UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

In re: WELLMADE FLOOR COVERINGS INTERNATIONAL, INC., *et al.*,[1] Debtors.	Chapter 11 Case No. 25-58764-SMS (Jointly Administered)

DEBTORS' REPLY TO THE UNITED STATES TRUSTEE'S OBJECTION TO DEBTORS' DISCLOSURE STATEMENT AND FORM OF BALLOTS

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), submit this reply (the "Reply") to the *United States Trustee's Objection to Debtors' Disclosure Statement and Form of Ballots* [Docket No. 443] (the "Objection"). In support of this Reply and in further support of the *Debtors' Motion for Entry of an Order (A) Conditionally Approving the Disclosure Statement, (B) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject the Plan, (C) Approving the Form of Ballot and Solicitation Materials, (D) Establishing Voting Record Date, (E) Fixing the Date, Time, and Place for the Hearing on Final Approval of the Disclosure Statement and Confirmation of the Plan and the Deadline for Filing Objections Thereto, and (F) Approving Related Notice Procedures and Deadlines* [Docket No. 387] (the "Motion"),[2] the Debtors respectfully state as follows:

PRELIMINARY STATEMENT

1. On June 1, 2026, the Debtors filed the *Debtors' Chapter 11 Plan* [Docket No. 385]

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, include: Wellmade Industries MFR. N.A LLC (1058) and Wellmade Floor Coverings International, Inc. (8425). The mailing address for the Debtors for purposes of these cases is: 1 Wellmade Drive, Cartersville, GA 30121.
[2] Capitalized terms not otherwise defined herein shall have the meanings attributed to them in the Motion.

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(as may be amended, supplemented, or otherwise modified from time to time, and including all exhibits thereto, the "Plan"), along with the *Disclosure Statement for Debtors' Chapter 11 Plan* [Docket No. 386] (as may be amended, modified, or supplemented from time to time, the "Disclosure Statement"). The Disclosure Statement describes in detail a Plan that proposes to pay all creditors in full and incorporates a key settlement between the Debtors, the Individual Defendants and the Labor Plaintiffs.[3] The Disclosure Statement satisfies the legal requirements set forth in section 1125 of the Bankruptcy Code and the Court should authorize the Debtors to solicit votes to accept or reject the Plan.

2. Even though the Plan provides for payment to all creditors in full and is supported by key stakeholders, the United States Trustee (the "U.S. Trustee") filed this Objection.[4] The U.S. Trustee asserts that (i) the Disclosure Statement fails to provide meaningful details regarding the available proceeds remaining from the private sale of the Debtors' assets; (ii) the Disclosure Statement fails to provide adequate information regarding the Plan Administration Agreement; (iii) the Disclosure Statement, in conjunction with the Plan, improperly imposes third-party releases on creditors without their affirmative consent; and (iv) the Ballots do not concisely explain the effect of the Third-Party Releases and the "opt-out" option to the creditor body. As set forth herein, each of the objections of the U.S. Trustee to the Disclosure Statement either will be addressed by the amendments and revisions to the Solicitation and Voting Procedures or should be overruled.

[3] The Labor Plaintiffs Settlement was approved by the Court on June 18, 2026. *See* Docket No. 426.

[4] On July 14, 2026, the Official Committee of Unsecured Creditors (the "Committee") filed the *Limited Objection and Reservation of Rights of the Committee of Creditors Holding Unsecured Claims to Conditional Approval of Disclosure Statement* [Docket No. 445] (the "Limited Objection"). In the Limited Objection the Committee states their overall support of the Plan and reserves their rights with respect to three plan confirmation issues – not disclosure statement issues. Since the Limited Objection does not affect the Court's ability to conditionally approve the Disclosure Statement and authorize the solicitation of acceptances of the Plan, the Debtors will not address the Limited Objection at this time.

ARGUMENT

I. The Disclosure Statement Meets the Applicable Standards for Conditional Approval Under Section 1125

3. Section 1125 of the Bankruptcy Code requires that a disclosure statement be approved by the court as containing "adequate information" prior to a debtor's solicitation of acceptances or rejections of a plan. *See* 11 U.S.C. § 1125(b). The determination of whether a statement contains adequate information is made on a case by case basis, focusing on the unique facts and circumstances of each case. *See, e.g.*, *In re Ionosphere Clubs, Inc.*, 179 B.R. 24, 29 (S.D.N.Y. 1995) ("The determination of what is adequate information is subjective and made on a case by case basis. This determination is largely within the discretion of the bankruptcy court.") (internal citation omitted); *In re Nw. Recreational Activities, Inc.*, 8 B.R. 10, 11 (Bankr. N.D. Ga. 1980) ("The quality of the Disclosure Statement which will qualify as 'adequate information' will vary with the circumstances. The kind and form of information is left to the judicial discretion of the court on a case by case basis."); *In re Brandon Mill Farms, Ltd.*, 37 B.R. 190, 191–92 (Bankr. N.D. Ga. 1984) ("Beyond the statutory guidelines described in the definition of 'adequate information,' the decision to approve or reject a disclosure statement is within the discretion of the Bankruptcy Court.").

4. The Disclosure Statement contains adequate information within the meaning of section 1125 of the Bankruptcy Code. Among other things, the Disclosure Statement contains descriptions and summaries of (a) the business, corporate structure, and capital structure of the Debtors (Disclosure Statement, Art. IV); (b) events leading up to the Cases and significant events that have occurred therein, including the sale of the Debtors' assets (Disclosure Statement, Arts. V and VI); (c) estimates of the projected amount of Allowed Claims in each Class and the projected recoveries to be received by Holders of Allowed Claims (Disclosure Statement, Art. VII.B); (d)

treatment of administrative, priority, and non-priority claims (Disclosure Statement, Art. VII.A); (e) the terms of the Plan, including a chart describing the treatment of each Class (Disclosure Statement, Arts. III.C and VII); (f) the injunctions, releases, and exculpations provided by the Plan (Disclosure Statement, Art. VII.H); (g) the feasibility of the Plan and a liquidation analysis under a hypothetical chapter 7 case (Disclosure Statement, Arts. IX.D and IX.E); (h) risk factors that may affect the Plan (Disclosure Statement, Art. VIII); and (i) appropriate disclaimers regarding the Court's approval of information only as contained in the Disclosure Statement and Plan. Despite these numerous descriptions, the U.S. Trustee identifies two very specific topics upon which he claims more information is needed.

5. First, the U.S. Trustee argues that the Disclosure Statement does not include "particulars regarding the remaining sale proceeds." Objection ¶ 15. Yet, in Article IX.D of the Disclosure Statement, the Debtors provide the exact amount of cash on hand remaining from the Private Sale that will be used to pay creditors. *See* Disclosure Statement Art. IX.D ("As of the date of filing this Disclosure Statement, the Debtors held Cash in the amount of $29.2 million and estimate that the Debtors' remaining inventory to be sold has a book value of $500,000."). Therefore, the Debtors have provided specific, detailed financial information that is more than sufficient for any creditor to determine that its claim will be paid in full.

6. Second, the U.S. Trustee argues that the Debtors fail to provide adequate information regarding the Plan Administration Agreement by only filing the Plan Administration Agreement through the Plan Supplement seven days prior to the Voting Deadline. *See* Objection ¶¶ 18-20. Article VII.C.1 of the Disclosure Statement provides that the Plan Administration Agreement shall govern, among other things, (a) the Plan Administrator's management of the Debtors' Assets, (b) the payment of the expenses of the Plan Administrator, (c) the retention of counsel, accountants, financial advisors, or other professionals and the payment of their reasonable

compensation, and (d) the orderly liquidation of the Debtors' Assets, including reconciling any Disputed Claims and distributing the proceeds of the Assets. The specific details of the Plan Administration Agreement remain subject to ongoing discussion and negotiation and therefore the form of the Plan Administration Agreement will be filed as part of the Plan Supplement.

7. Filing a plan supplement is standard practice and proper in this case. The Plan clearly identifies what documents will be included in the Plan Supplement and when the Plan Supplement will be filed (Plan, Art. I.76; Proposed Order ¶ 26). The Combined Hearing Notice informs parties in interest how to access the Plan Supplement and all other Plan documents and how to request them from the Claims and Noticing Agent (Combined Hearing Notice at p. 3).

8. With respect to the deadline for filing the Plan Supplement, a seven-day objection period is commonplace and provides sufficient time for parties to review and object to the material provided therein. *See, e.g., In re OTB Holding LLC, et al.,* Case No. 25-52415-SMS, Docket No. 533 (Bankr. N.D. Ga. July 24, 2025) (approving solicitation and voting procedures that provided only six days between the Plan Supplement Deadline and the Voting Deadline); *In re LaVie Care Ctrs., LLC, et al.,* Case No. 24-55507-PMB, Docket No. 480 (Bankr. N.D. Ga. Oct. 1, 2024) (approving solicitation and voting procedures that provided seven days between the Plan Supplement Deadline and the Voting Deadline).

9. Accordingly, the Debtors submit that the Disclosure Statement contains "adequate information" within the meaning of section 1125 of the Bankruptcy Code and request that the Court approve the Disclosure Statement.

II. The Third-Party Releases Do Not Render the Plan Patently Unconfirmable and the Permissibility of Such Provisions Should be Addressed at the Confirmation Hearing

10. The U.S. Trustee's objection to the Third-Party Releases is a confirmation objection and should be overruled at this time. *See In re LaVie Care Ctrs.,* Case No. 24-55507-PMB, Docket

No. 445 (Bankr. N.D. Ga. Sept. 9, 2024) (conditionally approving the Disclosure Statement and authorizing the Debtors to solicit acceptances of the Plan despite pending objections regarding the third-party release and opt-out election); *In re TK Holdings, Inc.*, Case No. 17-11375 (BLS), Docket No. 1642 (Bankr. D. Del. Jan. 3, 2018) (approving a disclosure statement but declining to rule on releases at the hearing, as such issues are "classically [for] a confirmation hearing"); *In re Molycorp, Inc.*, Case No. 15-11357 (CSS), Docket No. 1050 (Bankr. D. Del. Jan. 8, 2016) (noting that potential issues with releases should be dealt with at confirmation).

11. The Debtors submit that the Third-Party Releases are narrowly tailored, consensual, and comply with applicable law of this jurisdiction. *See, e.g., In re LaVie Care Ctrs.,* Case No. 24-55507-PMB, 2024 Bankr. LEXIS 2900 (Bankr. N.D. Ga. Dec. 5, 2024) (approving third-party releases as consensual where, among other reasons, the opt-out mechanism was clear and conspicuous in the Plan and associated notices and ballots, and creditors retained the right to rebut the presumption that their failure to opt out should be considered consent); *In re AFH Air Pros, LLC, et al.,* Case No. 25-10356-PMB, Docket No. 691 (Bankr. N.D. Ga. Sept. 4, 2025) (same).[5] The Debtors will offer evidence and argument in support of the consensual Third-Party Releases at the Confirmation Hearing.

12. Accordingly, the Court should conditionally approve the Disclosure Statement.

[5] The U.S. Trustee argues that the "facts and circumstances in the present case differ from those present in *LaVie*," but fails to explain what circumstances are present here that would make the releases non-consensual or more objectionable. *See* Objection ¶ 34 n.2. The Debtors have used the same language and followed the same procedure as the debtors in *LaVia and AFH Air Pros.* The only factual difference is that here all creditors are being paid in full, which is another reason that the release should be approved. In fact, the only impaired class of creditors under this Plan have affirmatively consented to these releases pursuant to the terms of the Court-approved Labor Plaintiffs Settlement. *See* Docket No. 379, Exhibit B, Sect. B.

III. The Ballots Concisely Explain the Effect of the Third-Party Release and the Opt-Out Option

13. The Ballots plainly describe the effects and ramifications of the Third-Party Release. Specifically, the Ballots include a disclosure in bold and all caps on the first two pages that the Plan contains a Third-Party Release that limits or releases the liability of certain non-Debtors and may prevent Releasing Parties from suing the Released Parties. The disclosure further states that the Third-Party Release may only be granted consensually, but consent may be shown by failure to act.

14. Although the Debtors believe that the Ballots are clearly formatted, the Debtors will revise the Ballots so that items 1, 2, and 3 (claim amount, vote, and opt out) immediately follow the initial notice provisions and disclosures, and the instructions are moved to the end of the Ballots.

15. With respect to the U.S. Trustee's argument that the Ballots are entirely in English, sufficient notice does not require the Debtors to translate the Ballots in multiple languages. *See In re Caribbean Petroleum Corp.*, 2010 WL 5093632 (Bankr. D. Del. Dec. 8, 2010) (finding that English-only documents did not prejudice the debtors' Spanish-speaking claimants who resided in Puerto Rico). Nevertheless, the Debtors will revise the Ballots to include a Mandarin and Spanish translation of the section of the Ballots that explains the effects and ramifications of the Third-Party Release.

16. The Ballots, as revised, are easily interpretable by creditors.[6] Accordingly, the Debtors request that the Court approve the form of Ballots attached to the Proposed Order as Exhibits 1 and 2.

[6] The revised Ballots will also include certain edits requested by the Committee.

CONCLUSION

WHEREFORE, the Debtors respectfully request that this Court overrule the Objection and enter the Proposed Order and provide such other and further relief as is just and proper.

Dated: July 19, 2026

Respectfully submitted,

GREENBERG TRAURIG, LLP

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Counsel for the Debtors and Debtors in Possession

CERTIFICATE OF SERVICE

I hereby certify that on July 19, 2026, all ECF participants registered in this case were served electronically with the foregoing Reply through the Court's ECF system at their respective email addresses registered with this Court. The Debtors' claims and noticing agent, Kurtzman Carson Consultants, LLC d/b/a Verita Global, will file a certificate of service on the docket to reflect any additional service of the foregoing Reply.

Dated: July 19, 2026

Respectfully submitted,

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