

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF MICHIGAN**

In re:

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

Debtors.

)
) Chapter 11
)
) Case No. 26-02947 (JWB)
)
) (Jointly Administered)
)

**DECLARATION OF KEVIN CLEARY IN SUPPORT OF DEBTORS' RESPONSE IN
OPPOSITION TO QUALITY IS OUR RECIPE, LLC'S OBJECTION TO ENTRY OF A
FINAL CASH COLLATERAL ORDER AND TO THE IMMEDIATE CLOSURE OF
DISPUTED RESTAURANT LOCATIONS**

I, Kevin Cleary, hereby declare under penalty of perjury:

1. I am the Chief Restructuring Officer of the above-captioned debtors and debtors (collectively, the "Debtors") in possession in the Chapter 11 Cases, and I am authorized to make this declaration.² I am the managing partner and founder of Fort Dearborn Partners, which has provided strategic planning and profit-improvement services to troubled companies for over 36 years. Before founding Fort Dearborn Partners, I was the partner in charge of the business and financial consulting practice at Grant Thornton in Chicago. The Debtors retained me on December 31, 2025.

2. I submit this declaration in support of the Debtors' response in opposition to the *Objection to Entry of a Final Cash Collateral Order and to the Immediate Closure of Disputed*

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.

² Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms as set forth in the *Declaration of Kevin Cleary in Support of Chapter 11 Petitions and First Day Pleadings* (the "First Day Declaration") fully incorporated herein, or the Motion.

Restaurant Locations (Docket No. 172) (the “Objection”) filed by Quality Is Our Recipe, LLC (“QIOR” or “Wendy’s”) that seeks to require the Debtors to maintain operations at certain locations and close a different group of restaurants on October 9, 2026 from the group the Debtors selected. Except as otherwise stated, the facts in this declaration are based on my personal knowledge, my review of the Debtors’ books and records, including store-level profit-and-loss data prepared by the Debtors and Fort Dearborn Partners through Period 8³ of fiscal 2026, information provided by the Debtors’ management, including Gary Rose (President and COO) and Tracey Smith (CFO), and my experience. If called to testify, I could and would testify competently to these facts.

A. The Debtors’ Store-Closure Program

3. As described in my First Day Declaration, beginning in the fourth quarter of fiscal 2025, the Debtors, under my direction, undertook a portfolio-optimization program that included closing approximately 60 underperforming Wendy’s locations. The Debtors’ restructuring strategy in these chapter 11 cases includes continued portfolio optimization through the closure or sale of underperforming locations.

4. Before and after the Petition Date, the Debtors identified the restaurants that were generating the deepest operating losses and were draining cash that the Debtors need to fund their operations. The Debtors scheduled a total of 41 restaurants for closure in tranches (on September 25, October 2, October 9, and October 16, 2026, and, for certain North Carolina locations within the Uncommon Hospitality, LLC portfolio, within 45 days). Those 41 restaurants generated aggregate trailing-twelve-month (“TTM”) store-level EBITDA losses of approximately \$4,248,643.

³ The Debtors keep their financial statements based on approximate four-week periods that do not always tie exactly to calendar months.

5. The Debtors select which restaurants to close, and when, based on: (a) each store's TTM store-level EBITDA and cash burn; (b) lease and landlord considerations, including rent obligations and the timing of lease rejection; (c) employee, vendor, and inventory logistics; (d) the collateral pool and lender to which each store belongs—the Administrative Agent or Old National Bank, as successor to Bremer Bank (“ONB”); and (e) compliance with the Interim Order. I and the Debtors' management team make these decisions after consulting with the Administrative Agent, ONB, and, as appropriate, the Official Committee of Unsecured Creditors (the “Committee”).

B. The Interim Cash Collateral Order and the October 9 Closures

6. Paragraph 20(a) of the Interim Cash Collateral Order [Docket No. 103] provides: “as additional adequate protection in exchange for Debtors' use of Cash Collateral hereunder, Debtors are authorized to and shall 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. No further notice is required for the first five stores to be shut down by September 25, 2026. Nothing herein shall prejudice Administrative Agent's right to request that Debtors shut down additional locations as a condition to the continued use of Cash Collateral. For the stores to be closed by October 2, October 9, and October 16, Debtors shall provide notice to the relevant landlords, Administrative Agent, Committee (if any) and the United States Trustee of the proposed shut down of additional locations, including without limitation, locations requested by the Administrative Agent to be shut down.” Interim Order, ¶ 20(a). My understanding is that this provision requires the Debtors to close their identified tranche of underperforming restaurants

by October 9, 2026 and the other dates in the Interim Order, and that nothing in ¶ 20(a) requires Wendy's consent to the selection of the specific stores to be closed.

7. The Debtors selected the following ten restaurants for closure on October 9, 2026 (the "October 9 Stores"):

Site (Store #)	Location	State	Lender	TTM Store-Level EBITDA (\$)	Also on Wendy's list?
12666 (#351)	I-40 & MacArthur	OK	CNB	(197,032)	Yes
12541 (#373)	178th & Western	OK	CNB	(99,115)	Yes
12564 (#381)	Rockwell & Memorial	OK	CNB	(188,862)	Yes
7620 (#205)	Grosse Pointe Farms	MI	CNB	(163,541)	No
12216 (#335)	Hudsonville	MI	CNB	(148,043)	No
12188 (#92)	Windy Hill	GA	CNB	(86,612)	No
247 (#188)	Moore	OK	CNB	(90,994)	No
11957 (#268)	Choctaw	OK	CNB	(64,872)	No
9131 (#403)	Commonwealth	FL	CNB	(97,072)	No
9669 (#404)	Heckscher	FL	CNB	(134,607)	No
Total				(1,270,750)	3 of 10

8. The October 9 Stores generated combined TTM store-level EBITDA losses of approximately \$1,270,750, an average loss of approximately \$127,000 per store per year. Four of these stores (Stores #12564, #7620, #12216, and #12541) were originally scheduled to close on October 2, 2026. At Wendy's request, the Debtors agreed to defer their closure to October 9, 2026 and to move other stores up in their place. The Debtors have therefore already changed their closure schedule once to accommodate Wendy's.

9. The process of closing the October 9 Stores is underway. Food and paper supply cancellations, inventory and equipment removal arrangements, notice to affected employees, utility shut-offs, and online-ordering changes are already in process.

C. Wendy's Proposed Swap

10. On October 7, 2026, two days before the scheduled closures, Wendy's counsel proposed that the Debtors keep seven of the October 9 Stores open and instead close seven other restaurants, while keeping only Stores #12666, #12541, and #12564 on the October 9 list. The seven restaurants Wendy's proposes to close in their place are:

Site (Store #)	Location	State	Lender / Collateral Pool	TTM Store-Level EBITDA (\$)
12671 (#346)	El Reno	OK	CNB	(79,718)
13532 (#392)	University & 2nd	TX	CNB	(121,406)
1096 (#364)	Roswell Road	GA	CNB	(99,952)
10532 (#129)	Clayton St.	GA	CNB	(101,107)
867 (#87)	Lilburn	GA	CNB	(101,565)
11527 (#148)	Bartram Park	FL	CNB	(80,946)
7912 (#427)	King	NC	Bremer/ONB (Uncommon Hospitality)	(71,079)
Total (7 stores)				(655,773)

11. Wendy's own analysis, which its counsel transmitted on October 7, 2026, confirms that the stores the Debtors chose to close lose more money than the stores Wendy's would substitute. By Wendy's calculation, the Debtors' ten stores lost approximately \$1,270,000 TTM, compared with approximately \$1,140,000 for Wendy's ten, a difference of approximately \$130,000 per year, or about \$11,000 per four-week accounting period. The seven Debtor stores Wendy's would keep open lost a combined \$785,741 TTM; the seven stores it would close instead lost \$655,773.

D. The Debtors Rejected the Swap in the Exercise of Their Business Judgment

12. After considering Wendy's proposal, and after the Debtors' counsel consulted with counsel for Administrative Agent, I directed that the Debtors decline the swap. I made that decision for the following reasons.

13. Wendy's proposal would require the Debtors to keep open stores that are losing more money and to close stores that are losing less. Every week the Debtors keep a deeper-loss store open, the Debtors' estates bear that loss. That is the opposite of the purpose of the closure program and of the cash collateral budget.

14. Wendy's proposed offer to "cover the difference" does not protect the estates. It is not funded, escrowed, or secured. It addresses only Wendy's own estimate of the store-level P&L difference, and not the costs of reversing closure steps already in progress, rescheduling employees and vendors, or reopening negotiations with landlords. It would also leave the estate dependent on collecting from a party that asserts approximately \$146.9 million in claims against the Debtors and is litigating against them in Adversary Proceeding No. 26-80079.

15. Reversing the October 9 closures on two days' notice, and starting the closure of seven different restaurants on the same timeline, would impose real costs and risk on the Debtors' employees, vendors, and landlords. This is the second time Wendy's has asked to make a change to the closure schedule, after the four-store change described in paragraph 8. Repeated last-minute changes make orderly planning nearly impossible.

16. Store #7912 (King, North Carolina) is not part of the CNB collateral pool. It is operated by Uncommon Hospitality, LLC and is subject to ONB's collateral, and its closure is governed by the separate ONB cash collateral arrangement. Wendy's proposal to substitute it for a CNB store treats the two lender groups' collateral and budgets as interchangeable.

17. The Debtors rejected the swap after consulting with counsel for the Administrative Agent, the Debtors' senior secured lender, whose cash collateral funds these operations. I understand that the Administrative Agent and the Committee support the Debtors' position.

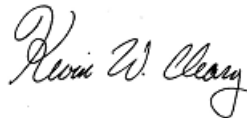
18. Finally, the swap would not reduce the total number of closures or their aggregate losses; it would only change which stores close and when. Under the Debtors' schedule, all 41 restaurants close in tranches. Wendy's proposal shifts approximately \$201,047 of TTM store-level losses out of the CNB October 9 tranche and into later weeks. The result is that deeper-loss stores operate longer at the estates' expense. Wendy's has not explained what value preserving the seven stores it wants kept open brings to the Debtors' estates; my understanding is that it has only stated that it wishes to evaluate whether to operate or acquire locations, but Wendy's has not yet made any offer.

19. Based on my experience and on the facts above, it is my business judgment that closing the October 9 Stores as scheduled is in the best interests of the Debtors' estates and their creditors, and that requiring the Debtors to substitute Wendy's list would cause the estates harm.

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I declare under penalty of perjury under 28 U.S.C. § 1746 that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: October 9, 2026



/s/

Kevin Cleary
Chief Restructuring Officer