,000.00) per accident for bodily injury and property damage combined; and

(k) business interruption insurance to cover your loss of revenue and ongoing expenses and to cover any amounts owing to us under this Franchise Agreement (including, in the case of a casualty loss, the Royalty, Brand Fund Contributions and other fees and payments we would have received had the casualty loss not occurred) or any other agreement between you and us or our Affiliates, in the amount specified by the us in the Brand Standards Manual or otherwise in writing for a minimum period of time as designated by the us.

We may require you to carry additional insurance policies in the future, including but not limited to cyber insurance and employment related liability insurance. Your deductible on any insurance policy shall not exceed \$1,000. The insurance company must be authorized to do business in the state where your Krystal Restaurant is located, and must be approved by us. All insurance policies must name us and any affiliates we designate as additional named insured parties. Your policy must provide that the insurer will not cancel or materially alter the policies without giving us at least 30 days' prior written notice. Our insurance requirements are subject to change during the term of this Franchise Agreement, and you agree to comply with each such change. You agree to provide us a copy of your Certificate of Insurance or other proof of coverage prior to opening, within ten days of any renewal of a policy, and at any other time on demand. You agree to obtain these insurance policies from insurance carriers that are rated "A" or better by A.M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Krystal Business. All insurance policies (except for employment liability insurance policies) must be endorsed to: (i) name us (and our members, officers, directors and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 30 days' prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon ten days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards, or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Franchise Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within ten days after invoicing, all costs and premiums that we incur, plus a twenty percent (20%) administrative surcharge.

15.2. Books and Records. You agree to prepare and maintain for at least seven years after their preparation, complete and accurate books, records, accounts and tax returns pertaining to your Krystal Business including sales records, purchase orders, invoices, payroll records, check stubs, sales tax

records and returns, cash receipts and disbursement journals and general ledgers. You must send us copies of your books and records within five days of our request.

15.3. Reports. You will prepare written periodic reports, in the forms that we require, containing the information we require about your operations during each reporting period. You will submit all required weekly reports by Tuesday each week for the preceding business week (Monday through Sunday). We may modify the deadline days and times for submission of all reports. You will submit all required semi-monthly reports to us within 15 days after the semi-monthly period to which they relate. You will submit all required monthly reports to us within 15 days after the month to which they relate, and all other reports within the time period required by the Brand Standards Manual. If you do not submit the monthly reports to us within five days of the request, we will debit your Account a late fee of \$100 per occurrence and \$100 per week until you submit the required report. These fees will be payable to the Brand Fund. You will prepare and submit other reports and information about your operations as we may reasonably request in writing or as required by the Brand Standards Manual. We may require, at our option, that certain reports you are required to submit be certified as accurate and complete by you, your owners or your chief financial officer, and that certain reports be submitted using the formats and communication media that we specify. If requested by us, your profit and loss statements and balance sheets must be certified by a certified public accountant at your expense, and you will cause your certified public accountant, if any, to consult with us concerning such statements and balance sheets at your cost.

15.4. Financial and Tax Statements. You will deliver monthly Financial Statements to us within 20 days of the end of each calendar month, which must be certified by you as complete and accurate. You must also prepare annual Financial Statements on or before March 31 of each year for the prior calendar year and, if your fiscal year end is not December 31, within 45 days of the end of your fiscal year. All Financial Statements must be in the form specified by us and must conform to our standard chart of accounts as prescribed by us. During the first year of operation, you must use an accepted accounting service to ensure your compliant preparation of required reports and financial statements. You must also provide us with complete signed copies of all state sales tax returns and state and federal income tax returns covering the operation of the Krystal Business within 30 days of filing. If you do not submit the Financial Statements or tax returns to us by the deadline, you will be required to pay a late fee of \$100 per occurrence and \$100 per week until you submit required Financial Statements or tax returns. These fees will be deposited into the Brand Fund.

15.5. Legal Compliance. You are solely responsible for complying with all federal, state and local tax laws, agree to timely pay all applicable federal, state and local taxes, and timely file all returns, notices and other forms required to comply with all federal, state and local tax laws in connection with the operation of the Krystal Business. You will indemnify us for any taxes that arise out of or result from your operation of the Krystal Business. If any franchise, sales or other tax which is based upon the revenues, receipts, sales, business activities or operation of the Krystal Business is imposed on us by any taxing authority, you will reimburse us for all such taxes paid by us within 15 days of receiving an invoice from us for such taxes. You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Krystal Business, and operate and manage your Krystal Business in full compliance with all applicable laws, ordinances, rules and regulations. You must notify us in writing within three business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Krystal Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation.

You and the Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and the Owners certify, represent and warrant that none of your property or interests is subject to being blocked under, and that you and the owners otherwise are not in violation of, any of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, rules, regulations, policies, lists and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or the Owners, or any blocking of your or the Owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Franchise Agreement.

15.6. Photo/Video Release. You acknowledge and authorize us to use your likeness in a photograph in any and all of our publications, including printed and digital publications and on websites. You agree and understand that any photograph using your likeness will become our property and will not be returned. You agree and irrevocably authorize us to edit, alter, copy, exhibit, publish or distribute any photograph of you for any lawful purpose. You agree and waive any rights to royalties or any other compensation related to our use of any photograph of you. You agree to hold harmless and forever discharge us from all claims, demands and causes of action which you may have in connection with this authorization.

16. INSPECTION AND AUDIT.

16.1. Inspections. To ensure compliance with this Franchise Agreement, we or our representatives will have the right to enter your Krystal Restaurant, evaluate your operations, and inspect or examine your books, records, accounts and tax returns. Our evaluation may include observing or participating during business hours. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Krystal Business, and you, your employees and independent contractors will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection. You agree to pay to us the reasonable costs we incur for conducting on-site inspections of your Krystal Restaurant if we determine that your operations have deviated from the System Standards or determine that you are in violation of this Franchise Agreement as a result of such inspection.

16.2. Audit. We have the right, at any time, to have an independent audit made of your books and financial records. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. Any audit will be performed at our cost and expense unless the audit: (i) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Franchise Agreement; or (ii) reveals an understatement of any amount due to us by at least two percent (2%) in any week, in which case you agree to reimburse us for the cost of the audit and inspection, including, without limitation, any amount that you owe us, together with any related expenses and late fees payable pursuant to Section 13.6, and reasonable accounting and legal expenses and travel and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due ten days after invoicing. We shall not be deemed to have waived our right to terminate this Franchise Agreement by accepting reimbursements of our audit costs.

17. INTELLECTUAL PROPERTY.

17.1. Ownership and Use of Intellectual Property. You acknowledge that: (i) we and our affiliates own the legal rights to the Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Franchise Agreement; and (iii) your non-exclusive right to use the Intellectual Property is limited to a license granted by us to operate your

Krystal Franchise during the Term pursuant to, and only in compliance with, this Franchise Agreement, the Brand Standards Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service, or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Brand Standards Manual governing your use of the Intellectual Property. This Franchise Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

17.2. Changes to Intellectual Property. We have the right to modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, the Copyrights or the Confidential Information. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days at your expense. We will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

17.3. Use of Marks. You agree to use the Marks as the sole identification of your Krystal Business; provided, however, you must identify yourself as the independent owner of your Krystal Business in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you by this Franchise Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate, and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

17.4. Use of Confidential Information. We will disclose the Confidential Information to you in the GMT Program, the Brand Standards Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Confidential Information other than the right to utilize it in strict accordance with the terms of this Franchise Agreement in the development and operation of your Krystal Business. You acknowledge that the Confidential Information is proprietary and is disclosed to you solely for use in the development and operation of your Krystal Business during the Term.

17.5. Improvements. If you conceive of or develop any improvements or additions to the marketing, method of operation, or the products or services offered by a Krystal Business (collectively, “Improvements”), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate a Krystal Franchise, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a Krystal Business.

17.6. Notification of Infringements and Claims. You must notify us as soon as possible, but no later than three business days of any: (i) apparent infringement of any of the Intellectual Property; (ii) challenge to your use of any of the Intellectual Property; or (iii) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take

such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding, or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

18. INDEMNITY. You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following: (i) the marketing, use or operation of your Krystal Business or any other use of the Krystal Business, including the preparation and sale of any product made in or sold from the Krystal Restaurant, or your performance and/or breach of any of your obligations under this Franchise Agreement; (ii) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Franchise Agreement; (iii) any labor, employment or similar type of Claim pertaining to your employees, including claims alleging that we are a joint employer of your employees; (iv) any actions, investigations, rulings or proceedings conducted by any state or federal agency relating to your employees, including, without limitation, the United States Department of Labor, the Equal Employment Opportunity Commission, and the National Labor Relations Board; (v) your failure to pay the monies payable to any Indemnified Party pursuant to this Franchise Agreement, or to do and perform any other act, matter or thing required by this Franchise Agreement; or (vi) any action by an Indemnified Party to obtain performance by you of any act, matter or thing required by this Franchise Agreement. You and the Owners agree to give us notice of any action, suit, proceeding, claim, demand, inquiry or investigation described above. The Indemnified Parties shall have the right, in their sole discretion to: (A) retain counsel of their own choosing to represent them with respect to any Claim; and (B) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorney fees, within ten days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorney fees.

19. TRANSFERS.

19.1. By Us. This Franchise Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Franchise Agreement; provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Franchise Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Franchise Agreement to one or more persons without assigning this Franchise Agreement.

19.2. By You. You understand that the rights and duties created by this Franchise Agreement are personal to you and the Owners and that we have granted the Krystal Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and the Owners. Neither you nor any Owner may engage in any Transfer without our prior written approval. Any Transfer without our approval shall be void and constitute a breach of this Franchise Agreement. We will not unreasonably withhold our approval of any proposed Transfer; provided that the following conditions are all satisfied:

- (i) you have provided us with written notice of the proposed Transfer at least 45 days prior to the transaction;

(ii) the proposed transferee is, in our opinion, an individual of good moral character who has sufficient business experience, aptitude and financial resources to own and operate a Krystal Business and otherwise meets all of our then-applicable standards for franchisees;

(iii) all of your monetary obligations to us have been paid in full and you and the Owners are in substantial compliance with the terms of this Franchise Agreement and all other agreements with us or our affiliate(s);

(iv) all of the owners of the transferee have successfully completed, or made arrangements to attend, the GMT Program (and the transferee has paid us the training fee for each new person who must attend training);

(v) your landlord consents to your assignment of the lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Protected Area;

(vi) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Krystal Business;

(vii) the transferee and its owners sign our then-current form of franchise agreement and related documents, including, but limited to, our then-current form of Owners Agreement or other guaranty (unless we, in our sole discretion, instruct you to assign this Franchise Agreement to the transferee), except that: (a) the Term and successor term(s) shall be the Term and successor term(s) remaining under this Franchise Agreement; (b) the transferee need not pay a separate initial franchise fee; and ;

(viii) you must remodel your Krystal Restaurant in accordance with Section 12.8 to comply with our then-current standards and specifications, or you obtain a written commitment from the transferee to do so;

(ix) you or the transferee pays us a transfer fee equal to: (A) \$5,000, payable if the transferee is an existing franchisee of ours; (B) \$15,000 if the Transfer is to any other bona fide third-party transferee approved by us; (C) \$2,500 if you are an Entity and the transferee is acquiring less than a controlling ownership stake in you; and (D) \$5,000 if the Transfer is due to death or disability as set forth in Section 19.4 of this Franchise Agreement. If you propose to transfer multiple Krystal Restaurants at the same time to the same bona fide third-party transferee, then your transfer fee will be \$15,000 for the first Krystal Restaurant plus \$5,000 for each additional Krystal Restaurant transferred but will not exceed a total of \$50,000 for contemporaneous transfers to the same bona fide third-party transferee. You will pay the transfer fee to us as follows: (1) \$1,000 non-refundable deposit at the time of your transfer application request; and (2) the remaining balance shall be due at or before the time that you consummate the approved Transfer;

(x) you reimburse us upon receipt of our invoice for any broker or other placement fees we incur as a result of the Transfer;

(xi) you and the Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;

(xii) you enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us pursuant to the Franchise Agreement;

(xiii) we do not elect to exercise our right of first refusal described in Section 19.5;

(xiv) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer; and

(xv) you must reimburse us for our costs that we incur as a result of the Transfer, including, but not limited to, attorney fees, broker fees, commissions or other placement fees.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against you or the Owners, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the Franchise Agreement by the transferee.

19.3. Transfer to an Entity. If you are an individual or general partnership, you may transfer your ownership interests to an Entity provided that the Owner or Owners of the Entity are the same persons who signed this Franchise Agreement and comply with all conditions set forth in Section 19.2. Our right of first refusal in Section 19.5 will not apply for a Transfer conducted under this Section 19.3, and you must reimburse us for all of our fees and costs, including attorney fees, associated with your Transfer to the Entity.

19.4. Death or Disability of an Owner. Upon the death or Permanent Disability (as defined below) of an Owner, the Owner's ownership interest in you or the Krystal Franchise, as applicable, must be assigned to another Owner or to a third party approved by us within 180 days of such Owner's death or disability, as the case may be. For purposes of this Section, "Permanent Disability" shall mean any physical, emotional or mental injury, illness or incapacity that would prevent the person from substantially complying with his or her obligations under this Franchise Agreement or otherwise operating the Krystal Business in the manner required by this Franchise Agreement and the Brand Standards Manual for a continuous period of at least 90 consecutive calendar days, and from which condition recovery within 90 days from the date of determination of disability is unlikely. If the parties disagree as to whether a person is disabled, the existence of disability will be determined by a licensed practicing physician selected by us, upon examination of the person; or if the person refuses to submit to an examination, then (for the purpose of this Section 19.4) the person automatically will be considered disabled as of the date of refusal. You must promptly notify us of any death or Permanent Disability of an Owner within 15 days of its occurrence. Your estate or legal representative must apply to us for the right to Transfer to another Owner or third party within 120 calendar days after your or your Owner's death or disability or we may automatically terminate this Franchise Agreement. We may appoint an Interim Manager and charge you the applicable fee under Section 8.4 if the death or disability of any Owner or ownership interest in you or the Franchise has any impact on the Krystal Business.

19.5. Our Right of First Refusal. If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the Krystal Business. If we notify you that we intend to purchase the Krystal Business within such 30-day period, you or the Owner, as applicable, must sell the Krystal Business to us on the same terms as are contained in the offer that you received; provided that we may substitute cash for any non-cash form of payment proposed in the offer. We will have at least an additional 30 days to conduct a due diligence review and to prepare for closing. You agree to provide us with all information and records that we request concerning the Krystal Business, and we will have the absolute right to terminate the obligation to purchase the Krystal Business for any reason during the due diligence period. You and we will act in good faith to agree on the terms and conditions of the written offer, and closing will

take place on the 61st day following receipt of your offer. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 19.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section.

19.6. Securities Offering. Securities, partnership or other ownership interests in you (if you are an Entity) may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation or by private offering or otherwise without our prior written consent. All materials required for any such offering by federal or state law shall be submitted to us for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to us for such review prior to their use. No such offering by you shall imply that we are participating in an underwriting, issuance or offering of securities of you or us, and our review of any offering materials shall be limited solely to the subject of the relationship between you and us and our affiliates. We may, at our option, require your offering materials to contain a written statement prescribed by us concerning the limitations described in the preceding sentence. You, your Owners and the other participants in the offering must fully defend and indemnify us and our affiliates, our and their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by us to further evidence this indemnity. Any offering must properly describe the Marks and accurately describe your relationship with us and our affiliates. For each proposed offering, you shall pay us the greater of: (a) a non-refundable fee equal to fifty percent (50%) of our then-current initial franchise fee (or most recent initial franchise fee if we are not offering franchises for sale at the time); or (b) such greater amount as is necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including legal and accounting fees. You shall give us written notice at least 30 days prior to the date of commencement of any offering or other transaction covered by this Section.

20. TERMINATION.

20.1. Termination by Us without Cure Period. We may, in our sole discretion, terminate this Franchise Agreement immediately upon written notice to you, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Franchise Agreement:

- (i) if you or your Operating Owner fails to satisfactorily complete the GMT Program and you fail to appoint someone within 30 days that can;
- (ii) if you fail to obtain our approval of your site within the time period required;
- (iii) if you fail to secure a fully executed lease and Lease Addendum within the time period required;
- (iv) if you fail to open your Krystal Business within the time period required;

(v) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution, or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Reform Act of 1978);

(vi) if your Krystal Franchise, or a substantial portion of the assets associated with your Krystal Franchise, are: (a) seized, taken over or foreclosed by a government official in the exercise of his or her duties; or (b) seized, taken over or foreclosed by a creditor, lienholder or lessor; or (c) a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or (d) a levy of execution has been made upon the license granted by this Franchise Agreement or upon any property used in your Krystal Restaurant, and it is not discharged within five days of the levy;

(vii) if you abandon or fail to operate your Krystal Business for three consecutive business days, unless the failure is due to an event of force majeure or another reason that we previously approved;

(viii) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Krystal Business, even if you or the Owner still maintain appeal rights;

(ix) if you or an Owner: (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude, or any crime which impairs the reputation of the System or the goodwill associated with the Marks; (b) is subject to any material administrative disciplinary action; or (c) fails to comply with any material federal, state or local law, rule or regulation applicable to your Krystal Business;

(x) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks provided, however, that if the act is committed by an Owner, the Owner shall have 30 days to divest all interests in you and in the Krystal Business;

(xi) if you manage or operate your Krystal Business in a manner that presents a health or safety hazard to your customers, employees or the public;

(xii) if you or an Owner make any material misrepresentation to us, whether occurring before or after being granted the Krystal Franchise;

(xiii) if you fail to pay any amount owed to us or an affiliate of ours within ten days after receipt of a demand for payment;

(xiv) if you understate or underreport any amount owed to us by at least two percent (2%), after having already committed a similar breach that had been cured;

(xv) if you make an unauthorized Transfer;

(xvi) if you make an unauthorized use of the Intellectual Property;

(xvii) if you breach any of the brand protection covenants;

(xviii) if any Owner, or the spouse of any Owner, fails to timely cure any breach of an Owners Agreement;

(xix) if the lease for your Krystal Restaurant is terminated due to your default;

(xx) if you are an Entity and you are dissolved;

(xxi) if a final judgment against you in any amount we deem material (but in no event less than \$25,000) remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed); or

(xxii) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default (except for termination due to a default of the development schedule under any area development agreement between you and us).

20.2. Additional Conditions of Termination. In addition to our termination rights in Section 20.1, we may, in our sole discretion, terminate this Franchise Agreement upon 30 days' written notice if you or an Owner fails to comply with any other provision of this Franchise Agreement (including failure to comply with any provision in the Brand Standards Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 20.2, we may suspend performance of any of our obligations under this Franchise Agreement until you fully cure the breach.

20.3. Mutual Agreement to Terminate. If you and we mutually agree in writing to terminate this Franchise Agreement, you and we will be deemed to have waived any required notice period.

20.4. Liquidated Damages. Upon termination of this Franchise Agreement: (i) by us due to your material default of this Franchise Agreement; or (ii) following your purported termination without cause, you agree to pay to us, within 15 days after the effective date of this Franchise Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalties and Brand Fund Contribution you paid during the total months of operation preceding the effective date of termination multiplied by: (a) 36; or (b) the number of months remaining in this Franchise Agreement had it not been terminated, whichever is less, but in no case will such damages be less than \$30,000.

You and we acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Franchise Agreement's termination and the loss of cash flow from Royalties due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalties would have grown over what would have been this Franchise Agreement's remaining Term. You and we consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalties. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Franchise Agreement other than the Royalty section. You and each of the Owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Franchise Agreement other than the Royalty section.

21. POST-TERM OBLIGATIONS.

21.1. Obligations of You and the Owners. After the termination, expiration or Transfer of this Franchise Agreement, you and the Owners agree to:

- (i) immediately cease to use the Intellectual Property;
- (ii) pay us all amounts that you owe us;
- (iii) comply with all covenants described in Section 14 that apply after the expiration, termination or Transfer of this Franchise Agreement or the disposal of an ownership interest by an Owner;
- (iv) return all copies of the Brand Standards Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms and any other materials bearing or containing any of the Marks, Copyrights or other identification relating to a Krystal Business, unless we allow you to Transfer such items to an approved transferee;
- (v) return all copies of any software we license to you (and delete all such software from your computer memory and storage);
- (vi) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;
- (vii) make such modifications and alterations to the premises that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the premises; provided, however, that this subsection shall not apply if your Krystal Franchise is transferred to an approved transferee or if we exercise our right to purchase the assets used in operating your Krystal Business. If you fail to do so, you must pay us any expenses we incur to de-identify your Krystal Restaurant;
- (viii) notify all telephone companies, listing agencies, social media companies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) the telephone numbers, accounts and/or domain names, if applicable, related to the operation of your Krystal Business; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (ix) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Franchise Agreement.

21.2. Right to Purchase.

21.2.1. Generally. Upon the termination or expiration of this Agreement, we shall have the right (but not the obligation), which we may exercise at any time within thirty (30) days after the expiration of termination of this Agreement, to purchase some or all of the assets used in the Krystal Business (which may include equipment, furnishings, fixtures, signs and inventory of non-perishable products, materials and supplies) at fair market value. If we elect to exercise this option, we will notify you of the specific items that we wish to purchase (“Acquired

Assets”). If you and we are unable to agree upon a fair market value of the Acquired Assets, the fair market value will be ascertained by an independent business appraisal according to the provisions of this Sections 21.2. We will have the unrestricted right to assign this option to purchase the Acquired Assets.

21.2.2. Selecting Qualified Appraisers. If we and you are unable to agree on the fair market value of the Acquired Assets within 30 days after your receipt of our notice of its intent to exercise its option to purchase the Assets, the fair market value shall be determined by two independent professionally certified appraisers (a “Qualified Appraiser”). You and we will each select one Qualified Appraiser within 30 days after by giving written notice to the other party of the name and address of the Qualified Appraiser. If either of us fails to appoint a Qualified Appraiser within the 30-day period, the appraisal shall be made by the sole Qualified Appraiser appointed within that period. If the valuations set by the two Qualified Appraisers differ by more than 10%, the two appraisers shall select a third Qualified Appraiser who also shall appraise the fair market value of the Acquired Assets. The average value set by the appraisers (whether two or three appraisers as the case may be) shall be conclusive and shall be the Purchase Price. Nothing in this provision shall prohibit us and you from jointly approving a single appraiser, nor shall it obligate us or you to do so.

21.2.3. Information for Appraisal. The Qualified Appraisers shall be given full access to your Krystal Restaurant, and your books and records during customary business hours to conduct the appraisal and shall value the equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section 21.2. You must furnish to the Qualified Appraisers a copy of your current Financial Statements, as well as your Financial Statements for the prior three years (or the period of time that you have operated your Krystal Business, if less than three years), together with the work papers and other financial information or other documents or information that the Qualified Appraisers may request.

21.2.4. Appraisal Process and Purchase Price. Within 60 days after the appointment of the third Qualified Appraiser, the Qualified Appraiser(s) shall appraise the fair market value of the Acquired Assets determined at fair market value, determined as of the effective date of the termination or expiration in a manner that accounts for reasonable depreciation and condition of the Acquired Assets (“Appraised Value”); provided, however, that the Appraised Value shall take into account the termination of this Agreement. Further, the Appraised Value for the Acquired Assets shall not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Krystal Restaurant nor any goodwill or “going concern” value for the Krystal Restaurant. We may exclude from the Acquired Assets purchased in accordance with this Section any equipment, vehicles, furnishings, fixtures, signs, and inventory that are not approved as meeting then-current standards for a Krystal Restaurant or for which Franchisee cannot deliver a bill of sale in a form satisfactory to us. You and we shall equally bear the cost of the appraisal.

21.2.5. Franchised Location. Following the expiration or termination of this Agreement, the following applies regarding the premises of your Krystal Restaurant.

(a) If you lease the premises, we will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which your Krystal Restaurant is operated and/or for the building in which the Krystal Restaurant is operated, at no additional charge.

(b) If you own the premises, we, at our option, will either purchase the fee simple interest or, upon purchase of the other Acquired Assets, enter into a standard lease with

Franchisee on terms comparable to those for which similar commercial properties in the area are then being leased. The rent shall be the fair market rental value of the premises. If you and we cannot agree on the fair market rental value of the franchised premises, then appraisers (selected in the manner described in Section 21.2.2.) shall determine the rental value.

21.2.6. Closing. Once the Appraised Value has been determined, we will have at least 60 days to prepare for the closing. We or our assignee will be entitled to receive from you all customary representations and warranties given by you as the seller of the Acquired Assets and you must transfer good and clean title to the Acquired Assets, subject to any exceptions agreed to by us. We may deduct from the Appraised Value all amounts owed to us and our affiliates under this Franchise Agreement, any promissory note, and any other agreement between you and us or between you and our affiliates.

22. DISPUTE RESOLUTION.

22.1. Mediation. Without limiting our rights and remedies under Section 20 and except as set forth in Section 22.3 below, all claims or disputes between you and us or our affiliates arising out of, or in any way relating to, this Franchise Agreement, or any of the parties' respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to non-binding mediation prior to a hearing in binding arbitration. Such mediation shall take place via Zoom or other electronic video conference means. If electronic mediation is unavailable then the mediation shall be held in the city closest to our principal place of business (currently Atlanta, Georgia). Mediation shall be conducted under the auspices of the American Arbitration Association ("AAA"), or other mediation service acceptable to us in our sole discretion, in accordance with AAA's Commercial Mediation Procedures then in effect. You may not commence any action against us or our affiliates with respect to any such claim unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator's fees. We reserve the right to specifically enforce our right to mediation. Prior to mediation, and before commencing any legal action against us or our affiliates with respect to any such claim or dispute, the initiating party must submit a notice to the other party, which specifies in detail, the precise nature and grounds of such claim or dispute.

22.2. Binding Arbitration. If the parties cannot fully resolve and settle a dispute through mediation as set forth in Section 22.1, all unresolved issues involved in the dispute shall be, at the request of either party, submitted to final and binding arbitration to be conducted in the city closest to our principal place of business (currently Atlanta, Georgia) by AAA (if AAA or any successor thereto is no longer in existence at the time arbitration is commenced or is no longer available for arbitration in such city, you and we will agree on another arbitration organization to conduct the arbitration proceeding), in accordance with AAA's Commercial Arbitration Rules and otherwise as set forth below on an individual basis (not a class action). In any arbitration proceeding, each party will submit or file any claim that would constitute a compulsory counterclaim as defined by the Federal Rules of Civil Procedure within the same proceeding as the claim it relates to. Any claim that is not submitted or filed as required is forever barred. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable:

(a) **Notice of Arbitration.** Either party may initiate the arbitration proceeding by making a written demand to the other party, and both parties will then be obligated to engage in arbitration. The demand for arbitration must be served on the other party within the period provided

by the applicable statute of limitations, and must contain a statement setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. A demand for arbitration will not operate to stay, postpone or rescind the effectiveness of any termination of this Franchise Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by the arbitrator or by an appropriate court, if necessary.

(b) Selection of Arbitrator. Arbitration will be conducted before a single, neutral arbitrator who is familiar with legal disputes of the type at issue and who has franchise business or contract experience. The parties will mutually agree on the selection of the arbitrator; however, if the parties have not agreed on the selection of an arbitrator within 30 days after the arbitration demand, either party may request AAA or successor organization, to appoint a qualified arbitrator.

(c) Discovery. All discovery must be completed within 60 days following appointment of an arbitrator, unless otherwise agreed by the parties. Depositions will be limited to a maximum of five per party and will be held within 30 days after making a request. Additional depositions may be scheduled only with the permission of the arbitrator and for good cause shown. Each deposition will be limited to a maximum of six hours duration. Should a dispute arise over the extent of or propriety of any discovery request, the arbitrator will make a final determination after hearing each party's position.

(d) Statement of Case. At least five days before the scheduled hearing, each party must deliver to the arbitrator and to the other party a written summary of its position on the issues in dispute.

(e) Arbitrator's Decision. The arbitrator will issue a written decision within ten days after conclusion of the hearing, explaining the basis for the decision. Judgment upon the decision rendered by the arbitrator may be entered in any court having jurisdiction. This decision will be binding upon both parties. The arbitrator will have authority to assess actual damages sustained by reason of any breach or wrongful termination of this Franchise Agreement, including monetary damages and interest on unpaid amounts from date due, specific performance, injunctive and declaratory relief, and legal fees and costs, but will not have any authority to amend or modify the terms of this Franchise Agreement or to assess exemplary or punitive damages. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable.

(f) Time Schedule. Any award will be made within nine months of the filing of the notice of intention to arbitrate and the arbitrator will agree to comply with this schedule before accepting appointment. The parties will use due diligence to meet the foregoing time schedule, and the arbitrator will have the right to impose appropriate sanctions against any party who fails to comply with the agreed-upon time schedule. The arbitrator will use his best efforts to comply with the foregoing time schedule, but may unilaterally modify it if, in his opinion, modification is necessary for a proper and just resolution of the dispute. The parties may jointly modify the agreed-upon time schedule, subject to the arbitrator's approval.

(g) Arbitration Expenses. The fees of, and authorized costs incurred by, the arbitrator will be shared equally by the parties, and each party will bear all of its own costs of arbitration; provided, however, that the arbitration decision will provide that the substantially prevailing party will recover from the other party its actual costs and expenses (including

arbitrator's fees and expenses, and attorney fees and expenses) incurred in connection with the dispute.

(h) Confidentiality. Except as required by applicable law, including the required disclosure in our franchise disclosure document, the entire arbitration proceeding and related documents are confidential. Except as necessary to enforce the decision of the arbitrator hereunder, all conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the arbitration by any of the parties, their agents, employees or representatives and by the arbitrator, are confidential. These matters will not be discoverable or admissible for any purposes, including impeachment, in any litigation or other proceeding involving the parties, and will not be disclosed to anyone who is not an agent, employee, expert witness, or representative for any of the parties; however, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the arbitration.

(i) Acknowledgement. The parties acknowledge that nothing herein shall delay or otherwise limit our rights and remedies under Section 20 of this Franchise Agreement. A notice or request for arbitration or mediation will not operate to stay, postpone, or rescind the effectiveness of any demand for performance or notice of termination under this Franchise Agreement.

22.3. Disputes Not Subject to Mediation or Arbitration. Notwithstanding the foregoing, the following will not be subject to mediation or arbitration under Sections 22.1 or 22.2, and you or we may immediately file a lawsuit in accordance with this Section 22.3 with respect to any of the following:

(i) any action that involves an alleged breach of any restrictive covenant under Section 14;

(ii) any action petitioning specific performance to enforce your use of the Marks or the System or to prevent unauthorized duplication of the Marks or the System;

(iii) any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, or other relief in the nature of equity, including an action to enjoin an alleged violation or harm (or imminent risk of violation or harm) to any of our rights in the Intellectual Property, Copyrighted Works, Marks, the System, or in any of our specialized training, trade secrets, or other Confidential Information, brought at any time, including prior to or during the pendency of any mediation or arbitration proceedings under Sections 22.1 or 22.2;

(iv) any action seeking compliance with post-termination obligations set forth in Section 21; or

(v) any action in ejectment or for possession of any interest in real or personal property.

22.4. Venue. All disputes and claims must be mediated, arbitrated and, if applicable, litigated in the principal city closest to our principal place of business (currently Atlanta, Georgia); provided that we have the option to bring suit against any you in any state or federal court within the jurisdiction where your Krystal Business is or was located or where any of your owners lives for those claims brought in accordance with Section 22.3. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Franchise Agreement, and the parties waive any objections that they would otherwise have in this regard. Each of the parties

specifically waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto.

22.5. Fees and Costs. If we or you must enforce this Franchise Agreement in an arbitration or judicial proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable fees for accountants, attorneys, and expert witnesses, costs of investigations and proof of facts, court costs, travel and living expenses, and other dispute-related expenses. In addition, if you breach any term of this Franchise Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable attorneys' fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. If there is a mixed decision involving an award of money or money equivalent and equitable relief, the arbitrator will award the above fees to the party that it deems has substantially prevailed over the other party using reasonable business and arbitrator's judgment. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding for such arbitration proceeding to take place, and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with this Section 22.5. If either party commences any legal action or proceeding in any court in contravention of the terms of this Section, that party shall pay all costs and expense that the other party incurs in the action or proceeding, including, without limitation, costs and attorneys' fees as described in this Section 22.5.

22.6. JURY TRIAL & CLASS ACTION WAIVER. WE AND YOU IRREVOCABLY WAIVE: (I) TRIAL BY JURY; AND (II) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

22.7 Limitation of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to Franchisee) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

22.8. Survival. We and you (and the Owners) agree that the provisions of this Section 22 shall apply during the term of this Franchise Agreement and following the termination, expiration or non-renewal of this Franchise Agreement. We and you agree to fully perform all obligations under this Franchise Agreement during the entire mediation, arbitration or litigation process.

23. SECURITY INTEREST.

23.1. Collateral. You grant to us a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage and realty (including your interests under all real property and personal property leases) of the Krystal Business, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds and products thereof, wherever located, used in connection with the Krystal Business. All items in which a security interest is granted are referred to as the collateral ("Collateral").

23.2. Indebtedness Secured. The Security Interest is to secure payment of the following (the "Indebtedness"):

- (i) All amounts due under this Franchise Agreement or otherwise by you;

(ii) All sums which we may, at our option, expend or advance for the maintenance, preservation and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;

(iii) All expenses, including reasonable attorney fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Franchise Agreement; and

(iv) All other present or future, direct or indirect, absolute or contingent, liabilities, obligations and indebtedness of you to us or third parties under this Franchise Agreement, however created, and specifically including all or part of any renewal or extension of this Franchise Agreement, whether or not you execute any extension agreement or Successor Agreement.

Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Krystal Business, including, but not limited to, a real property mortgage and equipment leases.

23.3. Additional Documents. You will, from time to time as required by us, join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions or modifications thereof) in form satisfactory to us.

23.4. Possession of Collateral. Upon default and termination of your rights under this Franchise Agreement, we shall have the immediate right to possession and use of the Collateral.

23.5. Our Remedies in Event of Default. You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of Georgia (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

23.6. Special Filing as Financing Statement. This Franchise Agreement shall be deemed a Security Agreement and a Financing Statement. This Franchise Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

24. YOUR REPRESENTATIONS. YOU HEREBY REPRESENT THAT: (i) YOU HAVE NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE KRYSTAL BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT; (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE KRYSTAL BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS FRANCHISE

AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT; (iii) YOU RECEIVED OUR FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES; (iv) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; (v) YOU ARE AWARE OF THE FACT THAT WE MAY HAVE NEGOTIATED TERMS OR OFFERED CONCESSIONS TO OTHER FRANCHISEES AND WE HAVE NO OBLIGATION TO OFFER YOU THE SAME OR SIMILAR NEGOTIATED TERMS OR CONCESSIONS; AND (vi) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE KRYSTAL BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE ABILITIES, EFFORTS AND SERVICES OF YOU AND THOSE YOU EMPLOY.

25. GENERAL PROVISIONS.

25.1. Governing Law. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Franchise Agreement and the franchise relationship shall be governed by the laws of the State of Georgia (without reference to its principles of conflicts of law), but any law of the State of Georgia that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. Any issue regarding arbitration will be governed by the Federal Arbitration Act and the federal common law of arbitration.

25.2. Relationship of the Parties. You are an independent contractor. You will exercise full and complete control over, and have full responsibility for, all of your contracts, daily operations, labor relations, employment practices and policies, including the recruitment, selection, hiring, disciplining, firing, training, compensation, work rules and schedules of your employees and independent contractors. You will direct when, where or how the work is done in the operation of your Krystal Business. We do not insist on particular individuals performing certain work in the Krystal Business; you are free to assign work and roles to anyone you identify as competent and capable of performing such work. We will not assist you in hiring, supervising or paying any of your workers or such worker's assistants. You are responsible for determining the hours or days your employees and independent contractors work for your Krystal Business, including whether your employees and independent contractors work in full-time or part-time capacities. All employees or independent contractors hired by or working for you will be your employees or independent contractors alone and will not, for any purpose, be deemed our employees or subject to our control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings levied or fixed by any city, state or federal governmental agency. You and we will file our own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers' compensation payments with respect to our respective employees and operations, and we will save and indemnify one another of and from any liability of any nature whatsoever by virtue thereof. At all times, including in connection with all uses of any of the Marks, in connection with the operation of the Krystal Business, and in connection with all dealings with customers, suppliers, public officials, the general public and others, you will conspicuously indicate your status as an independent contractor, including in all contracts, advertising, publicity, promotional and other marketing materials, and on any signage and uniforms, and in the manner specified in the Brand Standards Manual or as we otherwise may require. You will not make any express or implied agreements, guarantees or representations, or incur any debt in our name or on our behalf. You will not represent that the relationship between you and us is anything other than a franchise relationship. We will not be obligated by or have

any liability under any agreements or representations made by you, and we will not be obligated for any damages to any person or property directly or indirectly arising out of your operation of the Krystal Business.

25.3. Severability and Substitution. Each section, subsection, term and provision of this Franchise Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Franchise Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Franchise Agreement. If a court concludes that any promise or covenant in this Franchise Agreement is unreasonable and unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

25.4. Waivers. We and you may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Franchise Agreement (including the right to demand exact compliance with every term, condition and covenant in this Franchise Agreement, or to declare any breach of this Franchise Agreement to be a default, and to terminate the Franchise before the expiration of its Term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Franchise Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Franchise Agreement or to insist upon exact compliance by the other with its obligations under this Franchise Agreement, including any mandatory specification, standard or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Krystal franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Franchise Agreement.

25.5. Approvals. Whenever this Franchise Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Franchise Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. Except where this Franchise Agreement states that we may not unreasonably withhold our approval or consent, we may withhold such approval or consent, in our sole discretion. You are not entitled to any other relief or damages for our denial of approval.

25.6. Force Majeure. No party shall be liable for any loss or damage that arises directly or indirectly through or as a result of any delay in the fulfillment of or failure to fulfill its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Franchise Agreement where the delay or failure is due to Force Majeure. In the event of Force Majeure, the parties shall be relieved of their respective obligations only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure. As used in this Franchise Agreement, the term “Force Majeure” shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government and any other similar cause which is beyond the party’s control and cannot be overcome by use of normal commercial measures. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party, which in no case shall be more than 48 hours after the event, setting forth the nature thereof and an estimate as to its duration, and the affected party shall furnish the other party with periodic reports regarding the progress of the Force Majeure event. Each party must use its best efforts to mitigate the effect of the event of Force Majeure upon its

performance of the Agreement and to fulfill its obligations under the Franchise Agreement. Upon completion of the event of Force Majeure, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Franchise Agreement. Any delay resulting from an event of Force Majeure will extend performance accordingly or excuse performance (other than payment of money), in whole or in part, only as may be reasonable under the circumstances. However, in the event the Force Majeure continues for a period of six months or more, then the unaffected party may, at its option, terminate this Franchise Agreement by thirty (30) days prior written notice to the party asserting such Force Majeure. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the event, nor does that event affect any obligation to pay money owed under the Franchise Agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect your obligations to comply with any restrictive covenants in this Franchise Agreement during or after the Force Majeure event.

If, as a result of an event of Force Majeure, you cease to operate the Krystal Restaurant or lose the right to possession of the Krystal Restaurant premises (for example, as a result of condemnation proceedings), you shall apply, within 30 days after the event of Force Majeure, for our approval to re-open, relocate and/or reconstruct the Krystal Restaurant. If relocation is necessary, we agree to use our reasonable efforts to assist you in locating an alternative site in the same general area where you can operate a Krystal Restaurant within the System for the balance of the Term of this Franchise Agreement. If we assist you, you shall reimburse us for our reasonable out-of-pocket expenses incurred as a result thereof. This provision shall not be construed to prevent you from receiving the full amount of any condemnation award of damages relating to the closing of the Krystal Restaurant; provided, however, that if we or our affiliate is the lessor of the Krystal Restaurant premises, you specifically waive and release any claim you may have for the value of any building, fixtures and other improvements on the premises, whether or not installed or paid for by you, and you agree to subordinate any claim you may have to our claim for such Improvements. Selection of an alternative location will be subject to the site approval procedures set forth in Section 7.1 of this Franchise Agreement. Once you have obtained our approval to relocate and/or reconstruct the Krystal Restaurant, you must diligently pursue relocation and/or reconstruction until the Krystal Restaurant is reopened for business.

25.7. You May Not Withhold Payments. You agree that you will not, on grounds of the alleged nonperformance by us of any of our obligations hereunder, withhold payment of any Royalty, Brand Fund Contribution, amounts due to us for purchases by you or any other amounts due to us.

25.8. Binding Effect. This Franchise Agreement is binding upon the parties to this Franchise Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Franchise Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Franchise Agreement; provided, however, that the additional insureds listed in Section 15.1 and the Indemnified Parties are intended third party beneficiaries under this Franchise Agreement with respect to Section 18.

25.9. Integration. This Franchise Agreement constitutes the entire agreement between the parties and may not be changed except by a written document signed by both parties. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Franchise Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Franchise Agreement. The attachment(s) are part of this Franchise Agreement, which, together with any amendments or addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Franchise Agreement. As referenced above, all mandatory provisions of the Brand Standards Manual are part of this Franchise Agreement; however, notwithstanding the foregoing, we may modify the Brand Standards Manual at any time. Any

representations not specifically contained in this Franchise Agreement made before entering into this Franchise Agreement do not survive after the signing of this Franchise Agreement, except as described below regarding the Franchise Disclosure Document. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Franchise Agreement, would affect the economic terms of this bargain. Nothing in this Franchise Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

25.10. Covenant of Good Faith. If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Franchise Agreement (and the relationship of the parties that is inherent in this Franchise Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Franchise Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates, if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

25.11. Rights of Parties are Cumulative. The rights of the parties under this Franchise Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Franchise Agreement will preclude any other right or remedy available under this Franchise Agreement or by law.

25.12. Survival. All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Franchise Agreement (or the Transfer of an ownership interest in the Krystal Franchise) shall continue in full force and effect, subsequent to and notwithstanding its termination, expiration or Transfer, and until they are satisfied in full or by their nature expire, including, without limitation, Section 7, Section 13, Section 14, Section 18, Section 21, Section 22, Section 23 and Section 25.

25.13. Construction. The headings in this Franchise Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Franchise Agreement unless otherwise specified. All references to days in this Franchise Agreement refer to calendar days unless otherwise specified. The term "you" as used in this Franchise Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

25.14. Time of Essence. Time is of the essence in this Franchise Agreement and every term thereof.

25.15. Counterparts. This Franchise Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

25.16. Notices. Whenever this Franchise Agreement requires notice, it shall be in writing and shall be sent by registered or certified mail, return receipt requested, to the other party at the addresses set forth below, unless written notice is given of a change of address.

All notices to you shall be conclusively deemed to have been received by you upon the delivery or attempted delivery of this notice to your address listed herein, or the changed address.

Notices to you: As set forth on Attachment B

Notices to us: Krystal Restaurants LLC
1455 Lincoln Parkway E., Suite 600
Dunwoody, GA 30346

(Signature Page Follows)

The parties to this Franchise Agreement have executed this Franchise Agreement effective as of the Effective Date set forth in Attachment B.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

By: _____

Printed Name: _____

Title: _____

ATTACHMENT “A” TO THE KRYSTAL FRANCHISE AGREEMENT
DEFINITIONS

“**Account**” is defined in Section 13.6.

“**Acquired Assets**” is defined in Section 21.2.1.

“**Agencies**” is defined in Section 21.1(viii).

“**Anti-Terrorism Laws**” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, rules, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

“**Appraised Value**” is defined in Section 21.2.4.

“**Brand Fund**” is defined in Section 11.2.

“**Brand Fund Contribution**” is defined in Section 11.1.

“**Brand Standards Manual**” is defined in Section 6.1.

“**Claim**” or “**Claims**” means any and all claims, actions, demands, assessments, litigation or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations or formal or informal inquiries.

“**Collateral**” is defined in Section 23.1.

“**Competitive Business**” means a business that (1) is substantially engaged in the sale of hamburgers (i.e., derives at least 20% of its overall food (not beverage) sales revenues from hamburgers during any 12-month period); (2) is a quick service restaurant engaged in the sale of hamburgers; (3) has a method of operation or trade dress similar to that employed in the System (but excludes a Krystal Restaurant operating under a franchise agreement with us); and/or (4) is one of the following: In & Out Burger, Sonic, Rally’s, Checkers, Hardee’s, Carl Jr., Cook Out, 5 Guys, McDonald’s, Burger King, Wendy’s, Nathan’s, Weiner Schnitzel, Shake Shack, White Castle, Jack in the Box, What-a-Burger, Steak-n-Shake and Smashburger.

“**Cooperative**” is defined in Section 11.2.

“**Confidential Information**” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Krystal Business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System, the Brand Standards Manual, written directives and all drawings, equipment, recipes, computer and point-of-sale programs (and output from such programs), and any other information, know-how, techniques, material and data imparted or made available by us to you.

“**Confidentiality Agreement**” means our form of Confidentiality Agreement, the most current form of which is attached to the Franchise Disclosure Document in Exhibit H.

“**Copyrights**” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Krystal franchisees to use, sell or display in connection with the marketing and/or operation of a Krystal Business, whether now in existence or created in the future.

“Council” is defined in Section 11.8.

“Credit Card Vendors” is defined in Section 12.13.

“Crisis Management Event” means any event that occurs at the Krystal Restaurant that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or any other circumstance which may damage the System, Marks or image or reputation of the Krystal Business or us or our affiliates.

“Designated Marketing Area” is defined in Section 11.2.

“General Manager” is defined in Section 8.2.

“Dispute” is defined in Section 22.1.

“Effective Date” is listed in Attachment B.

“Entity” means a corporation, partnership, limited liability company or other form of association.

“Financial Statements” means a balance sheet, profit and loss statement, statement of cash flows and explanatory footnotes prepared in accordance with generally accepted accounting principles applied on a consistent basis.

“Franchise” means the right granted to you by us to use the System and the Marks.

“Franchise Agreement” is defined in the Introductory Paragraph.

“Franchise Disclosure Document” means the form of Krystal franchise disclosure document that was disclosed to you by us, to which this Franchise Agreement is attached.

“General Release” means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities. A copy of our General Release is attached to the Franchise Disclosure Document in Exhibit H.

“Gross Sales” means the total of all revenues, income and consideration from the sale of all Krystal Business merchandise, products and services to your customers, whether or not sold or performed at or from the Krystal Business, and whether received in cash, coupon, in services in kind, from barter or exchange, on credit (whether or not payment is received) or otherwise. If you offer any services, all receipts from these services are included in Gross Sales. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits, charged tips and allowances you give in good faith to your customers. All barter or exchange transactions in which you furnish products or services in exchange for goods or services provided to you by a vendor, supplier or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the goods or services so provided to you.

“Improvements” is defined in Section 17.5.

“Indebtedness” is defined in Section 23.2

“Indemnified Party” or “Indemnified Parties” means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

“Initial Franchise Fee” is defined in Section 13.1.

“Intellectual Property” means, collectively or individually, our Marks, Copyrights, Confidential Information, System and Improvements.

“Interim Manager” is defined in Section 8.4.

“Interim Term” is defined in Section 4.3.

“Krystal Business” is defined in Section 2.

“Krystal Restaurant” is defined in Section 2.

“Local Advertising Requirement” is defined in Section 11.5.

“Losses and Expenses” means all compensatory, exemplary and punitive damages; fines and penalties; attorney fees; experts fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs, damages, liabilities, fees and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim.

“Marketing Obligation” is defined in Section 11.1.

“Marks” means the logotypes, service marks and trademarks now or hereafter involved in the operation of a Krystal Business, including Krystal and any other trademarks, service marks or trade names that we designate for use in a Krystal Business.

“Non-Traditional Location” means a location that is within another primary business or in conjunction with other businesses or at institutional settings, or dark kitchens, including toll roads, train stations, amusement parks, and all properties controlled by the amusement park, travel stations, hotels and motels, ships, ports, piers, casinos, stadiums, airports, theatres, big box retailers, building supply stores, warehouse club stores, colleges and universities, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, outlet malls, supermarkets and convenience stores and any site for which the lessor, owner or operator has indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider.

“Non-Traditional Restaurant” means a Krystal Business that is located in a Non-Traditional Location. Non-Traditional Restaurants may share their premises with other businesses, within a host facility, and may provide limited menu items.

“Operating Owner” is defined in Section 8.1.

“Owner” or “Owners” means any individual who owns a direct or indirect ownership interest in the Franchise or the Entity that is the franchisee under this Franchise Agreement. Owner includes both passive and active owners.

“Owners Agreement” is defined in the third Introductory Paragraph.

“Post-Term Restricted Period” means, with respect to you, a period of two years after the termination, expiration or Transfer of this Franchise Agreement. Post-Term Restricted Period means, with respect to an Owner, a period of two years after the earlier to occur of: (i) the termination, expiration or Transfer of this Franchise Agreement; or (ii) the Owner’s Transfer of his or her entire ownership interest in the Krystal Franchise or the Entity that is the franchisee, as applicable. If a court of competent jurisdiction determines that the two-year Post-Term Restricted period is too long to be enforceable with respect to you and/or an Owner, then the Post-Term Restricted Period means a period of one year after the termination, expiration or Transfer of this Franchise Agreement with respect to you and/or such Owner.

“Prohibited Activities” is defined in Section 14.3.

“Qualified Appraiser” is defined in Section 21.2.2.

“Restaurant” is the physical building where your Krystal Business is located.

“Restricted Territory” means the geographic area within: (i) a five-mile radius from your Krystal Restaurant; and (ii) a five-mile radius from any other then-existing Krystal Restaurant.

“Security Interest” is defined in Section 23.1.

“Successor Agreement” is defined in Section 4.1.

“System” means our proprietary System for the operation of a Krystal business that provides quick service restaurants featuring specialty hamburgers, hotdogs, chicken sandwiches, french fries, shakes, ice cream, and breakfast items, and other high-quality food and beverages, the distinctive characteristics of which include logo, trade secrets, concept, style, proprietary programs and products, confidential Brand Standards Manual and operating System.

“System Protection Agreement” means our form of system protection agreement, the most current form of which is attached to the Franchise Disclosure Document in Exhibit H.

“Term” is defined in Section 4.1.

“Protected Area” is defined in Section 3.

“Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree) assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the Franchise (or any interest therein), the Krystal Business (or any portion thereof), or a direct or indirect ownership interest in an Entity that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

“We,” “us,” or “our” is defined in the Introductory Paragraph.

“You” or “your” is defined in the Introductory Paragraph.

ATTACHMENT “B” TO THE KRYSTAL FRANCHISE AGREEMENT
FRANCHISE DATA SHEET

1. **Effective Date.** The Effective Date of the Franchise Agreement is: _____, 20 ____.
2. **Franchisee.** The franchisee identified in the introductory paragraph of the Franchise Agreement is: _____
3. **Initial Franchise Fee.** The Initial Franchise Fee set forth in Section 13.1 is (check one):

_____ \$35,000 for a single Franchise

_____ Not applicable; this Franchise Agreement is for the first Franchise under an area development agreement being executed contemporaneously herewith.*

_____ \$_____ Other. This Franchise Agreement is for a Franchise to be developed under a previously executed area development agreement and the initial franchise fee reflects that there was a credit under the area development agreement.

* This Franchise Agreement is the _____ (e.g., *first*) of _____ (total number) Krystal Businesses to be developed under an area development agreement between Franchisor and Franchisee dated _____, 20____, and Franchisee has paid a Development Fee concurrently with the execution of this area development agreement.

_____ \$15,000 as a “Corporate Transfer Fee” if the Franchise for an existing Krystal Business that you purchase from us (or an affiliate ours).

4. **Protected Area:** (check one)

_____ The Krystal Restaurant will be operated from a Non-Traditional Location and will not have a Protected Area. You will be required to sign a Non-Traditional Restaurant addendum (in the form attached to the Franchise Disclosure Document in Exhibit H).

_____ Subject to final approval of the location of the Krystal Restaurant, the parties intend that the Krystal Restaurant will have a Protected Area, which shall be set forth in Attachment B-1. We will present you with the Protected Area upon the identification of the site for the Krystal Restaurant. If you do not wish to accept the Protected Area, you may choose another site location and we will present you with another Protected Area based on the site selected

5. **Conversion:** (check one). The Krystal Restaurant to be developed under this Franchise Agreement:

_____ IS NOT a conversion of an existing restaurant by you.

_____ IS a conversion of an existing restaurant by you. You will enter into the Conversion Addendum with us, the form of which is attached to the Franchise Disclosure Document in Exhibit H.

6. **Grand Opening:** You agree to spend the following minimum amount under Section 11.4 of the Franchise Agreement for the Grand Opening Program.

_____ \$5,000 – the Krystal Restaurant is a conversion of an existing restaurant by you.

_____ \$7,500 – the Krystal Restaurant does not have a population of at least 40,000 persons within 5 miles of the anticipated site.

_____ \$15,000 – the Krystal Restaurant will have a population of at least 40,000 persons within 5 miles of the anticipated site.

7. **Notice Address.** Franchisee’s address for notices as set forth in Section 25.16 of the Franchise Agreement shall be as follows:

Attn: _____

8. **Restaurant Location.** If a particular site for the Krystal Restaurant has been selected and approved at the time of the signing of this Franchise Agreement, it shall be entered in Attachment B-1 as the Krystal Restaurant location, along with the Protected Area, if applicable. If a particular site has not been selected and approved at the time of the signing of this Franchise Agreement, Section 7 of this Attachment B will describe the location in general terms below in the “**General Description.**” The General Description does not confer any territory rights to you and is only used for a reference. We may sell other franchised locations in the area in the General Description. After we have approved a location for your Krystal Restaurant, you and we will execute Attachment B-1.

9. **General Description of Area For Restaurant Location** (If your Krystal Restaurant’s location is not specified in Attachment B-1 upon the signing of the Franchise Agreement):
_____.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

By: _____

Printed Name: _____

Title: _____

ATTACHMENT B-1 TO THE KRYSTAL FRANCHISE AGREEMENT

You have received approval for site location for the Krystal Restaurant that satisfies the demographics and location requirements minimally necessary for a Krystal Restaurant and that meets our minimum current standards and specifications for the buildout, interior design, layout, floor plan, signs, designs, color and décor of a Krystal Restaurant. We and you have mutually agreed-upon a Protected Area based on the site for the Krystal Restaurant which is indicated below. You acknowledge that the Protected Area is in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document.

Location for Krystal Restaurant:

The location for your Krystal Restaurant as provided in Section 7.1 of the Franchise Agreement is:

Protected Area:

____ Not applicable. You do not receive a Protected Area.

____ The Protected Area is:

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

ATTACHMENT “C” TO THE KRYSTAL FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: _____

**Form of Ownership
(Check One)**

____ **Individual** ____ **Partnership** ____ **Corporation** ____ **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation/Incorporation: _____

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners*:

Name	Address	Percentage Owned

*If any members, stockholders or partners are entities, please list the owners of such entities up through the individuals.

Identification of Operating Owner. Your Operating Owner as of the Effective Date is _____. You may not change the Operating Owner without prior written approval.

Identification of General Manager. Your General Manager, if applicable, as of the Effective Date is _____. You may not change the General Manager without prior written approval.

This form is current and complete as of _____, 20__.

FRANCHISEE:

[FRANCHISEE ENTITY]

[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

Date: _____

By: _____

Printed Name: _____

Title: _____

ATTACHMENT “D” TO THE KRYSTAL FRANCHISE AGREEMENT

OWNERS AGREEMENT

As a condition to the execution by Krystal Restaurants LLC (“we” or “us”) of a Franchise Agreement with _____ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

1. Acknowledgements.

1.1 **Franchise Agreement.** Franchisee entered into a franchise agreement with us effective as of _____, 20__ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 **Role of Owners.** Owners are the beneficial owners or spouses of the beneficial owners of all of the direct and indirect equity interest, membership interest, or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s direct and indirect owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

2. Non-Disclosure and Protection of Confidential Information.

2.1 **Confidentiality.** Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a Krystal business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

2.2 **Immediate Family Members.** Owners acknowledge that they could circumvent the purpose of Section 2.1 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). Owners also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 2.1 if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section 3, below, if performed by Owners. However, Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.

3. Covenant Not to Compete.

3.1 Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

4. Guarantee.

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise

any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

5. Transfers.

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree: a) not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding transfers and assignment, and b) that any attempt to do so will be a material breach of this Owners Agreement and the Franchise Agreement.

6. Notices.

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

Krystal Restaurants LLC
1455 Lincoln Parkway E., Suite 600
Dunwoody, GA 30346

The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

7. Enforcement of This Owners Agreement.

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may

deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

8. Miscellaneous.

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

8.6 Successors. References to "Franchisor" or "the undersigned," or "you" include the respective parties heirs, successors, assigns or transferees.

8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.8 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.9 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

OWNERS:

[Insert Name and Address of Owner]

[Insert Name and Address of Owner]

[Insert Name and Address of Owner]

[Insert Name and Address of Owner]

SPOUSES:

[Insert Name and Address of Spouse]

[Insert Name and Address of Spouse]

[Insert Name and Address of Spouse]

[Insert Name and Address of Spouse]

Krystal Restaurants LLC hereby accepts the agreements of the Owner(s) hereunder.

KRYSTAL RESTAURANTS LLC

By: _____

Printed Name: _____

Title: _____

(Rev. 121319)

ATTACHMENT “E” TO THE KRYSTAL FRANCHISE AGREEMENT

NETWORK SYSTEM SUPPORT AND MAINTENANCE AGREEMENT

This Network System Support and Maintenance Agreement (this “AGREEMENT”) is entered into the day of _____, 20__ (the “Effective Date”) between Krystal Restaurants LLC (“KRYSTAL”), with its principal place of business at 1455 Lincoln Parkway E., Suite 600, Dunwoody, Georgia 30346 and (“FRANCHISEE”), with its principal place of business located at _____ for services to be provided to the franchised Krystal restaurant (“RESTAURANT”) located at _____, and known within the Krystal System by the following unique store number: __ (the “STORE NUMBER”).

1.0 BACKGROUND

- 1.1 Under KRYSTAL’s current requirements for franchised Krystal restaurants, FRANCHISEE is required to purchase, utilize and implement the NCR Aloha Quick Service Point-of-Sale and NCR NBO Back-of-House platforms. In addition, FRANCHISEE is required to purchase, utilize and implement Acumera, formerly known as Netsurion’s Security Solution (“Network System”).
- 1.2 In exchange for the fees described in Exhibit A and according to the terms described in this Agreement, KRYSTAL agrees to provide the Restaurant Technology Support described in Exhibit A and herein. FRANCHISEE further agrees to timely pay for and receive the services from NCR and Acumera as described in Exhibit A to be used at the RESTAURANT named above.
- 1.3 In this Agreement, “NCR” refers to NCR Corporation, with its principal place of business at 864 Spring St NW Atlanta, GA 30308, as well as authorized representatives of NCR, including NCR authorized dealers. “NCR” may also refer to Radiant Systems, which was acquired by NCR Corporation in August 2011.
- 1.4 In this agreement, “Acumera,” formally known as “Netsurion,” refers to Acumera Inc., with its principal place of business at 3307 Northland Dr. Suite 170, Austin, TX 78731, as well as authorize representatives of Acumera.
- 1.5 As set forth in the Franchise Agreement between KRYSTAL and FRANCHISEE, KRYSTAL may change its standards and specifications for the Network System and KRYSTAL may become, or discontinue acting as, a supplier of any technical support services, and FRANCHISEE agrees to make any updates, supplements, modifications, enhancements, and/or replacements as KRYSTAL may require pursuant to the Franchise Agreement.

2.0 PROCUREMENT AND INSTALLATION

- 2.1 The complete Network System hardware and software configuration as used by FRANCHISEE at the RESTAURANT must meet KRYSTAL’s then-current specifications for the Network System hardware and software configuration. Any deviations in this configuration must be approved in advance by KRYSTAL in writing.
- 2.2 FRANCHISEE shall enter into all agreements with NCR, Acumera and other approved

vendors as requested by KRYSTAL in connection with the Network System.

- 2.3 FRANCHISEE will purchase, utilize and implement all NCR hardware and software directly from NCR.
- 2.4 FRANCHISEE must purchase, utilize and implement a Manager's Workstation from KRYSTAL or its designee.
- 2.5 FRANCHISEE must purchase, utilize and implement such hardware and software products and/or licenses for all additionally required non-NCR Network System components as specified in Exhibit B as a part of the Manager's Workstation.
- 2.6 FRANCHISEE may not use/implement/install any unapproved hardware or software components on the Network System without prior written approval from KRYSTAL. Furthermore, in the event additional hardware or software components are requested by FRANCHISEE and approved by KRYSTAL, KRYSTAL will manage the implementation of these additions to ensure that they do not compromise the performance of the Network System. KRYSTAL does not warranty or guarantee any non-Network System software or data that is NOT part of the master image in the event that there is a failure, which requires replacement of the primary hard drive in the Network System server.
- 2.6 FRANCHISEE may not make any unapproved modifications to any Network System hardware or software component without prior written approval from KRYSTAL. Furthermore, in the event such modifications are requested by FRANCHISEE and approved by KRYSTAL, KRYSTAL will manage the implementation of these modifications to ensure that they do not compromise the performance of the Network System.
- 2.7 FRANCHISEE, at its cost, will acquire and maintain an approved high speed broadband internet connection (including any required equipment) dedicated to the RESTAURANT and the operation of the Network System, to facilitate communications with the enterprise support systems at KRYSTAL headquarters. Examples of acceptable ISPs are AT&T, Comcast, and other local exchange carriers ("LECs") that offer dedicated broadband Internet Service. KRYSTAL can assist FRANCHISEE in locating an ISP local to the RESTAURANT location. FRANCHISEE, at its cost, will acquire and maintain a managed firewall and switch from the current KRYSTAL authorized managed firewall provider. As of the Effective Date, Acumera is the sole provider of managed firewall services, KRYSTAL can change this provider in its sole discretion.

3.0 TRAINING

- 3.1 All of FRANCHISEE's managers for the RESTAURANT shall, at FRANCHISEE's cost, complete pre-installation training for the Network System provided by NCR. Tuition for all training conducted by NCR is not included under this Agreement and training will be made available by NCR in its sole discretion. FRANCHISEE shall be solely responsible for FRANCHISEE's and its employees' costs and expenses incurred in attending such training.

4.0 SUPPORT SERVICES

- 4.1 KRYSTAL will arrange helpdesk support for all Network System hardware and software

components through the use of authorized providers only. As of the Effective Date, the authorized provider for NCR's Aloha Point of Sale is the NCR Helpdesk. KRYSTAL can designate third parties in its sole discretion to provide all services under this Agreement. Both the RESTAURANT and FRANCHISEE will use only the KRYSTAL authorized helpdesk providers as their technical support.

5.0 DATA ADMINISTRATION AND SOFTWARE SUPPORT SERVICES

- 5.1 KRYSTAL or its designee will provide reasonable data administration services for the Aloha Point of Sale system. These services currently include remote maintenance of all standard and approved recipes, ingredients, menu items, POS menu screens, and configuration options. FRANCHISEE shall not make any changes to recipes, ingredients, menu items, POS menu screens, or configuration options, but shall submit requests to KRYSTAL or its designee when such changes are required. The cost (if incurred) for these and any custom changes to the Network System will be paid by FRANCHISEE at a rate KRYSTAL and its designee designates (but the hourly rate is subject to change at any time at KRYSTAL's discretion). Written estimates for each custom change will be sent to FRANCHISEE for approval prior to work being done.
- 5.2 FRANCHISEE will notify KRYSTAL or its designee at least six weeks in advance of any data administration changes required in the RESTAURANT's Network System configuration. Failure to provide such notice for required changes may result in additional charges to cover the cost of testing and implementing the changes and may result in a delay in the implementation of such changes.
- 5.3 KRYSTAL or its designee may use automated processes to collect daily and weekly data from the Network System at the RESTAURANT for consolidation into a centralized database at KRYSTAL headquarters or designated datacenter. KRYSTAL expressly reserves the right to disclose and use such data both aggregated and on an individual store basis without identifying its source in its Franchise Disclosure Document, as needed in its reasonable discretion or as may otherwise be required by law. KRYSTAL has the right to aggregate polled data from RESTAURANT together with polled data from all Network System restaurants to obtain system-wide, DMA, or specific market averages and to produce reports showing such metrics as typical company-owned store performance versus typical franchise-owned store performance. FRANCHISEE hereby grants KRYSTAL access to all of FRANCHISEE'S data available through the Network System at any time. FRANCHISEE is required to allow KRYSTAL to collect restaurant data. FRANCHISEE will make no effort to hinder or manipulate the process(es) and will assist where necessary to ensure processes are running correctly.
- 5.4 As KRYSTAL may develop reports, web interfaces, and other information distribution systems for disseminating Network System store performance information to above-store management. If KRYSTAL does so, these reports, interfaces, systems will be made available to FRANCHISEE.

6.0 HARDWARE & SOFTWARE MAINTENANCE

- 6.1 FRANCHISEE will execute software maintenance contracts and adoption agreements within 10 days of KRYSTAL'S or its designee's written request to ensure that RESTAURANT remains eligible for all software upgrades, fixes, and enhancements to software as they become available.

- 6.2 FRANCHISEE will provide to KRYSTAL copies of all software and hardware maintenance agreements between FRANCHISEE prior to being executed for legal and technical review so that KRYSTAL may effectively manage the software and hardware maintenance requirements of the RESTAURANT.
- 6.3 The Network System includes some polling application software developed by KRYSTAL specifically for use in the Network System environment. KRYSTAL will support and maintain this software as long as such application software and this Agreement remains in force. KRYSTAL will notify FRANCHISEE of the availability of updates to such software via email or other mutually agreeable methods. KRYSTAL will make available to FRANCHISEE each release of the software. As long as FRANCHISEE is not in default under this or any other agreement with KRYSTAL and such custom software is still in use by KRYSTAL, such releases are made generally available to FRANCHISEE without additional charge and are intended to replace a prior product release. KRYSTAL may, at its discretion, make interim fixes, patches or other temporary fixes available to FRANCHISEE. Patches to third-party software (such as Windows patches) and support of such patches are the responsibility of FRANCHISEE.

7.0 MONTHLY FEES, ADDITIONAL CHARGES & REIMBURSEMENT

- 7.1 FRANCHISEE shall pay KRYSTAL the Technology Services Fee set forth in the Franchise Agreement and described in Exhibit A. In addition, Franchisee shall pay a monthly fee and other fees for support from NCR, an approved third-party provider, KRYSTAL, Acumera or any other designee of KRYSTAL. Such parties may periodically adjust the pricing set forth in Exhibit A.

8.0 WARRANTIES, REMEDIES, LIMITATION OF LIABILITY

- 8.1 Services Warranty. KRYSTAL warrants that its support, consulting and other services will be of a professional quality conforming to generally accepted industry standards and practices. This warranty shall be valid for ninety (90) days from completion of service. For any breach of the above warranty, FRANCHISEE's exclusive remedy and KRYSTAL's entire liability shall be (i) the re-performance of the services, or (ii) if KRYSTAL is unable to perform the services as warranted, recovery of the fees paid to KRYSTAL for such deficient services.
- 8.2 Infringement Indemnity for Custom Software.
- 8.2.1 KRYSTAL will defend and indemnify FRANCHISEE against all costs (including reasonably attorneys' fees and subject to the provisions of Section 8.4) arising from a claim that the custom software solely developed by KRYSTAL and provided by KRYSTAL pursuant to Section 6.3 infringes a United States copyright or United States patent provided that (i) FRANCHISEE notifies KRYSTAL in writing within thirty (30) days of the claim, (ii) KRYSTAL has sole control of the defense and all related settlement negotiations, and (iii) FRANCHISEE provides KRYSTAL with the full assistance, information, and authority necessary to perform the above.
- 8.2.2 KRYSTAL shall have no liability for any claim of infringement based on (i) use of a superseded or altered release of the custom software solely developed by KRYSTAL and provided by KRYSTAL pursuant to Section 6.3 if such

infringement would have been avoided by use of a current unaltered release of such custom software that KRYSTAL provided to FRANCHISEE, or (ii) the combination, operation, or use of such custom software furnished under this Agreement with hardware, software, programs or data not furnished by KRYSTAL if such infringement would have been avoided by the use of the custom software without such hardware, software, programs or data.

8.2.3 In the event the custom software developed solely by KRYSTAL and provided by KRYSTAL pursuant to Section 6.3 is held or are believed by KRYSTAL to infringe, KRYSTAL may, at its sole option, and at its expense, (i) modify the custom software to be non-infringing, (ii) obtain for FRANCHISEE a license to continue using the custom software, (iii) substitute such custom software with other software reasonably suitable to FRANCHISEE, or (iv) terminate the license for the infringing custom software and refund a pro-rata portion of any of the license fees you paid for such customer software after we received written notice from the license fees paid for such custom software after we received notice of the infringement.

8.2.4 This Section 8.2 states KRYSTAL's entire liability for infringement and applies only to the custom software developed by KRYSTAL and provided by KRYSTAL pursuant to Section 6.3.

8.3 Limitations of Warranties. **THE WARRANTIES ABOVE ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

8.4 Limitation of Liability. **IN NO EVENT SHALL KRYSTAL BE LIABLE FOR ANY INCIDENTAL, SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES, LOSS OF BUSINESS, LOSS OF PROFITS, LOSS OF GOODWILL, OR TORTIOUS CONDUCT RELATING TO, CAUSED BY OR ARISING OUT OF ANY BREACH OF OBLIGATIONS OR DELAY IN DELIVERY OF SOFTWARE, HARDWARE, DOCUMENTATION, OR SERVICES UNDER THIS AGREEMENT, OR FROM FRANCHISEE'S USE OR INABILITY TO USE ANY PORTION OF THE NETWORK SYSTEM IN-RESTAURANT SYSTEM EVEN IF KRYSTAL HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGES. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OR LIMITATION OF LIABILITY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES, SO THE ABOVE LIMITATION MAY NOT APPLY TO FRANCHISEE. ANY DAMAGES THAT KRYSTAL IS REQUIRED TO PAY FOR ANY AND ALL CAUSES, WHETHER FOR NEGLIGENCE, BREACH OF CONTRACT, OR OTHERWISE, AND REGARDLESS OF THE FORM OF THE ACTION IN THE AGGREGATE, SHALL BE LIMITED IN AMOUNT TO THE FEES PAID BY FRANCHISEE TO KRYSTAL FOR THE SERVICES DETAILED IN THIS AGREEMENT.**

9.0 TERM AND TERMINATION

9.1 This Agreement shall be valid as of the Effective Date noted above and shall continue until terminated by either party upon sixty (60) days advance written notice. This Agreement shall terminate immediately upon the termination, non-renewal or transfer of FRANCHISEE's Franchise Agreement for the RESTAURANT.

- 9.2 Upon termination of this Agreement for any reason, all rights granted by KRYSTAL hereunder to FRANCHISEE in this Agreement shall immediately cease.
- 9.3 Upon the occurrence of any material breach of this Agreement or the Franchise Agreement for the RESTAURANT or any other agreement between FRANCHISEE and KRYSTAL or its affiliates, including but not limited to a failure to make any payment when due, KRYSTAL may, without prejudice to any other rights and remedies contained in this Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days (ten (10) days as to any sums due KRYSTAL) after written notice is given to FRANCHISEE of the event of default, and of the fact that termination shall so occur if all the defaults specified in such notice, if curable, are not cured within such cure period.
- 9.4 Upon termination of this Agreement for any reason, all rights granted by NCR to FRANCHISEE in separately executed agreements shall continue according to the terms of those agreements. Furthermore, upon termination of this Agreement for any reason, FRANCHISEE will be responsible for submitting directly to NCR all monthly fees due NCR according to any signed agreements between FRANCHISEE and NCR.

10.0 ASSIGNMENT

- 10.1 KRYSTAL may assign this Agreement in accordance with its assignment rights set forth in the Franchise Agreement. FRANCHISEE may not assign this Agreement without the prior written consent of KRYSTAL; provided, however, that KRYSTAL's consent to the assignment or transfer of FRANCHISEE's Franchise Agreement with KRYSTAL for the RESTAURANT shall constitute KRYSTAL's consent to the assignment of this Agreement.

11.0 GOVERNING LAW AND DISPUTE RESOLUTION

- 11.1 This Agreement shall be deemed to have been entered into in the State of Georgia and shall be governed by and construed in accordance with the laws of the State of Georgia except to the extent governed by the Lanham Act or the Patent Act of the United States.

12.0 FORCE MAJEURE

- 12.1 Neither party will be responsible for failure of performance due to causes beyond its control, including, without limitation, acts of God or nature; labor disputes; sovereign acts of any federal, state or foreign government; or shortage of materials.

13.0 INDEPENDENT CONTRACTORS

- 13.1 KRYSTAL and FRANCHISEE are independent contractors and will so represent themselves in all regards. Neither party may bind the other in any way. Nothing in this Agreement will be construed to make either party the agent or legal representative of the other or to make the parties partners or joint venturers.

14.0 NOTICES

- 14.1 Notices will be delivered to a party's address stated in FRANCHISEE's Franchise Agreement for the RESTAURANT.

15.0 SEVERABILITY & WAIVER

- 15.1 If any provision of this Agreement is found by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the agreement shall continue in full force and effect. The waiver of one breach or default shall not constitute the waiver of any subsequent breach or default, and shall not act to amend or negate the rights of any party.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the date shown to the left of their respective signatures. This Agreement shall for all purposes be deemed to be fully executed on the later of the dates of execution shown below, which date shall be inserted in the heading hereof.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity type]

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

EXHIBIT A

Current Support & Maintenance Fees ⁽¹⁾ --	ANNUAL	MONTHLY
RESTAURANT TECHNOLOGY SUPPORT FEE (paid directly to KRYSTAL)	\$1,500 - \$3,300	\$125 - \$275
POINT OF SALE (POS) SOFTWARE MAINTENANCE (paid directly to NCR)		
NCR Aloha Essentials Package ⁽²⁾	\$4,368	\$364.00
POINT OF SALE (POS) HARDWARE MAINTENANCE (paid directly to NCR)		
NCR Hardware Maintenance ⁽³⁾	\$1,200 - \$1,500	\$100 - \$125
MANAGED FIREWALL SERVICES (paid directly to Acumera)		
Acumera Managed Firewall and Switch ⁽¹⁾	\$1,188 - \$1,428	\$99 - \$119

- (1) Each of these fees are subject to change by Krystal, NCR or the applicable third-party providers. All fees payable to NCR or Acumera set forth in this Attachment A are subject to change based on the actual terms of FRANCHISEE'S agreement with NCR and may vary depending on the actual software and hardware configuration of FRANCHISEE's system. These fees may be billed by Krystal, NCR or the applicable third-party provider. FRANCHISEE acknowledges and agrees that Krystal has no control over the fees or frequency by third parties under the agreement.
- (2) This is an estimated amount. Details of the NCR Aloha Essentials Package are set forth in the agreement between NCR and FRANCHISEE.
- (3) This estimate is based on a typical 4 terminal, 5 KPS location. FRANCHISEE acknowledges and agrees that the precise fee is set by NCR and governed by an agreement between FRANCHISEE and NCR. In addition, this estimate may vary based on the hardware utilized by FRANCHISEE.

EXHIBIT B

Additional Required Network System Components

The prices shown below are for reference purposes only and are the approximate retail list prices of the components listed at the time of the creation of this document. The actual prices FRANCHISEE will incur to purchase these products will most likely vary from those shown below based on events beyond the control of KRYSTAL.

APPROXIMATE LIST PRICE

1.	Windows based Manager Workstation	\$800
2.	Microsoft Office	\$230
3.	LogMeIn (or equivalent) Remote management software	\$40/year
4.	Antivirus Software	\$100/year

NETWORK SYSTEM MANAGER'S
WORKSTATION HARDWARE MAINTENANCE ADDENDUM

This is an Addendum to the Network System Support and Maintenance Agreement (“AGREEMENT”) dated _____ between Krystal Restaurants LLC (“KRYSTAL”), with its principal place of business at 1455 Lincoln Parkway E., Suite 600, Dunwoody, Georgia 30346 and (“FRANCHISEE”), with its principal place of business located at _____ for services to be provided to the franchised Krystal restaurant (“RESTAURANT”) located at _____ and known within the Krystal System by the unique Store Number. Capitalized terms used and not otherwise defined herein shall have the meaning set forth in the AGREEMENT.

1. In connection with the RESTAURANT TECHNOLOGY SUPPORT FEE in **EXHIBIT A**, (this fee is subject to change at any time at KRYSTAL’s discretion), KRYSTAL will provide FRANCHISEE with general maintenance and troubleshooting necessary to maintain the Manager’s Workstation computer (from **EXHIBIT B** in reasonable operating condition. KRYSTAL will manage the repair or replacement (at FRANCHISEE’S expense) of Manager’s Workstation computer for as long as this Addendum remains in effect
2. FRANCHISEE must purchase all Network System Managers’ Workstation hardware in accordance with terms and conditions described in the AGREEMENT. KRYSTAL reserves the right to terminate this Addendum if FRANCHISEE or RESTAURANT alters the Network System Manager’s Workstation from its original configuration unless altered in accordance with the AGREEMENT.
3. KRYSTAL’s obligation to repair and/or replace the Manager’s Workstation computer is limited to the hardware configuration as originally purchased by FRANCHISEE and does not include the cost or installation of any hardware upgrades which may be required by KRYSTAL from time to time in order to keep the Workstation compatible with Network System enhancements. All hardware upgrades to the Manager’s Workstation shall be made at FRANCHISEE’s sole cost and expense. Failure to implement future required upgrades to the Network System Manager’s Workstation in accordance with the timetables established by KRYSTAL at the time the upgrades are announced will void this Addendum.
4. FRANCHISEE is responsible for shipping and insurance charges from the RESTAURANT to KRYSTAL headquarters; KRYSTAL is responsible for shipping and insurance charges from KRYSTAL headquarters to the RESTAURANT.
5. Any damage to the Network System Manager’s Workstation that KRYSTAL determines to be due to abuse or negligence while in the possession of FRANCHISEE or RESTAURANT (for example, damage due to liquid spills or the computer having been dropped) is not covered under this Addendum. All equipment repair and replacement costs related to damage not covered under this Addendum are the responsibility of FRANCHISEE.
6. This Addendum may be terminated by either party upon sixty (60) days written notice or immediately upon the termination or transfer of FRANCHISEE’s Franchise Agreement for the RESTAURANT.

IN WITNESS WHEREOF, the parties hereto have signed this Addendum on the date shown to the left of their respective signatures.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity type]

By: _____

Printed Name: _____

Title: _____

EXHIBIT D

AREA DEVELOPMENT AGREEMENT



KRYSTAL RESTAURANTS LLC
AREA DEVELOPMENT AGREEMENT

Area Developer: _____

Date: _____

Development Territory:_____

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ATTACHMENTS:

Attachment A	Data Sheet
Attachment B	Development Schedule
Attachment C	Statement of Ownership

**KRYSTAL RESTAURANTS LLC
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (“Agreement” or “Area Development Agreement”) is made and entered into on the effective date set forth in Attachment A to this Agreement (“Effective Date”) by and between KRYSTAL RESTAURANTS LLC, a Delaware limited liability company (“we”, “us”, and “our”), and the area developer listed in Attachment A to this Agreement (“you” and “your”). If more than one person or entity is listed as the Area Developer, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Area Development Agreement.

WITNESSETH:

WHEREAS, we hold the exclusive franchise and license rights relating to the establishment, development and operation of a quick service restaurant featuring specialty hamburgers, hotdogs, chicken sandwiches, french fries, shakes, ice cream, and breakfast items (each a “Krystal Franchise” or “Krystal Business”);

WHEREAS, in addition to this Area Development Agreement, we and you are contemporaneously entering into a Franchise Agreement (“Initial Franchise Agreement”) for the right to establish and operate a single Krystal franchised business (“Initial Business”); and

WHEREAS, you desire to purchase an option to establish and operate Krystal Franchises within the territory described in Attachment A (“Development Territory”), under the development schedule described in Attachment B (“Development Schedule”) and pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other party set forth herein, hereby mutually agree as follows:

1. GRANT

1.1 We hereby grant to you the right, subject to the terms and conditions of this Agreement, to establish and operate the number of Krystal Franchises indicated in Section 1 of Attachment B within the Development Territory described in Attachment A. Each Krystal Franchise shall be operated according to the terms of our then-current form of individual franchise agreement; which may contain materially different terms from the Initial Franchise Agreement including, by way of example only, different royalty rates.

1.2 If you are developing Krystal Franchises, and comply with the terms of this Agreement, the Development Schedule, and the individual franchise agreement for each Krystal Franchise, then we will not franchise or license others, nor will we directly or indirectly develop, own, lease, construct or operate in any manner, any Krystal Franchises in the Development Territory during the term of this Agreement, except as provided in Section 1.2 below. Upon your first failure to adhere to the Development Schedule, you will lose the exclusivity granted for the Development Territory. Any second or additional failure to adhere to the Development Schedule will constitute a material event of default under the Area Development Agreement, for which we may, among other things: (i) terminate this Area Development Agreement; (ii) reduce the area of the Development Territory; (iii) permit you to extend the Development Schedule; or (iv) pursue any other remedy we may have at law or in equity, including but not limited to, a suit for non-performance.

We reserve all other rights, for us and our affiliates, on any terms we deem advisable, and without granting you any rights:

(i) to own, license, franchise or operate Krystal Businesses, at any location outside of the Development Territory, regardless of the proximity to any Krystal Franchise developed or in development by you;

(ii) to own, license, franchise or operate Krystal Businesses at Non-Traditional Locations inside and outside the Development Territory; and to otherwise produce, offer and sell, and to grant others the right to produce, offer and sell the products offered at Krystal Businesses and any other products displaying the marks (“Marks”) or other trademarks through alternative distribution channels and/or Non-Traditional Locations at any location and under any terms and conditions we deem appropriate, no matter the proximity to any Krystal Franchise developed under this Agreement;

(iii) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any proprietary items which bear any proprietary marks, including the Marks at any location whatsoever;

(iv) to develop and license the use of, at any location, proprietary marks other than the Marks in connection with the operation of a program or system which offers or distributes products or services which are the same or similar to those offered under the system on any terms and conditions we deem appropriate;

(v) to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, whether franchised or corporately owned, including a business that competes directly with your development rights under this Area Development Agreement, wherever located; provided that in such situations the newly acquired businesses may not operate under the Marks in the Development Territory;

(vi) to use and license the use of technology to non-franchisee locations inside and outside the Development Territory;

(vii) to deliver and cater and/or to license to other franchisees or third parties to deliver and cater at any location within or outside of the Development Territory without compensation to you, and to establish a delivery and catering policy in the future which may restrict the delivery and catering jurisdiction of you, us and/or any other franchisees;

(viii) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

(ix) to engage in any other business activities not expressly prohibited by this Agreement.

A “Non-Traditional Location” means a location or facility located within another primary business or in conjunction with other business or at institutional settings or dark kitchens, including toll

roads, train stations, amusement parks and all properties controlled by the amusement park, travel stations, hotels and motels, ships, ports, piers, casinos, stadiums, airports, theatres, big box retailers, building supply stores, warehouse club stores, colleges and universities, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, outlet malls, supermarkets and convenience stores, and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider.

A “Non-Traditional Restaurant” means a Krystal Business that is located in a Non-Traditional Location. Non-Traditional Restaurants may share their premises with other businesses, within a host facility, and may provide limited menu items.

This Agreement is not a franchise agreement and you shall have no right to use in any manner the Krystal trademarks or area developer system by virtue hereof. Each Krystal Franchise will be governed by the individual franchise agreement signed by us and you, or your affiliate, for each Krystal Franchise.

1.3 You must own at least a fifty-one percent (51%) equity interest in the franchisee for each Krystal Franchise developed hereunder. In addition, you shall ensure that the day-to-day operations of each Krystal Franchise is operated and managed by either the franchisee (or if the franchisee is an entity, an Operating Owner, as described below) or a general manager who has been approved by us (“General Manager”). If any franchisee is not an individual, it must designate an “Operating Owner” acceptable to us who will be principally responsible for communicating with us about the Krystal Franchise, and who owns at least twenty-five percent (25%) of the equity in the franchisee. We may require that the General Manager have an ownership interest in the franchisee. You shall identify all equity owners of you by completing the Statement of Ownership attached to this Agreement as Attachment C. You shall provide us with an updated form of Attachment C within ten business days of any change in the equity ownership of you. The failure of you to provide us with an updated Attachment C within the time frame specified in this Section 1.3 shall constitute a material default of this Agreement.

1.4 Before opening and as a condition to opening your second or each additional Krystal Franchise under this Agreement, you shall have your Initial Business designated as a certified training Restaurant to conduct our Basic Management Training Program for each additional Krystal Franchise you develop (after the Initial Business).

2. TERM

Unless sooner terminated pursuant to the provisions of Section 7, the term of this Agreement shall expire upon the earlier of: (a) the Termination Date listed on Section 2 of Attachment B; or (b) completion of the obligations of the Development Schedule. The only territorial protections that you will receive upon expiration or termination of this Agreement will be those under each individual franchise agreement, if any. You shall have no further right to construct, equip, own, open or operate additional Krystal Franchises which are not, at the time of such termination or expiration, the subject of a then-existing franchise agreement between you (or an affiliate of you) and us which is then in full force and effect; and (iii) we or our affiliates may thereafter construct, equip, open, own or operate, and license others to (or grant development rights to) construct, equip, open, own or operate Krystal Franchises at any location(s) (within or outside of the Development Territory), without any restriction, subject only to the territorial rights granted, if any, for any then-existing Krystal Franchise pursuant to a validly existing franchise agreement executed for such Krystal Franchise.

3. DEVELOPMENT FEE

You must pay us the total “Development Fee” set forth in Attachment A upon execution of this Agreement. The Development Fee is equal to the initial franchise fee for your Initial Franchise Agreement (\$35,000) plus \$17,500 multiplied by the total number of Krystal Franchises (excluding the Initial Business) to be developed under this Agreement. To open additional Krystal Franchises under this Agreement, you will be required to sign our then-current franchise agreement and pay the then-current initial franchise fee. Provided that you are in compliance with this Agreement and that you fully paid the \$17,500 for each Krystal Franchise in the Development Schedule, we will apply a credit of \$17,500 against the initial franchise fee for the second and each subsequent franchise agreement until the Development Fee is exhausted. All amounts collected shall be deemed fully earned immediately upon receipt and shall be non-refundable, regardless of whether you open any of the Krystal Franchises you are obligated to open in the Development Territory.

4. DEVELOPMENT SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

4.1 You shall exercise the development rights granted under this Agreement only by entering into a separate franchise agreement with us for each Krystal Franchise for which a development right is granted. The Initial Franchise Agreement (for the Initial Business to be developed by you under this Agreement) shall be executed and delivered, concurrently with the execution and delivery of this Area Development Agreement. All subsequent Krystal Franchises developed under this Area Development Agreement shall be established and operated pursuant to the form of franchise agreement then being used by us for a Krystal Franchise. You acknowledge that the then-current form of franchise agreement may differ from the Initial Franchise Agreement, except that each shall have the same royalty rate as the Initial Franchise Agreement.

4.2 Development Schedule.

(a) You acknowledge and agree that: (i) time is of the essence, and therefore; (ii) you will exercise your development rights strictly in accordance with Section 4.1 and the Development Schedule set forth on Attachment B. The Development Schedule on Attachment B designates the number of Krystal Franchises that must be developed before the end of each of the designated development periods (“Development Periods”).

(b) During any Development Period, you may, with our prior written consent, develop more than the number of Krystal Franchises that you are required to develop during that Development Period by executing multiple franchise agreements during a single Development Period. Any franchise agreements executed during a Development Period in excess of the minimum number to be executed upon expiration of that Development Period shall be applied to satisfy your development obligation during the next succeeding Development Period. You shall not execute more than the cumulative total number of franchise agreements that you are obligated to execute under this Agreement, as set forth above in the Development Schedule.

(c) You shall open each Krystal Franchise in accordance with the terms of the franchise agreement and shall execute the franchise agreements in accordance with the Development Schedule set forth on Attachment B.

(d) Your first failure to adhere to the Development Schedule (including any extensions approved by us, in our sole discretion) shall result in a loss of the territorial rights granted in Section 1.2 of this Agreement. Failure by you to adhere to the Development Schedule

on two or more occasions shall constitute a material event of default under this Agreement for which we may exercise our rights under Section 7.1 of this Agreement.

(e) If we are not legally able to deliver a Franchise Disclosure Document to you by reason of any lapse or expiration of our franchise registration, or because we are in the process of amending any such registration, or for any reason beyond our reasonable control, we may delay acceptance of the site for your proposed Krystal Franchise, or delivery of a franchise agreement, until such time as we are legally able to deliver a Franchise Disclosure Document.

5. LOCATION OF KRYSTAL FRANCHISES

The location of each Krystal Franchise shall be selected by you in accordance with the terms set forth in each franchise agreement signed by you, within the Development Territory.

6. FRANCHISE AGREEMENT

You shall not commence construction on, or open any Krystal Franchise until, among other things; the individual franchise agreement for that Krystal Franchise has been signed by both you (or your affiliate) and us.

7. DEFAULT AND TERMINATION

7.1 You will be in default of this Area Development Agreement if you (or your affiliate(s)): (a) fail to comply with the Development Schedule; or (b) otherwise fail to perform any of your obligations under this Agreement or any individual franchise agreement, including failing to comply with any transfer provisions. Upon your first failure to adhere to the Development Schedule, you will lose the exclusivity granted for the Development Territory. Upon your second or additional failure to adhere to the Development Schedule or any other default, we shall have the right, at our option, and in our sole discretion, to do any or all of the following:

- (a) terminate this Area Development Agreement;
- (b) terminate the territorial exclusivity granted to you (if such territorial exclusivity has not already been terminated by a first failure to adhere to the Development Schedule, as described in Section 4.2(d) above);
- (c) reduce the size of your Development Territory;
- (d) permit you to extend the Development Schedule; or
- (e) pursue any other remedy we may have at law or in equity, including but not limited to, a suit for non-performance.

7.2 Upon the death or Permanent Disability (as defined below) of you or any owner of you, if you are an entity, the owner's ownership interest in you must be assigned to another owner or to a third party approved by us within 180 days of such owner's death or disability, as the case may be. For purposes of this Section, "Permanent Disability" shall mean any physical, emotional or mental injury, illness or incapacity that would prevent the person from substantially complying with his or her obligations under this Agreement for a continuous period of at least 90 consecutive calendar days, and from which condition recovery within 90 days from the date of determination of disability is unlikely. If the parties disagree as to whether a person is disabled, the existence of disability will be determined by a

licensed practicing physician selected by us, upon examination of the person; or if the person refuses to submit to an examination, then (for the purpose of this Section 7.2) the person automatically will be considered disabled as of the date of refusal. You must promptly notify us of any death or Permanent Disability of an owner within 15 days of its occurrence. Your estate or legal representative must apply to us for the right to transfer to another owner or third party within 120 calendar days after your or your owner's death or disability or we may automatically terminate this Agreement.

7.3 In addition, if any individual franchise agreement issued to you or an approved affiliate you, whether or not issued pursuant to this Agreement, is terminated for any reason, we shall have the right to terminate this Agreement on immediate written notice to you. Upon termination or expiration of the term of this Agreement, this Agreement shall be of no further effect, and we shall have the right to open, or license others to open, Krystal Franchises within the Development Territory. For purposes of this Section 7.3, any franchise agreement issued by us to you or your approved affiliates, or any corporation, partnership or joint venture, or their affiliates, in which you or any stockholder, partner or joint venturer of yours, has any direct or indirect ownership or participation interest, shall be deemed a franchise agreement issued to you.

7.4 In the event of a default by you, all of our costs and expenses arising from such default, including reasonable accountant fees, attorney fees and reasonable hourly charges of administrative employees shall be paid to us by you within five days after cure or upon demand by us if such default is not cured.

8. ASSIGNMENT

8.1 We shall have the absolute right to transfer or assign all or any part of our rights or obligations hereunder to any person or legal entity which assumes our obligation under this Agreement and we shall thereby be released from any and all further liability to you.

8.2 You may not assign this Agreement or any rights to the Development Territory. The provisions of this Section 8.2 shall not restrict you from transferring an open and operating Krystal Franchise in compliance with the assignment provisions contained in the applicable franchise agreement.

9. FORCE MAJEURE

In the event that you are unable to comply with the Development Schedule due to strike, riot, civil disorder, war, epidemic, fire, natural catastrophe or other similar events beyond your control and cannot be overcome by use of normal commercial measures ("Force Majeure"), then upon written notice to us, the Development Schedule and this Agreement shall be extended for a corresponding period, not to exceed 90 days. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the event, nor does that event affect any obligation to pay money owed under this Agreement or any franchise agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect your obligations to comply with any restrictive covenants in this Agreement during or after the Force Majeure event. This provision should be construed narrowly and does not include general economic, market or societal conditions, or any changes thereto, even those that are the direct or indirect result of the force majeure event.

10. ENTIRE AGREEMENT

This Agreement constitutes the entire understanding of the parties with respect to the development of the Development Territory, and shall not be modified except by a written agreement

signed by the parties hereto. However, nothing in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. Where this Agreement and any franchise agreement between the parties conflict with respect to the payment terms of initial franchise fees or equity interests held by the you, the terms of this Agreement shall govern; otherwise, the terms of each franchise agreement shall govern with respect to that Krystal Franchise. Under no circumstances do the parties intend that this Agreement be interpreted in a way as to grant you any rights to grant sub-franchises in the Development Territory.

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1 It is acknowledged and agreed that we and you are independent contractors and nothing contained herein shall be construed as constituting you as the agent, partner or legal representative of us for any purpose whatsoever. You shall enter into contracts for the development of the Development Territory contemplated by this Agreement at your sole risk and expense and shall be solely responsible for the direction, control and management of your agents and employees. You acknowledge that you do not have authority to incur any obligations, responsibilities or liabilities on behalf of us, or to bind us by any representations or warranties, and agrees not to hold itself out as having this authority.

11.2 You agree to protect, defend, indemnify and hold us harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, directly or indirectly incurred as a result of, arising from, out of, or in connection with your carrying out your obligations hereunder. You agree to reimburse us within 30 days of submitting invoice to you for all costs of defending the matter, including all attorney fees incurred by us whether or not your insurer assumes defense of us promptly when requested. We have the right to approve any resolution or course of action, including but not limited to the selection of an attorney for the defense of a matter that could directly or indirectly have any adverse effect on us or our trademarks or franchise system, or could serve as a precedent for other matters. You also agree to indemnify us for any fees, costs, or liabilities incurred by us on your behalf, including fees and costs incurred by us to recover amounts due to you.

12. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their heirs, successors, permitted assigns and personal representatives.

13. APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, which laws shall govern in the event of any conflict of laws, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.). The parties expressly consent to personal jurisdiction in the State of Georgia and agree that, except as set forth in Section 15, the state and federal court(s) located in the jurisdiction where we have our principal place of business (currently Atlanta, Georgia) will have exclusive jurisdiction and be the mandatory venue for the purposes of carrying out this provision.

If applicable law implies a covenant of good faith and fair dealing in this Agreement, you and we agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own

interests and balancing those interests against the interests of our franchisees and area developers generally (including us and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular area developer or franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

14. NOTICE

Whenever this Agreement requires notice, it shall be in writing and shall be sent by registered or certified mail, return receipt requested, to the other party at the addresses set forth below, unless written notice is given of a change of address.

All notices to you shall be conclusively deemed to have been received by you upon the delivery or attempted delivery of this notice to your address listed herein, or the changed address.

Notices to us:	Krystal Restaurants LLC 1455 Lincoln Parkway E., Suite 600 Dunwoody, GA 30346
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Notice to you:	Notice Address set forth in <u>Attachment A</u> of this Agreement
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15. DISPUTE RESOLUTION.

We and you agree that any dispute between the parties arising out of the terms of this Agreement shall be governed in accordance with the terms and conditions set forth in the Initial Franchise Agreement, including those provisions requiring mediation and/or arbitration (subject to limited exceptions for certain claims), which terms and conditions are by this reference incorporated herein. You and we each agree that your and our respective obligations to comply with the dispute resolution terms set forth in the Initial Franchise Agreement shall survive any termination, expiration or renewal of the Initial Franchise Agreement and shall survive any termination or expiration of this Agreement.

16. ACKNOWLEDGEMENTS

16.1 You acknowledge and recognize that different terms and conditions, including different fee structures, may pertain to different area development agreements and franchise agreements offered in the past, contemporaneously herewith, or in the future, and that we do not represent that all area development agreements or franchise agreements are or will be identical.

16.2 You acknowledge that you are not, nor are you intended to be, a third-party beneficiary of this Agreement or any other agreement to which we are a party.

16.3 You represent to us that you have the business acumen, corporate authority, and financial wherewithal to enter into this Agreement and to perform all of your obligations hereunder, and furthermore, that the execution of this Agreement is not in contravention of any other written or oral obligation of yours.

16.4 You acknowledge and accept the following:

The success of you in managing and operating multiple Krystal Franchises is speculative and will depend on many factors including, to a large extent, your independent business ability. You have been given the opportunity and have been encouraged to obtain independent advice from legal and other professionals before entering into this Agreement. This offering is not a security as that term is defined under applicable Federal and State securities laws. The obligation to train, manage, pay, recruit and supervise employees of the Krystal Franchise rests solely with you. You have not relied on any warranty or representation, expressed or implied, as to the potential success or projected income of the business venture contemplated hereby. No representations or promises have been made by us to induce you to enter into this Agreement except as specifically included herein. We have not made any representation, warranty or guaranty, express or implied, as to the potential revenues, profits or services of the business venture to you and cannot, except under the terms of this Agreement, exercise control over your business. You acknowledge and agree that you have no knowledge of any representation made by us or our representatives of any information that is contrary to the terms contained herein. However, nothing in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

(Signature page follows)

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement on the day and year first written above.

KRYSTAL:

KRYSTAL RESTAURANTS LLC,
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

AREA DEVELOPER:

a(n) _____

By: _____

Printed Name: _____

Title: _____

ATTACHMENT A

DATA SHEET

1. Effective Date. The effective date of the Area Development Agreement set forth in the introductory Paragraph of the Area Development Agreement is: _____, 20____.

2. Area Developer. The Area Developer set forth in the introductory Paragraph of the Area Development Agreement is: _____

3. Description of the Development Territory:

4. Development Fee. The Development Fee, as set forth in Section 3 of the Area Development Agreement is:

Number of Krystal Franchises
(including the Krystal Franchise under the
Initial Franchise Agreement): _____

Total Development Fee: \$ _____

5. Area Developer's Principal Address. Your Principal Address is:

Attn: _____

6. Notice Address. The notice address for you, as set forth in Section 13 of the Area Development Agreement, is:

Attn: _____

(Signatures on following page)

KRYSTAL:

KRYSTAL RESTAURANTS LLC,
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

AREA DEVELOPER:

a(n) _____

By: _____

Printed Name: _____

Title: _____

ATTACHMENT B

DEVELOPMENT SCHEDULE

1. Number of Krystal Franchises to be developed under this Agreement (including the Initial Business): _____
2. The termination date of this Agreement shall be the earlier of the date the Development Schedule is complete or _____, 20____.
3. Development Schedule:

Krystal Franchise	Development Period Ending Date	Franchise Agreement Execution Deadline
1		Date of execution of Area Development Agreement
2		
3		
4		
5		

KRYSTAL RESTAURANTS LLC,
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

AREA DEVELOPER:

a(n) _____

By: _____

Printed Name: _____

Title: _____

ATTACHMENT C

STATEMENT OF OWNERSHIP

Area Developer: _____

**Form of Ownership
(Check One)**

☐ **Individual** ☐ **Partnership** ☐ **Corporation** ☐ **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation/Incorporation: _____

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners*:

Name	Address	Percentage Owned

*If any members, stockholders or partners are entities, please list the owners of such entities up through the individuals.

(Signature Page Follows)

AREA DEVELOPER:

Entity name (if any)

a(n) _____

Date: _____

By: _____

Printed Name: _____

Title: _____

)

EXHIBIT E

LISTS OF CURRENT AND FORMER FRANCHISEES/AREA DEVELOPERS

Current Franchisees as of December 31, 2023

Franchise Owner Contact	Entity Name	Address	City	State	Zip Code	Owner Phone
Wayne Hale	WAC Enterprises, Inc.	5600 McClellan Boulevard	Anniston	AL	36202	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1412 US Highway 72 East	Athens	AL	35611	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	5975 Service Road (Trussville)	Birmingham	AL	35235	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	2115 Highway 431	Boaz	AL	35957	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	3309 Point Mallard Pkwy.	Decatur	AL	35603	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1817 Sixth Ave SE	Decatur	AL	35601	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	3476 Ross Clark Circle, NW	Dothan	AL	36303	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	2406 Gault Ave. North	Ft. Payne	AL	35967	423-265-0304
Wayne Hale	Hale, Wayne & Carolyn (TAG)	114 E. Meighan Blvd.	Gadsden	AL	35903	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1576 Montgomery Hwy	Hoover	AL	35216	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	219 Forrest Road	Hueytown	AL	35023	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	35 Littlejohn Drive	Pell City	AL	35125	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1263 Highway 231 S.	Troy	AL	36081	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1201 Florence Blvd	Florence	AL	35630	423-265-0304
Junior Das	Slider Business, LLC	2229 South Caraway Road	Jonesboro	AR	72401	870-530-9733
Argus Wiley	Red Door Foods, LLC	2550 W International Speedway	Daytona Beach	FL	32114	803-367-7957
Argus Wiley	Red Door Foods, LLC	6655 US Highway 17 & 92	Fern Park	FL	32730	803-367-7957
Kevin Gartner	KPG Investments, Inc.	7700 W. Newberry Rd.	Gainesville	FL	32607	904-733-4440
Argus Wiley	Red Door Foods, LLC	101 Ridgewood Avenue	Holly Hill	FL	32117	803-367-7957
Kevin Gartner	KPG Investments, Inc.	1009 Dunn Avenue	Jacksonville	FL	32218	904-733-4440
Argus Wiley	Red Door Foods, LLC	2023 N Main Street	Jacksonville	FL	32206	803-367-7957
Argus Wiley	Red Door Foods, LLC	5707 University Blvd	Jacksonville	FL	32216	803-367-7957
Argus Wiley	Red Door Foods, LLC	7459 Lem Turner Blvd	Jacksonville	FL	32208	803-367-7957
Argus Wiley	Red Door Foods, LLC	5444 Blanding Blvd	Jacksonville	FL	32244	803-367-7957
Argus Wiley	Red Door Foods, LLC	5814 Normandy Blvd.	Jacksonville	FL	32205	803-367-7957
Argus Wiley	Red Door Foods, LLC	6009 New Kings Rd	Jacksonville	FL	32219	803-367-7957
Argus Wiley	Red Door Foods, LLC	8015 Merrill Rd	Jacksonville	FL	32277	803-367-7957
Argus Wiley	Red Door Foods, LLC	10058 Atlantic Blvd.	Jacksonville	FL	32225	803-367-7957
Argus Wiley	Red Door Foods, LLC	9116 Baymeadows Rd	Jacksonville	FL	32256	803-367-7957
Kevin Gartner	KPG Investments, Inc.	2383 W. US Highway 90	Lake City	FL	32055	904-733-4440
Argus Wiley	Red Door Foods, LLC	730 East Memorial Blvd.	Lakeland	FL	33801	803-367-7957
Argus Wiley	Red Door Foods, LLC	10555 Suwannee Plaza Blvd.	Live Oak	FL	32060	803-367-7957

Argus Wiley	Red Door Foods, LLC	164 Mary Esther Blvd.	Mary Esther	FL	32569	803-367-7957
Argus Wiley	Red Door Foods, LLC	6663 Carolina Street	Milton	FL	32570	803-367-7957
Argus Wiley	Red Door Foods, LLC	337 Park Ave	Orange Park	FL	32073	803-367-7957
Argus Wiley	Red Door Foods, LLC	3634 East Curry Ford Road	Orlando	FL	32806	803-367-7957
Argus Wiley	Red Door Foods, LLC	6201 W Colonial Drive	Orlando	FL	32808	803-367-7957
Kevin Gartner	KPG Investments, Inc.	505 Highway 19 North	Palatka	FL	32177	904-733-4440
Argus Wiley	Red Door Foods, LLC	131 West 23rd St	Panama City	FL	32405	803-367-7957
Argus Wiley	Red Door Foods, LLC	1706 West Fairfield	Pensacola	FL	32501	803-367-7957
Argus Wiley	Red Door Foods, LLC	5660 North Ninth Ave	Pensacola	FL	32504	803-367-7957
Kevin Gartner	KPG Investments, Inc.	582 N. Temple Ave.	Starke	FL	32091	904-733-4440
Argus Wiley	Red Door Foods, LLC	2625 W. Hillsborough Ave.	Tampa	FL	33614	803-367-7957
Argus Wiley	Red Door Foods, LLC	2914 S Washington Ave	Titusville	FL	32796	803-367-7957
Josh Ware	Circle K	462582 State Road 200	Yulee	FL	32097	912-531-1487
Wayne Hale	WAC Enterprises, Inc.	6261 Highway 92	Acworth	GA	30102	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	5020 Cherokee Road	Acworth	GA	30101	423-265-0304
Travis Rogers	Franville Corporation	1085 Prince Avenue	Athens	GA	30606	770-532-4859
Travis Rogers	Franville Corporation	4005 Lexington Hwy.	Athens	GA	30605	770-532-4859
Wayne Hale	WAC Enterprises, Inc.	3116 Washington Road	Augusta	GA	30909	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	3170 Deans Bridge Road	Augusta	GA	30906	423-265-0304
Argus Wiley	Red Door Foods, LLC	65 Tourist Dr	Brunswick	GA	31520	803-367-7957
Wayne Hale	WAC Enterprises, Inc.	221 Marietta Highway	Canton	GA	30114	423-265-0304
Danny Ashe	Doogan Mountain Foods, Inc.	1123 N. 3rd Ave.	Chatsworth	GA	30705	706-264-3066
Travis Rogers	Franville Corporation	560 Atlanta Road	Cumming	GA	30040	770-532-4859
Wayne Hale	WAC Enterprises, Inc.	1291 Merchants Drive	Dallas	GA	30132	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	301 West Waugh St	Dalton	GA	30720	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1909 East Walnut Avenue	Dalton	GA	30720	423-265-0304
Sonny Lyon	Walter W. Lyon	1206 S. Peterson Avenue	Douglas	GA	31533	912-384-8222
Todd Yates	Yates Hospitality Services, LLC	1624 Veterans Blvd	Dublin	GA	31021	478-290-0010
Philip Williams	PAW Foods, Inc.	941 N. Glynn Street	Fayetteville	GA	30214	706-818-1952
Wayne Hale	WAC Enterprises, Inc.	2560 Lafayette Rd	Ft Oglethorpe	GA	30742	423-265-0304
Travis Rogers	Franville Corporation	1002 Jesse Jewell Pkwy.	Gainesville	GA	30501	770-532-4859
Travis Rogers	Franville Corporation	3470 Mundy Mill Road (Oakwood exit)	Gainesville	GA	30507	770-532-4859
Philip Williams	PAW Foods, Inc.	293 West Clinton Street	Gray	GA	31032	706-818-1952
Josh Ware	Circle K	450 Coffee Street	Hazlehurst	GA	31539	912-531-1487
Josh Ware	Circle K	310 N. 1st Street	Jesup	GA	31545	912-531-1487
Wayne Hale	Hale, Wayne & Carolyn (TAG)	2354 North Main Street	LaFayette	GA	30728	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	114 Commerce Avenue	LaGrange	GA	30240	423-265-0304

Josh Ware	Circle K	1266 Lakes Blvd.	Lake Park	GA	31636	912-531-1487
Travis Rogers	Franville Corporation	510 West Pike Street	Lawrenceville	GA	30045	770-532-4859
Philip Williams	PAW Foods, Inc.	1931 Eatonton Hwy.	Madison	GA	30650	706-818-1952
Wayne Hale	WAC Enterprises, Inc.	3520 Ernest Barrett Pkwy, SW	Marietta	GA	30064	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	256 Bobby Jones Expressway	Martinez	GA	30907	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1884 N Columbia	Milledgeville	GA	31061	423-265-0304
Jon Simmons	SLD, Inc.	220 Bullsboro Drive	Newnan	GA	30263	770-650-2901
Travis Rogers	Franville Corporation	1700 Indian Trail - Lilburn Rd.	Norcross	GA	30093	770-532-4859
Wayne Hale	WAC Enterprises, Inc.	5703 Alabama Hwy.	Ringgold	GA	30736	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	3562 Highway 138 SE	Stockbridge	GA	30281	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1921 S. Washington Road	Thomson	GA	30824	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	5071 Hwy 136	Trenton	GA	30752	423-265-0304
Josh Ware	Circle K	10136 Hawkinsville Rd.	Warner Robins	GA	31093	912-531-1487
Josh Ware	Circle K	2307 Plant Avenue	Waycross	GA	31501	912-531-1487
Travis Rogers	Franville Corporation	19 Monroe Highway	Winder	GA	30680	770-532-4859
Wayne Hale	WAC Enterprises, Inc.	1704 W. Hwy. 192	London	KY	40741	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	1225 North 12th Street	Middlesboro	KY	40965	423-265-0304
Sharon Trow	GPM Investments	102 Stone Trace Drive	Mt. Sterling	KY	40353	804-314-7219
Mike Viellion	KC Bourbon, LLC	116 Bourbon Street	New Orleans	LA	70130	702-610-8999
Josh Ware	Circle K	61104 Airport Rd.	Slidell	LA	70460	912-531-1487
Ben Craddock	What A Combo, Inc.	1206 Brookway Blvd.	Brookhaven	MS	39601	601-551-5005
Ben Craddock	What A Combo, Inc.	7500 Siwell Road	Byram	MS	39272	601-551-5005
Josh Ware	Circle K	2985 Highway 49	Collins	MS	39428	912-531-1487
Josh Ware	Circle K	3100 Highway 49 South	Florence	MS	39073	912-531-1487
Tim Smith	Refuel Operating Company, LLC	465 Highway 1 North	Greenville	MS	38701	512-769-0409
Tim Smith	Refuel Operating Company, LLC	810 Highway 82 West	Greenwood	MS	38930	512-769-0409
Ben Craddock	What A Combo, Inc.	1210 Gluckstadt Road	Madison	MS	39110	601-551-5005
Josh Ware	Circle K	1539 Simpson Highway 49	Magee	MS	39111	912-531-1487
George Mares	Robden Enterprises, Inc.	7935 Craft-Goodman Frontage	Olive Branch	MS	38654	423-364-0924
Ben Craddock	What A Combo, Inc.	420 HWY 6 W	Oxford	MS	38655	601-551-5005
George Mares	DDB&G Enterprises, Inc.	10 Canal Place	Philadelphia	MS	39350	423-364-0924
Ben Craddock	What A Combo, Inc.	118 Turner Park Road	Saltillo	MS	38866	601-551-5005
George Mares	Robden Enterprises, Inc.	70 Goodman Road	Southaven	MS	38671	423-364-0924
Michael Herran	Caribbean Cattle, LLC	18400 State Road 7	Canovanas	Puerto Rico	00729	407-948-7497

Wayne Hale	WAC Enterprises, Inc.	1980 Whiskey Road	Aiken	SC	29803	423-265-0304
Josh Ware	Circle K	401 Shelby Road	Gaffney	SC	29340	912-531-1487
Wayne Hale	WAC Enterprises, Inc.	2511 Decatur Pike	Athens	TN	37303	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	3409 Amnicola Hwy	Chattanooga	TN	37406	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	621 Signal Mountain Rd	Chattanooga	TN	37405	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	3150 Broad Street	Chattanooga	TN	37408	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	6119 Lee Highway	Chattanooga	TN	37421	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	307 Cherokee Blvd	Chattanooga	TN	37405	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	2298 E 23rd Street	Chattanooga	TN	37408	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	2244 N. Charles G Sievers Blvd.	Clinton	TN	37716	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	520 South Jefferson Ave.	Cookeville	TN	38501	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	505 N. Main Street	Crossville	TN	38555	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	120 Iowa Avenue	Dayton	TN	37321	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	2540 Decherd Blvd.	Decherd	TN	37324	423-265-0304
John Jewell	BJKF, LLC	497 Highway 46 South	Dickson	TN	37055	615-313-3602
Wayne Hale	WAC Enterprises, Inc.	6300 Ringgold Rd	East Ridge	TN	37412	423-265-0304
John Jewell	BJKF, LLC	1412 Murfreesboro Rd.	Franklin	TN	37064	615-313-3602
Wayne Hale	WAC Enterprises, Inc.	1811 South Roane St	Harriman	TN	37748	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	504 N. State of Franklin Rd.	Johnson City	TN	37601	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	5320 Millertown Pike	Knoxville	TN	37914	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	2815 N Broadway	Knoxville	TN	37917	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	5219 Clinton Highway	Knoxville	TN	37912	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	6725 Maynardville Highway	Knoxville	TN	37918	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	8901 Kingston Pike	Knoxville	TN	37923	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	3379 Winfield Dunn Prkwy	Kodak	TN	37764	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	2404 Jacksboro Pike	LaFollette	TN	37766	423-265-0304
John Jewell	BJKF, LLC	1423 West Main Street	Lebanon	TN	37087	615-313-3602
Wayne Hale	WAC Enterprises, Inc.	2258 Hillsboro Blvd.	Manchester	TN	37355	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	2304 E. Morris Blvd.	Morristown	TN	37813	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	3500 W. Andrew Johnson Hwy.	Morristown	TN	37814	423-265-0304
John Jewell	BJKF, LLC	1911 Lascassas Hwy	Murfreesboro	TN	37130	615-313-3602
John Jewell	BJKF, LLC	6940 Charlotte Pike	Nashville	TN	37209	615-313-3602
Wayne Hale	WAC Enterprises, Inc.	2041 Parkway	Pigeon Forge	TN	37863	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	405 East Emory Rd	Powell	TN	37849	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	125 Fork of River Pkwy	Sevierville	TN	37862	423-265-0304
Wayne Hale	WAC Enterprises, Inc.	712 Madison Street	Shelbyville	TN	37160	423-265-0304
John Jewell	BJKF, LLC	750 Nissan Drive	Smyrna	TN	37167	615-313-3602

Wayne Hale	WAC Enterprises, Inc.	540 W. Brockman Way	Sparta	TN	38583	423-265-0304
John Jewell	BJKF, LLC	2020 Memorial Blvd.	Springfield	TN	37172	615-313-3602

*Indicates that this franchisee is also an area developer under Area Development Agreement with us for the development of multiple units.

Franchisees with Unopened Outlets as of December 31, 2023:

Name	Entity Name	Address	City	State	Zip Code	Phone
Russell Jolly	Russell Jolly	190 County Road 87	Calera	AL	35040	205-305-4601
Wayne Hale	WAC Enterprises, Inc.	1015 N. Brindlee Mountain Parkway	Arab	AL	35016	423-265-0304

Former Franchisees:

The name and last known city, state of every franchisee who had a Krystal Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 2, 2023 to December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Closure(s):

Entity Name	Contact	City	State	Phone
Meridian Squared, Inc.	George Mares	Meridian	MS	423-364-0924
WAC Enterprises, Inc.	Wayne Hale	Elijay, GA	GA	423-265-0304
WAC Enterprises, Inc.	Wayne Hale	Tullahoma	TN	423-265-0304
WAC Enterprises, Inc.	Wayne Hale	Soddy Daisy	TN	423-265-0304

WAC Enterprises closed three locations in 2023, but continues to operate other franchise locations.

Transfers:

Entity Name	Contact	City (Note 2)	State	Phone
WAC Enterprises, Inc.	Wayne Hale	Panama City	FL	423-265-0304
WAC Enterprises, Inc.	Wayne Hale	Milton	FL	423-265-0304
WAC Enterprises, Inc.	Wayne Hale	Mary Ester	FL	423-265-0304

WAC Enterprises transferred three of its locations in Florida to another franchisee but continues to operate other franchise locations.

EXHIBIT F

STATE SPECIFIC DISCLOSURES

Maryland Disclosure Addendum

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document for Krystal Restaurants LLC for use in the State of Maryland is amended as follows:

1. Item 17, “Renewal, Termination, Transfer, and Dispute Resolution,” is amended by the addition of the following language:

The general releases required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 et seq.).

2. Additional Disclosure. The following is added to Item 22:

Exhibit J “Franchisee Disclosure Questionnaire” does not apply to Maryland franchisees.

Pursuant to the Interpretive Opinion “Adopting NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments” dated January 23, 2023, issued by the State of Maryland Office of the Attorney General Securities Division (the “Division”), the Division requires franchisors selling franchises that are subject to the Maryland Franchise Registration and Disclosure Law to provide the following legend: “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.”

New York Disclosure Addendum

1. **State Cover Page.** The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF MATERIAL FACT.

2. **Item 3, Additional Disclosure.** The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud;

embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. **Item 4: Additional Disclosure.** The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. **Item 5: Initial Fees.** The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. **Item 7: Renewal, Termination, Transfer and Dispute Resolution**

A. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

B. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

C. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

D. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to these Additional Disclosures.

Virginia Disclosure Addendum

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document of Krystal Restaurants LLC is amended as follows:

1. Item 17, Additional Disclosure. The following statement is added to Item 17.h:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Additional Disclosure, Item 22. The following is added to Item 22:

Exhibit J “Franchisee Disclosure Questionnaire” does not apply to Virginia franchisees.

3. This addendum will apply only if the Virginia Retail Franchising Act would apply independently without referring to this addendum.

EXHIBIT G

**STATE SPECIFIC AMENDMENTS
TO THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

Maryland Amendment to the Franchise Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Krystal Restaurants LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Releases. The following sentence is added to the end of Sections 4.2 (“Renewal Requirements”) and 19.2 (under Transfers “By You”):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Choice of Venue. The following sentence is added to the end of Section 22.4. (“Venue”):

Notwithstanding the foregoing, Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Statute of Limitations. The following sentence is added to the end of Section 22.7 (“Limitation of Actions”):

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. Arbitration. The following sentence is added to the end of Section 22.2 (“Binding Arbitration”):

This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.*

Notwithstanding this paragraph, we intend to seek enforcement of the arbitration clause of in this Franchise Agreement to the fullest extent permitted under the Federal Arbitration Act and any questions regarding arbitrations, including the scope and enforceability of the arbitration provision, will be submitted to the arbitrator.

5. Acknowledgments. The Franchise Agreement is amended to include the following:

Pursuant to the Interpretive Opinion “Adopting NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments” dated January 23, 2023 (the “Interpretive Opinion”), issued by the State of Maryland Office of the Attorney General Securities Division (the “Division”), the Division requires franchisors selling franchises that are subject to the Maryland Franchise Registration and Disclosure Law to include the following statement in their franchise agreements: “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.”

Accordingly, (a) Section 24 (“Your Representations”) of this Agreement is deleted in its entirety and shall have no force or effect, and (b) any other statement, questionnaire, or acknowledgment in this Agreement that is not permitted under the Interpretive Opinion is deleted in its entirety and shall have no force or effect.

6. Effect. This amendment will apply only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

By: _____

Printed Name: _____

Title: _____

Maryland Amendment to the Area Development Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Krystal Restaurants LLC Area Development Agreement (the “Agreement”) agree as follows:

1. Releases. The following sentence is added to the end of Section 8.1 (regarding “Assignment”):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Choice of Venue. The following sentence is added to the end of Section 13 (under “Applicable Law”):

Notwithstanding the foregoing, Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Arbitration. The following sentence is added to the end of Section 22.2 (“Binding Arbitration”):

This Area Development Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable. *

Notwithstanding this paragraph, we intend to seek enforcement of the arbitration clause of in this Area Development Agreement to the fullest extent permitted under the Federal Arbitration Act.

4. Acknowledgments. The Franchise Agreement is amended to include the following:

Pursuant to the Interpretive Opinion “Adopting NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments” dated January 23, 2023 (the “Interpretive Opinion”), issued by the State of Maryland Office of the Attorney General Securities Division (the “Division”), the Division requires franchisors selling franchises that are subject to the Maryland Franchise Registration and Disclosure Law to include the following statement in their franchise agreements: “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.”

Accordingly, (a) Sections 16.3 and 16.4 under “Acknowledgments” of this Agreement are deleted in their entirety and shall have no force or effect, and (b) any other statement,

questionnaire, or acknowledgment in this Agreement that is not permitted under the Interpretive Opinion is deleted in its entirety and shall have no force or effect.

5. Effect. This amendment will apply only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

DEVELOPER:

[DEVELOPER NAME]
[a Developer Entity State of
Formation/Incorporation] [entity type]

By: _____

Printed Name: _____

Title: _____

New York Amendment to the Franchise Agreement

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.2 through 201.16), the parties to the attached Franchise Agreement (the “Agreement”) agree as follows:

1. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.
2. Releases. The following sentence is added to the end of Sections 4.2 and 19.2:

The foregoing release of claims against Franchisor does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.
3. Transfers by Franchisor. Section 19.1 of the Agreement is amended by the addition of the following:

Franchisor will not assign its rights under this Agreement, except to an assignee who in Franchisor’s good faith and judgment is willing and able to assume Franchisor’s obligations under this Agreement.
4. Choice of Law. The following sentence is added to the end of Section 25.1:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
5. Injunctions. The following sentence is added to the end of Section 22:

Franchisor’s right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.
6. Termination by Franchisee. Section 20 is amended by adding the following:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.
7. Effect. This amendment will apply only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the New York Franchise Law (N.Y. Gen. Bus. Law Article 33), without considering this amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

By: _____

Printed Name: _____

Title: _____

New York Amendment to the Area Development Agreement

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.2 through 201.16), the parties to the attached Area Development Agreement (the “Agreement”) agree as follows:

1. Any provision in the Area Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.

2. Transfers by Franchisor. Section 8.1 of the Agreement is amended by the addition of the following:

Franchisor will not assign its rights under this Agreement, except to an assignee who in Franchisor’s good faith and judgment is willing and able to assume Franchisor’s obligations under this Agreement.

3. Choice of Law. The following sentence is added to the end of Section 13:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

4. Effect. This amendment will apply only if the Area Development Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the New York Franchise Law (N.Y. Gen. Bus. Law Article 33), without considering this amendment. Except as expressly modified by this Amendment, the Area Development remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

DEVELOPER:

[DEVELOPER NAME]
[a Developer Entity State of
Formation/Incorporation] [entity type]

By: _____

Printed Name: _____

Title: _____

Virginia Amendment to the Franchise Agreement

In recognition of the requirements of the Virginia Retail Franchising Act, the parties to the attached Krystal Restaurants LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Representations. Section 24 (“Your Representations”) is deleted in its entirety.
2. Effect. This amendment will apply only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the Virginia Retail Franchising Act, without considering this amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Virginia Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

By: _____

Printed Name: _____

Title: _____

Virginia Amendment to the Area Development Agreement

In recognition of the requirements of the Virginia Retail Franchising Act, the parties to the attached Krystal Restaurants LLC Area Development Agreement (the “Agreement”) agree as follows:

1. Representations. Section 16 (“Acknowledgments”) is amended by deleting Sections 16.3 and 16.4 in their entirety.
2. Effect. This amendment will apply only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the Virginia Retail Franchising Act, without considering this amendment. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Virginia Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

DEVELOPER:

[DEVELOPER NAME]
[a Developer Entity State of
Formation/Incorporation] [entity type]

By: _____

Printed Name: _____

Title: _____

EXHIBIT H

CONTRACTS FOR USE WITH THE KRYSTAL FRANCHISE

The following contracts contained in Exhibit H are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Krystal Business. The following are the forms of contracts that Krystal Restaurants LLC uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.

EXHIBIT H-1

KRYSTAL FRANCHISE

SAMPLE GENERAL RELEASE AGREEMENT

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (“Release”) is made as of _____, 202__ by _____, a(n) _____ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Krystal Restaurants LLC, a Delaware limited liability company (“Franchisor,” and together with Releasor, the “Parties”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a Krystal business;

WHEREAS, [Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement] or [the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release], and Franchisor has consented to such [transfer/successor franchise agreement/amendment/termination/other reason]; and

WHEREAS, as a condition to Franchisor’s consent to [transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason], Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties.** Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release.** Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the

franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third-party claim.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Georgia.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

(Signatures on following page)

IN WITNESS WHEREOF, Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

By: _____
Printed Name: _____
Title: _____

FRANCHISEE'S OWNERS:

Date _____

Signature

Typed or Printed Name

Signature

Typed or Printed Name

Rev. 012021

EXHIBIT H-2

KRYSTAL FRANCHISE

SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement ("Agreement") is entered into by and between _____ (the "Franchisee") and the undersigned ("you" or "Manager"), who is a manager, supervisor, partner, or a person in an executive or managerial position with, Franchisee.

Background:

A. Krystal Restaurants LLC ("Franchisor") owns a format and the System relating to the establishment and operation of "Krystal" businesses operating as quick service restaurants featuring specialty hamburgers, hotdogs, chicken sandwiches, french fries, and other items specified by Franchisee, under the Marks, as defined below (each a "Krystal Business").

B. Franchisor and Franchisee have executed a Franchise Agreement ("Franchise Agreement") granting Franchisee the right to operate a Krystal Business and to offer and sell products and services approved by Franchisor and use the Marks in connection therewith under the terms and conditions of the Franchise Agreement.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

"*Competitive Business*" means any business that: (i) is substantially engaged in the sale of hamburgers (i.e., derives at least 20% of its overall food (not beverage) sales revenues from hamburgers during any 12-month period; (2) is a quick service restaurant engaged in the sale of hamburgers; (3) has a method of operation or trade dress similar to that employed in the System; (but excludes a Krystal Business operating pursuant to a franchise agreement with Franchisor; and/or (4) is one of the following: In & Out Burger, Sonic, Rally's, Checkers, Hardee's, Carl Jr., Cook Out, 5 Guys, McDonald's, Burger King, Wendy's, Nathan's, Weiner Schnitzel, Shake Shack, White Castle, Jack in the Box, What-a-Burger, Steak-n-Shake and Smashburger.

"*Copyrights*" means all works and materials for which Franchisor or its affiliates have secured common law or registered copyright protection and that Franchisor allows franchisees to use, sell, or display in connection with the marketing and/or operation of a Krystal Business or the solicitation or offer of a Krystal franchise, whether now in existence or created in the future.

"*Franchisee Territory*" means the territory granted to Franchisee pursuant to the Franchise Agreement with Franchisor.

"*Intellectual Property*" means, collectively or individually, Franchisor's Marks, Copyrights, Know-how, and System.

“Know-how” means all of Franchisor’s trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Krystal Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“Manual” means Franchisor’s confidential operations manual for the operation of a Krystal Business, which may be periodically modified by Franchisor and provided to Franchisee’s use in the operation of its Krystal Business.

“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Krystal Business, including “KRYSTAL,” and any other trademarks, service marks, or trade names that Franchisor designates for use by a Krystal Business. The term “Marks” also includes any distinctive trade dress used to identify a Krystal Business, whether now in existence or hereafter created.

“Prohibited Activities” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from Franchisor (or one of its affiliates or franchisees); and/or (iii) inducing or attempting to induce any customer of a Krystal Business to transfer their business to you or to any other person that is not then operating a Krystal Business.

“Restricted Period” means the two-year period after you cease to be a manager or officer of Franchisee’s Krystal Business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means the one-year period after you cease to be a manager or officer of Franchisee’s Krystal Business.

“Restricted Territory” means the geographic area within a 5-mile radius from Franchisee’s Krystal Business (and including the premises of the approved location of Franchisee).

“System” means Franchisor’s system for the establishment, development, operation, and management of a Krystal Business, including Know-how, proprietary programs and products, Manual, and operating system.

2. Background. You are a manager or officer of Franchisee. You acknowledge that, pursuant to the Franchise Agreement, and by virtue of your position with Franchisee, you will receive valuable specialized training and confidential information, including, without limitation, information regarding the Know-How and Intellectual Property of Franchisor and the System. You understand that protecting the Intellectual Property and the System are vital to Franchisee and Franchisor and accordingly, you agree to comply with the terms of this Agreement.

3. Know-How and Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Krystal Business operated by Franchisee or, if applicable, any other Krystal Business at which you may work; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as Franchisee, consistent with its obligations under the Franchise Agreement, may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of a Krystal Business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties and within the scope of your employment or other engagement with Franchisee or another operator of a Krystal Business. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly

known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

4. Unfair Competition During Relationship. You agree not to unfairly compete with Franchisee at any time while you are a manager or officer of Franchisee's Krystal Business by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with Franchisee and/or other Krystal Businesses during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to Franchisee and/or Franchisor for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle Franchisee or Franchisor to injunctive relief. You agree to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisee, or Franchisor under Section 9 below, in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against Franchisee or its affiliate, regardless of cause or origin, cannot be used as a defense against enforcement of this Agreement.

8. Delay. No delay or failure by the Franchisee, or Franchisor under Section 9, to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

9. Third-Party Beneficiary. Manager hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

10. Miscellaneous.

a. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

b. Manager and Franchisee both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, Franchisee may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

IN WITNESS WHEREOF, the Franchisee and the Manager attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

MANAGER/OFFICER OF FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT H-3

KRYSTAL FRANCHISE

SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is entered into by and between _____ (the "Franchisee") and the undersigned ("you"), who is an employee independent contractor, agent, representative, or supplier of Franchisee.

Background:

A. Krystal Restaurants LLC ("Franchisor") owns a format and the System relating to the establishment and operation of "Krystal" businesses operating as quick service restaurants featuring specialty hamburgers, hotdogs, chicken sandwiches, french fries, and other items specified by Franchise, under the Marks, as defined below (each a "Krystal Business").

B. Franchisor and Franchisee have executed a Franchise Agreement ("Franchise Agreement") granting Franchisee the right to operate a Krystal Business and to offer and sell products and services approved by Franchisor and use the Marks in connection therewith under the terms and conditions of the Franchise Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

"*Krystal Business*" means a business that operates a quick service restaurant featuring specialty hamburgers, specialty hotdogs, chicken sandwiches, french fries, shakes, ice cream, and breakfast products and other related products and services using our Intellectual Property.

"*Copyrights*" means all works and materials for which Franchisor or its affiliates have secured common law or registered copyright protection and that Franchisor allows Krystal franchisees to use, sell, or display in connection with the marketing and/or operation of a Krystal Business, whether now in existence or created in the future.

"*Intellectual Property*" means, collectively or individually, Franchisor's Marks, Copyrights, Know-how, Manual, and System.

"*Know-how*" means all of Franchisor's trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Krystal Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

"*Manual*" means Franchisor's confidential operations manual for the operation of a Krystal Business and provided to Franchisee for its use in the operation of its Krystal Business.

"*Marks*" means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Krystal Business, including "Krystal" and any other trademarks, service marks, or trade names that Franchisor designates for use by a Krystal Business. The term "Marks" also includes any distinctive trade dress used to identify a Krystal Business, whether now in existence or hereafter created.

“System” means Franchisor’s system for the establishment, development, operation, and management of a Krystal Business, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

2. Background. You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may receive valuable specialized training and knowledge of Franchisor’s confidential information, including, without limitation, information regarding the Know-How and Intellectual Property. You understand that protecting the Intellectual Property and the System is vital to Franchisee and Franchisor and, accordingly, you agree to comply with this Agreement.

3. Know-How and Intellectual Property: Nondisclosure and Ownership. You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the Krystal Business operated by Franchisee (or, if applicable, any other Krystal Business at which you may work) or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as Franchisee, consistent with its obligations under the Franchise Agreement, may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee or another operator of a Krystal Business. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Franchisor. You hereby assign and agree to assign to Franchisor any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee’s request, you will deliver to Franchisor or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

5. Breach. You agree that failure to comply with this Agreement will cause substantial and irreparable damage to Franchisee and/or Franchisor for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will Franchisee or Franchisor to injunctive relief. You agree to pay all costs (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) incurred by Franchisee, or Franchisor under Section 8 below, in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against Franchisee or its affiliates, regardless of cause or origin, cannot be used as a defense against enforcement of this Agreement.

6. Delay. No delay or failure by the Franchisee, or Franchisor under Section 8, to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

8. Third-Party Beneficiary. Manager hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

7. Miscellaneous.

a. You understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with Franchisor, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

IN WITNESS WHEREOF, the Franchisee and the Employee/Contractor/Supplier attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

EMPLOYEE/CONTRACTOR/SUPPLIER OF
FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT H-4

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

Authorization:

Franchisee hereby authorizes Krystal Restaurants LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____

Date: _____

Printed Name: _____

Its: _____

Federal Tax ID Number: _____

Rev. 032916

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

EXHIBIT H-5

KRYSTAL FRANCHISE

SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment (“**Agreement**”) is entered into this ____ day of _____, 20____, between Krystal Restaurants LLC (“**Franchisor**”), a Delaware limited liability company, _____ (“**Former Franchisee**”), the undersigned owners of Former Franchisee (“**Owners**”) and _____, [a/an Formation State] [corporation/limited liability company] (“**New Franchisee**”).

RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated _____, 20____ (“**Former Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a Krystal franchise located at _____ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor’s current form of franchise agreement together with all exhibits and attachments thereto (“**New Franchise Agreement**”), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).
2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing the New Franchise Agreement pursuant to Section 5 of this Agreement.
3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement.
4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee’s rights to operate the Franchised Business are terminated and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New

Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Krystal franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the Approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Georgia.

(Signatures on following page)

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

FRANCHISOR:

Krystal Restaurants LLC

By: _____

Printed Name: _____

Title: _____

FORMER FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

NEW FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

Rev. 031821

EXHIBIT H-6

KRYSTAL FRANCHISE

LEASE ADDENDUM

This Addendum to Lease (“**Addendum**”), dated _____, 20____, is entered into by and between _____ (“**Landlord**”), _____ (“**Tenant**”) and _____ (“**Franchisor**”), collectively referred to herein as the “**Parties**.”

A. Landlord and Tenant have entered into a certain Lease Agreement dated _____, 20____, and pertaining to the premises located at _____ (“**Lease**”).

B. Landlord acknowledges that Tenant intends to operate a franchised business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Franchisor under Franchisor’s trademarks and other names designated by Franchisor (herein referred to as “**Franchised Business**” or “**Franchise Business**”).

C. The parties now desire to supplement the terms of the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed among the Parties as follows:

1. Use of the Premises. During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Franchised Business.

2. Franchise System. Landlord hereby consents to Tenant’s use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the Franchised Business required by Franchisor. Tenant’s use of such items shall at all times be in compliance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Premises.

3. Assignment. Tenant shall have the right, without further consent from Landlord, to sublease or assign all of Tenant’s right, title, and interest in the Lease to an assignee of the Tenant or the Franchised Business (“**Franchise Assignee**”) at any time during the term of the Lease, including any extensions or renewals thereof. In addition, if Tenant fails to timely cure any default under either the Lease or the Franchise Agreement, Franchisor or a Franchise Assignee that Franchisor designates, will, at its option, have the right, but not the obligation, to take an assignment of Tenant’s interest under the Collateral Assignment of Lease or other form of assignment and assumption document reasonably acceptable to Landlord, provided such Franchise Assignee cures a default of the Lease no later than ten days following the end of Tenant’s cure period. No assignment shall be effective until: (i) a Franchise Assignee gives Landlord written notice of its acceptance of the assignment and assumption of the Lease; and (ii) Tenant or the Franchise Assignee has cured all material defaults of the Lease for which it has received notice from Landlord. Nothing contained herein or in any other document shall create any obligation or liability of Franchisor, any Franchise Assignee, or guarantor thereof under the Lease unless and until the Lease is assigned to, and accepted in writing by a Franchise Assignee. In the event of any assignment or purported assignment under this Addendum, Tenant shall remain liable under the terms of the Lease and the assignee or subtenant shall retain all of the Tenant’s rights granted in the Lease including without limitation: (x) any

grant of a protected territory or use exclusivity; and (y) the renewal or extension of the Lease term. With respect to any assignment proposed or consummated under this Addendum, Landlord hereby waives any rights it may have to: (A) recapture the Premises; (B) terminate the Lease; or (C) modify any terms or conditions of the Lease. If Franchisor accepts an assignment and assumes the Lease under this section, Franchisor shall have the right to further sublet or reassign the Lease to another Franchise Assignee without Landlord's consent in which event Franchisor shall be released from any obligation or liability under the Lease. As used in this Addendum, "**Franchise Assignee**" means: (i) Franchisor or Franchisor's parent, subsidiary, or affiliate; or (ii) any franchisee of Franchisor or of Franchisor's parent, subsidiary, or affiliate.

4. Default and Notice.

a. If Tenant defaults on or breaches the Lease and Landlord delivers a notice of default to Tenant, Landlord shall contemporaneously send a copy of such default notice to Franchisor. Franchisor shall have the right, but not the obligation, to cure the default during Tenant's cure period plus an additional ten (10) day period. Franchisor will notify Landlord whether it intends to cure the default prior to the end of Tenant's cure period.

b. All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Krystal Restaurants LLC
1455 Lincoln Parkway E., Suite 600
Dunwoody, GA 30346

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

c. Tenant and Landlord agree not to terminate, or materially amend the Lease during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent. Any attempted termination, or material amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

5. Termination or Expiration.

a. If Franchisor does not elect to take an assignment of the Tenant's interest, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's trademarks and franchise system and to distinguish the Premises from a Franchised Business provided that Franchisor repairs any damage caused to the Premises by exercise of its rights hereunder.

b. If any Franchise Assignee purchases any assets of Tenant, Landlord shall permit such Franchise Assignee to remove all the assets being purchased, and Landlord waives any lien rights that Landlord may have on such assets.

6. Consideration; No Liability.

a. Landlord acknowledges that the Franchise Agreement requires Tenant to receive Franchisor's approval of the Lease prior to Tenant executing the Lease and that this Addendum is a material requirement for Franchisor to approve the Lease. Landlord acknowledges Tenant would not lease the Premises without this Addendum. Landlord also hereby consents to the Collateral Assignment of Lease from Tenant to Franchisor as evidenced by Attachment 1.

b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor, and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Franchise Assignee, and that Landlord has entered into this with full understanding that it creates no duties, obligations, or liabilities of or against any Franchise Assignee.

7. Amendments. No amendment or variation of this Addendum shall be valid unless made in writing and signed by the Parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions, and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

IN TESTIMONY WHEREOF, witness the signatures of the Parties hereto as of the day, month, and year first written above.

LANDLORD:

TENANT:

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

FRANCHISOR:

By: _____

Printed Name: _____

Title: _____

Rev. 112619

ATTACHMENT 1 TO LEASE ADDENDUM

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of the ____ day of _____, 20__ (“**Effective Date**”), the undersigned, _____ (“**Assignor**”) hereby assigns, transfers and sets over unto _____ (“**Assignee**”) all of Assignor’s right, title, and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A (“Lease”)** with respect to the premises located at _____. This **Collateral Assignment of Lease (“Assignment”)** is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee expressly assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a franchise between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered, in Assignee’s sole discretion, to: (i) cure Assignor’s default of the Lease; (ii) take possession of the premises demised by the Lease; (iii) expel Assignor from the premises, either temporarily or permanently; (iv) terminate Assignee’s rights, title, and interest in the Lease; and/or (v) assume the Lease. If Assignee expends sums to cure a default of the Lease, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent (2%) per month, or the highest rate allowed by law.

Assignor agrees it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting the extension or renewal.

(Signatures on following page)

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

ASSIGNOR:

By: _____

Printed Name _____

Its: _____

ASSIGNEE:

By: _____

Printed Name _____

Its: _____

Rev. 112619

EXHIBIT H-7

KRYSTAL ADVERTISING COOPERATIVE

SUBSCRIPTION AGREEMENT

This Krystal Advertising Cooperative Subscription Agreement (“Agreement”), made this ____ day of _____, 20__, by and between each of the undersigned franchisees or licensees of Krystal Restaurants LLC (collectively referred to herein as “the Franchisees”), is made with reference to the following facts:

- (a) Each of the undersigned Franchisees is a Franchisee or a Licensee in good standing of Krystal Restaurants LLC (collectively, “Krystal”).
- (b) Each of the undersigned Franchisees owns and operates at least one Krystal restaurant (whether standard or non-traditional location) within the Designated Market Area (“DMA”) more fully described in the attached Exhibit 1.
- (c) Each of the undersigned Franchisees recognizes it to be in their mutual and respective best interest to contribute to a joint advertising effort to more fully advertise and promote said Franchisee's Krystal restaurant business in the DMA.
- (d) In order to accomplish this joint advertising effort throughout the DMA, the undersigned Franchisees have previously agreed pursuant to a franchise or license agreement with Krystal to create, join and contribute to a Krystal advertising cooperative, which shall be a non-profit corporation (the “Co-op”), for the mutual benefit of all Franchisees who own and operate Krystal restaurants in the DMA.

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

- 1. The parties agree to organize and incorporate the Co-op under the laws of the State of Georgia as a non-profit, non-stock corporation for the mutual benefit of its members, for the purpose of jointly and cooperatively advertising Krystal restaurants in the DMA. Each of the undersigned Franchisees hereby agrees that when the Co-op is incorporated, they, and each of them, will become members thereof. Each of the undersigned Franchisees who has signed a franchise agreement or license agreement subsequent to the formation of the Co-op hereby agrees to participate as a member hereof.
- 2. Each of the undersigned Franchisees hereby ratifies, adopts and approves the By-laws of the Co-op, see attached Exhibit 2, which may be amended from time to time.
- 3. Any controversy or claim arising out of or relating to this Agreement, or any breach thereof, including, without limitation, any claim that said agreement, or any part thereof, is invalid, illegal or otherwise voidable or void, or any dispute arising out of or relating to any subscriber's membership in or the operation of the Co-op shall be submitted to arbitration before Krystal as arbitrator. The decision of Krystal shall be final and binding upon the parties to such arbitration which shall be conducted in accordance with the rules of the American Arbitration Association (“AAA”). Such arbitration shall take place in DeKalb County, Georgia unless otherwise mutually agreed in writing. This arbitration proceeding shall be deemed to be self-executing, and in the event that either party fails to appear at any properly noticed arbitration proceeding, a decision shall be rendered or an award may be entered against such party notwithstanding said failure to appear. This section shall be effective as to all claims, controversies or disputes arising out of or relating to membership in the Co-op, or to the Agreement, even if membership has terminated or this Advertising Cooperative Subscription Agreement is no longer in force.

4. Krystal or the Members of the Co-op may enforce by appropriate legal action the payment of all due and unpaid dues, assessments, and fees for which a member or former member has become obligated by virtue of his execution of this Agreement.

5. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this Agreement on the day and year set forth above.

KRYSTAL RESTAURANTS LLC:

By: _____

Its: _____

FRANCHISEE SUBSCRIBERS:

Franchisee: _____
(printed name)

Signature By: _____
Its: _____

Date _____

Franchisee: _____
(printed name)

Signature By: _____
Its: _____

Date _____

Franchisee: _____
(printed name)

Signature By: _____
Its: _____

Date _____

Franchisee: _____
(printed name)

Signature By: _____
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Franchisee: _____
(printed name)

Signature By: _____
Its: _____

Date _____

Franchisee: _____
(printed name)

Signature By: _____
Its: _____

Date _____

Franchisee: _____
(printed name)

Signature By: _____
Its: _____

Date _____

EXHIBIT 1

TO KRYSTAL ADVERTISING COOPERATIVE SUBSCRIPTION AGREEMENT

The Designated Market Area of this Krystal Advertising Cooperative consists of the _____
(Identify Metropolitan Area) Market Area which is defined by the Designated Market Area (“DMA”), as defined from time to time by the A.C. Nielsen Company, or any successor thereto, or by any other service selected by Krystal furnishing comparable market information. Such adjustment shall be effective January 1 each year.

EXHIBIT 2

BY-LAWS OF THE ADVERTISING COOPERATIVE OF KRYSTAL RESTAURANTS LLC

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ARTICLE I

PURPOSE

The purpose of the above-named Krystal Advertising Cooperative (“the Co-op”) shall be to conduct local and regional advertising and marketing for Krystal restaurants located within the _____ [Identify Metropolitan Area] Market Area which is defined by the Designated Market Area (“DMA”) designated each year by the A.C. Nielsen Company or such other television coverage information as designated by Krystal Restaurants LLC (“Krystal”). Such adjustment shall be effective January 1 each year. All advertising and marketing shall be consistent with the standards and policies of Krystal and shall be subject to the express prior approval of Krystal. This organization is for the cooperative mutual benefit of its members. The Co-op has been organized in recognition of the obligation of Krystal franchisees and licensees to participate in local advertising cooperatives.

ARTICLE II

MEMBERS

Section 1. Membership.

- (a) The members of the Co-op shall consist of all persons or entities which now or hereafter operate any Krystal restaurants located anywhere within the DMA under a validly existing franchise or license agreement with Krystal, except for Krystal restaurants that are not operated at a free-standing location and which have limited access or are situated at a special use location as determined by Krystal. Krystal or any other operating subsidiary or affiliate of Krystal, including Krystal Trademark Company, shall also be a member if it operates or acquires one or more Krystal restaurants in the DMA. Krystal is a licensee of Krystal Trademark Company, and serves as agent for Krystal Trademark Company under these by-laws.
- (b) Krystal shall be a member regardless of whether it operates a Krystal restaurant in the DMA, provided, however, that if Krystal is a member of the Co-op solely by virtue of this Section 1(b), then Krystal's voting rights shall be limited as provided in Section 3(c) of this Article. Krystal Trademark Company shall be a non-voting member.
- (c) A member shall be a member of two or more Krystal Advertising Cooperatives if that member operates one or more Krystal restaurants (whether standard, Kwik, non-traditional, or otherwise) within separate or overlapping DMA's in which a Krystal Advertising Cooperative is established.

Section 2. Termination of Membership. Except in the case of Krystal and its subsidiaries and affiliates, in the event that any member of the Co-op shall cease to be the owner and operator of at least one Krystal restaurant located within the DMA pursuant to a franchise or license agreement with Krystal, his membership in the Co-op shall automatically and forthwith terminate.

Section 3. Voting Rights.

- (a) **Members’ Representatives.** Except for Krystal, each member's representative for the purpose of voting shall be the individual who appears on Krystal’s records as the individual authorized to act for such member. Krystal’s voting rights shall be exercised by the individual appointed by Krystal as the Krystal Representative (as defined in Article IV, Section 2).
- (b) **Votes.** Each member of the Co-op in Good Standing (as defined in Section 5 of this Article) shall

be entitled to one (1) vote on each matter voted on by the members for each Krystal restaurant (whether standard, Kwik, non-traditional, or otherwise) operated within the DMA pursuant to a franchise or license agreement with Krystal. Krystal shall have one (1) vote for each company-owned Krystal restaurant operated within the DMA.

- (c) **Limitations.** If Krystal does not own and operate any Krystal restaurants in the DMA, then Krystal shall be entitled to vote only in the following circumstances: (1) on the amendment of the Charter or the By-laws of the Co-op, which may not be amended without the affirmative vote of Krystal; or (2) in the event of a deadlock as described in Section 4 of this Article.

Section 4. Deadlock. In the event of a deadlock between the members of the Co-op on any matter voted on by the members, Krystal shall be entitled to cast an additional, deciding vote, which it shall exercise in the manner it deems to be in the best interest of the entire Krystal System.

Section 5. Member In Good Standing. To be in Good Standing, a member's payments to Krystal (or its designee, including the Co-op) must not be past due in any amount, and the member must also be in compliance with the rules, policies and By-laws of the Co-op, and not have received a notice of default from Krystal which it has failed to cure for any franchise or license agreements for a Krystal restaurant within the DMA. If Krystal notifies the Co-op and the affected member in writing that it is no longer a member in Good Standing, the member's voting rights shall automatically be suspended beginning on the tenth day following delivery of such notice by Krystal unless such default has been cured prior to the effective date of such suspension. Once suspended, a suspended member's rights shall not be reinstated until such time as said member shall have paid all amounts accrued and owing to Krystal and/or cured any defaults, and Krystal has confirmed said payment or cure in writing to the Co-op.

Section 6. Transfer of Membership. Membership shall be transferable only by reason of the approved transfer of a member's Krystal franchise to another entity. The transferee shall automatically become a member of the Co-op.

Section 7. Enforcement of Co-op Rules. The Co-op or Krystal may take legal action against a member to collect contributions and to enforce the Co-op rules, policies and By-laws. Even though a member attempts to or does discontinue participation in Co-op meetings or programs, such member shall nevertheless continue to be obligated to pay contributions required of members and to abide by the Co-op's By-laws, policies and other rules.

ARTICLE III

CONTRIBUTIONS

Section 1. Member Contributions. Member contributions shall be made to Krystal, or its designee, in accordance with the terms of the member's franchise or license agreement.

Section 2. Krystal Contributions. Krystal and its subsidiaries and affiliates who own and operate Krystal restaurants under license from Krystal Trademark Company in the DMA shall make contributions or payments to the Co-op, or directly to a provider of Advertising and Marketing on the same basis and in the same manner as members.

Section 3. Cooperative Imposed Contributions. The Co-op may, upon the affirmative vote of a majority of the total eligible votes of all the members of the Co-op, elect to impose additional contributions to the Co-op beyond those required in the applicable franchise or license agreement upon the entire

membership of the Co-op (“Additional Contributions”). Such obligation to make Additional Contributions would include Krystal and its subsidiaries and affiliates as well. Such Additional Contributions must be based upon a percentage of gross sales for each restaurant operated by each member within the DMA. The maximum total amount of such Additional Contributions, if any, for each member shall not exceed one percent (1%) of the weekly gross receipts (as that term is defined in each member’s respective franchise or license agreement) from each and every Krystal restaurant (whether standard, Kwik, non-traditional, or otherwise) owned and operated by that member in the DMA. Furthermore, the annual increase in the level of such Additional Contributions, if any, shall not exceed one half of one percent (0.50%) per annum. A vote to increase the amount of such Additional Contributions shall be held only once per calendar year. Unless a written waiver is granted by Krystal in its sole discretion, such Additional Contributions may not be counted toward any members’ local advertising and marketing obligations imposed under older versions of their franchise or license agreement.

Section 4. Expenses and Advertising. All contributions to the Co-op pursuant to this Article shall be expended solely for the Advertising and Marketing of Krystal restaurants and their products and services. It is anticipated that all contributions to the Co-op shall be expended for such Advertising and Marketing during the Co-op’s fiscal year within which contributions are made. Any contributions not expended in the fiscal year contributed shall be applied and used for Co-op Advertising and Marketing in the following year. Until their expenditure, all contributions to the Co-op shall be held in safe-keeping for the purpose of paying for such Advertising and Marketing and shall not be refundable. In the event the Co-op derives revenue from any source other than contributions by the members (such as interest on balances held in the Co-op’s bank account(s) or rebates from suppliers), the Co-op shall expend all such revenue solely for Advertising and Marketing of Krystal restaurants and their products and services before the expenditure of any member contributions.

As used herein, “Advertising and Marketing” expenditures shall include direct costs of measurable media for television advertising, including time charges, agency commissions and associated costs; newspaper and print advertising, direct mail, radio advertising, outdoor advertising (billboard or transit), internet, interactive, social advertising; and expenses directly incurred and related to the cost of advertising and administration of the Co-op, including, but not limited to, organizational, accounting and legal fees and expenses, meeting room charges, photocopying, postage and shipping and other comparable expenditures.

Notwithstanding the foregoing, the following expenses shall not be paid for by funds contributed to the Co-op: members’ business phone and listing in the white and classified or yellow pages; incentive programs; food costs incurred in any promotion; salaries and expenses of any employees of a member, including salaries and expenses for attendance at Co-op meetings; charitable, political, or other contributions or donations; specialty items such as tee shirts, premiums, pins, and awards; those portions of menu boards and other signage and decorations consisting of fixtures and equipment; seminar, training and educational costs and expenses of employees of a member; provided however, that Additional Contributions only may be used to reimburse Krystal for that portion of the Krystal Representative’s (as defined below) salary and expenses related to the business of the Co-op.

Section 5. Media Placement Agent.

- (a) **Co-Developed Markets.** In co-developed Co-ops (i.e., Co-ops where Krystal owns and operates one or more Krystal restaurants in the Co-op DMA), the members appoint Krystal’s in-house Marketing Department to place the advertising of the Co-op. The Marketing Department may, in its sole discretion, appoint agents to place the Co-op’s advertising.
- (b) **Non-Co-Developed Markets.** In Co-ops that are not co-developed, the members may designate a third-party media placement company to place the advertising of the Co-op. All advertising placed

by third-party media companies shall be Krystal or KAF produced or created advertising, unless otherwise approved in advance in writing by Krystal.

- (c) **Advertising Creation.** The Co-op will, to the extent available, utilize advertising, marketing and promotional materials produced by Krystal or KAF. Any materials independently developed by the Co-op or its members shall be submitted to Krystal for Krystal's written approval prior to use.

ARTICLE IV

BOARD OF DIRECTORS AND OFFICERS

Section 1. Board of Directors. The business and affairs of the Co-op shall be managed by or under the direction of its Board of Directors, which may exercise all such powers of the Co-op and do all such lawful acts and things on its behalf as are not proscribed by statute or by the Charter or by these By-laws.

Section 2. Directors. The Board of Directors shall consist of three (3) Directors. A representative of Krystal (the "Krystal Representative"), appointed by Krystal in its sole discretion, shall be the Chairman of the Board of Directors. Except for the Chairman of the Board, the other two (2) Directors shall be elected at the annual meeting of the members by a plurality of the votes cast in the election. Each elected Director shall serve a term of one (1) year or until his successor has been elected and qualified.

Section 3. Officers. The Directors shall be the Officers of the Co-op. The Krystal Representative shall be the Chairman/President of the Co-op. The Chairman/President shall designate one Director to serve as Vice President of the Co-op and the other Director to serve as Secretary/Treasurer of the Co-op.

- (a) **Chairman/President.** The Krystal Representative shall be the Chairman of the Board of Directors and the President of the Co-op and shall:

- (1) Arrange and conduct all meetings of the members and Board of Directors of the Co-op;
- (2) Coordinate business interrelationships with Krystal, Krystal marketing personnel, advertising agencies, and other entities involved in transactions relating to the advertising and business dealings with the marketing programs of Krystal and its franchisees and licensees; and
- (3) Perform such other duties as may be assigned to him from time to time by the Board of Directors.

- (b) **Vice President.** The Vice President of the Co-op shall perform such duties as may be assigned to him from time to time by the Board of Directors or the President.

- (c) **Secretary/Treasurer.** The Secretary/Treasurer of the Co-op shall:

- (1) Assist Krystal in collecting all contributions as stipulated in these By-laws;
- (2) Issue payment of properly approved invoices;
- (3) Issue payment of properly approved invoices;
- (4) Record minutes of all meetings of the members and the Board of Directors;
- (4) Issue such reports as requested by the Chairman to all members of the Co-op; and
- (5) Perform such other duties as may be assigned to him from time to time by the Board of Directors or the President

- (d) Performance of the above duties may be assigned and delegated, in whole or in part, to Krystal,

the Krystal Representative, or their designee.

Section 4. Collection Agent. The Co-op and the Board may delegate its accounting and financial functions to Krystal or its designee and hereby appoints Krystal or its designee as collection agent in the event such services are deemed appropriate by the Co-op.

ARTICLE V

MEETINGS OF MEMBERS AND DIRECTORS

Section 1. Meetings. The members and Directors shall hold an annual meeting and other such meetings at such time and place within the DMA or elsewhere as shall be determined by the Chairman. The meetings of the members and Directors may be held jointly at the discretion of the Chairman. All members and Krystal shall be given reasonable written notice of any meeting.

Section 2. Quorum. Fifty-one percent (51%) of the eligible votes shall constitute a quorum at a meeting of the members or Directors. Once a member or Director or the Krystal Representative is represented for any purpose at a meeting, he is deemed present for quorum purposes for the remainder of the meeting. The Krystal Representative must have received prior notice of the meeting and must be present for a quorum of the members or the Board of Directors to exist. Krystal will ensure that the Krystal Representative will not unreasonably withhold his or her participation in meetings of the members or Directors.

Section 3. Voting. Except as provided in Article II, Sections 3 and 4, Article IX, Section 5, and this Section, and unless the Charter or the Act requires a greater number of affirmative votes, the affirmative vote of a majority of the voting power of the members or Directors who are present at a meeting where a quorum is present shall be required and shall be sufficient for the adoption of any action by the members or Directors.

Section 4. Proxies. A member may vote by proxy signed and dated, revocable. A proxy is valid for no more than one (1) month from the date of issuance.

Section 5. Action Without Meeting. Action required or permitted by the Act to be taken at a meeting of members or Directors may be taken without a meeting only after the Krystal Representative has reviewed and approved such action prior to its effectuation. If a majority of the voting power of the members or Directors entitled to vote on the action consent in writing to taking such action without a meeting, the affirmative vote of the number of votes of members or Directors that would be necessary to authorize or take such action at a meeting with the full membership or Board present is the act of the members or Directors.

The action must be evidenced by one or more written consents describing the action taken.

Section 6. Decisions Detrimental to System. If Krystal determines in its sole discretion that an action taken by the members or Directors is or will be detrimental to the interests of the Krystal System, then Krystal shall have the right to void such action or require that the Cooperative take such other remedial action as Krystal determines necessary to correct such action.

ARTICLE VI

INDEMNIFICATION

Section 1. Indemnification and Advancement of Expenses. The Co-op shall indemnify every person who is or was a party or is or was threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the Co-op, or is or was serving at the request of the Co-op as a director, officer, employee, agent or trustee of another Co-op or of a partnership, joint venture, trust, employee benefit plan or other enterprise, including service on a committee formed for any purpose (and, in each case, his heirs, executors and administrators), against all expense, liability and loss (including counsel fees, judgments, fines, ERISA excise taxes, penalties, and amounts paid in settlement) actually and reasonably incurred or suffered by him in connection with such action, suit or proceeding, to the fullest extent permitted by applicable law, as in effect on the date hereof and as hereafter amended. Such indemnification may include advances of his expenses in advance of final disposition of such action, suit or proceeding, subject to the provision of any applicable statute.

Section 2. Non-Exclusivity of Rights. The indemnification and advancement of expenses provisions of Section 1 of this Article shall not be exclusive of any other right which any person (and his heirs, executors and administrators) may have or hereafter acquire under any statute, provision of the Charter, provision of these By-laws, resolution adopted by the members, resolution adopted by the Board of Directors, agreement, or insurance, purchased by the Co-op or otherwise, both as to action in his official capacity and as to action in another capacity. The Co-op is hereby authorized to provide for indemnification and advancement of expenses through its Charter, By-laws, resolution of members, resolution of the Board of Directors and agreement.

Section 3. Insurance. The Co-op may maintain insurance, at its expense, to protect itself and any individual who is or was a director, officer, employee or agent of the Co-op, or who, while a director, officer, employee or agent of the Co-op, is or was serving at the request of the Co-op's Board of Directors or its President as a director, officer, partner, trustee, employee or agent of another Co-op, partnership, joint venture, trust, employee benefit plan or other enterprise against any expense, liability or loss whether or not the Co-op would have the power to indemnify such person against such expense, liability or loss under this Article or the Act.

ARTICLE VII

NOTICE

Unless otherwise provided for in these By-laws or the Act, any notice required shall be in writing except that oral notice is effective if it is reasonable under the circumstances and not prohibited by the Charter or these By-laws. Notice may be communicated in person, by telephone, telegraph, teletype or other form of wire or wireless communication; or by mail or private carrier.

Written notice to members, if in a comprehensible form, is effective when mailed, if mailed postpaid and correctly addressed to the member's address shown in the Co-op's current record of members. Except as provided above, written notice, if in a comprehensible form, is effective at the earliest of the following: (a) when received; (b) five (5) days after its deposit in the United States mail, if mailed correctly addressed and with first class postage affixed thereon; (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; or (d) twenty (20) days after its deposit in the United States mail, as evidenced by the postmark if mailed correctly addressed, and with other than first class, registered

or certified postage affixed. Oral notice is effective when communicated if communicated in a comprehensible manner.

ARTICLE VIII

EXEMPT ACTIVITIES

Notwithstanding any other provision of these By-laws, no director, officer, employee or representative of this Co-op shall take any action or carry on any activity by or on behalf of the Co-op not permitted to be taken or carried on by an organization that qualifies as a cooperative under Section 1381 *et seq.* of the Internal Revenue Code of 1986 and the Treasury Regulations promulgated thereunder as they now exist or as they may hereafter be amended, or under applicable state law relating to non-profit corporations.

ARTICLE IX

MISCELLANEOUS

Section 1. Television Coverage. Television coverage information shall be determined by the A.C. Nielsen Company Designated Market Area identified in Article II, Section 1, or an alternative method for establishing viewership as designated by Krystal.

Section 2. Conduct of Meetings. Subject to these By-laws, member and Board meetings shall, as necessary, be governed by the agreement of the members present.

Section 3. Term of Existence and Dissolution. Once organized, the Co-op shall have perpetual existence unless or until it is dissolved by Krystal, which power Krystal may exercise in its sole and absolute discretion. No contributions to the Co-op or income thereon shall revert to the members prior to the termination of the Co-op.

Section 4. Effective Date. These By-laws shall become effective upon the execution of a Krystal Advertising Cooperative Subscription Agreement adopting them by a majority of the owners of Krystal restaurants in the DMA.

Section 5. Amendment. The Charter and these By-laws may not be amended without the affirmative vote of Krystal or the Krystal Representative. The Charter and these By-laws may not be amended to increase the maximum amount of Additional Contributions as set forth in Article III, Section 3 without the affirmative vote of Krystal or the Krystal Representative and the affirmative vote of a majority of the members of the Co-op that are not directly or indirectly controlled by Krystal

EXHIBIT H-8

NON-TRADITIONAL ADDENDUM TO FRANCHISE AGREEMENT

This Addendum (“**Addendum**”) is made and entered into as of this ____ day of _____, 20____ by and between Krystal Restaurants LLC, a Delaware limited liability company (“**We**”, “**us**” or “**our**”) and _____ (“**You**”) as an addendum to the Krystal Restaurant Franchise Agreement of even date herewith (“**Franchise Agreement**”) for a Krystal Business located at _____ (the “**Location**”).

RECITAL

You desire to develop and operate a Krystal Restaurant at a non-traditional location at which another business is conducted (the “**Outlet**”) and the parties recognize that the arrangement between us and you and the operation of a Krystal Restaurant at the Outlet will differ in various respects from what occurs in a standard Krystal franchise relationship for a free-standing Restaurant location. The purpose of this Addendum is to address these different circumstances.

NOW THEREFORE, the parties mutually agree as follows:

1. **Modification, Generally.** The provisions of this Addendum shall be a part of the Franchise Agreement and shall modify and amend the specifically-named sections and any other inconsistent provisions within the Franchise Agreement. In the event of a conflict between the terms of this Addendum and the Franchise Agreement, this Addendum shall be controlling. Except as specifically modified herein, all terms and conditions of the Franchise Agreement shall remain in full force and effect.
2. **Restaurant, Definition.** For purposes of this Addendum, the term “Restaurant” shall refer to that portion of the Outlet used by you for the operation of a Krystal Restaurant.
3. **The Protected Area.** Notwithstanding anything to the contrary contained in the Franchise Agreement, you shall not receive a Protected Area.
4. **Lease Restrictions.** We waive the requirements found in Section 7.2 of the Franchise Agreement requiring that the lease applicable to the Location for the Krystal Restaurant reflect our rights under the Franchise Agreement.
5. **Exclusive Use.** Section 12.3 of the Franchise Agreement regarding exclusive use shall only apply to the Krystal Restaurant portion of the Outlet as described in Section 2 of this Addendum.
6. **Gross Sales, Definition.** “Gross Sales” as defined in the Franchise Agreement shall only include products and services sold at, about or from the Krystal Restaurant, as opposed to other products or services sold in other portions of the Outlet, but shall also include receipts from the sale of all premiums related to Krystal and the Marks sold anywhere at the Outlet and all sales of Krystal products and services, if any, sold off the premises of the Outlet (excluding any sales from other franchised Krystal Restaurants). You agree to observe the spirit of the Franchise Agreement, as modified by this Section, in this regard and shall not sell or make any efforts to sell products and services intended to be sold through the Krystal Restaurant

elsewhere at the Outlet to avoid payment of the applicable Royalty Fee and Brand Fund Contributions.

7. Use of Marks. Section 17.5 (Use of the Marks) of the Franchise Agreement are modified to provide that you shall be entitled to use the Marks in joint advertising in conjunction with other marks that may be owned or licensed to you and the marks of other franchisors or brands which have facilities located on the premises of the applicable Outlet provided that any such use of the Marks shall be subject to prior review and written approval by us, such approval to not be unreasonably withheld. We shall pre-approve all such contracts prior to the execution of the Franchise Agreement. You shall submit copies of all new, renewal, successor, or amended contracts relating to the use of trademarks and brands other than the Marks at the Outlet premises to us for pre-approval prior to execution, which we may grant or deny in our absolute discretion. The display, use, or promotion of any unapproved or disapproved marks at the Outlet premises shall constitute a material breach of, and grounds for termination of, this Addendum and the Franchise Agreement.

8. Site Selection. The following is added to the end of Section 7.1 of the Franchise Agreement:

“If the premises and/or location of the Krystal Business will be located within or adjacent to a host facility which is not owned and operated by you (“**Host Facility**”), which requires the consent of any third party, such as the owner, operator and/or licensor of the Host Facility, you must obtain such consent in writing (and provide a copy to us), and such consent is a condition precedent to the grant of our right to establish and operate the Krystal Business. The location cannot, and will not under any circumstances, be defined as a geographic area or be described in terms other than a specific location within the Host Facility. During the term of this Franchise Agreement, the location shall be used exclusively to operate a Krystal Business. You acknowledge and warrant that our consent to the location and, if applicable, the Host Facility do not constitute a guarantee, recommendation or endorsement of the location or Host Facility and that the success of the Krystal Business to be operated at the location depends upon, among other things, your abilities as an independent businessperson.”

9. Brand Standards Manual. The following is added to the end of Section 12.2 of the Franchise Agreement:

“You acknowledge that the Brand Standards Manual for traditional Krystal Restaurants may include information that is not applicable to Not-Traditional Restaurants including your Non-Traditional Restaurant and may not include information that is applicable to your Krystal Business due to the nature of your Krystal Business’ operations as a Non-Traditional Restaurant. We may, but shall have no obligation to, issue and enforce a modified Brand Standards Manual applicable specifically to Non-Traditional Restaurants for the Krystal Business. You acknowledge that you and the Krystal Business may not be treated the same as traditional Krystal Restaurants and you hereby waive any claim that you may assert related to any such disparate treatment. You agree that any changes to the Brand Standards Manual will not amend the express terms of this Franchise Agreement.”

10. Step-In Rights. Section 8.4 of the Franchise Agreement is hereby deleted in its entirety and replaced with “Intentionally Blank.”

11. Hours of Operation. Section 12.9 of the Franchise Agreement is hereby amended and restated as follows:

“You shall keep the Krystal Business open and in normal operation during those days and hours during which it would reasonably be anticipated by consumers that the Krystal Business would be open, taking

into account the nature of the Krystal Business, the nature of the premises, and the operational hours of other foodservice businesses within the premises. You shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible at the premises.”

12. Restrictions on Products, Suppliers and Vending Machines.

A. We understand that products and services other than products and services approved by us, such as petroleum products, automotive supplies and services, convenience store products and other franchisors’ products, may be sold at the Outlet. You and we agree that the limitations on products and services sold by or through the Krystal Restaurant contained in Section 12.3 (Authorized Products and Services) of the Franchise Agreement are limited only to those products and services sold by or through the Krystal Restaurant portion of the Outlet or those products or premiums identified with the Marks sold elsewhere at the Outlet.

B. We are currently offering Coca-Cola branded and affiliated soft drink products and we believe that the association with the Coca-Cola brand is a key to the competitiveness of the System. Accordingly, we and you agree:

(1) Pepsi-branded or PepsiCo affiliated products shall not to be sold or served by or through the Krystal Restaurant at the Outlet without our prior written consent.

(2) No self-service soft drink fountain equipment dispensing Pepsi branded or PepsiCo affiliated products shall be located in the restaurant portion of an Outlet which includes a Krystal Restaurant without the prior our written consent.

(3) A Krystal Restaurant will not be established or operated at the Outlet in conjunction with any other fast food restaurant operation which is franchised or operated by, directly or indirectly, PepsiCo, its subsidiaries or affiliates without our prior written consent. You acknowledge that it has other fast food restaurant franchise concepts available to you which can be combined with such a PepsiCo affiliated fast food restaurant franchise so that this provision does not preclude your involvement with any such franchise.

C. You and we agree that the restrictions stated in Section 12.17 (Music and Vending) shall apply to the Krystal Restaurant and the Location; however, those restrictions shall not apply to the remainder of the Outlet.

13. Restrictions on Competition. You shall not directly or indirectly operate or permit the operation of a Competitive Business (as defined in the Franchise Agreement) at the Restaurant or Outlet provided that nothing in this Section is intended to prohibit you from leasing retail space to such Competitive Businesses at any locations other than the Outlet premises.

14. Operating Owner. We waive the requirements of Section 8.1 of the Franchise Agreement that you designate and retain an equity owner to serve as the Operating Owner. You shall designate a company official, subject to our written approval, who will be charged with responsibility for the overall operation of the Krystal Business by you and who shall be fully authorized to act on behalf of and bind you in connection with the Franchise Agreement and the operation of the Krystal Business by you. We shall be entitled to rely on decisions by and communications to and from such approved individual as being those of you. There shall be no direct or indirect change in this individual’s management responsibilities for you regarding the Krystal Business without prior written notice to us. In the event this individual shall be or

become unable or unwilling to continue to serve in such management capacity, this position shall promptly be filled but no later than thirty (30) days from such event. The individual designated pursuant to this Section (along with the individual Krystal Restaurant managers) must execute our then-current form of System Protection Agreement and must comply with all training requirements under the Franchise Agreement.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the day and date set forth above.

FRANCHISOR:

FRANCHISEE:

KRYSTAL RESTAURANTS LLC

[FRANCHISEE ENTITY]

a Delaware limited liability company

[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

EXHIBIT H-9

CONVERSION ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to the Franchise Agreement (“Addendum”) is made and entered into this _____ day of _____, 20____ by and between Krystal Restaurants LLC, a Delaware limited liability company (“**We**”, “**us**” or “**our**”) and _____ (“**You**”) as an addendum to the Krystal Restaurant Franchise Agreement of even date herewith (“**Franchise Agreement**”) for a Krystal Business located at _____ (the “**Location**”).

BACKGROUND

A. You and we have entered into that certain franchise agreement of even date herewith (“**Franchise Agreement**”) pursuant to which you will operate a Krystal franchised restaurant business (“**Krystal Business**”).

B. You are currently operating an existing business at the franchised location. You will close this existing business on or before [**Insert Closing Date of Existing Business**] and convert the existing business to the Krystal Business.

C. You and we desire to amend the terms of the Franchise Agreement for your conversion of an existing business into the Krystal Business on the following terms. Capitalized terms not defined in this Addendum shall have the meanings set forth in the Franchise Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises of the parties and subject to the following terms and conditions, it is agreed as follows:

1. **CURRENT BUSINESS.** You and we agree that because you are converting an existing business that is already open and operating, you and we shall be relieved of performing your and our pre-opening and development obligations set forth in the Franchise Agreement, except as otherwise provided herein. The Franchise Agreement is hereby amended accordingly.

2. **SITE SELECTION.** All of your and our obligations under Section 2.8 of the Franchise Agreement shall not apply to the Krystal Business because you have already found a site for its operation. However, if your Krystal Business is relocated, then we and you shall be required to comply with Section 2.8 of the Franchise Agreement, as applicable to such relocation. Because you already operate a business at the Location, you acknowledge and agree that you have independently investigated the Location for fitness of a Krystal Business and that you are not relying on any representations of us or our representatives in entering into the Franchise Agreement concerning the Location’s fitness. You further acknowledge and agree that, because you currently lease or own the Location and have operated another business at the Location, your costs and expenses to open the Krystal Business may be higher or lower than those disclosed to you by us in our Franchise Disclosure Document, depending on the current condition of the Location, construction and/or remodeling and other equipment and improvements needed.

3. **LEASE.** If you are currently leasing the premises for the Krystal Business, then Section 7.2 of the Franchise Agreement is hereby modified accordingly. Notwithstanding the foregoing, you shall still be required to sign (and have your Landlord sign) the Lease Addendum attached to the Franchise Disclosure Document in Exhibit H within 30 days following the Effective Date of the Franchise Agreement.

4. **ARCHITECT AND CONSTRUCTION.** You acknowledge and agree that, depending on the type of business operated at the Location, many of the obligations under Section 7.3 of the Franchise Agreement may not apply to you and/or to us. Accordingly, Section 7.3 of the Franchise Agreement is hereby amended as follows: _____.

5. **OPENING DATE.** The first sentence of Section 7.4 of the Franchise Agreement is hereby amended and restated as follows: “You must open your Krystal Business to the public on or before **[Insert Opening Date]**.”

6. **CONVERSION.** Upon execution of the Franchise Agreement, you shall diligently work to modify the Location into a Krystal Business. Upon completion of the modifications of the Location prior to the Opening Date, you will submit a written request to us to conduct a final inspection of the Franchised Business premises and, upon our receipt of such request, we will promptly conduct a final inspection. You will not open the Franchised Business without our written authorization.

7. **CONTINUING BUSINESS.** You may, in your discretion, continue to operate the current business during construction of leasehold modifications up to and through **[Closing Date of Existing Business]**, provided that such continuation of business does not impact the conversion of the Location into a Krystal Business, but you will not identify the Location as a Krystal Restaurant until receipt of our written authorization to conduct business.

8. **FURTHER ASSURANCE.** Each of the parties will, upon reasonable request of the other, sign any additional documents necessary or advisable to fully implement the terms and conditions of this Addendum.

9. **NO FURTHER CHANGES.** Except as specifically provided in this Addendum, all of the terms, conditions, and provisions of the Franchise Agreement will remain in full force and effect as originally written and signed. In the event of any inconsistency between the provisions of the Franchise Agreement and this Addendum, the terms of this Addendum shall control.

(Signatures on Following Page)

IN WITNESS WHEREOF, the parties have executed this Addendum as of the day and date set forth above.

FRANCHISOR:

KRYSTAL RESTAURANTS LLC
a Delaware limited liability company

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[FRANCHISEE ENTITY]
[a(n) Franchisee Entity State of
Formation/Incorporation] [franchisee entity
type]

By: _____

Printed Name: _____

Title: _____

EXHIBIT H-10

FRANCHISEE TRAINING AGREEMENT AND RELEASE OF LIABILITY

**This document contains a release of all claims for property damage, personal injury and death.
Please read and consider it carefully before signing.**

I AM AWARE THAT OPERATING KITCHEN EQUIPMENT IS A POTENTIALLY DANGEROUS ACTIVITY INVOLVING RISK OF SERIOUS PERSONAL INJURY. I AM VOLUNTARILY ENGAGING IN COOKING AND OTHER TRAINING ACTIVITIES THAT INVOLVE SHARP OBJECTS, MACHINERY, HOT SURFACES, OPEN FLAME, AND HOT GREASE. I HEREBY AGREE TO ACCEPT ANY AND ALL RISKS OF PERSONAL INJURY. **Initials.**

Definitions. The following terms have the stated meaning when used in this document:

- Franchisor – SPB Hospitality and/or our affiliate-owned brands. Also referred to as “Us” and “We” and “Our” herein.
- Franchisee – The person or entity that has executed a franchise agreement with us. Also known as “You” or “Yours”
- Participant – the specific person attending any training or event on the Franchisor’s property / location / facility.
- Potential Liabilities – any and all loss, injury, death, claims, actions, suits, proceedings, settlements, damages, costs, fees, and expenses, at law or equity, known and unknown, foreseen and unforeseen, including, but not limited to, attorney fees and costs of litigation, and liabilities arising out of, connected with, or resulting from You or Your employee’s involvement in the Training Program, such as medical expenses, other costs, injury, sickness, or death.
- Training Program – in conjunction with or arranged by the Franchisor and to be held at a corporate location, including all activities incidental or connected therewith.

IN CONSIDERATION of being allowed to participate in a Training Program, I hereby agree to assume all risks, harms, damages and liabilities permitted by law and I agree for myself and on behalf of my employees, agents, legal and personal representatives and assigns to make no claims, suits, or demands against **SPB Hospitality LLC** (“SPB HOSPITALITY”) or its owners, employees, officers, directors, agents, affiliated organizations, parents, subsidiaries, successors, or assigns, for any injury, damages, losses, or death resulting from negligence, carelessness or any other cause, upon or as a result of my participation in a franchisee Training Program. I ASSUME ALL THESE RISKS, EVEN IF THE RISKS ARE CAUSED BY THE NEGLIGENCE OR CARELESSNESS OF OTHER PARTICIPANTS OR TRAINEES.

Further, I hereby release, forever discharge and agree to hold harmless SPB HOSPITALITY LLC, its owners, employees, officers, directors, agents, affiliated organizations, parents, subsidiaries, successors and assigns from all suits, liability, damages, actions, claims, causes of action and demands for myself and on behalf of my employees, agents, legal and personal representatives, that may hereafter exist for any injury, loss, damage or death whether from negligence or howsoever caused or resulting in any manner upon or from my participation in an SPB HOSPITALITY LLC franchisee Training Program. I further agree that this Agreement is intended to be as broad and inclusive as is permitted by law and that if any portion hereof is held invalid, the balance shall continue in full legal force and effect. I agree to indemnify, defend and hold SPB HOSPITALITY LLC harmless from any claims for loss, damage, or injury asserted by my agents, contractors or employees (including any Participant) who may attend a franchisee training program on my behalf.

INSURANCE – SPB HOSPITALITY LLC does not provide health or worker’s compensation for franchisee’s employees, agents or contractors. As a Participant in a franchisee Training Program, I agree to provide my own insurance coverages, including all coverages required by law such as worker’s compensation insurance. You agree to assume all potential liabilities for You and Your employee and hereby release Us from any responsibility or claims related to any claims made.

HEALTH CARE AND EMERGENCIES.

We do not accept responsibility or liability for providing health care services or health care insurance for Franchisee (or any Participant). Franchisee should consult his/her own medical care provider and warrants his/her physical fitness to participate in the Training Program. Franchisee and each Participant authorizes Us to obtain any necessary emergency medical treatment for Franchisee (and any Participant) during the Training Program if needed. Franchisee agrees to be responsible for the payment of any fees and charges that may be imposed by any doctor or hospital facility in the provision of medical care to Franchisee and/or any Participant attending on his/her behalf. Further, Franchisee agrees to indemnify and hold Us harmless from any claim that may be made by a doctor of medical facility of said fees and charges incurred in the provision of medical care to Franchisee and/or Participant. If requested, each Participant may be required to provide the name(s) and contact number(s) for a spouse, guardian, or other party that is a reliable contact in the event of emergencies.

THIS SPACE INTENTIONALLY LEFT BLANK. SIGNATURES ON FOLLOWING PAGE.

I HAVE CAREFULLY READ THIS AGREEMENT AND FULLY UNDERSTAND ITS CONTENTS. I AM AWARE THAT THIS DOCUMENT IS A COVENANT NOT TO SUE AND RELEASE OF LIABILITY REGARDLESS OF NEGLIGENCE OR FAULT AND IS A CONTRACT BETWEEN MYSELF AND SPB HOSPITALITY LLC AND ANY AFFILIATED ORGANIZATIONS, PARTICIPANTS, EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, SUCCESSORS AND ASSIGNS, IN WHICH I AM GIVING UP SUBSTANTIAL LEGAL RIGHTS, AND I ACKNOWLEDGE VOLUNTARILY SIGNING THIS AGREEMENT.

Signature: _____

Printed Name: _____ Date: _____

Phone: _____

=====

Witness: _____

Printed Name: _____ Date: _____

Phone: _____

EXHIBIT I

**BRAND STANDARDS MANUAL
TABLE OF CONTENTS**

Section	Number of Pages
1: Hospitality	9
2: Opening/Closing	4
3: Production-Non-Breakfast	57
4: Production-Condiments	8
5: Production-Breakfast	36
6: Production: Beverages	28
7: Service	79

Total Number of Pages: 221

EXHIBIT J

FRANCHISE DISCLOSURE QUESTIONNAIRE

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Krystal Restaurants LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Krystal franchise. **Please do not sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document. This Questionnaire is to be completed on the same day you sign the Franchise Agreement and Area Development Agreement, if applicable.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

1. Yes__ No__ Have you received and personally reviewed the Franchise Agreement and Area Development Agreement, if applicable, and each attachment or exhibit attached to it that we provided?
2. Yes__ No__ Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?
3. Yes__ No__ Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
4. Yes__ No__ Do you understand all the information contained in the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement, if applicable?
5. Yes__ No__ Have you reviewed the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement, if applicable, with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?
6. Yes__ No__ Have you had the opportunity to discuss the benefits and risks of developing and operating a Krystal Franchise with an existing Krystal franchisee?
7. Yes__ No__ Do you understand the risks of developing and operating a Krystal Franchise?
8. Yes__ No__ Do you understand the success or failure of your Krystal Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?
9. Yes__ No__ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement and Area Development Agreement, if applicable, must be arbitrated in Georgia, if not resolved informally or by mediation (subject to state law)?
10. Yes__ No__ Do you understand that you must satisfactorily complete the initial training program before we will allow your Krystal Franchise to open or consent to a transfer of the Krystal Franchise to you?

11. Yes___ No___ Has any employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Krystal Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes___ No___ Has any employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and Area Development Agreement, if applicable, and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes___ No___ Has any employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Krystal Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes___ No___ Do you understand that the Franchise Agreement and Area Development Agreement, if applicable, including each attachment or exhibit to the Franchise Agreement and Area Development Agreement, if applicable, contains the entire agreement between us and you concerning the Krystal Franchise?
15. Yes___ No___ Do you understand that we are using your answers to this questionnaire as part of our process to ensure that the franchise sale was made in compliance of state and federal laws?

This Questionnaire is only to confirm whether certain facts are true. Nothing in this Questionnaire is a waiver of any rights that you have under any law. None of our questions and none of your answers are a disclaimer of any information that we have provided in our disclosure document.

**This Questionnaire does not apply to franchises for certain states as indicated in the State Specific Disclosure Addenda (which are included in Exhibit G of Krystal's disclosure document). All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the California Franchise Investment Law, Maryland Franchise Registration and Disclosure Law, the Washington Franchise Investment Protection Act, or any other state franchise registration and disclosure law.*

I answered all of the questions above truthfully, completely, and understand that you will rely on my answers.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Date _____

Date _____

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

EXHIBIT K

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATES	EFFECTIVE DATE
California	NOT FILED
Hawaii	NOT FILED
Illinois	JUNE 14, 2024
Indiana	PENDING
Maryland	NOT FILED
Michigan	NOT FILED
Minnesota	NOT FILED
New York	JUNE 14, 2024
North Dakota	NOT FILED
Rhode Island	NOT FILED
South Dakota	NOT FILED
Virginia	PENDING
Washington	NOT FILED
Wisconsin	NOT FILED

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L

RECEIPT

RECEIPT
(Retain This Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Krystal Restaurants LLC offers you a franchise, it must provide this Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale; or (b) under Iowa law, if applicable, at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or (c) under Michigan law, if applicable, at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first; or (d) under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale.

If Krystal Restaurants LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit A.

The franchisor is Krystal Restaurants LLC, at 1455 Lincoln Parkway E., Suite 600, Dunwoody, GA 30346, (770) 351-4500. The franchise sellers are: Melissa Hodge at 1455 Lincoln Parkway E., Suite 600, Dunwoody, GA 30346, (727) 709-3039, and Tom Petska at 19219 Katy Fwy, Ste 500, Houston, TX 77094 (770) 616-9070. Any additional individual franchise sellers involved in offering the franchise are: _____

Issuance Date: June 14, 2024

I received a disclosure document issued June 14, 2024, which included the following exhibits:

- | | |
|--|--|
| A List of State Administrators and Agents for Service of Process | G State Specific Amendments to the Franchise Agreement and Development Agreement |
| B Financial Statements | H Contracts for Use With the Krystal Franchise |
| C Franchise Agreement | I Brand Standards Manual Table of Contents |
| D Area Development Agreement | J Franchise Disclosure Questionnaire |
| E List of Current and Former Franchisees | K State Effective Dates |
| F State Specific Disclosures | L Receipt |

_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

PLEASE RETAIN THIS COPY FOR YOUR RECORDS.

**RECEIPT
(Our Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Krystal Restaurants LLC offers you a franchise, it must provide this Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale; or (b) under Iowa law, if applicable, at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or (c) under Michigan law, if applicable, at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first; or (d) under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale.

If Krystal Restaurants LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit A.

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| F State Specific Disclosures | L Receipt |

_____ Date	_____ Signature	_____ Printed Name
---------------	--------------------	-----------------------

_____ Date	_____ Signature	_____ Printed Name
---------------	--------------------	-----------------------

Please sign this copy of the receipt, date your signature, and return it to Krystal Restaurants LLC, 1455 Lincoln Parkway E., Suite 600, Dunwoody, GA 30346.