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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	)	Chapter 11
Stoli Group (USA), LLC, *et al.*,[1]	)	Case No. 24-80146-swe-11
Debtors.	)	(Jointly Administered)

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal identification number, are Stoli Group (USA), LLC (5602) and Kentucky Owl, LLC (3826). The Debtors' address is 135 East 57th Street, 9th Floor, New York City, New York.

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' EMERGENCY MOTION FOR AN ORDER PURSUANT TO SECTION 1112(b) OF THE BANKRUPTCY CODE CONVERTING THESE CASES TO CASES UNDER CHAPTER 7 OF THE BANKRUPTCY CODE

Emergency relief has been requested. Relief is requested no later than 5:00 p.m. (CT) on January 26, 2026

If you object to the relief requested or you believe that emergency consideration is not warranted, you must appear at the hearing or file a written response prior to the date that relief is requested in the preceding paragraph. Otherwise, the Court may treat the pleading as unopposed and grant the relief requested.

The Official Committee of Unsecured Creditors (the "**Committee**") appointed in the above-captioned Chapter 11 cases of Stoli Group (USA), LLC ("**Stoli USA**") and Kentucky Owl, LLC ("**Kentucky Owl**" and together with Stoli USA, the "**Debtors**"), by and through undersigned counsel, hereby submits this motion (the "**Motion**") for an Order pursuant to Bankruptcy Code Section 1112(b) immediately converting these Chapter 11 cases to cases under Chapter 7. In support of the Motion, the Committee respectfully states as follows:

PRELIMINARY STATEMENT

1. These Chapter 11 cases were launched more than 13 months ago. By almost any measure, the bankruptcy has been an abject failure. Salient datapoints:

- **The Debtors have been unable to propose a confirmable plan**. The Debtors filed their first plan (an aggressive/litigious salvo) back in May 2025. The plan was subsequently modified to include a settlement with the Committee, but it remained a pointed attack against the Debtors' secured lender, Fifth Third Bank. Months later, still no consensus with Fifth Third Bank. In August and September, the Court conducted a 10-day confirmation trial, ultimately ruling (on October 3, 2025) against the Debtors and denying confirmation. More than three months have since elapsed and, to the best of the Committee's knowledge, there has been zero progress.

- **The cases are – and have long been – administratively insolvent**. The Debtors did not come to Chapter 11 with traditional DIP financing. Case liquidity has, instead, been provided through a series of Orders approving access to Fifth Third Bank's cash collateral. Fifth Third Bank has repeatedly opposed cash collateral use, which is not terribly surprising given the Debtors' litigious posture towards the bank. The case has, consequently, witnessed multiple contested cash collateral hearings and *fifteen* successive cash collateral Orders. Those Orders have not historically provided for payment of post-petition administrative expenses. Committee professionals, for example, have mostly gone unpaid since July 2025.

- **Corporate governance is not reliable**. The Debtors are a segment of a much larger international conglomerate (Stoli Group), ultimately owned by Russian businessman Yuri Shefler.[2] The Debtors provide the Stoli Group access to markets throughout the Americas, including the United States, and account for as much as 60% of Stoli Group sales. Despite being in this case for more than one year, the Committee: (i) has never met Mr. Shefler;[3] (ii) knows almost nothing about the Stoli Group, including how the Debtors interact with the larger enterprise; and (iii) has ample reason to believe that the Stoli Group (or Mr. Shefler personally) has more than sufficient wherewithal to both finance this bankruptcy and repay all of the Debtors' debts – *they just choose not to*. The lack of transparency notwithstanding, the Committee has observed: (a) significant management change

[2] Mr. Shefler is a so-called "oligarch," living a life of grandeur, opulence, and extreme luxury. *See, e.g.*, *World's Billionaires List: The Richest in 2025*, Forbes (listing Mr. Shefler's net worth at $1.1 billion); *see also* James Bayley, *Brad Pitt Vineyard Associate Yuri Shefler Faces £2 Million Compensation Order*, The Drinks Business, (Aug. 21, 2025); Owais Farooqi, *Who Is Yuri Shefler? The Lurid Life of Stoli Vodka Czar Who Sparked Bitter War Between Brad Pitt and Angelina Jolie*, MEAWW Entertainment (Jul. 5, 2023); *The 5 Best Luxury Yachts That Will Help You Live Out Your Rich Fantasy*, Yacht Informer (May 18, 2021).

[3] Mr. Shefler finally introduced himself to Committee counsel (not the Committee itself) just weeks ago. From case inception, Mr. Shefler has staunchly refused any discovery, despite his personal appearance in the case, despite SPI Group's appearance in the case, and despite his and SPI Group's centrality to any reorganization.

(both the Debtors' CEO and CRO have resigned since the Petition Date); (b) representations/commitments made to the Committee are serially proven unreliable; and (c) post-petition payments, from the Debtors to the Stoli Group, that may constitute unauthorized takings of estate assets.

- **The case "stalemate" is both uncommercial and rife with gamesmanship**. As revealed during the fall confirmation hearing, Stoli Group harbors personal animus against Fifth Third Bank because the bank called a loan default. A personal vendetta has since migrated into what appears to be gamesmanship. Fifth Third Bank has, to be sure, lousy collateral (*i.e.*, liens on casks of unaged whiskey, which is difficult to monetize); Stoli Group strategy has long been to weaponize this collateral weakness, to either (i) force Fifth Third Bank into a very uncommercial restructuring of the loan or (ii) keep the case in "stalemate" and, in turn, avoid paying administrative expenses and pre-petition claims (including unsecured claims).[4] This strategy – tantamount to elevating stockholder interests over creditor interests -- has been exceedingly (but wrongfully) effective for more than 13 months.

- **By now, this case reflects a colloquial definition of "insanity"**. That is "doing the same thing over and over again and expecting different results." Week after week, the Committee interfaces with counsel to the Debtors and Fifth Third Bank. Week after week, there is zero movement towards a confirmable plan. There remains insufficient funding for administrative expenses; there is no improvement in transparency or new reason to trust; and there is no end in sight of the case stalemate. The Committee long ago stopped believing next week might be any different.

2. It is time to call it a day. Irrefutable facts establish that this case warrants conversion to Chapter 7, pursuant to Bankruptcy Code Section 1112(b).

[4] The machinations surrounding the Stoli Group's non-Debtor U.S. assets emphasize the gamesmanship around Firth Third Group's collateral position. Stoli Group has material operating subsidiaries and assets in the United States, including two valuable real estate parcels, that it did not include in the bankruptcy. Only when faced with the bank's challenge to confirmation did Stoli Group offer a "springing lien" on one of the parcels, which the bank did not accept, and regarding which the Court expressed concern as to both complexity and insufficient documentation.

JURISDICTION AND VENUE

3. The Court has jurisdiction to hear this matter and enter a final order granting the relief requested herein pursuant to 28 U.S.C. §§ 1334 and 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

4. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), upon which this Court has the authority to enter a final order.

5. The statutory and rule predicates for this Motion are 11 U.S.C. § 1112(b) and Rules 9014 and 1019 of the Federal Rules of Bankruptcy Procedure.

RELEVANT FACTUAL BACKGROUND

A. General Case Background.

6. On November 27, 2024, (the "**Petition Date**"), the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. These Chapter 11 cases are being jointly administered pursuant to Bankruptcy Rule 1015(b). [Docket No. 36].

7. As of the date hereof, the Debtors are operating their business and managing their properties as debtors in possession pursuant to Sections 1107(a) and 1108. No trustee or examiner has been appointed in these Chapter 11 cases.

8. On December 23, 2024, the Committee was appointed. [Docket No. 93].

B. Post-Petition Finance.

9. The Debtors are not being financed in the usual way; there is no DIP loan providing post-petition liquidity. The case has, instead, been financed exclusively through use of cash collateral, and this strategy has proven to be tumultuous and highly unstable. There have been multiple contested cash collateral hearings. Approval has come, not in one or two Court orders – but in *fifteen* of them.

10. That "this is no way to run a Chapter 11 case" became obvious very early on. The Debtors defaulted on their very first cash collateral budget within weeks of the approval order. Facing a default notice from Fifth Third Bank, the Debtors filed their *Second Emergency Cash Collateral Motion*,[5] requesting a brief reprieve. Shortly thereafter case the Debtors' *Third Emergency Cash Collateral Motion*,[6] requesting similar relief.

11. Fifth Third Bank objected, asserting that: (i) the Debtors' performance resulted in large collateral losses; and (ii) without a contribution of new cash and collateral from third-parties (*i.e.*, Stoli Group and/or Mr. Sheffler), reorganization looked unlikely.[7] Around this time, Fifth Third Bank and the Committee also learned of a material unauthorized transfer from the Debtors to a non-Debtor affiliate, prompting Fifth Third Bank to move for a Chapter 11 trustee or to convert

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[5] *See Debtors' Emergency Motion for Entry of an Order (I) Authorizing Debtors to Continue Using Cash Collateral and (II) Granting Related Relief* [Docket No. 247].

[6] *See Debtors' Emergency Motion for Entry of an Order (I) Modifying the Final Order Authorizing Debtors' Use of Cash Collateral and Granting Adequate Protection to Fifth Third Bank, National Association and (II) Granting Related Relief* [Docket No. 273].

[7] *See Fifth Third Bank, National Association's Demand for Adequate Protection, Objection to Debtors' Continued Use of Cash Collateral Without Lender's Consent And, in the Absence of Such Consent, Motion to Appoint Chapter 11 Trustee or Convert These Chapter 11 Cases to Chapter 7* [Docket No. 311].

the cases.[8] The Court conducted a two-day hearing in early April 2025, and a resolution was achieved.[9] But, financing would persist on a short leash and professional fees would go unpaid.[10]

12. The situation did not improve after the Court denied confirmation in October 2025. A series of post-hearing orders authorized cash collateral usage only for a few weeks at a time, putatively to allow for additional plan negotiations. The last cash collateral budget expired on January 10, 2026, meaning that all liquidity has now run dry. Professionals remain unpaid.

C. Debtor Reliability.

13. First, as alluded to above, the Debtors have regularly, repeatedly failed to meet their budgetary projections. The Committee does not know why. It was never given enough access/information.

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8 *See id*.

9 *See Second Stipulation and Agreed Order Regarding the Final Order Authorizing Debtors' Use of Cash Collateral and Granting Adequate Protection to Fifth Third Bank, National Association [Docket No. 188]* [Docket No. 339].

10 Throughout the Cases, Professional Fees have been subject to budgeted amounts attached to the various cash collateral orders. This resulted in payment irregularities at various times prior to July 2025. On July 3, 2025, the Court entered the *Seventh Stipulation and Agreed Order Regarding the Final Order Authorizing Debtors' Use of Cash Collateral and Granting Adequate Protection to Fifth Third Bank, National Association [Docket No. 188]* [Docket No. 620], providing at paragraph 6 that "no amounts of Professional Fees in the budget attached hereto as Exhibit A are authorized to be paid" and setting a further hearing on July 16, 2025 "on the Debtors' request for authority to use Cash Collateral to pay such Professional Fees." In advance of the July 16, 2025 hearing, the Debtors and Fifth Third Bank (but not the Committee) agreed to a cash collateral budget whereby Professional Fees would remain unpaid indefinitely going forward while certain amounts would be deposited into a collection account at Fifth Third Bank pending further order. The Court approved this arrangement over the objection of the Committee. *See Eighth Stipulation and Agreed Order Regarding the Final Order Authorizing Debtors' Use of Cash Collateral and Granting Adequate Protection to Fifth Third Bank, National Association [Docket No. 188]* [Docket No. 670]; Hr'g Tr. July 16, 2025. No further payments were made to Debtor or Committee professionals in respect of Professional Fees for approximately five months. On December 22, 2025, the Court entered the *Fifteenth Stipulation and Agreed Order Regarding the Final Order Authorizing Debtors' Use of Cash Collateral and Granting Adequate Protection to Fifth Third Bank, National Association and Related Relief* [Docket No. 1015], paragraph 3 of which permitted satisfaction of approximately one-quarter of then approved Professional Fees from a combination of the Debtors' operating capital and the designated collection account.

14. Second, as also alluded to above, the Committee is aware of at least one instance where non-Debtor affiliates simply took estate value, in what looked to be contravention of Court Order and/or applicable law.[11]

15. Third, the Debtors have failed to address the business issue that was, purportedly, the primary reason for the filing in the first place. In their "first day" papers, the Debtors attributed their financial demise to, largely, a cyber-attack against the conglomerate's digital infrastructure, referred to as the "SAP system."[12] They indicated that the loss of the SAP system caused reporting failures and, in turn, a loss of trust with Fifth Third Bank.[13] The Debtors promised quick remediation, with all hands on deck to rebuild the system within weeks.[14] The Debtors stated that, once the refurbished system was up and running, they would bring the case to a rapid and successful conclusion.[15] This was reiterated to the Court. On April 1, 2025, the Debtors' then-CEO (Chris Caldwell) testified he believed the SAP system was a mere two weeks away from full functionality.[16] Case conclusion (in accordance with the absolute priority rule) was supposed to follow soon thereafter.

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[11] *See Fifth Third Bank, National Association's Demand for Adequate Protection, Objection to Debtors' Continued Use of Cash Collateral Without Lender's Consent And, in the Absence of Such Consent, Motion to Appoint Chapter 11 Trustee or Convert These Chapter 11 Cases to Chapter 7* [Docket No. 311] at p. 4.

[12] *See Declaration of Chris Caldwell in Support of First Day Motions* [Docket No. 11] (the "**Caldwell Declaration**") ¶¶ 13, 33 (describing cyber attack and effects).

[13] *See Id.* ¶ 33; Hr'g Tr. Apr. 1, 2025 at 143:11-23.

[14] Hr'g Tr. Apr. 1, 2025 at 90:16-94:19.

[15] *See* Caldwell Declaration ¶ 13 (describing cyber attack and effects); Hr'g Tr. Apr. 1, 2025 at 81:16-20 (testimony of Chris Caldwell concerning potential financing); *First Amended Joint Chapter 11 Plan of Reorganization of the Debtors and the Plan Sponsor* [Dkt. No. 556] (as subsequently amended, modified and supplemented, the "**Plan**"), Art. IV.C (describing defined "Exit Facility" as potential source of reorganization funding).

[16] Hr'g Tr. Apr. 1, 2025 at 73:3-4 ("We anticipate to have the financial modules up and running in the course of the next couple of weeks").

16. To the best of the Committee's knowledge, the SAP system was never remediated or, if it was (again, there is no transparency), that development certainly did not lead to the promised case resolution.

17. Lastly, the Debtors have observed significant management change. Mr. Caldwell resigned his position, on information and belief, over the summer. Days ago, the Debtors' Chief Restructuring Officer also resigned his position.

D. Failed Plan Efforts.

18. On April 29, 2025, the Debtors filed their initial *Chapter 11 Plan of Reorganization of the Debtors and the Plan Sponsor* [Docket No. 389] (the "**Initial Plan**"), soon accompanied by a Disclosure Statement and motion seeking approval thereof. [Docket Nos. 408 and 409].

19. The Committee raised grave concerns about the Initial Plan. This led to negotiations and a settlement, ultimately incorporated into the *First Amended Joint Chapter 11 Plan of Reorganization of the Debtors and the Plan Sponsor* [Docket No. 556] (as subsequently amended, modified and supplemented, the "**Plan**").

20. Fifth Third Bank also raised serious concerns, but its plan negotiations proved less productive. So, the bank lodged its confirmation objection, resulting in a 10-day confirmation trial in August and September 2025. On October 3, 2025, the Court delivered its oral ruling, denying confirmation of the Plan. The Court's ruling did not address all concerns raised by the bank, focusing primarily on whether the proposed collateral turnover (*i.e.*, a "dirt for debt" plan mechanic), but at specified valuations, constituted the "indubitable equivalent" of its collateral entitlements. In its ruling the Court observed that the market for the Debtors' whiskey products had declined significantly over the course of the Chapter 11 Cases, resulting in a significant loss.

21. To the best of the Committee's understanding, the Debtors and Fifth Third Bank continued negotiations post-hearing, but: (i) those negotiations have now reached their natural end;

(ii) no settlement has been or will be reached; and (iii) the Debtors are not going to be in a position to present a confirmable plan to this Court.

RELIEF REQUESTED

22. By this Motion, the Committee seeks entry of an Order substantially in the form attached hereto as **Exhibit A** immediately converting the Debtors' Chapter 11 cases to cases under Chapter 7 of the Bankruptcy Code.

ARGUMENT

23. Bankruptcy Code Section 1112(b) provides that, on request of a party in interest, and after notice and a hearing, "the Court shall convert a case to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, if the movant establishes cause." 11 U.S.C. § 1112(b)(1). "The inquiry under § 1112 is case-specific, focusing on the circumstances of each debtor." *United Savs. Ass'n of Tex. v. Timbers of Inwood Forest Assocs., Ltd. (In re Timbers of Inwood Forest Assocs., Ltd.),* 808 F.2d 363, 371–72 (5th Cir.1987) (en banc).

24. Although "cause" is not defined, Section 1112(b)(4) provides a list of 16 "causes" for conversion. 11 U.S.C. § 1112(b)(4)(A)-(P). These include factors going to the debtors' ability to move the case forward, such as the: (A) "absence of a reasonable likelihood of rehabilitation"; and (J) "failure to … confirm a plan withing the time fixed by this title". Yet, the list of 16 are just statutory examples and are non-exhaustive. *In re TMT Procurement Corp.,* 534 B.R. 912, 917 (Bankr. S.D. Tex. 2015); *In re Am. Capital Equip., LLC*, 688 F.3d 145, 1662 n. 10 (3d Cir. 2012) ("the listed examples of cause are not exhaustive").

25. Once a movant has established "cause," the burden then shifts to the Debtors to prove it falls within the Section 1112(b)(2) "unusual circumstances" exception to Section

1112(b)(1)'s mandatory conversion. *See, e.g.*, *In re Baribeau*, 603 B.R. 797, 802 (Bankr. W.D. Tex. 2019).

26. Notwithstanding, such exception under Section 1112(b)(2) is not applicable when the cause for conversion is on account of "substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation." *See In re Ford Steel, LLC*, 629 B.R. at 879 ("If the [movant] can establish cause under § 1112(b)(4)(A), conversion or dismissal becomes mandatory because § 1112(b)(2) does not provide an exception to conversion or dismissal for cause found under § 1112(b)(4)(A).").

27. Both prongs of 11 U.S.C. § 1112(b)(4)(A) are met here. The Debtors' financial history shows continuing losses and an inability to reorganize. If the Debtors are permitted to linger in bankruptcy, the estates will simply bear significant ongoing losses.

I. The Debtors Have Accrued Substantial Losses And Are Administratively Insolvent.

28. "However honest in its efforts the debtor may be, and however sincere its motive…[the] court is not bound to clog its docket with visionary or impracticable schemes for resuscitation." *Tennessee Publishing Co. v. Am. Nat'l. Bank*, 299 U.S. 18, 22 (1936). Setting aside reasonable questions regarding honesty and sincerity and addressing the incorporation of this longstanding principle into the Bankruptcy Code by governing standards, cause is found for conversion here because remaining in Chapter 11 would only continue the Debtors' pattern of incurring losses and burdening the Court and professionals with futile procedures and costs.

29. Under the Code, a debtor shows "substantial or continuing loss" if losses materially "negatively impact the bankruptcy estate and interest of creditors." *In re Ozcelebi*, 639 B.R. 365, 384 (Bankr. S.D. Tex. 2022). "Cause can be shown by demonstrating that the debtor suffered or has continued to experience a negative cash flow or declining asset values following the order for

relief." *In re TMT Procurement Corp.*, 534 B.R. at 918 (citing *In re Paterno*, 511 B.R. 62, 66 (Bankr. M.D.N.C. 2014)). "Negative cash flow and an inability to pay current expenses as they come due can satisfy the substantial loss or diminution of the estate for purposes of § 1112(b)." *Id* at 919; *cf. In re BH S & B Holdings, LLC*, 439 B.R. 342, 349 (Bankr. S.D.N.Y. 2010).[17]

30. Inability to pay the estate's legal fees is itself evidence of substantial and continuing losses. *In re Hao*, 644 B.R. 339, 347 (Bankr. E.D. Va. 2022). In *In re Hao*, the bankruptcy court entered a conversion order because the "Debtor has no ability to pay the ongoing professional fees in this case." *Id.* Other courts have reached the same conclusion based on patterns of declining fortunes evident in monthly operating reports and valuation reports that show an inability to "pay current expenses as they come due." *In re Gateway Access Solutions, Inc.*, 374 B.R. 556, 564 (Bankr. M.D. Pa. 2007); *cf. In re AdBrite Corp.*, 290 B.R. 209, 215 (Bankr. S.D.N.Y. 2003); *In re Motel Properties, Inc.*, 314 B.R. 889, 894 (Bankr. S.D.Ga. 2004); *In re Route 202 Corp. t/a Lionti's Villa*, 37 B.R. 367, 374 (Bankr. E.D.Pa. 1984); *In re Galvin*, 49 B.R. 665, 669 (Bankr. D.N.D. 1985).

31. In *In re BH S & B Holdings*, for example, the debtors' administrative insolvency constituted cause to convert the cases under similar circumstances:[18] the carve-out for

[17] "[A]dministrative insolvency suggests diminution in the value of the estate, thereby precluding all creditors from achieving maximum economic value." *Id*. at 350; *see also In re Weiss Multi-Strategy Advisers LLC*, No. 24-10743 (MG), 2024 WL 2767893, at *10 (Bankr. S.D.N.Y. May 29, 2024) ("Persistent losses during the course of a bankruptcy case come at the expense of creditors…"); *In re Moore Const. Inc.*, 206 B.R. 436, 437–38 (Bankr. N.D. Tex. 1997) ("The failure to pay post-petition employment taxes alone is cause for converting a case to Chapter 7. When a Debtor has this much tax debt, which is continually accruing, and cannot show the ability to produce a cash profit, it becomes apparent that the Debtor is gambling with the creditors' interests.").

[18] The *BH S & B* court found that administrative insolvency was cause for converting the debtors' cases, *in addition* to cause under section 1112(b)(4)(A). The court concluded that cause existed under section 1112(b)(4)(A), because "the Debtors' financial statements reflect[ed] continuing losses and the Debtors' intention to liquidate establish[ed] that there [was] no likelihood of rehabilitation." *In re BH S & B*, 439 B.R. at 348. The court then separately addressed administrative insolvency as additional cause, stating that it "***further*** concludes that the

administrative expenses had been exhausted, the DIP lender was unwilling to make additional funds available for case administration, and the debtors had not paid professional fees that continued to grow past limited cash on hand. 439 B.R. at 349. The court determined that conversion was in the best interest of the estate and creditors for a variety of reasons including that the debtors had not commenced Chapter 5 avoidance actions and would benefit from the additional time provided by conversion.[19]

32. The Debtors here find themselves in a situation common to the cases cited above. The record adduced at confirmation is sufficient to show a substantial loss to the estates during these cases. Losses include, but are not limited to, the severe decline in value of the bourbon barrels held by debtor Kentucky Owl that are Fifth Third Bank's collateral and were the focus of significant valuation testimony and this Court's opinion denying confirmation. More generally, the Debtors have been able to operate in Chapter 11 only by withholding payment from estate professionals, allowing these and other post-petition debts to accrue.

Debtors' administrative insolvency constitutes cause to convert these cases," *id*. at 349 (emphasis added), and that "cause exists on the basis of administrative insolvency," *id.* at 350.

[19] The court observed that while the Bankruptcy Code provided discretion to convert or dismiss, dismissal was not in the best interests of the estates because, among other things, a chapter 7 trustee would have the ability to reach assets for the benefit of creditors and maximize remaining value of the enterprise. The same applies here – the Debtors are holding significant inventory to be liquidated, among other things – and the Committee is not aware that any party would favor dismissal.

II. There Is No Likelihood of Rehabilitation.

33. The second prong of section 1112(b)(4)(A), the lack of a "likelihood of rehabilitation" can be established by showing that the debtor will not be "reestablished on a secured financial basis, which implies establishing a *cash flow* from which its current obligations can be met." *In re AdBrite Corp.*, 290 B.R. 209, 216 (Bankr. S.D.N.Y. 2003) (emphasis added). This is sometimes addressed as a question of whether the debtor is "suffering losses or making gains." *In re Gateway Access Solutions, Inc.*, 374 B.R. at 562.

34. In other words, although inability to confirm a plan and prejudicial delay are separate cause for conversion, the "rehabilitation" prong requires inquiry into whether under the best of circumstances continuance in Chapter 11 will see the company back on a sound basis. *See In re AdBrite Corp.*, 290 B.R. at 216 (citing *In re Lizeric Realty Corp.*, 188 B.R. 499, 503 (Bankr. S.D.N.Y. 1995)). Where a debtor lacks sufficient resources to not only pay the administrative costs of remaining in Chapter 11 but has no prospect of improved fortunes sufficient to reestablish the business, this prong is met and the case should be dismissed. *See In re 15375 Mem'l Corp.*, 386 B.R. 548, 552 (Bankr. D. Del. 2008).[20]

[20] This is true even if continuation in Chapter 11 appears to benefit certain constituencies in the short term. *See, e.g. In re Defender Drug Stores, Inc.*, 145 B.R. 312, 317 (B.A.P. 9th Cir. 1992) (prohibiting "convert[ing] the bankruptcy process from one designed to benefit all creditors to one designed for the unwarranted benefit of the postpetition lender."); *In re Nova Wildcat Shurt-Line Holdings, Inc.*, No. 23-10114 (CTG) (Bankr. D. Del. 2023), Mar. 2, 2023 H'rg Tr. at 87:14-21 [Docket No. 212] ("if you're a secured creditor and want to invoke the bankruptcy process for the purpose of what will likely be maximizing the value of your collateral, you don't get to impose the costs of that on other people … you've got to pay the freight associated with [that] process … includ[ing] paying the expected administrative expenses [of the case] includ[ing] reasonable committee fees"); *In re NEC Holdings Corp.*, Case No. 10-11890 (KG) (Bankr. D. Del. July 13, 2010) Hr'g Tr. at 100:17- 20 (indicating that secured creditors have "got to pay the freight, and the freight is . . . certainly an administratively solvent estate"); *In re Gulf Coast Oil Corp.*, 404 B.R. 407, 428 (Bankr. S.D. Tex. 2009) (denying sale where "[t]he only effect of the bankruptcy process would be to transfer the debtors' assets to its secured creditor with benefits that the creditor could not achieve through foreclosure."); *In re Encore Health Assocs.*, 312 B.R. 52 (Bank. E.D. Pa. 2004) (finding that a Chapter 11 proceeding should not run for the sole benefit of a secured creditor without any other objective).

35. Rehabilitation prospects can be gleaned from business projections and monthly reports. For instance, in *In re Gateway Access Solutions*, the bankruptcy court converted where, among other things, operating reports reflected downward trends and rosy projections were unreliable. 374 B.R. at 562-63. Here, the Debtors' fortunes are similarly evident from the cash collateral budgets, which have shown no material improvement over the past year and indicate the Debtors are again entering a post-holiday lull.

36. Regardless, "large losses" such as those evident in the record of these Cases – millions due to professionals, and tens of millions in lost collateral value – can alone show that rehabilitation is unlikely. *In re AdBrite Corp.*, 290 B.R. at 215 (citing *In re Photo Promotion Assocs.*, 47 B.R. 454, 458-59 (S.D.N.Y. 1985). For instance, in *In re Moore Construction*, a bankruptcy court in this district approved conversion where mounting post-petition tax accruals and budgets reflected a "current inability to make a profit." 206 B.R. 436, 438 (Bankr. N.D. Tex. 1997).

37. Here, rehabilitation is not reasonably likely. The Debtors cannot fully pay the professional costs of remaining in Chapter 11, and have been asking professionals to bear those costs for the last six months. These are the type of post-petition "large losses" and inability to profit typified in *Moore Construction*. Moreover, the Debtors have tried and failed to confirm a plan of reorganization, and cannot resolve their issues with the bank to confirm a plan or even pay interest and fees to the bank in full. The value of the bourbon barrel portfolio, the Debtors' most significant asset, has fallen dramatically. The Debtors' business projections reflected in the cash collateral budgets do not show improved fortunes; rather, lucrative holiday season revenues were insufficient for the business to catch up, and it will now enter the long dry January and early year fallow period of which it complained a year ago as it repeatedly breached cash collateral

commitments in February and March. There is simply no basis to believe the situation will improve.

CONCLUSION

WHEREFORE, for the foregoing reasons, the Committee respectfully requests that the Court grant the Motion converting these Chapter 11 cases to cases under Chapter 7 and grant such other and further relief as is just and proper. The Committee otherwise and generally reserves all of its rights, claims, defenses, and remedies, including, without limitation, the right to amend, modify, or supplement this Motion, seek discovery, raise additional objections during any hearing, and negotiate and document alternative proposals for relief.

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Dated: January 15, 2026

Respectfully submitted,

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CERTIFICATE OF CONFERENCE

I certify that on January 14, 2026, counsel for the Committee corresponded with counsel for the Debtors by email regarding the Motion and the relief requested herein. Counsel for the Debtors informed Committee's counsel that the Debtors do not oppose the relief requested.

/s/ *JaKayla J. DaBera*
JaKayla J. DaBera

CERTIFICATE OF SERVICE

I certify that on January 15, 2026, I caused a true and correct copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas on those parties registered to receive electronic notices.

/s/ *JaKayla J. DaBera*
JaKayla J. DaBera

EXHIBIT A

PROPOSED ORDER

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	)	Chapter 11
Stoli Group (USA), LLC, *et al.*,[1]	)	Case No. 24-80146-swe-11
Debtors.	)	(Jointly Administered)

[PROPOSED] ORDER GRANTING THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' EMERGENCY MOTION FOR AN ORDER PURSUANT TO SECTIONS 1112(B) AND 105(A) OF THE BANKRUPTCY CODE CONVERTING THESE CASES TO CASES UNDER CHAPTER 7 OF THE BANKRUPTCY CODE

This matter coming before the Court on *The Official Committee Of Unsecured Creditors' Emergency Motion for an Order Pursuant to Sections 1112(B) and 105(A) of the Bankruptcy Code Converting These Cases to Cases Under Chapter 7 of the Bankruptcy Code* (the "**Motion**")[2] filed by the Official Committee of Unsecured Creditors approved by this Court (the "**Committee**"); the Court having reviewed the Motion and having heard the statements of counsel and the evidence introduced with respect to the Motion at a hearing before the Court (the "**Hearing**"); the Court having found that (a) the Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; (b) venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and (c) this is a core proceeding pursuant to 28 U.S.C. § 157(b); and (d) cause exists within the meaning of 11 U.S.C. § 1112(b) for the conversion of these Chapter

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal identification number, are Stoli Group (USA), LLC (5602) and Kentucky Owl, LLC (3826). The Debtors' address is 135 East 57th Street, 9th Floor, New York City, New York.

[2] Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion.

11 cases to cases under Chapter 7 of the Bankruptcy Code; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.

2. Pursuant to section 1112(a) of title 11 of chapter 11 of the United States Code (as amended or modified, the "**Bankruptcy Code**"), the chapter 11 cases of the Debtors are converted to cases under chapter 7 of the Bankruptcy Code effective as of the date of the entry of this Order (the "**Conversion Date**").

3. On or as soon as practicable after the Conversion Date, the Debtors shall turn over to the chapter 7 trustee any and all records and estate property under their dominion, control and custody and as required by Federal Rule of Bankruptcy Procedure 1019(4).

4. Within 15 days of the Conversion Date, the Debtors shall file a schedule of unpaid debts as of the Conversion Date incurred after commencement of the case, including the name and address of each creditor as required by Federal Rule of Bankruptcy Procedure l019(5).

5. Within 30 days of the Conversion Date, the Debtors shall file and transmit to the Office of the United States Trustee a final report and account as required by Federal Rule of Bankruptcy Procedure l019(5)(A).

6. All professionals retained by the Debtors and the Official Committee of Unsecured Creditors appointed in these Chapter 11 cases (the "**Committee**") (excluding professionals retained in the ordinary course of business, but including professionals whose retentions remain subject to Bankruptcy Court approval) shall submit final fee applications (the "**Final Fee Applications**") in accordance with the Bankruptcy Code, Bankruptcy Rules, Local Rules, and orders of this Court by no later than twenty-one (21) days after the Conversion Date (the "**Final**

Fee Application Deadline"). The Court will conduct a hearing on such Final Fee Applications on January __, 2026 at __:__ __. All approved amounts owed for professionals' fees and expenses shall be paid (x) first, from each professional's retainer, to the extent such retainers exist; (y) second, from the Carve-Out[3]; and thereafter (z) from the Debtors' chapter 7 estates.

7. On the Conversion Date, (i) the Committee shall be immediately dissolved, and all professionals retained by the Committee shall be discharged, with no further action required by the Committee; and (ii) all professionals retained by the Debtors shall be discharged, with no further action required by the Debtors; provided, however, that the Debtors' professionals shall be authorized but not directed to assist the Debtors in effectuating a conversion of the Chapter 11 cases to cases under Chapter 7. For the avoidance of doubt, nothing set forth herein shall prejudice any professionals to prosecute their retention and/or fee applications.

8. Subject to its compliance with Del. Bankr. L.R. 2002-1(e), Stretto shall be relieved of its responsibilities as the Debtors' claims and noticing agent in the Debtors' chapter 11 cases as of the Conversion Date and will have no further obligations to the Court, the Debtors, the chapter 7 trustee (once appointed), or any party in interest with respect to the Debtors' chapter 11 cases or the chapter 7 cases.

9. A representative of the Debtors, and, if so requested by the chapter 7 trustee, counsel to the Debtors in these cases shall appear at the meeting of creditors pursuant to 11 U.S.C. §§ 341(a) & 343 and such representative shall be available to testify at such hearing.

10. All orders entered by the Court in the Debtors' chapter 11 cases shall remain in full force and effect except to the extent expressly modified by this Order.

[3] "Carve-Out" shall have the meaning ascribed to it in the *Final Order Authorizing Debtors' Use of Cash Collateral and Granting Adequate Protection to Fifth Third Bank, National Association* [Docket No. 188] (as subsequently amended and extended, the "**Final Cash Collateral Order**").

11. The Debtors are authorized and empowered to take all actions necessary or appropriate to implement the relief granted in this Order.

12. The terms of this Order shall be effective and enforceable immediately upon its entry.

13. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the interpretation, implementation, or enforcement of this Order.

END OF ORDER