

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§	Chapter 11
	§	
Stoli Group (USA), LLC, <i>et al.</i> , ¹	§	Case No.: 24-80146-swe11
	§	
Debtors.	§	(Joint Administration Requested)
	§	

**DECLARATION OF CHRIS CALDWELL
IN SUPPORT OF FIRST DAY MOTIONS**

I, Chris Caldwell, hereby declare under penalty of perjury:

1. I am the President and Global Chief Executive Officer (“CEO”) of Stoli Group (USA), LLC (“**Stoli USA**”) and Kentucky Owl, LLC (“**KO**”), as debtors and debtors in possession (collectively, the “**Debtors**”) in the above-captioned chapter 11 cases (the “**Chapter 11 Cases**”). I also serve as the CEO and leader of the executive management team for the international Stoli Group (defined below), and I have served in these positions since July 2023. I have over thirty (30) years of executive-level experience in the food, beverage, and consumer goods industry, working with numerous companies across the globe.

2. Prior to being appointed to my current role as CEO, I served as the Stoli Group’s Global Chief Financial Officer from July 2020 to May 2023. Throughout my career, I have held numerous executive leadership roles in private equity and publicly traded companies and have developed significant experience in restructuring, turn-around, and similar situations aimed at improving organizational performance, streamlining operations, increasing profitability, and

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.

creating stakeholder value. My experience in the food, beverage, and consumer goods industry includes serving in executive-level positions with Enotria & Coe, Americana Foods, Fonterra Co-Operative Group, and Diageo PLC. I hold a Bachelor of Science from Liverpool John Moores University, and a Certificate in Company Direction from the Institute of Directors, New Zealand, and I am an associate member of the Chartered Institute of Management Accountants.

3. In my respective roles with the Debtors, I am responsible for overseeing the Debtors' operations and financial activities, including overseeing the teams monitoring cash flow, business relationships, workforce issues, and financial planning. As a result of my tenure with the Debtors and my discussions with other members of the Debtors' management team, I am familiar with the Debtors' business, financial condition, policies and procedures, day-to-day operations, and books and records. Except as otherwise noted, I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from the Debtors' employees or retained advisors that report to me in the ordinary course of my responsibilities.

4. I am responsible for overseeing the Debtors' restructuring efforts, including the progress of the Chapter 11 Cases, providing leadership to the daily operation of the Debtors during the pendency of these Chapter 11 Cases, and, as necessary, assisting the Debtors' counsel, financial advisors, and other retained professionals throughout this process.

5. I am over the age of 18, and I am authorized to submit this declaration on behalf of the Debtors. References to the Bankruptcy Code (as defined herein), the chapter 11 process, and related legal matters are based on my understanding of such as explained to me by counsel. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge of the Debtors, their business operations, history, industry, books and records, and information supplied to me by other members of the Debtors' management and/or their advisors.

6. On November 27, 2024 (the “**Petition Date**”), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) with the U.S. Bankruptcy Court for the Northern District of Texas (the “**Court**”). To minimize adverse effects on the business and contemporaneously herewith, the Debtors have filed motions and pleadings seeking various types of immediate relief (collectively, the “**First Day Motions**”). I submit this Declaration to assist the Court in understanding the circumstances that led to the filing of these Chapter 11 Cases and in support of the First Day Motions filed by the Debtors contemporaneously with their bankruptcy petitions.

I. **BACKGROUND**

A. Corporate Formation and Equity

7. Stoli USA is a limited liability company organized under the laws of the State of Delaware and was formed on or about February 1, 2013. KO is a limited liability company organized under the laws of the State of Delaware and was formed on or about January 18, 2017. Stoli USA and KO maintain offices and operations in New York, New York, but are also managed and overseen by the executive leadership of the Stoli Group (defined below), which is based and headquartered in Luxembourg. The following charts illustrate the Debtors’ organizational structure as of the Petition Date.

NAME	JURISDICTION	TYPE OF EQUITY INTERESTS	PERCENTAGE OF EQUITY INTERESTS	RECORD OWNER
Stoli Group (USA), LLC	Delaware	Membership Interests	100%	S.P.I. Spirits (Cyprus) Limited
Kentucky Owl, LLC	Delaware	Membership Interests	100%	SPI Worldwide Trade Limited

B. Overview of Stoli Group

8. Stoli USA and KO are affiliates and subsidiary companies within the “**Stoli Group**” (formerly, the “SPI Group”)—a vertically integrated global network and enterprise headquartered in Luxemburg that manufactures, produces, markets, sells, and distributes vodka, bourbon, tequila, wine, scotch, rum, ginger beer, and other alcoholic and non-alcoholic beverages throughout the world (collectively, “**Stoli Products**”). The Stoli Group participates in over 176 markets worldwide and collaborates with a network of over two hundred distributors. The Stoli Group boasts a rich heritage dating back to the early part of the last century and utilizes wholly-owned and affiliated production facilities located in Argentina, Latvia, Spain, Mexico, the United Kingdom, and the United States to manufacture and produce the wide variety of Stoli Products that the Stoli Group offers in the marketplace.

9. Some of the iconic and well-known brands and Stoli Products within the spirits division of the Stoli Group include Stoli® Vodka, elit® Vodka, Bayou® Rum, Kentucky Owl®, Wiseman®, Cenote® Tequila, Se Busca® Mezcal, and Tulchan® Gin. In the wine portfolio of Stoli Products, the Stoli Group’s slate of brands includes Achaval Ferrer® (Argentina) and Arínzano® (Spain), with distribution rights in Super-Tuscan Ornellaia, Masseto, Luce and CastelGiocondo, under the Tenute Di Toscana Company, and Chateau Miraval and its family of brands, including Miraval®, Muse®, Studio® and Fleur de Miraval®.

C. External Challenges Faced by the Stoli Group

10. Pursuant to an executive order of Russian President Vladimir Putin, issued in March 2000 shortly after his coming to power, prescribing to “reinstate and protect the state’s rights” in vodka trademarks privatized in the 1990s, the Stoli Group has been defending its rights to the Stolichnaya and Moskovskaya vodka trademarks against Russian state enterprise FKP Sojuzplodoimport over more than twenty-three (23) years in courts of multiple jurisdictions,

including the United States. The Stoli Group has been forced to spend dozens of millions of dollars on this long-term court battle across the globe with the Russian authorities.

11. In connection with that ongoing litigation and his criticism of the Putin regime, the founder and beneficial owner of the Stoli Group, Mr. Yuri Shefler, has been the subject of personal persecution by the Putin regime. Mr. Shefler was forced to leave Russia in 2002 and has been unable to return since then due to fabricated criminal charges (all of which were eventually dropped). In the 2010s, Russia made extradition requests to the United Kingdom and Switzerland concerning Mr. Shefler, both of which were rejected as unjustified and politically motivated. Mr. Shefler was subsequently granted asylum by Switzerland and UK nationality by the UK government.

12. In July 2024, in relation to the ongoing war between Russia and Ukraine, Mr. Shefler and the two main holding companies of the Stoli Group, Stoli Group Holding S.à r.l. and Amber Beverage Group Holding S.à r.l., were designated “extremists” by the Tambov District Court of the Tambov Oblast of Russia due to their providing humanitarian aid and engaging in marketing activities in support of refugees from Ukraine. In connection with those court proceedings in Russia, two of the Stoli Group’s distilleries that were the last assets of the Stoli Group remaining in Russia upon the start of the Russia-Ukraine (valued at approximately \$100 million) were confiscated by the Russian government.

13. In August 2024, the Stoli Group’s IT infrastructure suffered severe disruption in the wake of a data breach and ransomware attack. The attack caused substantial operational issues throughout all companies within the Stoli Group, including Stoli USA and KO, due to the Stoli Group’s enterprise resource planning (ERP) system being disabled and most of the Stoli Group’s

internal processes (including accounting functions) being forced into a manual entry mode. These systems will be fully restored no earlier than in the first quarter of 2025.

D. Background and Operations of Stoli USA

14. Stoli USA is a wholly owned subsidiary of S.P.I. Spirits (Cyprus) Limited—a limited company formed under the laws of Cyprus and an entity within the Stoli Group. Stoli USA was formed in February 2013 to serve as the Stoli Group’s sole and exclusive purchaser, importer, and distributor of finished Stoli Products in the United States market. Prior to the formation and establishment of Stoli USA, the Stoli Group imported and supplied Stoli Products to the United States market but did not have an independent distribution and marketing presence within the United States.

15. To carry out its designated role within the Stoli Group as the exclusive purchaser, importer, and distributor of finished Stoli Products in the United States, Stoli USA is party to certain exclusive contracts and agreements with other entities in the Stoli Group. Those entities largely serve as the manufacturers and producers of finished Stoli Products and own and hold the intellectual property, marketing, and branding rights associated with the Stoli Products sold and distributed by Stoli USA. Stoli USA’s contracts and agreements with its affiliates, including licenses and agreements allowing Stoli USA to utilize trademarks, copyrights, images, and other marketing materials associated with Stoli Products, provide Stoli USA with the exclusive right to sell and distribute finished Stoli Products in the United States and utilize associated intellectual property, marketing, and branding rights and materials to do so.

16. The vast majority of finished Stoli Products that are shipped from overseas and supplied to the United States market are imported and sold by Stoli USA directly to regional United States distributors for resale in “open” and “franchise” states (such as Arizona, California, Colorado, Illinois, and Texas). A smaller portion of finished Stoli Products is imported by Stoli

USA and stored at a third-party distribution center in Baltimore, Maryland, from which deliveries and sales are later made to “control” states (such as Alabama, Michigan, Ohio, Utah, etc.), likewise through regional distributors.

E. Background and Operations of KO

17. KO is a wholly owned subsidiary of SPI Worldwide Trade Limited—a limited company formed under the laws of Cyprus and another entity within the Stoli Group. KO was established in January 2017 as part of the Stoli Group’s desire to enter a new segment of the spirits industry and initiative aimed at reviving the Kentucky Owl® brand of rye and bourbon whiskeys, which has roots in the United States dating back to the 1800s. KO produces various batches and iterations of its ultra-premium whiskeys, including “Batch #11,” “Batch #12,” “Confiscated,” and “The Wiseman™” and also rolls out limited releases, including “Mardi Gras XO Cask,” St. Patrick’s Edition,” “Takumi Edition,” and “Maighstir Edition.” KO’s fine whiskeys are included in the vast array of Stoli Products offered and sold by the Stoli Group in the global marketplace, including Stoli USA in the United States.

18. Operationally, KO serves as a holding company for the raw materials used to produce its lines of whiskey. KO has no direct employees and does not own or operate any production or storage facilities directly. Instead, KO uses the services of a non-debtor affiliate in Bardstown, Kentucky, to distill whiskey in bulk barrels in accordance with KO’s desired specifications. Once the product is distilled, the barrels are stored at the third party’s Kentucky facility to age for an extended period of time until the whiskey within the barrels has fully matured. For example, as of the filing of this Declaration, KO has approximately 29,000 barrels of raw materials in the aging stage that will eventually be transformed into finished and sellable goods—those raw materials at a third-party-owned storage facility in Bardstown, Kentucky.

19. Once the aging process is complete, and as requested by KO, barrels are shipped from the Kentucky storage facility to KO's non-debtor affiliate, Louisiana Spirits LLC, where the aged whiskey is mixed, bottled, and transformed from raw product into finished ready-to-be-sold goods. Pursuant to various exclusive rights contracts and agreements with its affiliates, KO then sells its finished goods solely to companies within the Stoli Group, which, in turn, distribute and sell KO's ultra-premium whiskey products across the world. Notably, though, Stoli USA is the largest purchaser and distributor of KO's finished goods.

II.

PREPETITION CAPITAL STRUCTURE

A. Secured Debt

20. Collectively, the Debtors' principal assets consist of cash, accounts receivable, inventory, equipment, intellectual property rights, various rights under contracts and agreements, and certain other fixed non-fixed assets. The Debtors' prepetition debt structure primarily consists of (i) amounts owed under the Prepetition Loan Documents (defined below) and (ii) unsecured debt consisting of, among other things, amounts owed to vendors and trade creditors.

21. Prior to the Petition Date, each of the Debtors entered into and obtained separate senior secured revolving credit facilities from Fifth Third Bank, National Association, a national banking association (the "**Lender**").

22. Via that certain Credit Agreement dated October 28, 2022, by and between Debtor Stoli USA and the Lender (the "**Stoli Credit Agreement**"), and, together with related loan documents, agreements, or instruments executed in connection with the Stoli Credit Agreement, and as amended, restated, modified, or supplemented, the "**Stoli Loan Documents**"), Debtor Stoli was provided a revolving credit facility in an aggregate amount of \$50,000,000 (the "**Stoli Revolver**").

23. Pursuant to that certain Amended and Restated Credit Agreement dated as of February 3, 2023, by and between Debtor KO and the Lender (the “**KO Credit Agreement**”), and, together with related loan documents, agreements, or instruments executed in connection with the Stoli Credit Agreement, and as amended, restated, modified, or supplemented, the “**KO Loan Documents**,” and collectively with the Stoli Loan Documents, the “**Prepetition Loan Documents**”), Debtor KO was provided a revolving credit facility in an aggregate amount of \$40,000,000 (the “**KO Revolver**,” collectively with the Stoli Revolver, the “**Revolver Commitment**”).

24. The amounts owed under the Prepetition Loan Documents are secured by a first-priority lien on substantially all of the Debtors’ assets, respectively. However, the Lender alleges that the Debtors’ collective obligations under the Prepetition Loan Documents are further secured via cross-collateralization and that the Debtors are purportedly guarantors of each other’s obligations under the Prepetition Loan Documents pursuant to (a) that certain Joinder Agreement dated February 15, 2023, by and between Debtor Stoli USA and the Lender (the “**Stoli Joinder**”) and (b) that certain Joinder Agreement dated February 15, 2023, by and between Debtor KO and the Lender (the “**KO Joinder**,” and collectively with the Stoli Joinder, the “**Joinder Agreements**”).

25. Beginning on July 17, 2024, and subsequently on August 7, 2024, September 26, 2024, and October 21, 2024, the Lender served each of the Debtors with notices of default and reservation of rights letters, alleging and asserting ongoing defaults under the Stoli Loan Documents and KO Loan Documents, respectively (collectively, the “**Notices of Default**”). Following the Lender’s serving the Debtors with the Notices of Default, the Debtors and the Lender engaged in extensive negotiations and discussions, both directly and through counsel.

26. Additionally, on October 29, 2024, the Lender sent a total of ten (10) letters (the “**KO Vendor Letters**”) to various trade vendors, suppliers, and storage providers utilized by KO (collectively, the “**KO Vendors**”), among other things, (a) informing the KO Vendors, that KO was in default under the KO Loan Documents and that the Lender did not consent to any of KO’s inventory currently held by the KO Vendors being sold, removed, transported, or otherwise disposed of by KO or anyone else without the Lender’s prior written consent; and (b) demanding that the KO Vendors not acknowledge, facilitate, or undertake any further sales, removal, transportation or other disposition of any KO inventory held by the KO Vendors without the Lender’s prior written consent. The Lender’s service of the KO Vendor Letters was extremely disruptive and put a significant strain on the Debtors’ operations and effectively accelerated the necessity of the Debtors’ bankruptcy filings.

27. Thereafter, on November 13, 2024, the Lender served each of the Debtors with notices of default, acceleration, demand for repayment, and reservation of rights letters, alleging and asserting additional ongoing defaults and demanding repayment of all amounts owed by each of the Debtors, respectively, under the Stoli Loan Documents and KO Loan Documents (collectively, the “**Acceleration Notices**”).

28. The Debtors continued to engage in negotiations and discussions with the Lender, both directly and through counsel. In November 2024, the Debtors (1) retained Riveron Consulting, LLC (“**Riveron**”) as the Debtors’ restructuring and financial advisor and (2) appointed Steven Wybo of Riveron as the Debtors’ Chief Restructuring Officer (“**CRO**”). The Debtors continued their negotiations and discussions with the Lender following Riveron’s engagement and the CRO’s appointment. However, the Debtors and the Lender were unable to reach a mutually

agreeable resolution that would allow the Debtors to sustain their operations and provide the Debtors with sufficient time to secure financing from an alternative lender.

29. As of the Petition Date, the Debtors' aggregate principal outstanding funded debt obligations under the Prepetition Loan Documents total approximately \$78,374,334.30 (the "**Prepetition Indebtedness**"), comprised of (i) \$41,033,893.58 under the Stoli Revolver and (ii) \$37,340,440.72 under the KO Revolver, all of which is due and owing under the Prepetition Loan Documents.

B. Unsecured Debt

30. Debtor KO is also a borrower under that certain Loan Agreement, dated November 29, 2017, by and between Debtor KO and SPI Worldwide Trade Limited, as successor to SPI Group S.a.r.l. (the "**Subordinate Lender**"), as from time to time amended, supplemented, restated, or otherwise modified (the "**Subordinate Loan Documents**"), providing for a delayed draw term loan of up to \$25,000,000 (the "**Subordinate Loan**"). The Subordinate Loan is unsecured, bears interest at a rate of 3% per annum, and all amounts borrowed under the Subordinate Loan mature on December 31, 2027. As of the Petition Date, the Debtors owe \$6,151,299.00 under the Subordinate Loan Documents.

31. Debtor KO, the Lender, and the Subordinate Lender entered into that certain Amended and Restated Subordination Agreement on February 3, 2024 (the "**Subordination Agreement**"), thereby subordinating the Subordinate Loan to the amounts owed by Debtor KO under the KO Loan Documents.

32. In addition to the Debtors' outstanding obligations under the Prepetition Loan Documents and the Subordinate Loan Documents, the Debtors also have unsecured debt obligations, including amounts owed to, among others, trade creditors, vendors, shippers, and contract counterparties, which are subject in all respects to the Debtors' rights to dispute.

III.
EVENTS LEADING TO CHAPTER 11 CASES

33. Despite the Debtors' long history of being a leader in the United States and globally in the alcohol and spirits industry, the Debtors are currently facing significant balance sheet and liquidity challenges caused by a range of factors. Indeed, over the past several years, numerous atypical events have put a great strain on the Debtors' financial condition, including (1) a decline and softening of demand for alcohol and spirits products post-COVID and especially beginning in 2023 and continuing into 2024, (2) increased cost and inflation stemming from the overall global economy, (3) the aforementioned severe operational disruption caused by a data breach and ransomware attack in August 2024 (including issues with compliance by the Debtors with the reporting requirements of the Lender), and (4) the dispute with the Lender (as explained above), which not only caused liquidity issues, but has also caused the Debtors to shift their time, energy, and focus on placating the Lender in lieu of focusing exclusively on right-sizing and improving their operations.

34. The Debtors' current leadership and management teams have acted diligently and aggressively and have done everything they can to address the Debtors' collective operational and liquidity challenges. However, despite management's efforts to address operational issues and implement cost savings initiatives, the Debtors' financial situation has continued to worsen, and the Debtors are now severely delinquent on their obligations with numerous key vendors and trade creditors. The Debtors' liquidity challenges have been further exasperated by the erosion of their relationship with the Lender and its refusal to allow the Debtors to make any further draws or extend any additional funds under the Revolver Commitment.

35. With all of those challenges accumulating simultaneously, on November 27, 2024, the Debtors elected to file voluntary petitions for relief under chapter 11 of the Bankruptcy Code,

thereby initiating the Chapter 11 Cases. The Debtors determined that the filing of these Chapter 11 Cases was necessary to maximize value for the benefit of all creditors.

36. I believe that the Chapter 11 Cases will provide the Debtors with the best opportunity to preserve the business as a going concern through value preservation efforts, including, without limitation, making any necessary changes to the Debtors' business plan and eliminating any burdensome contracts and related obligations. In that vein, the purpose of these Chapter 11 Cases is to provide the Debtors with a breathing spell and reprieve and the runway for a chapter 11 plan process that will allow the Debtors to restructure their balance sheets and emerge from bankruptcy as leaner, stronger entities. In the coming months, the Debtors intend to file a joint plan of reorganization, combined with a disclosure statement in support thereof, that the Debtors believe will preserve employee jobs and allow the Debtors to continue as a going concern.

IV. OVERVIEW AND SUPPORT FOR THE FIRST DAY MOTIONS

37. Contemporaneously herewith, it is my understanding that the Debtors have filed a number of First Day Motions seeking orders granting various forms of relief intended to stabilize their business operations, facilitate the efficient administration of these Chapter 11 Cases, and expedite a swift and smooth plan process. In consulting with the Debtors' counsel and advisors, including the Debtors' CRO and Riveron, it is my understanding and belief that the relief sought in the First Day Motion is intended to be as narrowly tailored as possible under the circumstances and allow the Debtors to achieve those goals under the careful supervision of the Bankruptcy Court. The First Day Motions include the following

- a. *Debtors' Emergency Motion for Entry of an Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief* (the "**Joint Administration Motion**");
- b. *Notice of Designation as Complex Chapter 11 Bankruptcy Case* (the "**Complex Case Notice**");

- c. *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to Serve a Consolidated List of Creditors, (II) Authorizing the Debtors to Redact Certain Personal Identification Information, (III) Approving the Form and Manner of Notifying Creditors of the Commencement of the Debtors' Chapter 11 Cases and Bar Dates, and (IV) Granting Related Relief* (the "**Bar Date Motion**");
- d. *Debtors' Emergency Application for Entry of an Order (A) Authorizing the Employment and Retention of Stretto as Claims, Noticing and Solicitation Agent and (B) Granting Related Relief* (the "**Stretto Retention Application**");
- e. *Debtors' Emergency Motion for Order Extending Time to File Schedules of Assets and Liabilities and Statements of Financial Affairs* (the "**Schedules Extension Motion**");
- f. *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to Continue to Operate Their Cash Management System and (II) Granting Related Relief* (the "**Cash Management Motion**");
- g. *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses, (B) Continue Employee Benefit Programs, and (II) Granting Related Relief* (this "**Wages Motion**"); and
- h. *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Use Cash Collateral; (II) Granting Adequate Protection; (III) Modifying the Automatic Stay; (IV) Scheduling a Final Hearing; and (V) Granting Related Relief* (the "**Cash Collateral Motion**").

38. I am familiar with the content and substance contained in each First Day Motion and believe that the relief sought in each motion (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of productivity and value, (b) constitutes a critical element in the Debtors achieving a successful reorganization, and (c) best serves the Debtors' estates and creditors' interests. I have reviewed each of the First Day Motions, and the facts set forth therein are true and correct to the best of my knowledge and are incorporated herein in their entirety by reference. If asked to testify as to the facts supporting each of the First Day Motions, I would testify to the facts as set forth in such motions. The First Day Motions can be divided into three (3) categories: Administrative, Operational, and Financing, as follows.

A. Administrative Motions—the Joint Administration Motion, Complex Case Notice, Bar Date Motion, Schedules Extension Motion, and Stretto Retention Application.

39. It is my understanding that these pleadings are designed to streamline the administration of the Debtors' Chapter 11 Cases by, among other things: (1) jointly administering the Debtors' bankruptcy cases into one case and granting related relief; (2) approving typical complex case treatment for these Chapter 11 Cases, including relief related to the filing of a master service list; (3) establishing a general bar date for the filing of claims by non-governmental parties and allowing the Debtors to redact confidential information of creditors; (4) extending the deadline by which the Debtors must file required Schedules and Statements of Financial Affairs by twenty-one (21) days for a total of twenty-eight (35) days from the Petition Date; and (5) approving the retention of Stretto as claims and noticing agent for the Debtors.

40. It is my opinion that the relief sought in the Administrative Motions will streamline the administration of these Chapter 11 Cases through procedural consolidation, facilitate the noticing process to interested parties, reduce the administrative expenses ultimately incurred by the Debtors, and reduce confusion. It is my understanding that the Administrative Motions seek non-substantive relief that is routinely granted in larger chapter 11 cases in this District and that is necessary and appropriate under the circumstances.

B. Operational Motion—the Wages Motion.

41. The Wages Motion seeks relief intended to stabilize the Debtors' operations in bankruptcy by, among other things, allowing the Debtors to pay the prepetition claims to their employees and essential personnel (the "**Employees**" or the "**Workforce**"). As of the Petition Date, Debtor Stoli USA employs approximately fifty (50) Employees, of which forty-nine (49) are

employed on a full-time basis, and one (1) is employed on a part-time basis.² All Employees are paid a salary (the “**Salaried Employees**”). The Employees are neither represented by a union nor employed pursuant to a collective bargaining agreement or similar agreement.

42. In the ordinary course of business, the Debtors (a) pay standard wage compensation and paid time off to their Workforce, (b) maintain reimbursement programs, and (c) maintain certain benefits for their Workforce (collectively, the “**Workforce Programs**”), as provided below and detailed in the Wages Motion. As of the Petition Date, the Debtors estimate the total amount outstanding on account of the Workforce Programs is approximately \$366,672.93 (the “**Workforce Obligations**”). The Workforce Obligations consist of the following:

Workforce Obligations Compensation and Benefit Obligations	Estimated Prepetition Amount Outstanding Per Pay Period
Unpaid Wages	\$282,830.00
Withholding Taxes and Obligations (i.e., Deductions)	\$20,471.00
Employee Reimbursements	\$36,267.00
Medical, Vision, Dental	\$19,090.00
Other Plan Benefits (Life, AD&D, Disability, Accident & Illness, etc.)	\$2,484.00
401K Plan (Principal)	\$3,812.00
Workers Compensation Obligations	\$1,719.67
TOTAL	\$366,672.93

43. It is my understanding that Federal Rule of Bankruptcy Procedure 6003 provides, in relevant part, that the Court shall not consider motion to pay prepetition claims during the first twenty days following the filing of a chapter 11 petition “except to the extent relief is necessary to avoid immediate and irreparable harm.” During the process of preparing for these Chapter 11

² Debtor KO has no Employees or Workforce.

Cases, the Debtors narrowly tailored their requests for immediate authority to pay certain prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates.

44. In order to maintain the continuity of their business and to preserve the morale of their vital labor force, it is essential that the Debtors be permitted to pay the funds requested through the Wages Motion. Any delay or disruption in providing Workforce compensation and associated benefits will destroy the Debtors' relationship with their Workforce and irreparably impair workforce morale at the very time when the dedication, confidence, and cooperation of these individuals are most critical. The Debtors face the risk that their operations may be severely impaired if authority is not granted for the Debtors to make the payments described in the Wages Motion.

45. Because the amounts described in the Wages Motion are needed to enable the Debtors' Workforce to meet their own personal obligations, absent the relief requested herein, they will suffer undue hardship and, in many instances, serious financial difficulties. Moreover, without the requested relief, the stability of the Debtors will be undermined by the potential threat that the otherwise loyal Workforce will seek other employment.

46. I believe that the relief requested in the Wages Motion is in the best interests of the Debtors' estates, the creditors, and all other parties in interest and will enable the Debtors to continue to operate the business in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Wages Motion should be approved.

C. Operational Motion—the Cash Management Motion.

47. It is my understanding that the Cash Management Motion seeks authority for the Debtors to continue using existing bank accounts at Origin Bank and related relief. Specifically, the Debtors seek entry of an order (i) authorizing the Debtors to continue using existing business

forms and records; (ii) authorizing the Debtors to maintain the Bank Accounts and Cash Management System (as permitted under any interim and final orders authorizing the Debtors to use cash collateral (collectively, the “**Cash Collateral Orders**”) and in accordance with any budget(s) approved in connection therewith (the “**Budget**”)); and (iii) granting the Debtors a waiver of certain bank account and related requirements of the U.S. Trustee to the extent that such requirements are inconsistent with (a) the Debtors’ existing practices under their Cash Management System or (b) any action taken by the Debtors in accordance with any order granting the Cash Management Motion or any other order entered in the Chapter 11 Cases.

48. The Debtors maintain an integrated, centralized cash management system (the “**Cash Management System**”) comparable to the cash management systems used by similarly situated companies to manage the cash of operating units in a cost-effective, efficient manner. The Debtors use the Cash Management System in the ordinary course of business to collect, transfer, and distribute funds generated from their operations and to facilitate cash monitoring, forecasting, and reporting. The Cash Management System allows the Debtors to control funds, ensure cash availability for each operating entity, and reduce administrative costs by facilitating the movement of funds among multiple entities. The Debtors’ treasury department maintains daily oversight over the Cash Management System and implements cash management controls for entering, processing, and releasing funds. The Debtors’ accounting department regularly reconciles the Debtors’ books and records to ensure that all transfers are accounted for properly.

49. As detailed in the chart below, the Cash Management System includes twelve (12) bank accounts. The Cash Management System is arranged to organize and monitor cash flows and to centralize procurement for general administrative and operating expenses.

BANK ACCOUNTS	
<u>Account Holder and Bank Account</u>	<u>Bank Account Description</u>
Stoli Group (USA), LLC Operating Account Fifth Third Bank # 7884	Stoli USA uses this account as its master operating account that holds its daily balances of cash after daily sweeps are made from three other zero balance accounts Stoli USA holds with Fifth Third. This account is allowed a \$120,000.00 daily balance, and any amount over that threshold is swept to Fifth Third to pay down the Debtors' indebtedness to Fifth Third. If there is a negative balance at the end of the day, monies are swept from Stoli USA's loan account with Fifth Third to cover the deficiency.
Stoli Group (USA), LLC Master Collections Account Fifth Third Bank # 7892	Stoli USA uses this account as its collections account for payments received from its customers. Customer payments are either made via ACH or live checks to Stoli USA's lockbox, which Fifth Third then deposits into this account. This is a zero-balance account, and the daily deposits are swept on a daily basis to Stoli USA's operating account with Fifth Third.
Stoli Group (USA), LLC Disbursement Account Fifth Third Bank # 7900	Stoli USA uses this account as its disbursement account for all non-payroll-related expenses. All disbursements are made via ACH or wire. This account has not been used since October 2024. This is a zero-balance account, and any funds are swept on a daily basis to Stoli USA's operating account with Fifth Third.
Stoli Group (USA), LLC Payroll Account Fifth Third Bank # 8049	Stoli USA uses this account as its disbursement account for only payroll-related expenses. All disbursements are via ACH or wire. This account has not been used since October 2024. This is a zero-balance account, and any funds are swept daily to Stoli USA's operating account with Fifth Third.
Stoli Group (USA), LLC Master Operating Account Wells Fargo # 8284	Stoli USA uses this account as its master operating account that holds the daily balances after the daily sweeps from its daily balances of cash after daily sweeps are made from Stoli USA's three other zero balance accounts with Wells Fargo.
Stoli Group (USA), LLC Depository Account Wells Fargo # 8300	Stoli USA uses this account as its collections account for payments received from its customers. Customer payments are either made via ACH or live checks to Stoli USA's lockbox, which Wells Fargo then deposits into this account. This is a zero-balance account, and the daily deposits are swept daily to Stoli USA's operating account with Wells Fargo.
Stoli Group (USA), LLC Disbursement Account Wells Fargo # 8292	Stoli USA uses this account as its disbursement account for all non-payroll-related expenses. All disbursements are made via ACH or wire. This account has not been used since October 2024. This is a zero-balance account, and any funds are swept daily to Stoli USA's operating account with Wells Fargo.
Stoli Group (USA), LLC Payroll Account Wells Fargo # 8318	Stoli USA previously used this account as a disbursement account for only payroll-related expenses. All disbursements are via ACH or wire. This account was unused from 2018 through October 2024. However, Stoli USA intends to start using this account again starting in November 2024. This is a zero-balance account, and any funds are swept daily to Stoli USA's operating account with Wells Fargo.
Kentucky Owl, LLC Stand Alone Account Fifth Third Bank # 2904	KO uses this account to pay for new bourbon barrels for its inventory and monthly interest expenses to Fifth Third related to KO's loan with Fifth Third.
Kentucky Owl, LLC Depository Account Wells Fargo # 6282	KO uses this account as an intercompany collections account. This is the account where KO deposits funds to pay KO for KO products that KO produces and sells to Stoli USA. This is a zero-balance account, and any funds are swept daily to KO's operating account with Wells Fargo.

BANK ACCOUNTS	
<u>Account Holder and Bank Account</u>	<u>Bank Account Description</u>
Kentucky Owl, LLC Disbursement Account Wells Fargo # 6274	KO uses this account as a disbursement account for its expenses. All disbursements are made via ACH, wire, or, in limited cases, checks. This is a zero-balance account, and any funds are swept daily to KO's operating account with Wells Fargo.
Kentucky Owl, LLC Operating Account Wells Fargo # 1178	KO uses this account as a master operating account to hold the daily balances after daily sweeps are made from KO's zero balance accounts with Wells Fargo.

50. The Debtors pay fees to the Cash Management Bank on a monthly basis incurred in connection with the Bank Accounts (the “**Bank Fees**”). The Bank Fees total approximately \$12,000.00 per month. The Debtors do not believe that they owe any Bank Fees as of the Petition Date, but in the event such Bank Fees are owing, the Debtors seek authority, but not direction, to pay the prepetition Bank Fees and continue paying the Bank Fees in the ordinary course on a post-petition basis, consistent with historical practice.

51. In the ordinary course of business, the Debtors maintain business relationships with each other that have historically resulted in intercompany receivables and payables (“**Intercompany Transactions**”). The Debtors settle Intercompany Transactions as journal-entry receivables and payables, from time to time, to document transactions between the Debtors and certain of their non-Debtor affiliates, including other entities within the Stoli Group. The Debtors then make appropriate credits and debits within their accounting system to reflect these Intercompany Transactions. The Intercompany Transactions are essential to the Debtors’ operations and centralized Cash Management System. Any disruption of the Intercompany Transactions would severely disrupt the Debtors’ operations and result in great harm to the Debtors’ estates and their stakeholders.

52. I believe that the Debtors' ability to maintain their existing Bank Accounts and Cash Management System is vital to ensuring the Debtors' seamless transition into bankruptcy. In light of the other significant strains on the Debtors' personnel and resources during the coming weeks, I am concerned about unnecessary delay and disruption to the Debtors' business and a delay in receipt of funds needed for the Debtors' operations if the Debtors are required to make changes to the Cash Management System. In order to conduct their post-petition business, the Debtors need to be able to issue checks to vendors, service providers, employees, and others. Opening new accounts and obtaining checks for those accounts will cause delays and disruptions to the debtor's business and delay the receipt of funds needed for the Debtors' operations. Conversely, all parties in interest will be best served, and the benefit to the Debtors' estates will be considerable by preserving business continuity and avoiding operational and administrative paralysis that closing the existing Bank Accounts and opening new ones would necessarily create.

53. To the best of my knowledge, the Bank Accounts are in financially stable institutions that are insured by the Federal Deposit Insurance Corporation up to the applicable limit.

54. The Debtors will add the designation "Debtors in Possession" or "DIP" to any checks in their possession and instruct the Banks to add the designation to current and any future Accounts. No checks issued prior to the Petition Date will be honored, except as otherwise provided by separate order of this Court. The Debtors will continue to maintain records respecting all transfers between and among the Bank Accounts so that all transactions can be ascertained after they have occurred.

55. The Debtors' Cash Management System constitutes an ordinary course, essential business practice providing significant benefits to the Debtors, including, among other things, the

ability to (i) control funds, (ii) ensure the availability of funds when necessary, and (iii) reduce costs and administrative expenses by facilitating the movement of funds and the development of more timely and accurate account balance information. Any disruption of the Cash Management System could have a severe and adverse impact upon the Debtors' reorganization efforts.

56. I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and will enable the Debtors to continue to operate their business in Chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Management Motion should be approved.

D. Financing Motions—the Cash Collateral Motion

57. The Cash Collateral Motion seeks entry of an order (i) authorizing the Debtors' use of cash collateral, as such term is defined in section 363(a) of the Bankruptcy Code ("**Cash Collateral**") and other collateral on an interim basis in accordance with the budget attached to the proposed interim order as **Exhibit 1** (the "**Budget**"); (ii) granting adequate protection described herein for the use of the pre-petition collateral, including Cash Collateral; (iii) modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the Interim Order and the Final Order; (iv) scheduling a final hearing on the Cash Collateral Motion within 21 days of the entry of the interim order; and (v) granting related relief.

58. The Debtors require immediate access to Cash Collateral to satisfy the day-to-day financing needs of the Debtors' business operations. The Debtors must have operating liquidity to procure goods and services from vendors, pay their employees, meet overhead costs, and make all other payments that are essential for the continued management, operation, and preservation of the Debtors' businesses. The ability to satisfy these expenses as and when due is essential to the Debtors' continued operation of their businesses during the pendency of these Chapter 11 Cases.

In such circumstances, the terms of the relief provided in the proposed order attached to the Cash Collateral Motion are appropriate, reasonable, and, in the Debtors' business judgment, essential to enable it to continue operating. I believe that the inability to use Cash Collateral during the Chapter 11 Cases would cripple the Debtors' business operations, causing immediate and irreparable harm to the Debtors and their estates.

59. The Debtors request authority to provide the Lender with adequate protection as set forth in the Cash Collateral Motion and in accordance with the Budget attached thereto. I have reviewed the Budget attached to the Cash Collateral Motion and believe it is reasonable and necessary under the circumstances to support the Debtors' continued operations. I believe that the relief requested in the Cash Collateral Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and will enable the Debtors to continue to operate their business in chapter 11 without disruption. Absent access to cash collateral, the Debtors could not operate and bridge to a value-maximizing plan that provides for greater recoveries for all creditors than a liquidation. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Collateral Motion should be approved.

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

DATED: November 29, 2024

/s/ Chris Caldwell
Chris Caldwell