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**COUNSEL TO DEBTORS
AND DEBTORS IN POSSESSION**

**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.	§	
	§	(Jointly Administered)
	§	

**DEBTORS' EMERGENCY MOTION FOR ENTRY OF AN ORDER
(I) CONVERTING THE CHAPTER 11 CASES TO CHAPTER 7 AND
(II) GRANTING RELATED RELIEF**

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.

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.

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**”), hereby file the *Debtors’ Emergency Motion for Entry of an Order (I) Converting the Chapter 11 Cases to Chapter 7 and (II) Granting Related Relief* (the “**Motion**”). In support of the Motion, the Debtors state as follows:

I.
PRELIMINARY STATEMENT²

1. Beginning in August 2025 and continuing through September 2025, the Court conducted a multi-day confirmation trial and denied confirmation of the Plan proposed by the Debtors and Plan Sponsor, S.P.I. Spirits (Cyprus) Limited (the “**Plan Sponsor**”). Despite the support of certain of the Debtors’ key constituents, including the Official Committee of Unsecured Creditors (the “**Committee**”) and The Bardstown Bourbon Company, LLC (“**Bardstown**”), the Plan faced numerous objections asserted by the Debtors’ senior secured lender, Fifth Third Bank, National Association (the “**Lender**”). Ultimately, the Court declined to confirm the Plan, concluding, among other things, that the Plan’s proposed treatment of the Lender was not fair and equitable and was not feasible under the Debtors’ financial projections.

2. Following the Court’s decision on the Plan, the Debtors, Plan Sponsor, and Lender engaged in significant efforts to resolve their issues and reach an agreement on a consensual amended version of the Plan. Those efforts included multiple rounds of formal mediation, numerous term-sheet exchanges, and extensive, hard-fought negotiations. However, despite those efforts, the Debtors, Plan Sponsor, and Lender have been unable to reach an agreement on the terms of an amended Plan.

² Capitalized terms used but not defined in the Preliminary Statement shall have the meaning ascribed elsewhere in the Motion.

3. Having evaluated every reasonable restructuring alternative, yet facing mounting administrative costs, the Debtors have determined that they lack both the financial capacity and the practical means to prosecute a consensual or cramdown chapter 11 plan. The reality of the current situation is that the Debtors do not have sufficient liquidity to sustain operations or undertake a feasible reorganization effort, and the Estates continue to shoulder administrative expenses that will erode creditor recoveries. Thus, at bottom, there is no prospect of rehabilitating the Debtors' businesses within the chapter 11 framework contemplated by the Bankruptcy Code.

4. Remaining in chapter 11 would only serve to deepen administrative costs, further deplete the Estates' resources, and delay distributions to creditors. For these reasons, the Debtors now file this Motion and respectfully request that the Court enter the Proposed Order converting the Chapter 11 Cases to chapter 7.³

II.

JURISDICTION AND VENUE

5. The United States Bankruptcy Court for the Northern District of Texas (the "**Court**") has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b). The Debtors confirm their consent, pursuant to Rule 7008 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), to the entry of a final order by the Court.

6. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

7. The basis for the relief requested herein are sections 105(a) and 1112 of title 11 of the United States Code (the "**Bankruptcy Code**") and Bankruptcy Rules 1017(f), 2002, and 9006(c).

³ The Debtors are actively conferring with the Lender and the Committee on the terms of a potential structured, consensual conversion to chapter 7, and to the extent such a resolution and final agreement are reached, the Debtors will present such resolution and agreement concurrently at the hearing on this Motion.

III. BACKGROUND

A. Chapter 11 Cases.

8. On November 27, 2024 (the “**Petition Date**”), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, thereby initiating the Chapter 11 Cases and creating their respective bankruptcy estates (the “**Estates**”). The Debtors remain in possession of their property and are managing their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Committee was appointed on December 23, 2024. [See Docket No. 93].

9. Information on the Debtors and their businesses can be found in the *Declaration of Chris Caldwell in Support of First Day Motions* [Docket No. 11], incorporated herein by reference.

B. The Plan and Confirmation Trial.

10. Starting in August 2025 and spanning through September 2025, the Court held a multi-day confirmation trial on the *First Amended Joint Chapter 11 Plan of Reorganization of the Debtors and the Plan Sponsor* [Docket No. 580] (as amended and supplemented, the “**Plan**”), proposed by the Debtors and Plan Sponsor. The Plan was also supported and endorsed by the Committee and Bardstown, but was opposed by the Lender. [See Docket Nos. 543, 723, 760, 801]. And ultimately, on October 3, 2025, the Court issued a bench ruling denying confirmation of the Plan. [See Docket Nos. 929, 937]. However, the Court encouraged the Debtors, Plan Sponsor, and Lender to continue negotiating and suggested that the parties could avoid the time, cost, and expense of re-solicitation by amending the current Plan with respect to the Lender’s treatment. And if the parties were able to do so, the Court indicated that it would be willing to confirm the amended Plan.

C. Events Following the Plan and Confirmation Trial.

11. The parties heeded the Court's directive, and in the months following the Court's ruling on the Plan, the Debtors and the Plan Sponsor undertook a renewed attempt to resolve their issues with the Lender and craft a viable, agreed, and consensual amended version of the Plan. The parties explored a variety of restructuring frameworks, participated in mediation sessions and settlement discussions, and circulated multiple iterations of proposed term sheets. Despite those sustained efforts and the time the parties invested in pursuing a consensual resolution, the Debtors, Plan Sponsor, and Lender were unable to align on mutually acceptable terms for the amended Plan.

12. Meanwhile, the Debtors' financial position has eroded during the period in which the parties have been negotiating. The Estates have accumulated and continue to accumulate substantial administrative expenses and lack the funds necessary to maintain ongoing operations or undertake another confirmation effort. With no alternative financing sources available, the Debtors have concluded that conversion of these Chapter 11 Cases to chapter 7 is the best remaining option.

**IV.
RELIEF REQUESTED**

13. Via this Motion, the Debtors request that the Court enter the proposed order, substantially in the form attached hereto as **Exhibit A** (the "**Proposed Order**"), (a) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code and (b) granting related relief.

**V.
BASIS FOR RELIEF**

14. Conversion to chapter 7 is afforded to the Debtors as a matter of right. This is clear from the statute, its legislative history, and the applicable case law interpreting section 1112(a) of the Bankruptcy Code. Section 1112(a) provides that a debtor "may convert a case under [chapter 11] to a case under chapter 7 unless: (1) the debtor is not a debtor in possession; (2) the case

originally was commenced as an involuntary case under [chapter 11]; or (3) the case was converted to a case under [chapter 11] other than on the debtor's request." 11 U.S.C. §1112(a). Unless one of those three circumstances is present (none of which are applicable here), a chapter 11 debtor's right to convert its case to one under chapter 7 is absolute. *See* H.R. Rep. No. 95-595, 1st Sess. 405 (1977) ("Subdivision (a) gives the debtor an absolute right to convert a voluntarily commenced chapter 11 case in which the debtor remains in possession to a liquidation case."); *Texas Extrusion Corp. v. Lockheed Corp. (In re Texas Extrusion Corp.)*, 844 F.2d 1142, 1161 (5th Cir. 1988); *see also Texas Extrusion Corp. v. Palmer, Palmer & Coffee*, 68 B.R. 712, 727 (N.D. Tex. 1986); *In re Heses Enters., LLC*, 16-10299-rlj7, 2017 WL 4457434, *8 (Bankr. N.D. Tex. Sept. 29, 2017). The Bankruptcy Rules also support the absolute nature of the Debtors' right to convert under section 1112(a) of the Bankruptcy Code. "Rule 9014 governs a proceeding ... to convert a case to another chapter, *except under* §§ ... 1112(a) ..." FED. R. BANKR. P. 1017(f)(1) (emphasis added). "Conversion or dismissal under §§ ... 1112(a) ... shall be on motion filed and served as required by Rule 9013." FED. R. BANKR. P. 1017(f)(2). And even if section 1112(a) bestows upon the Debtors a less-than-absolute right to convert, the Debtors submit that conversion of the Chapter 11 Cases to chapter 7 is also appropriate for cause under section 1112(b) of the Bankruptcy Code.

15. Overall, given the present state of the Chapter 11 Cases, conversion to chapter 7 is both appropriate and unavoidable. The Estates have endured sustained financial deterioration, with mounting administrative obligations and no realistic prospect of generating the revenue necessary to fund ongoing operations or a renewed plan confirmation process. The Debtors' liquidity constraints are acute, leaving them unable to stabilize or rehabilitate the businesses in a manner consistent with the purposes of chapter 11. These circumstances alone satisfy the statutory grounds for conversion and demonstrate that continuation in chapter 11 is no longer tenable.

16. There is likewise no reasonable prospect of confirming a chapter 11 plan. After a full evidentiary trial, the Court has already denied confirmation of the Debtors' prior proposed Plan, and subsequent negotiations among the Debtors, Plan Sponsor, and Lender have failed to produce an amended Plan structure capable of garnering the support necessary for confirmation. Without the Lender's agreement, any further attempt to reorganize would require costly cramdown litigation and extensive modifications that would disrupt existing creditor settlements, thereby triggering re-solicitation and a full restart of the confirmation process. The Debtors do not possess the financial resources to undertake such an effort, and even if they did, there is no credible basis to conclude that such efforts would end in a confirmed plan.

17. Moreover, prolonging the Chapter 11 Cases would inflict further harm on creditors and parties in interest. Remaining in chapter 11 entails substantial administrative burdens that drain the Estates' limited assets and exacerbate administrative insolvency, and each additional month of delay further diminishes the value available for distribution to creditors. Conversion, by contrast, will promptly place the Estates under the control of an independent chapter 7 trustee, who can conduct an orderly liquidation of the Debtors' assets and preserve value for the benefit of all stakeholders.

18. Accordingly, for all of the reasons stated herein, the Debtors respectfully submit that the interests of all stakeholders would best be served by converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code.

VI. **NOTICE**

19. This Motion has been provided to (i) the Office of the United States Trustee for the Northern District of Texas; (ii) the Debtors' secured lender and counsel to the Debtors' secured lender; (iii) the Committee and counsel for the Committee; (iv) the holders of the 30 largest

unsecured claims against the Debtors (on a consolidated basis); (v) the Internal Revenue Service; and (vi) all parties in interest who have formally appeared and requested notice. The Debtors respectfully submit that no further notice of this Motion is required.

20. The pleadings in these Chapter 11 Cases and supporting papers are available on the Debtors' website at <https://cases.stretto.com/Stoli> or on the Bankruptcy Court's website at <https://ecf.txnb.uscourts.gov/>. You can request any pleading you need from (i) the noticing agent at: Stretto, 410 Exchange, Suite 100, Irvine, CA 92602, 855-469-2598 (toll-free), (TeamStoli@stretto.com) or (ii) counsel for the Debtors at: Foley & Lardner LLP, c/o Stephen A. Jones, 2021 McKinney Avenue, Suite 1600, Dallas, Texas 75201 (sajones@foley.com).

WHEREFORE, the Debtors respectfully request that the Court enter the Proposed Order, substantially in the form attached hereto as **Exhibit A**, granting the relief requested herein and such other relief as the Court deems appropriate under the circumstances.

[Remainder of Page Intentionally Left Blank]

DATED: January 14, 2026

Respectfully submitted by:

/s/ Holland N. O'Neil

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**COUNSEL TO DEBTORS
AND DEBTORS IN POSSESSION**

CERTIFICATE OF SERVICE

I hereby certify that, on January 14, 2026, a true and correct copy of the foregoing document was served electronically by the Court's PACER system.

/s/ Holland N. O'Neil

Holland N. O'Neil

Exhibit A

Proposed Order

**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.	§	
	§	(Jointly Administered)
	§	

**ORDER (I) CONVERTING THE CHAPTER 11 CASES TO CHAPTER 7 AND
(II) GRANTING RELATED RELIEF**

Upon the motion (the “**Motion**”)² 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**”) for entry of an order (this “**Order**”) (a) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code and (b) granting

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 defined herein shall have the meaning ascribed in the Motion.

related relief, all as more fully set forth in the Motion; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors' Estates, their creditors, and other parties in interest; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at any hearing on the Motion before this Court; and this Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is **HEREBY ORDERED THAT:**

1. The Motion is GRANTED as set forth herein.
2. All objections to the relief requested in the Motion that have not been withdrawn, waived, or settled as announced to this Court at the hearing on the Motion are hereby overruled.
3. Effective as of the date of entry of this Order, the Chapter 11 Cases are converted to jointly administered cases under chapter 7 of the Bankruptcy Code (the "**Converted Cases**").
4. The United States Trustee is directed to appoint a single chapter 7 trustee for the jointly administered Converted Cases.
5. The Clerk of the United States Bankruptcy Court for the Northern District of Texas shall enter a notation in substantially the following form on the docket sheet of the Converted Cases to reflect the conversion of the Chapter 11 Cases:

An order has been entered directing the conversion of this bankruptcy case from chapter 11 to chapter 7. For all matters affecting this case and pleadings filed prior to the entry of the order converting this case to chapter 7, parties should consult the docket in Case No. 24-80146-swe11.

6. All proofs of claim shall be filed or otherwise asserted pursuant to applicable bar dates set in the Converted Cases. Notwithstanding any bar date established for filing proofs of claim in the Chapter 11 Cases, upon conversion of the Chapter 11 Cases, Bankruptcy Rule 1019(2) shall apply.

7. As soon as practicable following entry of this Order, the Debtors and their retained professionals shall turn over to the chapter 7 trustee any and all estate property under their possession, control, or custody, including, but not limited to, any estate cash or other property held in escrow or trust, in each case to the extent required by Bankruptcy Rule 1019(4). Notwithstanding the foregoing or anything in this Order to the contrary, any escrows or fee reserves held by the Debtors or their professionals or cash held by the Debtors for the benefit of the estate professionals in the Kentucky Owl collection account maintained by the Lender (the “**KO Account**”) in accordance with the Carve Out established under the *Final Order Authorizing Debtors’ Use of Cash Collateral and Granting Adequate Protection to Fifth Third Bank, National Association* [Docket No. 188] (as amended to date, the “**Final Cash Collateral Order**”) shall remain in the *status quo*, subject to any future or further order of the Court. For the avoidance of doubt, all parties’ rights, claims, liens, and interests in the funds held in the KO Account, including any such rights, claims, liens, or interests asserted under the Final Cash Collateral Order, are expressly preserved and reserved.

8. As soon as practicable following entry of this Order, the Debtors shall file and transmit a final report and account to the Office of the United States Trustee, as required by Bankruptcy Rule 1019(5).

9. To the extent not already satisfied or paid, the Debtors and the chapter 7 trustee, as applicable, are authorized and directed to pay all amounts owed to estate professionals that (i) are authorized to be paid under the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Docket No. 209] (the “**Interim Compensation Order**”); or (ii) have otherwise been approved by order of this Court.

10. All Chapter 11 estate professionals subject to the Interim Compensation Order shall file their final fee applications within sixty (60) calendar days of the date of this Order.

11. Any outstanding checks payable by the Debtors upon the entry of this Order are authorized to clear, and the Debtors are authorized to continue using the cash management system previously approved by this Court to manage and/or facilitate any such transactions; *provided, however*, the chapter 7 trustee shall be apprised and made aware of any and all such transactions.

12. Upon entry of this Order, Stretto shall be dismissed as the claims and noticing agent for the Debtors. Stretto shall transmit all proofs of claim filed in the Chapter 11 Cases to the Clerk of Court within thirty (30) calendar days after entry of this Order.

13. The Official Committee of Unsecured Creditors shall be dissolved upon the entry of this Order.

14. Nothing in this Order or the conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code shall affect, impair, or modify the terms or conditions of any order of this Court entered in these Chapter 11 Cases on or before the entry of this Order.

15. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

16. The Debtors are authorized and empowered to take any and all actions necessary to implement and effectuate the terms of this Order.

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

18. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

###END OF ORDER###

Submitted by:

/s/ Holland N. O'Neil

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Mary Rofaail (TX 24119467)

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