UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

In re:	)	Chapter 11
WELLMADE FLOOR COVERINGS INTERNATIONAL, INC., et al.,[1]	)	Case No. 25-58764-sms
Debtors.	)	(Jointly Administered)
	)	**[Relates to Docket No. 385]**

LIMITED OBJECTION OF THE COMMITTEE OF CREDITORS HOLDING UNSECURED CLAIMS TO THE DEBTORS' CHAPTER 11 PLAN

The Committee of Creditors Holding Unsecured Claims (the "Committee") of the above-captioned debtors and debtors in possession (the "Debtors") hereby files this limited objection (this "Limited Objection") to the *Debtors' Chapter 11 Plan* [Docket No. 385], as may be amended from time to time (the "Plan")[2] and respectfully states as follows:

PRELIMINARY STATEMENT

24. This is a solvent debtor case. While the Plan purports to leave Class 4 General Unsecured Claims unimpaired—a result the Committee helped to achieve—the Plan actually impairs those claims, and does so in two ways. First, the Plan proposes to alter a creditor's contractual right to receive interest at the stated contract rate by reducing the interest rate to the *lower* of the stated contract rate or the federal judgment interest rate. The Plan must be modified to provide for payment of interest at the *higher of* (a) the Federal Judgment Rate or (b) as applicable (i) the contract rate or (ii) state law rate (the "Applicable Rate"). Second, the Plan provides that the Debtors expressly reserve

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

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the right to assert preference claims against Class 4 claimants, even though they are supposedly unimpaired and being paid in full in this solvent debtor case. Preference claims logically should not be asserted under a full-pay plan, and by preserving the right to pursue preference claims against Class 4 claimants, the Debtors are causing a value-destructive, circular result that benefits only professionals, harms equity, and delays distributions to creditors who otherwise should receive distributions sooner. Accordingly, the Plan should be modified to correct these two deficiencies.[3]

BACKGROUND

25. 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 (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of Georgia (the "Court"), commencing the above-captioned cases (the "Chapter 11 Cases").

26. The Committee has been a constructive party in these cases, essentially creating a solvent debtor case by: resolving issues with the DIP financing; materially improving the sale that resulted in payment of secured lender claims and assumption of significant liabilities; and encouraging mediation with the labor plaintiffs, during which the Committee worked closely with Judge Cavender, leading to a successful settlement. All these efforts have proved fruitful, paving the way for not only unsecured creditors to be paid in full with interest, but also leading to a return to equity.

27. On June 1, 2026, the Debtors filed the Plan, providing for Class 4 General Unsecured Claims to receive the following treatment:

> In full and final satisfaction of each General Unsecured Claim (unless the applicable Holder agrees to a less favorable treatment), each Holder thereof will receive payment in full in Cash rendering such Claim Unimpaired. The Allowed amount of any General Unsecured Claim shall include interest accrued from the Petition Date through the date of payment of such Claim at the lower of the Federal Judgment Rate or the Contract

[3] Because the modifications the Committee seeks would be an improvement to Class 4 General Unsecured Claims, no further solicitation of the Plan is necessary

Rate.

Plan, Art. III.B (4)(b).

28. The term "Unimpaired" is defined to mean "with respect to a Class of Claims or Interests, a Class of Claims or Interests that are unimpaired within the meaning of section 1124 of the Bankruptcy Code, including through payment in full in Cash and applicable post-petition interest." Plan, Art. I.A(50)

29. The term "Federal Judgment Rate" is defined to mean "the interest rate set forth in 28 U.S.C. § 1961(a) as of the Petition Date" *Id.* at Art I.A(96). The Federal Judgment Rate was 4.05% on the Petition Date of August 4, 2025. In *Ultra Petrol. Corp. v. Ad Hoc Comm. (In re Ultra Petrol. Corp.)*, the Court held that, should creditors receive interest on claims at the Federal Judgment Rate, the rate is determined by what the Federal Judgment Rate was on the Petition Date. 51 F.4th 138, n.2 (5th Cir. 2022) ("The Federal Judgment Rate as of April 29, 2016, the date of Ultra's bankruptcy petition (the applicable rate for the confirmed plan) was 54 basis points (0.54%), which is materially lower than the contractual rate, defined as the greater of 2% over either of two benchmark rates"); *Historic Post-Judgment Interest Rates (2000–2025)*, U.S. Bankr. Court S.D. Cal., https://www.casb.uscourts.gov/sites/casb/files/historic_rates_new.pdf. Under the Plan and section 1126(f) of the Bankruptcy Code, General Unsecured Claims are presumed to accept the Plan and are not entitled to vote.

30. Article IV.E of the Plan states that: "Unless a Cause of Action against a Person is expressly waived, . . . the Debtors, expressly reserve all Causes of Action for later adjudication." *Id.* Art. IV.E. "Causes of Action" include "claims pursuant to sections 362, 510, 542, 543, 544 through 550, or 553 of the Bankruptcy Code, including, for the avoidance of doubt, Avoidance Actions." *Id*. art. I.A(18). Despite Class 4 General Unsecured Claims being "unimpaired," the Debtors continue to retain the Avoidance Actions against them.

LIMITED OBJECTION

A. THE PLAN'S TREATMENT OF THE GENERAL UNSECURED CLASS RENDERS THAT CLASS IMPAIRED BECAUSE THE DEBTORS' SOLVENCY ENTITLES CREDITORS TO POSTPETITION INTEREST AT THE APPLICABLE RATE, NOT THE LOWER FEDERAL JUDGMENT RATE

I. The Governing Standard: A Class Is Not "Unimpaired" Unless the Plan Leaves the Holders' Rights Entirely Unaltered

8. Section 1124(1) of the Bankruptcy Code provides that a class of claims is impaired under a plan unless the plan "leaves unaltered the legal, equitable, and contractual rights to which such claim . . . entitles the holder of such claim." 11 U.S.C. § 1124(1). Courts have long recognized that section 1124(1) "define[s] impairment in the broadest possible terms," such that "any change in legal, equitable[,] or contractual rights creates impairment." *Di Pierro v. Taddeo* (*In re Taddeo)*, 685 F.2d 24, 28 (2d Cir. 1982); *accord, Solow v. PS Enters. (U.S.), Inc. (In re PPI Enters. (U.S.), Inc.)*, 324 F.3d 197, 202 (3d Cir. 2003) ("If the debtor's Chapter 11 reorganization plan does not leave the creditor's rights entirely 'unaltered,' the creditor's claim will be labeled as impaired under § 1124(1) of the Bankruptcy Code.").

9. Impairment is measured against what the plan itself provides, not against limitations that arise solely by operation of the Bankruptcy Code. *See Ultra Petrol. Corp. v. Ad Hoc Comm. (In re Ultra Petrol. Corp.)*, 943 F.3d 758, 763 (5th Cir. 2019) (creditor is impaired under § 1124(1) "only if 'the plan' itself alters a claimant's legal, equitable, [or] contractual rights"); *Ad Hoc Comm. v. Pacific Gas & Electric Co*. (*In re PG&E Corp.)*, 46 F.4th 1047, 1063 n.11 (9th Cir. 2022). Here, it is the Plan—not any provision of the Code—that limits the Class to the Federal Judgment Rate instead of the Applicable Rate. That limitation is therefore "plan impairment" subject to full scrutiny under section 1124(1), which requires the unsecured creditors to be solicited.

II. The Eleventh Circuit Recognizes the "Solvency Exception" Requiring Solvent Debtors to Pay Postpetition Interest

10. This Court need not break new ground to sustain this Objection. The Eleventh

Circuit has already recognized—and a bankruptcy court sitting in this state has already applied—the very doctrine that entitles the General Unsecured Class to their Applicable Rate interest here.

11. In *Equitable Life Assur. Soc. v. Sublett* (*In re Sublett)*, 895 F.2d 1381 (11th Cir. 1990), the debtors argued, relying on the Supreme Court's decision in *Vanston Bondholders Protective Comm. v. Green*, 329 U.S. 156 (1946), that awarding a creditor postpetition interest would be "unfair to the other creditors." 895 F.2d at 1384–85. The Eleventh Circuit rejected that argument as "fatally flawed," explaining that *Vanston* itself recognized "the principle—long established under pre-Code bankruptcy law—that claims for post-petition interest should be allowed in full where the debtor's estate ultimately proves to be solvent (*i.e.*, where the debtor's assets are sufficient to pay the claims of *all* creditors)." *Id.* at 1385–86 (citing *Vanston*, 329 U.S. at 164–65). The court held that this "solvency exception" survives under the current Bankruptcy Code and remanded for the bankruptcy court to determine, among other things, "whether the . . . bankruptcy estate is solvent"—a finding the Eleventh Circuit treated as an independent basis for awarding postpetition interest, and applied the contractual rate. *Id.* at 1386 & n.13.

III. A Georgia Bankruptcy Court Applying *Sublett* Has Awarded an Unsecured Creditor of a Solvent Debtor Interest at the Default Contract Rate—and Rejected the Very "Legal Rate" Argument the Debtors Are Making Here

12. In *In re Scarborough*, No. 91-41032, 1992 Bankr. LEXIS 2478 (Bankr. M.D. Ga. Dec. 31, 1992), the debtor—like the Debtors here—was solvent, and the debtor's Chapter 11 plan was confirmed subject to a stipulation reserving for later determination whether an unsecured creditor was entitled to postpetition interest and, if so, at what rate. *Id.* at *1. The debtor argued that, at most, the creditor was entitled only to the generic Georgia statutory "legal" rate, not the higher rate specified in the parties' contract. *Id.* at *2. The court rejected that argument. Relying expressly on *Sublett*, it held that "the Eleventh Circuit recognizes the solvency exception," under which "two factual issues have to be decided before a court can determine if interest is allowable

. . . : (1) [w]hether the creditor is oversecured; and (2) [w]hether the bankruptcy estate is solvent." *Id.* at *6–7 (citing *Sublett*, 895 F.2d at 1386).

13. Surveying decisions from the First and Sixth Circuits and bankruptcy courts nationwide, the *Scarborough* court explained that "the basic policy behind the solvency rule is that a debtor who is solvent should not recover money when the unsecured creditors have not received the benefit of the interest for which they bargained." *Id.* at *3. It accordingly awarded the unsecured creditor postpetition interest at the default contract rate—rejecting both the nondefault contract rate and the Georgia statutory legal rate as options. *Id.* at *2–3, *11–12.

14. *Scarborough*'s reasoning applies with full force here. The Debtors are solvent as evidenced by the proposed Plan. The General Unsecured Class is precisely the kind of creditor *Sublett* and *Scarborough* protect: creditors who bargained for their contractual rate of interest and who, absent relief, would see that bargain nullified so that the benefit of it—the spread between the Applicable Rate and the far lower Federal Judgment Rate—inures to equity instead. That is the exact "unfair[ness]" the Eleventh Circuit condemned in *Sublett* and the exact windfall *Scarborough* refused to permit.[4]

IV. The Recent, Growing Consensus Among the Courts of Appeal Confirms That the Eleventh Circuit's Approach Is Correct

15. The result compelled by *Sublett* and *Scarborough* is confirmed, not undermined, by the wave of recent circuit authority applying the same "solvent-debtor exception" in high-profile modern chapter 11 cases. The Fifth Circuit held that "the solvent-debtor exception is alive and well" and that the Code's disallowance of unmatured interest "did not abrogate the exception with 'unmistakable' clarity." *Ultra Petrol. Corp. v. Ad Hoc Comm.* (*In re Ultra Petrol.*

[4] Any contrary result the Debtors might invoke, such as *Thompson v. Kentucky Lumber Co.* (*In re Kentucky Lumber Co.)*, 860 F.2d 674 (6th Cir. 1988), is inapposite. In *In re Kentucky Lumber Co.*, the unsecured creditors were denied postpetition interest because they had voted to accept the plan and the debtor was insolvent as of the plan's effective date—the opposite of the facts here. *Id.*

Corp.), 51 F.4th 138, 156 (5th Cir. 2022) ("*Ultra II*"). The Ninth Circuit likewise held that "unsecured creditors possess an 'equitable right' to postpetition interest [under section 1124(1)] when a debtor is solvent," and that a plan denying that right does not render the class unimpaired. *PG&E Corp.*, 46 F.4th at 1058. And the Third Circuit—grounding its analysis in the absolute priority rule codified at section 1129(b)—held that a solvent debtor must pay creditors interest "in keeping with the valid terms of the contract" before any distribution may be made to equity. *Wells Fargo Bank v. Hertz Corp.* (*In re Hertz Corp.)*, 120 F.4th 1181 (3d Cir. 2024), *cert. denied*, No. 24-1062, 2026 WL 79954 (U.S. Jan. 12, 2026). No court of appeals to address the solvent-debtor exception in the modern era has held otherwise. This Court's own Circuit reached the same result more than three decades ago in *Sublett*.

V. The Federal Judgment Rate Is, at Most, a Floor—Not a Ceiling—on What an Unimpaired Creditor Must Receive

16. Any argument that section 726(a)(5)'s reference to interest "at the legal rate" caps postpetition interest at the Federal Judgment Rate under 28 U.S.C. § 1961(a) fails for the same reason the parallel "Georgia legal rate" argument failed in *Scarborough*. Section 726(a)(5) establishes the minimum an impaired class must receive to satisfy the "best interests of creditors" test in a cramdown, 11 U.S.C. § 1129(a)(7)(A)(ii); *In 431 W. Ponce De Leon, LLC*, 515 B.R. 660, 675 (Bankr. N.D. Ga. 2014); it does not define, let alone cap, what an unimpaired class must receive to remain unimpaired. As the Fifth Circuit has explained, "the legal rate" in section 726(a)(5) "only sets a floor—not a ceiling—for what an impaired (and by implication, unimpaired) creditor is to receive." *Ultra II*, 51 F.4th at 158–59. Just as the *Scarborough* debtor could point to no authority entitling it to pay merely the Georgia legal rate, 1992 Bankr. LEXIS 2478, at *2, the Debtors here can point to none entitling it to pay merely the Federal Judgment Rate.

17. The case *In re Robinson*, 567 B.R. 644 (Bankr. N.D. Ga. 2017), does not compel a different result. In *Robinson*, Judge Sacca determined that in a chapter 7 liquidation of a solvent

debtor, the applicable rate of postpetition interest on unsecured claims pursuant to section 726(a)(5) is the federal judgment rate. As acknowledged by the court in *Robinson*, its holding may not extend to all possible bankruptcy contexts: "Not only do [chapter 11 plan confirmation issues] involve different issues not involved in a Chapter 7 case, but they also involve different Code sections and are subject to potentially different policy concerns. Because the Court does not have those issues before it today in this Chapter 7 case, it will not address them in this Order." *Id.* at 651. Indeed, within the Eleventh Circuit, the solvent debtor doctrine leads to different results where they arise outside of the statutory framework of section 726 as in the *Scarborough* and *Sublett* decisions.

18. At issue here is not whether the minimum statutory mandate of section 726 has been satisfied, but rather an equitable principle that unimpaired creditors have a right to no less favorable treatment than impaired creditors, including the right to vote, as well as the very meaning unimpairment under section 1124: *i.e.*, that unsecured creditors' state law rights must be left unaltered. The solvency doctrine must be applied within the context of unimpaired state law rights. *Ultra II*, *supra*.

VI. Application to This Case

19. The Debtors' own Liquidation Analysis set forth in the Disclosure Statement[5] establishes that the Debtors are solvent within the meaning of *Sublett* and *Scarborough*: assets exceed liabilities by approximately $10.1 million, and the Plan proposes to distribute this remainder to holders of Interests in Class 5 on account of equity. *See* Plan Art. 3(B)(5); Disclosure Statement at Art. VII.B(2)(v); IX.D. The Debtors disclose $29.2 million of Cash on hand as of July 22, 2026, plus $500,000 of estimated inventory to be sold. *See* Disclosure Statement at Art. IX.D. Conversely, there are approximately $19.6 million of claims against the Debtors, some of which

[5] *Amended Disclosure Statement for Debtors' Chapter 11 Plan* [Docket No. 464] (the "Disclosure Statement").

are disputed and potentially subject to objection. Notwithstanding this large equity cushion of at least $10.1 million, Article III.B(4) of the Plan designates Class 4 (General Unsecured Claims) as unimpaired pursuant to section 1126(f), while providing that such claims will accrue postpetition interest at *the lower* of the Federal Judgment Rate, which was 4.05% on the Petition Date, and the contractual interest or default rate. *See* Plan Art. III.B(4).

20. As evidenced by at least one filed claim, certain creditors may be entitled to a contract rate higher than 4.05%. For example, claim number 59 filed by Flooring Investments, LLC asserted in the amount of $3,960,459.71, attaches a promissory note that indicates on its face, that the creditor is entitled to a contractual interest rate of at least 8% or, if the default rate applies, "(i) the greater of (A) 12% per annum and (B) the highest rate then in effect on any of the Company's debt payable to lenders, or (ii) the maximum allowed by applicable law." Applying the Federal Judgment Rate of 4.05% (as proposed under the Plan) impairs this creditor's claim by resulting in a lower recovery than the creditor would have received under the contract outside of bankruptcy proceedings. Under *Sublett* and *Scarborough*, that treatment strips the Class 4 General Unsecured Claim holders of a valuable contractual and equitable right, and therefore "alters" their "legal, equitable, and contractual rights" within the meaning of section 1124(1). Because the Plan does not leave Class 4 Claimholders' rights "unaltered," that Class is impaired under section 1124(1), as this Circuit's own precedent in *Sublett* and its application in *Scarborough* confirm. The Plan cannot be confirmed unless and until it is amended to provide holders of General Unsecured Claims with post-petition interest at the Applicable Rate or the Unsecured Creditor Class is solicited.

VII. For Class Members Holding Open Accounts Without a Stated Contract Rate, the Correct Rate Is the Higher of the Applicable Rate

21. Not every holder of a General Unsecured Claim holds a claim arising under a written contract that specifies an interest rate. Some hold open-account or trade claims for goods

or services furnished to the Debtors, with no contractual interest provision at all. Neither *Sublett* nor *Scarborough* presented that precise question, because both involved creditors with an express contract rate. The Committee is aware of no decision, in this Circuit or elsewhere, resolving the exact rate owed to render a true open-account creditor unimpaired. The absence of on-point authority, however, does not leave the question unanswered; it follows directly from the principles already established above

22. First, Section 1124(1) protects not only "contractual" rights but also the "legal [and] equitable" rights the creditor holds outside of bankruptcy. 11 U.S.C. § 1124(1). Where no contract specifies a rate, the creditor's "legal" right to interest arises from state statutory law instead. In Georgia, the owner of a "commercial account" may charge interest of up to 1.5% per month (18% per annum), without any agreement to that effect, on any portion of the account that has been due and payable for 30 days or more. O.C.G.A. § 7-4-16. Where a claim does not qualify as a "commercial account" within the meaning of that section, Georgia's general default "legal rate" of 7% per annum applies in the absence of a contractual rate. O.C.G.A. § 7-4-2(a)(1)(A). Either way, this is precisely the sort of pre-petition, non-bankruptcy legal entitlement that Section 1124(1) requires a plan to leave "unaltered" to render a claim unimpaired. See *In re PG&E Corp.*, 46 F.4th at 1053, 1058 (holding that unimpaired unsecured creditors possess an equitable right to post-petition interest at "the contractual or default state law rate," and applying the state statutory default rate to trade creditors whose agreements did not specify an interest rate).

23. Second, the Federal Judgment Rate under 28 U.S.C. § 1961(a) independently operates as a floor beneath any unimpaired creditor's recovery, regardless of what a state statute would otherwise yield. As explained above, an impaired creditor voting against a plan is guaranteed no less than "interest at the legal rate" under Sections 726(a)(5) and 1129(a)(7)(A)(ii)—which the weight of authority construes as the Federal Judgment Rate. See *supra* Section 6; *In re*

Cardelucci, 285 F.3d 1231, 1234 (9th Cir. 2002). Because an unimpaired creditor cannot, by definition, be left worse off than a hypothetical impaired creditor, see *Ultra II*, 51 F.4th at 158–59 (the "legal rate" is "a floor—not a ceiling"), the Federal Judgment Rate necessarily operates as an independent statutory minimum for the Class as a whole, including its open-account members.

24. Third, these two floors are not alternatives from which a plan proponent may simply select the lower. Each rests on independent legal authority—one on the creditor's state-law entitlement preserved by Section 1124(1), the other on the Code's own guarantee that an unimpaired class fares no worse than an impaired one. Because a plan cannot lawfully deprive a claimant of either floor, the correct post-petition rate for any open-account member of the Class is the *higher* of the two: the applicable Georgia statutory rate under O.C.G.A. § 7-4-16 or § 7-4-2(a)(1)(A), or the Federal Judgment Rate under 28 U.S.C. § 1961(a), whichever yields the greater recovery. In the current interest-rate environment the Georgia statutory rates will typically exceed the Federal Judgment Rate, see, e.g., *In re PG&E Corp.*, 46 F.4th at 1053 (contrasting the "significantly higher" state default rate with the Federal Judgment Rate), but the rule proposed here does not depend on which rate happens to be larger in a given period; it depends only on ensuring that neither of the Class's two independent legal entitlements is extinguished.

25. No court has yet had occasion to adopt this precise formulation, because in the reported decisions applying the state-or-contract-rate approach, the state or contract rate has invariably exceeded the Federal Judgment Rate, making the comparison unnecessary. See, e.g., *id.*; *Ultra II*, 51 F.4th at 158–59. But the reasoning of *Sublett*, *Scarborough*, *Ultra II*, and *PG&E* leads to one result: an unimpaired creditor's rights must remain "unaltered," and a plan may not select, from among the several floors the Code and state law independently supply, only the lowest one. *Sublett*, 895 F.2d at 1385–86.

26. Accordingly, the Plan must be modified to permit an Unsecured Creditor

Claimant to receive the higher of the stated rate or, if no stated rate, the higher of the rate permitted under Georgia law or the Federal Judgment Rate.

B. RETENTION OF AVOIDANCE ACTIONS IN A FULL-PAY PLAN WHERE THE DEBTORS ARE SOLVENT IS INAPPROPRIATE

27. The Committee believes that Avoidance Actions should not be preserved. Why? For two reasons. First, the vast majority of Avoidance Actions were purchased[6] and released[7] by the Stalking Horse Purchaser. *See* Paragraph 17 of the Sale Order, and Exhibit "A" to the Stalking Horse Agreement attached to the Sale Order. Second, even if the Avoidance Actions were not released (and only the Avoidance Actions against the Debtors' insiders remain with the Debtors' estate), the pursuit of Avoidance Actions in these cases is circuitous and value-destructive to the estates due to the associated costs without any corresponding benefit. As observed by the court in *Adelphia Recovery Trust:*

> The legislative history of section 547 also emphasizes that a goal of the preference provisions is to facilitate "the prime bankruptcy policy of equality of distribution among creditors of the debtor." Given this objective, *it is illogical for a debtor to be permitted to invoke section 547 if its creditors have all been paid in full.*
>
> [I]n light of the payment-in-full to creditors of the Obligor Debtors under the Joint Plan, recovery by the debtor under section 547 would have a completely circular result: "[s]ince all other creditors would have already been paid in full . . . the debtor would be required to pay back the avoided and recovered payment to the same party

[6] Specified Avoidance Actions were acquired under the Stalking Horse APA. *See* the *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* [Docket No. 220] (the "Sale Order"). Paragraph 17 of the Sale Order states:

> "Notwithstanding anything in the Purchase Agreement to the contrary, the definition of "Specified Avoidance Actions" shall mean, subject to the limitations set forth in subsection (v) herein, all Avoidance Actions (i) against the Buyer or any of its Affiliates, (ii) against all of Sellers' vendors, suppliers, merchants, manufacturers, counterparties, customers and trade creditors with whom the Buyer continues to conduct business in regard to the Acquired Assets after the Closing, (iii) relating in any way to the Acquired Assets (including any Assumed Contract) or Assumed Liabilities, and (iv) any entity that is a transferee, successor, or affiliate, or for whose benefit a transfer was made, that relates to a party described in subsections (i) – (iii) herein; but (v) "Specified Avoidance Actions" excludes all Avoidance Actions against the Sellers' insiders."

Sale Order ¶ 17.

[7] "[A]ll Specified Avoidance Actions; *provided that, for the avoidance of doubt, neither the Buyer nor any Person claiming by, through, or on behalf of the Buyer (including by operation of law, sale, assignment, conveyance or otherwise) shall pursue, prosecute, litigate, institute or commence an action based on, assert, sell, convey, assign or file any claim that relates to the Specified Avoidance Actions, including setoff claims.*" Sale Order [Docket 220], Purchase Agreement, Ex. A (emphasis added).

> surrendering the preference in satisfaction of that party's claim under Section 502(h)."

Adelphia Recovery Tr. v. Bank of America, 390 B.R. 80, 97 (S.D.N.Y. 2008) (emphasis added; quoting H.R. Rep. No 595 at 117-18 (1977)).

28. If the Debtors were successful at pursuing a preference claim, the Bankruptcy Code provides that the affected claimant would receive an unsecured claim in the same amount pursuant to section 502(h) of the Bankruptcy Code,[8] which claim would then be entitled to receive payment of 100% plus interest under the Plan. The impacted unsecured creditor would end up with a net loss due to the legal fees incurred in defending such preference action, and the estate would suffer a loss from the legal fees of the Debtors' counsel.

29. Recovery of preferential transfer would also violate section 550 of the Bankruptcy Code, which states that "to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, *for the benefit of the estate,* the property transferred, or, if the court so orders, the value of such property . . .." 11 U.S.C. § 550 (a) (emphasis added). Avoidance actions may not be used to profit the "debtors themselves, . . . [to] improv[e] the debtor's own bottom line," or to create a "windfall" for themselves. *Off. Comm. v. Chinery* (*In re Cybergenics Corp.)*, 226 F.3d 237, 244 (3d Cir. 2000); *see also Vintero Corp. v. Corporacion Venezolana de Fomento* (*In re Vintero Corp*.), 735 F.2d 740, 742 (2d Cir. 1984).

30. In a solvent debtor, full-pay plan, preference actions are not supportable under the Bankruptcy Code because "if all creditors stand to be paid in full even without [preference actions], it would not benefit the estate . . . as any extra returns [from the preference actions] would inure to the debtor and not benefit any existing creditor." *Wansdown Prop. Corp. v. Azari* (*In re Wansdown Prop. Corp.)*, 647 B.R. 23, 34 (Bankr. S.D.N.Y. 2022). In *Dunes Hotel,* where the

[8] "A claim arising from the recovery of property under section 522, 550, or 553 of this title shall be determined, and shall be allowed under subsection (a, (b), or (c) of this section . . . as if such claim had arisen before the date of the filing of the petition." 11 U.S.C. § 502(h).

"estate appear[ed] solvent and able to pay all claims in full without resorting to the avoidance," the estate had "no standing to pursue avoidance pursuant to § 550." *Dunes Hotel Assoc. v. Hyatt Corp. (In re Dunes Hotel Assoc.),* 194 B.R. 967, 986, 987 (Bankr. D.S.C. 1995). The circular nature that preference litigation would take in this case ensures that there will be no benefit—direct or indirect—to the estate. "[E]ven applying the broadest application of the 'benefit to the estate' requirement, there is no conceivable benefit to the estate, either directly or indirectly" of Avoidance Actions when all creditors are paid in full. *New Life Adult Med. Care Ctr. v. Failla & Banks LLC (In re New Life Adult Med. Care Ctr.),* No. 13-1076, 2014 WL 6851258, at *6 (Bankr. D.N.J. Dec. 3, 2014) (unpublished). Avoidance Actions provide no benefit to the solvent estate and therefore should be waived in the Plan.

31. Furthermore, the Debtors cannot support a preference claim that would pass the requisite tenets of section 547(b) of the Bankruptcy Code. The Debtors are solvent, and section 547(b)(3) plainly requires that the Debtors be insolvent at the time of the transfer to recover a preferential transfer.[9] Further, sections 547(b)(5)(A) and (C) preclude recovery of preferential transfers where the creditor did not receive more than such creditor would be entitled to receive under chapter 7 or from the plan of that case. *See, e.g., Adelphia Recovery Tr. v. Bank of America*, 390 B.R. at 98. Given the full payment contemplated under the Plan, a preference claim would fail under this element of section 547(b) as well because unsecured creditors are receiving payment of

[9] Section 547(b) provides:

> Except as provided in subsections (c) and (i) of this section, the trustee may, based on reasonable due diligence in the circumstances of the case and taking into account a party's known or reasonably knowable affirmative defenses under subsection (c), avoid any transfer of an interest of the debtor in property— . . .
>
> (3) made while the debtor was insolvent; . . .
>
> (5) that enables such creditor to receive more than such creditor would receive if—
>
> (A) the case were a case under chapter 7 of this title;
>
> (B) the transfer had not been made; and
>
> (C) such creditor received payment of such debt to the extent provided by the provisions of this title.
>
> 11 U.S.C. § 547(b).

100% plus interest in these Chapter 11 Cases, as evidenced by the Liquidation Analysis.

32. If the Debtors insist on threatening to bring preference actions against unsecured creditors by preserving them, the Committee must ask the Court to consider whether the good-faith requirement of section 1129(a)(3) of the Bankruptcy Code has been met. When determining good faith, the Eleventh Circuit examines the entire situation and whether the plan conforms to the Bankruptcy Code's purpose. *McCormick v. Banc One Leasing Corp.* (*In re McCormick),* 49 F.3d 1524, 1526 (11th Cir. 1995) ("The focus of a court's inquiry is the plan itself, and courts must look to the totality of the circumstances surrounding the plan"); *see also In re United Marine, Inc.,* 197 B.R. 942, 947 (S.D. Fla. 1996). *McCormick* also noted that "[w]here the plan is proposed with the legitimate and honest purpose to reorganize and has a reasonable hope of success, the good faith requirements of section 1129(a)(3) are satisfied." 49 F.3d at 1526. The reservation of the Avoidance Actions here serves no legitimate purpose.

33. As noted above, the Avoidance Actions do not benefit the estate. The Debtors are attempting to abuse the bankruptcy laws pertaining to Avoidance Actions, using the law to threaten creditors, something the good-faith requirement is designed to prevent. *See In re United Marine, Inc.,* 197 B.R. at 947 ("[The good faith requirement] is designed to 'prevent abuse of the bankruptcy laws and protect jurisdictional integrity.' *In re Walker*, 165 B.R. 994, 1001 (E.D.Va.1994)"). Therefore, given the totality of the circumstances and given that the Avoidance Actions (i) would violate the purpose of the Bankruptcy Code and (ii) do not serve to legitimately aid the Debtors' reorganization efforts or serve to benefit any creditor, the Debtors are in violation of section 1129(a)(3) of the Bankruptcy Code.

34. "The bankruptcy laws are intended as a shield, not as a sword." *In re Penn Central Transp. Co.*, 458 F. Supp. 1346, 1356 (E.D. Pa.1978). Courts have also struck down times a debtor is "wielding the battle-ax of avoidance as a weapon for the rapacious." *Dunes Hotel Assoc.*

v. Hyatt Corp., 245 B.R. 492, 506 (D.S.C. 2000). This is precisely what the Debtors are attempting to do in the Plan against unsuspecting general unsecured creditors.

C. IMPAIRMENT AND RESERVATION OF RIGHTS

35. Should the Court decline to require modification of the Plan to pay the Applicable Rate, the treatment afforded Class 4 nonetheless alters holders' legal, equitable, and contractual rights, rendering the Class impaired under § 1124(1). Therefore, the Class 4 General Unsecured Claimholders are no longer deemed to accept the Plan under § 1126(f) of the Bankruptcy Code, **and therefore must be solicited**. *See In re Hertz Corp.*, 120 F.4th at 1200 ("impaired creditors may vote on [the plan]"). Absent acceptance by a class, the Plan can only be confirmed "if a court finds that it is 'fair and equitable' to that class, with the burden on the plan proponent." *In re Hertz Corp.*, 120 F.4th at 1200 (citations omitted).

36. If the General Unsecured Creditors remain impaired, the Committee also reserves its right to object to the Plan under the absolute priority rule, which states that holders of junior claims or interests may not receive or retain any property under the plan on account of such junior claim or interest unless senior classes are paid in full or accept the plan. 11 U.S.C. § 1129(b)(2)(B)(ii). The only exception would be *if* the senior class accepts the plan. 11 U.S.C. § 1126(c); *see In re Hertz Corp.*, 120 F.4th at 1201 ("In other words, the Bankruptcy Code entitles every creditor . . . to treatment consistent with absolute priority absent a clear statement to the contrary. . . . The Bankruptcy Code offers a creditor consent at the ballot box as a "front door" to confirm a plan that violates absolute priority"). Any payment to equity interests prior to paying Class 4 General Unsecured Creditors in full would be a direct violation of the absolute priority rule. *See Id.* at 1206 ("To comply with the absolute priority rule . . . Hertz must pay the post-petition interest at the Notes' applicable contract rate, including the Applicable Premiums on the 2026 and 2028 Notes.").

CONCLUSION

WHEREFORE, for the foregoing reasons, the Committee respectfully requests that the Court (i) modify the Plan to improve the Class 4 General Unsecured Claims' treatment to provide for true unimpairment with payment of appropriate interest at the Applicable Rate and waiver of Avoidance Actions, (ii) sustain this Limited Objection, and (iii) grant such other and further relief as the Court deems just and proper. Otherwise, the court should deem Class 4 General Unsecured Claims impaired, and require their solicitation.

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Dated: Augus 20, 2026

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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

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

CERTIFICATE OF SERVICE

I, Anna M. Humnicky, certify that I am over the age of 18 and on this date I filed and served copies of the foregoing *Limited Objection of the Committee of Creditors Holding Unsecured Claims to the Debtors' Chapter 11 Plan* by using the Court's Electronic Case Filing program, which sends a notice of the above-listed document and an accompanying link to the document to the parties who have appeared in this case under the Court's Electronic Case Filing program, as indicated in **Exhibit A**.

This 20th day of August 2026.

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