IN THE 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) **Related Docket Nos. 220, 385, 463, 464, 477** **Hearing Date: August 27, 2026, at 10:00 a.m., prevailing Eastern Time**

LIMITED OBJECTION AND RESERVATION OF RIGHTS OF THE AHF PARTIES TO CONFIRMATION OF DEBTORS' CHAPTER 11 PLAN, AMENDED DISCLOSURE STATEMENT, AND PLAN SUPPLEMENT

AHF IC, LLC ("AHF IC") and AHF, LLC ("AHF" and together with AHF IC, collectively, the "AHF Parties"), by and through their undersigned counsel, hereby file this limited objection and reservation of rights (this "Limited Objection") to the *Amended Disclosure Statement for Debtors' Chapter 11 Plan* [ECF No. 464] (the "Disclosure Statement") and *Debtors' Chapter 11 Plan* [ECF No. 385] (the "Plan"), as supplemented by that certain plan supplement attached to the *Notice of Filing of Plan Supplement* [ECF No. 477] (the "Plan Supplement" and together with the Disclosure Statement and Plan, collectively, the "Plan Documents"), filed by the above-captioned

[1] The Debtors in these chapter 11 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 chapter 11 cases is: 1 Wellmade Drive, Cartersville, GA 30121.

debtors and debtors in possession (the "Debtors").[2] In support of this Limited Objection, the AHF Parties respectfully state as follows:

PRELIMINARY STATEMENT

1. Prior to the Sale (as defined herein), AHF was the largest customer of flooring product manufactured by the Debtors in their Cartersville, Georgia facility. In the ordinary course, a percentage of the amount of flooring product that the Debtors manufactured turned out to be defective. Because of the ongoing commercial relationship, the Debtors and AHF would resolve the costs associated with the defective product through credits and offsets against future purchases by AHF. After the Debtors filed their Chapter 11 cases, AHF continued to be the Debtors' largest customer, and on November 7, 2025, AHF IC successfully acquired the Cartersville facility assets pursuant to a Sale (as defined herein) authorized by this Court.

2. In the lead-up to the Closing Date (as defined herein), the Debtors and the AHF Parties disagreed about the quantum of the purchase price deduction to which AHF IC was entitled under the APA (as defined herein) on account of AHF's product quality claims. Not wanting to let that issue hold up the closing, the parties escrowed an estimated amount of the product quality claims with the goal of resolving it expeditiously. In the intervening period, the AHF Parties have provided substantial support for their product quality claims. Compounding the issue, soon after the Closing Date it became increasingly apparent that there was a substantial increase (relative to historical averages) in the amount of defective product shipped to AHF in the months preceding the Closing Date. The amount of defective product for which AHF is entitled to a deduction or

[2] Capitalized terms used but not otherwise defined shall have the meanings ascribed to such terms in the Plan.

offset materially exceeds the Escrow Amount (i.e., the amount that the parties had previously set aside to resolve this dispute).

3. The AHF Parties and the Debtors continue to engage in constructive discussions regarding resolution of AHF's product quality claims with the common goal of reaching a consensual resolution. The AHF Parties file this Limited Objection solely to the extent that anything in the Plan Documents operates to limit or impair the AHF Parties' rights and remedies under the AHF Inventory Agreement, the APA, the Sale Order, the Escrow Agreement (each as defined below), and applicable law. The AHF Parties' claims currently exceed the Escrow Amount, and the AHF Parties reserve all rights with respect to their claims against the Debtors' estates for amounts in excess of the Escrow Amount. To that end, the AHF Parties object to the Plan Documents, including, without limitation, the release, exculpation, and injunction provisions therein, to the extent any such provision may be used to limit or impair the AHF Parties' recovery against the Debtors in connection with their claims.

BACKGROUND

4. On August 4, 2025 (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Northern District of Georgia (the "Court"), commencing the above-captioned chapter 11 cases (the "Chapter 11 Cases").

5. Prior to the Petition Date, AHF and Wellmade Floor Coverings International, Inc. ("WFCI") were parties to that certain Purchase Agreement for HDPC Rigid Core Vinyl Flooring, dated as of August 1, 2020 (as amended from time to time, the "AHF Inventory Agreement"), pursuant to which the Debtors manufactured hard surface flooring products, including High-

Density Polymer Composite ("HDPC") rigid core vinyl flooring, and sold such products to AHF on the terms set forth therein. The commercial arrangement contemplated by the AHF Inventory Agreement continued up to and through the Closing Date (as defined herein).

6. In the ordinary course of the commercial relationship between AHF and WFCI, AHF accrued product quality claims against the Debtors because a subset of the HDPC flooring manufactured by the Debtors for AHF was, upon reasonable investigation, determined to have defects that rendered it unsuitable for the purposes for which it was marketed and sold. For years, the Debtors and AHF reconciled these product quality claims in the ordinary course of business by (i) reaching consensus on the amount of defective product and the corresponding price, and (ii) allowing AHF to set off those amounts against new invoices owed by AHF to WFCI. That ordinary course reconciliation process continued until the Petition Date, and product quality claims continued to accrue on a postpetition basis up until, and after, the Closing Date.

7. On October 8, 2025, the Court entered its *Order (A) Approving the Private Sale of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances, and Interests, (B) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (C) Granting Related Relief* [ECF No. 220] (the "Sale Order"), approving the private sale of substantially all of the Debtors' assets to AHF IC (the "Sale") pursuant to the Second Amended and Restated Asset Purchase Agreement, dated as of September 16, 2025, by and among the Debtors and AHF IC (the "APA"). The Sale closed on November 7, 2025 (the "Closing Date"). *See* ECF No. 259.

8. Under the APA, the cash payment due to the Debtors at closing was calculated by reducing the $58,500,000.00 purchase price by, among other things, "the aggregate amount of the

remaining obligations of the Sellers under the AHF Inventory Agreement as of the Closing Date," and AHF IC expressly assumed "all remaining obligations of the Sellers under the AHF Inventory Agreement." *See* APA, Article I (definition of "Closing Cash Payment"); *id.* § 2.3(e). The AHF Parties maintain that AHF's unpaid product quality claims on account of product delivered prior to the Closing Date constitute a subset of those remaining obligations under the AHF Inventory Agreement.

9. In advance of the Closing Date, the AHF Parties and the Debtors were unable to reach agreement on the amount of product quality claims that would constitute remaining obligations under the AHF Inventory Agreement to be deducted from the cash payment due at closing. As a result, the parties agreed that the amount of the product quality claims projected by AHF would be set aside in an escrow account until such time as the dispute was resolved. Accordingly, following the closing of the Sale, AHF IC and the Debtors entered into that certain escrow agreement (the "Escrow Agreement"), pursuant to which AHF IC deducted $1,386,522.00 from the purchase price cash payment under the APA and placed that amount (the "Escrow Amount") in escrow with Synovus Bank, as escrow agent (the "Escrow Agent"). As of the date hereof, the product quality claims associated with the Escrow Amount have not been resolved, and the Escrow Amount remains on deposit with the Escrow Agent.

10. On November 20, 2025, in advance of the November 21, 2025 claims bar date established by the Court's *Order (I) Setting A Bar Date For Filing Proofs of Claim; (II) Setting An Amended Schedules Bar Date; (III) Setting a Rejection Damages Bar Date; (IV) Approving the Form of and Manner For Filing Proofs of Claim; (V) Approving the Notice of the Bar Dates; and (VI) Granting Related Relief* [ECF No. 222], the AHF Parties timely filed a proof of claim against

the Debtors, docketed as Claim No. 62 (the "AHF Claim"), asserting a claim in the amount of at least $1,386,522.00 on account of AHF's product quality claims relating to product delivered by the Debtors to AHF prior to the Closing Date.

11. The AHF Claim asserts that AHF is entitled to reimbursement for such product quality claims and that, correspondingly, AHF IC is entitled to a credit against the purchase price under the APA in that amount because such amount constitutes the "aggregate amount of the remaining obligations of the Sellers under the AHF Inventory Agreement." The AHF Claim further provides that, in the event it is determined that the product quality claims do not arise under or are not owing under the AHF Inventory Agreement, the AHF Claim also serves as a claim in the same amount for non-contractual tort damages suffered by AHF as a result of its purchase of defective products from the Debtors. The AHF Claim expressly reserves additional claims. The AHF Parties' claims against the Debtors' estates currently exceed the Escrow Amount, and the AHF Parties reserve the right to amend, modify, or supplement the AHF Claim.

12. On June 1, 2026, the Debtors filed the Plan. On July 22, 2026, the Debtors filed their amended Disclosure Statement. The Court thereafter entered an order [ECF No. 463] (the "Solicitation Procedures Order") that, among other things, approved the Disclosure Statement on an interim basis as containing adequate information pursuant to section 1125(a) of the Bankruptcy Code, subject to final approval at the combined hearing, and authorized the Debtors to solicit acceptances of the Plan. On August 10, 2026, the Debtors filed the Plan Supplement. The Court has scheduled a combined hearing to consider final approval of the Disclosure Statement and confirmation of the Plan for August 27, 2026, at 10:00 a.m. (prevailing Eastern Time), with objections due on or before August 20, 2026, at 4:00 p.m. (prevailing Eastern Time).

LIMITED OBJECTION AND RESERVATION OF RIGHTS

13. The Plan defines "Causes of Action" to expressly include "any Claims relating to the Escrow Amount." *See* Plan, Article I.A, ¶ 18(e). The Plan separately defines the "Escrow Amount" as "the $1,386,522.00 held back by AHF IC, LLC on account of alleged product quality claims from the purchase price cash payment under [the APA] . . . which was placed in escrow with Synovus Bank, as escrow agent." *See* Plan, Article I.A, ¶ 46. The Plan provides that "the Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action (including, without limitation, any Causes of Action for the Escrow Amount), whether arising before or after the Petition Date and such rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date." *See* Plan, Article IV.E.

14. The Plan expressly preserves the Debtors' rights with respect to the Escrow Amount but does not contain any corresponding or reciprocal provision preserving the AHF Parties' rights, claims, or remedies with respect to the Escrow Amount. This asymmetry prejudices the AHF Parties, particularly because the Plan's release, exculpation, and injunction provisions potentially extinguish the AHF Parties' claims and their setoff and recoupment rights. *See* Plan, Article IX.C, IX.D, IX.E, and IX.F. The AHF Parties' rights should be preserved on the same terms as those of the Debtors, consistent with Article IV.I of the Plan, which provides that "nothing in this Plan shall affect, impair or supersede the Sale Order or Sale Documents, each of which remains in full force and effect and governs in the event of any inconsistency with the Plan."

15. Accordingly, the AHF Parties object to any provision of the Plan, the Confirmation Order, or any other Plan Document that would operate to limit, impair, release, discharge, enjoin,

or otherwise prejudice the AHF Parties' rights and remedies with respect to its product quality claims and the Escrow Amount (and with respect to amounts in excess of the Escrow Amount, whether asserted as an administrative expense claim, a general unsecured claim, or both), including without limitation any rights arising under the AHF Inventory Agreement, the APA, the Sale Order, the Escrow Agreement, the AHF Claim, or applicable law.

16. The AHF Parties expressly reserve all of their rights, claims, defenses, and remedies with respect its product quality claims and the Escrow Amount, including, without limitation, all rights under: (i) the Sale Order; (ii) the Escrow Agreement and the escrow arrangement with the Escrow Agent; (iii) the APA, the AHF Inventory Agreement, and all other agreements governing or relating to the Sale and the parties' commercial relationship; (iv) the AHF Claim, including all rights of setoff and recoupment asserted therein; and (v) applicable non-bankruptcy law.

17. As discussed above, the AHF Parties are continuing discussions with the Debtors toward a consensual resolution of the AHF Parties' claims against the Debtors estates, including, without limitation, with respect to the Escrow Amount. The AHF Parties file this Limited Objection to ensure that their rights, claims, and remedies with respect to the Escrow Amount are expressly preserved and are not inadvertently limited or adversely affected by any provision of the Plan, the Confirmation Order, or any other Plan Document.

CONCLUSION

WHEREFORE, the AHF Parties respectfully request that the Court (i) provide in the Confirmation Order that no provision of the Plan, the Confirmation Order, or any other Plan Document be construed to limit, waive, release, discharge, enjoin, or otherwise affect the AHF

Parties' rights, claims, and remedies with respect to their product quality claims and the Escrow Amount; and (ii) grant such other and further relief as is just and proper.

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Dated: August 19, 2026

KING & SPALDING LLP

/s/ Christopher K. Coleman

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CERTIFICATE OF SERVICE

I, Christopher K. Coleman, hereby certify that on August 19, 2026, I caused a true and correct copy of the foregoing *Limited Objection and Reservation of Rights of AHF IC, LLC and AHF, LLC to Confirmation of Debtors' Chapter 11 Plan, Amended Disclosure Statement, and Plan Supplement* to be served electronically via the Court's CM/ECF electronic noticing system on all parties registered to receive electronic service in the above cases and via email and first-class U.S. Mail on the parties set forth below.

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Dated: August 19, 2026

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