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## ***U.S. Trustee Asks Court to Convert or Dismiss the Bankruptcy Cases of Duke & King Acquisition Corp. & Affiliates (Operators of Burger King Franchises)***

The United States Trustee for Region 12 filed a [motion](#) ([get a copy of the motion here](#)) on Tuesday in which it asked the Minnesota bankruptcy court to either dismiss or convert to chapter 7 the bankruptcy cases of Duke and King Acquisition Corp. and four affiliated companies (Duke and King Missouri, LLC; Duke and King Missouri Holdings, Inc.; Duke and King Real Estate, LLC; and Duke and King Florida Holdings, Inc.). The companies, which operated approximately 87 Burger King franchises in six states, filed for chapter 11 protection in December 2010. The companies have received authority to sell the franchises from the bankruptcy court and the U.S. Trustee's motion states that "at the time this motion is heard, the Debtors will have closed on the sale of the restaurants and will have no further business operations, but instead will be left with relatively little furniture, fixtures and equipment to liquidate." For more details on the companies' bankruptcy filings, please see [an earlier post available here](#), and for more details on the asset sale, please see [an earlier post available here](#).

[Tuesday's motion](#) asks the bankruptcy court to either convert the cases to chapter 7 liquidations or to dismiss the bankruptcy cases, although the U.S. Trustee states that its preference is for the bankruptcy cases to be converted. In support of the request, the motion asserts two separate grounds for conversion. First, the U.S. Trustee expresses concern over transactions between the debtors and related parties. According to the motion, "it appears the insiders are selling the remaining non-operating assets to a related company for less than fair market value and with no evidence that any efforts were made to have an arms length sale" and that "the Debtors expect to continue with future transactions with the insiders' related entity, again with no indicia of the fair value of those payments or whether they are in the estates' best interests." The U.S. Trustee's concerns are related to a recent motion to sell certain assets to insiders and a recent stipulation for the debtors' continued use of cash collateral. It asserts that these transactions with insiders "requires an immediate review and an independent trustee to determine what is in the estates' best interests," which conversion would facilitate.

Second, the U.S. Trustee argues that, once the sale of the franchises closes, the chapter 11 cases will be "for all meaningful purposes over." Therefore, asserts the motion, "no purpose would be served by incurring substantial additional professional fees to go through the process of approving a disclosure statement and getting a plan confirmed."

The motion is scheduled to be heard by the bankruptcy court on June 16, 2011. [A copy of the motion can be accessed from our Chapter11Cases.com site by clicking here.](#)

***For access to all major pleadings filed in this case, please visit  
[http://www.chapter11cases.com/Duke-and-King-Acquisition-Corpdba-92-Burger-King-Franchises\\_c\\_10997.html](http://www.chapter11cases.com/Duke-and-King-Acquisition-Corpdba-92-Burger-King-Franchises_c_10997.html)***