

MORGAN'S FOODS, INC.
ANNOUNCES REFINANCING OF DEBT WITH HUNTINGTON NATIONAL BANK

FOR IMMEDIATE RELEASE

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Cleveland, Ohio (August 22, 2013) - Morgan's Foods, Inc. (OTC:MRFD) today announced entry into a Loan Agreement, dated August 22, 2013, with The Huntington National Bank, a national banking association ("Huntington") and the closing of two loans pursuant to the Loan Agreement.

The Loan Agreement's two new loans, in addition to funding the remodel reserve, pay off the Company's outstanding loan balance of \$6,104,351, which carried an interest rate of 9.0%, with its current lender, Fortress Credit Corp., and a prepayment penalty of 1.0% of the balance.

The Loan Agreement contains two facilities consisting of a term loan and a time loan in the total amount of \$8,930,000.

The Term Note consists of \$7,930,000 three year term loan with an interest rate which has been fixed at the rate of 5.44% through the use of a derivative interest rate swap also entered into with Huntington. Principal and interest on the Term Note are payable in substantially equal monthly payments based on an eight year amortization with a balloon payment of the then remaining principal balance due and payable at the end of the three year term.

The Time Note consists of \$1,000,000 having an 18 month term, no scheduled principal payments and a floating interest rate at 30 day LIBOR plus 4.25%. Principal payments on the Time Note are expected to be made with the proceeds of the sales by the Company of excess real estate of closed restaurants. The balance, if any, at the end of the 18 month term will become due and payable.

The Loan Agreement requires the maintenance of a cash reserve for remodel requirements of \$2.5 million, reducing to \$1.0 million after 18 months. It also require the Company to maintain a fixed charge coverage ratio of at least 1.15:1.00 through May 30, 2015 and thereafter at least 1.20:1.00 and cash adjusted leverage of 5.25 or less.

The Loan Agreement also requires the Company to enter into customary security agreements and subsidiary guarantees, including mortgages on various of the Company's real estate interests.

Forward-Looking Statements

Statements in this release that are not historical in nature are forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied in this release. The forward-looking statements reflect the Company's current expectations based upon data available at the time of the statement. Such risks and uncertainties include both Company risks and uncertainties and general economic and industry risks and uncertainties. Such risks and uncertainties include, but are not limited to, the Company's debt covenant compliance, actions that lenders may take with respect to any debt covenant violations, the Company's ability to obtain waivers of any debt covenant violations or to pay all of its current and long-term

obligations and those risks described in Part I Item 1A. (“Risk Factors”) of the Company’s Form 10-K for the fiscal year ended March 3, 2013. Economic and industry risks and uncertainties include, but are not limited to, franchisor promotions, business and economic conditions, legislation and governmental regulation, competition, success of operating initiatives and advertising and promotional efforts, volatility of commodity costs and increases in minimum wage and other operating costs, availability and cost of land and construction, consumer preferences, spending patterns and demographic trends. The Company does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this release.

Morgan’s Foods, Inc. operates 57 KFC restaurants, 4 Taco Bell restaurants, 9 KFC/Taco Bell “2n1’s” and 3 Taco Bell/Pizza Hut Express “2n1’s”.

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