

*A Message from AKFCF General Counsel Ron Gardner and AKFCF President Jim McKenzie*

As the AKFCF continues to monitor the effect of the COVID-19 outbreak on the KFC business, the first priority for everyone has been dealing with the operational changes that are necessary in order to keep employees and customers safe and healthy.

Critically important, however, is the ability of franchisees to maintain the financial stability of their businesses throughout this crisis, however long it may last. As sales and transactions slide downward, access to cash will be the most critical part of surviving this downturn. And while everyone's situation will be different, and the order in which these steps should be taken and/or the need for any or all of them, may vary, here are some "best practices" we encourage you to think about as you navigate the situation.

- If you have not done so already, talk to your banker. For those of you that have outstanding loans, you should begin a conversation about forbearance, or interest only payments, that would be acceptable to your lender in order to free up cash to run your business;
- If you have a credit line, it may be in your best interest to draw as much cash as you can on that credit line now, before financial institutions begin tightening up credit and while interest rates are so amazingly low. Again, you should be looking for ways to increase the amount of cash that you have access to in order to keep your business running.
- Open a conversation with your landlord about rent abatement, forgiveness, or reduction for the next several months. Rent is a fixed expense that can be controlled.
- Talk to your vendors. Your vendors are the lifeline of your business and you need to make sure you maintain those relationships, even during difficult times. If you find you are getting into a position where you are having a difficult time paying a vendor, you will be in a much better position if you had opened a conversation earlier about the possibility of that, and had gotten a sense for what the vendors ability to make concessions for you may or may not be.
- As a general rule, do everything you can to stay current with your F&P suppliers. If you fall behind there, and supply is cut-off, you are likely facing closure. That said, focus on "essential" only spending, postponing expenditures that are not absolutely essential to meeting your business and contractual requirements. This would mean postponing or cutting back on services that are not required while dining rooms are closed. In short, conserve your cash by being smart in spending on activities, services and purchases.
- Talk to your legal advisors. While it may be a sad reality, the only way to maintain the business during this crisis for some may be through the bankruptcy courts and the filing of a Chapter 11. Chapter 11 (as opposed to Chapter 7), allows businesses to continue to operate while they reorganize their debts and figure out how they are going to structure themselves going forward. This, is

obviously, is a last resort solution – but is something that some of you may need to think about.

The AKFCF and NCAC are already engaged in conversations with KFC regarding further cash savings initiatives that might be implemented in order to help. For instance, following on David Gibbs' announcement yesterday, we expect KFC to shortly announce that there is no further requirement for upgrades or new store openings this year – and the deadline for those will be extended to sometime into 2021. We will continue to have conversations about other ways in which YUM! and KFC can assist those who are otherwise imperiled. We have no guarantees here, but we will do our best.

If you have any questions or concerns, please feel free to let us know. We are here as a resource to try and will try to help you as best we can.