

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MICHIGAN

In re:

Chapter 11

MERITAGE HOSPITALITY GROUP, INC.
et. al.,¹

Case No. 26-02947-jwb

(Jointly Administered)

Debtors.

**CREDITOR QUALITY IS OUR RECIPE, LLC'S OBJECTION TO ENTRY OF A
FINAL CASH COLLATERAL ORDER AND TO THE IMMEDIATE CLOSURE OF
DISPUTED RESTAURANT LOCATIONS**

Creditor Quality is Our Recipe, LLC (“QIOR”), through its undersigned counsel, objects to final approval of the *Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing Use of Cash Collateral Pursuant to Section 363(c) of the Bankruptcy Code; (II) Granting Adequate Protection, Liens, and Superpriority Claims to the Secured Lenders for the Use Thereof; (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001 as to the Use of Cash Collateral; and (IV) Granting Related Relief* [Docket No. 26] (the “**Cash Collateral Motion**”), to the extent the requested relief would permit the Debtors to close the disputed locations identified on **Exhibit A** (the “**Disputed Locations**”), without allowing the proposed substitutions described below. The Objection is filed in conjunction with a request for emergency hearing on this matter, in light of the immediate need for a ruling on these issues.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Meritage Hospitality Group Inc. (0460); MHG Food Service, Inc. (5926); OCM Development, LLC (7384); Wen Carolinas, LLC (3792); Wen Georgia, LLC (7369); Wen Ohio, LLC; (5959); Wen Oklahoma, LLC (8802); Wen South, LLC (1229); Wen Tennessee, LLC (2477); Wen Virginia, LLC (2840); WM Limited Partnership-1998 (9989); RES Management, LLC (9105); Inspired By Opportunity, LLC (3681); Uncommon Hospitality, LLC (8858); and Chicken Ventures, LLC (7215). The corporate headquarters and the mailing address for the Debtors is 45 Ottawa Ave SW Suite 600, Grand Rapids, MI 49503.

BACKGROUND

1. QIOR is the former franchisor of the Debtors and their affiliates under those certain terminated Franchise Agreements whereby the Debtors were authorized to operate 314 Wendy's-branded restaurants. The Franchise Agreements were terminated pre-petition.
2. On September 17, 2026, each Debtor filed a petition for relief under Chapter 11 of the Bankruptcy Code in this Court.
3. Following the first day hearings, the Court entered an interim order authorizing the use of cash collateral (the "**Interim Order**") [Docket No. 103].
4. The Interim Order authorizes the Debtors, as adequate protection milestones:

to shut down at least thirty (30) stores that are EBITDA negative on the following schedule: (i) at least five (5) stores by September 25, 2026, (ii) at least five (5) stores by October 2, 2026, (iii) at least ten (10) stores by October 9, 2026, and (iv) at least ten (10) stores by October 16, 2026, unless Administrative Agent otherwise agrees in writing to modify the foregoing schedule. *See Interim Order, para. 20.*
5. QIOR has been in continuous contact with the Debtors throughout this Chapter 11 process. QIOR has advised the Debtors that it would like the opportunity to review the Debtors' list of proposed closures so QIOR can evaluate whether it wants to acquire or assume responsibility for the continued operation of certain restaurants to avoid their permanent closure.
6. In furtherance of this goal, since the first day hearings, the parties have used a weekly store-swap process through which QIOR evaluates whether other locations can be substituted for stores proposed for closure.
7. In order to help ensure that the Debtors, the estate, and all interested parties are not harmed by this swap process, QIOR has informed the Debtors that they are willing to pay for any potential loss that would otherwise be sustained by the continuing operation of any of the proposed close locations with those that are substituted at QIOR's request.

8. In other words, there would be no net loss to the Debtors, the Lenders, the Chapter 11 estates, or any of the Debtors' creditors, as the result of this swap process.

9. On October 7, in advance of the next tranche of ten store closures set to occur pursuant to the October 9 milestone timeline, QIOR requested the swap of seven (7) Disputed Locations on the Debtors' Proposed Closures list. QIOR also presented the Debtors with a proposed agreement whereby QIOR would be given additional time to complete its evaluation of certain restaurants and would agree to satisfy all operating losses of those restaurants during the evaluation period. QIOR believes that continued operation of certain locations will preserve employment, maintain going-concern value, and reduce potential rejection damages and other claims.

10. Subsequently, the Debtors informed QIOR that, following consultation with the Administrative Agent, they have rejected the proposal and intended to move forward without substituting any of the requested swap locations.

11. However, the Debtors offered no reason or justification for rejecting the proposal that will improve the position of creditors except for one reason: the rejection by the Administrative Agent.

12. QIOR requested that the Debtors reconsider this position, noting again that any operating loss resulting from the proposed swap process would be covered by QIOR to preserve the value of the estate and recovery to all creditors.

13. The Debtors, again, have refused to reconsider and intend to proceed with the closure of the disputed locations.

14. The proposed substitution process does not ask the Court to excuse the closure milestone as defined in the Interim Order. The Debtors would still close the required number of

restaurants. It asks only that the Debtors close several substitute locations by October 9 or as soon thereafter as is practicable, at no financial loss to preserve estate value without prejudice to the secured lenders.

15. In addition, QIOR has performed an analysis of the overall financial impact of proceeding with the proposed swap, comparing the total list of stores proposed by the Debtors with the requested swap list proposed by QIOR. The net difference in store level profit is approximately \$11,000 per month. As stressed repeatedly to the Debtors, QIOR will cover any such losses, because the potential upside for the overall portfolio outweighs this relatively nominal difference. *See* Store Closure analysis attached as **Exhibit A**.

16. For these reasons, the Debtors' refusal falls outside of the scope of reasonable business judgment.

LEGAL STANDARD

17. A debtor in possession ordinarily has discretion to exercise business judgment in operating its business. That deference keeps courts from becoming entangled in day-to-day corporate decisions, but it applies only when the decisionmakers comply with minimum standards. *In re Dalen*, 259 B.R. 586, 610 (Bankr. W.D. Mich. 2001).

18. Business judgment deference is not a substitute for an articulated business reason. The Sixth Circuit requires a sound business purpose for a proposed use or disposition of estate property outside the ordinary course and directs bankruptcy courts to consider all salient factors, including the effect of the proposed disposition on a future reorganization and whether the property is increasing or decreasing in value. *Stephens Industries, Inc. v. McClung*, 789 F.2d 386, 389 (1986).

19. The Debtors also have a fiduciary duty to protect and conserve estate property for creditors' benefit. *Ford Motor Credit Co. v. Weaver*, 680 F.2d 451,461 (6th Cir. 1982).

20. The Debtors have not identified a business reason for insisting on these particular closures when economically protected substitute closures are available that will preserve and enhance the value of the Debtors and the estates and the Court can revisit its Interim order to extend the October 9 deadline to the extent necessary without any detriment to the secured lenders.

21. Accordingly, the issue is not whether the Debtors may reduce losses by closing underperforming stores. The issue is whether they may insist upon an avoidable and potentially value-destructive selection of stores.

22. As noted, Debtors' refusal is not supported by the financial comparison. The identified differential is approximately \$11,000, and QIOR has agreed to absorb the actual, reasonable, and documented net operating losses caused by preserving these locations.

23. Finally, QIOR's proposal to financially backstop the Debtors and the estate grants all parties, including the secured lenders, with an economic safeguard against any potential decrease in value resulting from the continued operation of any Disputed Location.

24. The relief requested by QIOR is limited, short, and reversible. Closure is not. The Court should preserve the status quo and direct the Debtors to implement the proposed substitutions.

25. QIOR reserves all rights, claims, arguments, and defenses with respect to the Motion and to supplement this Objection.

26. Neither this Objection nor any relief granted in response to it constitutes: (a) an admission that any terminated franchise agreement remains in effect or is property of the estates; (b) consent to the Debtors' continued use of any Wendy's trademark, trade name, system, or other

intellectual property; (c) the creation of a franchise, license, agency, partnership, joint venture, or other relationship between QIOR and the Debtors; or (d) an obligation by QIOR to acquire, assume, or operate any restaurant, except for QIOR's express agreement to pay qualifying losses during the evaluation period.

WHEREFORE, for the reasons stated above, QIOR requests that the Court:

- (A) Direct the Debtors to maintain operations at any Disputed Locations that QIOR is willing to financially support in exchange for a location swap as defined in this Objection;
- (B) Condition any further interim or final cash-collateral relief in accordance with this Objection, provided QIOR is willing to financially support any reasonable and undisputed operating loss related to any Disputed Location;
- (C) Extend the October 9 deadline in the Interim Order to the shortest date necessary to close the substituted stores; and
- (D) Grant such other and further relief as the Court finds just and equitable.

Dated: October 7, 2026

KELLER & ALMASSIAN, PLC

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EXHIBIT A

(\$ in 000s)

								TTM P8'26 per MHG/FDP ⁽¹⁾		
#	Site #	Store #	MHG Entity	Market	Market State(s)	CNB / Bremer	Store Name	TTM Sales	TTM SL Profit	Avg SL Profit Per Period
10 Stores Requested by Debtors to Close on 10/9/26⁽²⁾										
1	12666	351	WENOK	WOK	OK	CNB	I40 & MacArthur	\$ 932	\$ (197)	\$ (16)
2	12541	373	WENOK	WOK	OK	CNB	178th & Western	1,081	(99)	(8)
3	12564	381	WENOK	WOK	OK	CNB	Rockwell & Memorial	846	(189)	(16)
4	7620	205	WENMI	WOO	OH/MI	CNB	Grosse Pointe Farms	1,152	(164)	(14)
5	12216	335	WENMI	WOMN	MI	CNB	Hudsonville	1,245	(148)	(12)
6	12188	92	WENGA	WOGW	GA	CNB	Windy Hill	1,156	(87)	(7)
7	9131	403	WENFL	WOFE	FL/GA	CNB	Commonwealth	1,426	(97)	(8)
8	9669	404	WENFL	WOFE	FL/GA	CNB	Heckscher	1,439	(135)	(11)
9	247	188	WENOK	WOK	OK	CNB	Moore	1,017	(91)	(8)
10	11957	268	WENOK	WOK	OK	CNB	Choctaw	1,133	(65)	(5)
Total - 10 Stores Requested by Debtors to Close on 10/9/26								\$ 11,426	\$ (1,270)	\$ (106)
10 Stores Approved by Wendy's to Close on 10/9/26										
1	12666	351	WENOK	WOK	OK	CNB	I40 & MacArthur	\$ 932	\$ (197)	\$ (16)
2	12541	373	WENOK	WOK	OK	CNB	178th & Western	1,081	(99)	(8)
3	12564	381	WENOK	WOK	OK	CNB	Rockwell & Memorial	846	(189)	(16)
4	12671	346	WENOK	WOK	OK	CNB	El Reno	1,109	(80)	(7)
5	13532	392	WENAM	WOTX	TX	CNB	University & 2nd	1,134	(121)	(10)
6	1096	364	WENGA	WOGW	GA	CNB	Roswell Rd	1,206	(100)	(8)
7	10532	129	WENGA	WOGW	GA	CNB	Clayton St.	1,179	(101)	(8)
8	867	87	WENGA	WOGW	GA	CNB	Lilburn	1,069	(102)	(8)
9	11527	148	WENFL	WOFE	FL/GA	CNB	Bartram	1,176	(81)	(7)
10	7912	427	WENUH	WOCN	NC/VA	Bremer	King	977	(71)	(6)
Total - 10 Stores Approved by Wendy's to Close on 10/9/26								\$ 10,708	\$ (1,140)	\$ (95)
Variance - 10 Stores Proposed by Debtors to Close v. 10 Stores Proposed by Wendy's to Close								\$ 718	\$ (130)	\$ (11)

Stores Wendy's Proposes to Swap

(1) Sourced from store-level P&L information provided by FDP through P8 2026 ("Raw Financial Data - FDP - 2026P08.xlsx").

(2) Includes four stores (#12564, #7620, #12216, #12541) swapped by Wendy's from the store closures scheduled on 10/2 to the store closures scheduled on 10/9.