

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

In re:)	
)	
	)	Chapter 11
WELLMADE FLOOR COVERINGS)	
INTERNATIONAL, INC., <i>et al.</i> , ¹	)	Case No. 25-58764
)	
Debtors.	)	(Joint Administration Requested)
)	

**EMERGENCY MOTION OF THE DEBTORS FOR ENTRY OF INTERIM AND FINAL
ORDERS (I) AUTHORIZING THE DEBTORS TO PAY PREPETITION WAGES,
PAYROLL TAXES, CERTAIN EMPLOYEE BENEFITS, AND RELATED EXPENSES
AND (II) DIRECTING BANKS TO HONOR RELATED TRANSFERS**

The above-captioned debtors and debtors in possession (the “Debtors”) submit this motion (the “Motion”), pursuant to sections 105, 363, 503, 507, 541, 1107, and 1108 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”), and Rules 6003 and 6004(h) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for entry of an interim order, substantially in the form attached hereto as **Exhibit A** (the “Interim Order”), and a final order, substantially in the form attached hereto as **Exhibit B** (the “Final Order”, and together with the Interim Order, the “Proposed Orders”), (i) authorizing, but not directing, the Debtors to continue to honor and pay (a) all prepetition employee obligations as described more fully herein and (b) all prepetition federal and state withholding obligations; (ii) authorizing all banks and other financial institutions at which the Debtors hold accounts (collectively, the “Banks”) to honor and process the Debtors’ prepetition checks and electronic transfer requests for payment of any of the foregoing and prohibiting the Banks from placing holds on, or attempting to reverse, any automatic

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.



transfers on account of the foregoing; and (iii) providing any additional relief to effectuate the foregoing. In support of the relief requested in this Motion, the Debtors rely upon and incorporate by reference the *Declaration of David Baker in Support of Chapter 11 Petitions and First Day Pleadings* (“First Day Declaration”) filed contemporaneously herewith. In further support of this Motion, the Debtors respectfully state as follows:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the Northern District of Georgia (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue is proper in the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory and legal predicates for the relief requested herein are sections 105, 363, 503(b), 507(a)(4), 507(a)(5), 541, 1107, and 1108 of the Bankruptcy Code, Bankruptcy Rules 6003 and 6004(h), and the *Second Amended and Restated General Order 26-2019, Procedures for Complex Chapter 11 Cases*, dated February 6, 2023 (the “Complex Case Procedures”).

BACKGROUND

A. The Chapter 11 Cases

3. On August 4, 2025 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with this Court.

4. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. No official committee has been appointed in the above-captioned chapter 11 cases (the “Chapter 11 Cases”), and no request has been made for the appointment of a trustee or an examiner.

6. Additional information regarding the Debtors' businesses, capital structure, and the circumstances leading to the filing of these Chapter 11 Cases is set forth in the First Day Declaration.

B. The Debtors' Workforce

7. As of the Petition Date, the Debtors employ approximately 125 employees (the "Employees"), nearly all of whom work full-time at the Debtors' Plant in Georgia. None of the Employees are subject to a collective bargaining agreement or similar labor agreement. In addition to the Employees, the Debtors have historically sourced critical labor support from specialized individuals as independent contractors (the "Independent Contractors"), who are retained through an employment agency, Faven LLC ("Faven"). Based on the particular project, the number and skillset of employees needed varies, such that the Independent Contractors are an important supplement to the efforts of the Debtors' Employees.

8. The Employees and Independent Contractors perform a wide range of functions critical to the Debtors' operations and maintenance of their properties, including: (i) designing, producing, and distributing hard surface flooring; (ii) manufacturing; (iii) sales; (iv) marketing; (v) management; (vi) accounting; and (vii) various supply chain operations.

9. The Employees and Independent Contractors are essential to the Debtors' businesses. Many of these individuals are highly trained and have a critical working knowledge of the Debtors' businesses that cannot be replaced easily. Failure to maintain the continued, uninterrupted services of the Employees and Independent Contractors could disrupt the Debtors' reorganization efforts and jeopardize the value of their businesses as a going concern.

10. If the Debtors cannot assure their Employees and Independent Contractors that they will promptly pay prepetition Employee Obligations (as defined below), certain Employees and

Independent Contractors will likely seek employment elsewhere. The loss of Employees or Independent Contractors at this critical juncture would have a material adverse impact on the Debtors' business and ability to maximize value in these Chapter 11 Cases.

C. Employee Obligations

11. As described more fully below, in the ordinary course of business the Debtors have incurred certain prepetition employee obligations that remain unpaid as of the Petition Date. Even though arising prior to the Petition Date, these obligations (collectively, the "Employee Obligations") will become due and payable in the ordinary course of the Debtors' business on and after the Petition Date.² These Employee Obligations can generally be categorized as follows: (a) Wages and Commissions; (b) Independent Contractor Obligations; (c) Payroll Taxes; (d) Medical, Benefit and Retirement Plans, and (e) PTO and Reimbursement Programs. On average, the Debtors' payroll, which incorporates all Employee Obligations (except for Independent Contractor Obligations and Unused PTO) is approximately \$326,000 per pay period.

12. *Wages and Commission.* All Employees are paid wages and salaries (collectively, "Wages") on a biweekly basis on the Friday following the end of each pay period.³ Nearly all of the Employees are paid by check or by electronic fund transfers, i.e., direct deposit. The Debtors estimate that, as of the Petition Date, approximately \$240,000 in Wages payable to the Employees has accrued prepetition.⁴

² No prepetition amount proposed to be paid to any individual Employee will exceed the priority unsecured cap of \$15,150 set forth in 11 U.S.C. § 507(a)(4) and (5) (the "Statutory Cap").

³ The Debtors pay payroll one week in arrears.

⁴ The Debtors' pay periods are staggered such that of the \$240,000, \$180,000 is due to be paid by Debtor Wellmade Industries MFR. N.A LLC ("MFR") on Friday, August 8, 2025 and \$60,000 is due to be paid by Debtor Wellmade Floor Covering International, Inc. ("WFCI") on Friday August 15, 2025.

13. Additionally, certain employees are eligible to receive commissions in addition to their base salary (collectively, “Commissions”). The Commissions are calculated based on a percentage of net sales and are evaluated either quarterly or annually. Commissions constitute a significant portion of such Employee’s total earning. As of the Petition Date, the Debtors estimate that approximately \$53,916 in Commissions has accrued prepetition.⁵

14. By this Motion, the Debtors request the authority to pay all unpaid Wages and Commissions to Employees and to continue to pay Wages and Commissions to their Employees in the ordinary course of business.

15. *Independent Contractor Obligations.* Payment for the Independent Contractors is based on a contractual agreement with Faven. The Debtors receive weekly invoices and make payments directly to Faven. The total amount varies depending on the type of project and the Debtors’ needs at a particular time. The Debtors estimate that, as of the Petition Date, approximately \$67,520 has accrued and is owing to the Independent Contractors (the “Independent Contractor Obligations”). By this Motion, the Debtors request the authority to pay all unpaid Independent Contractor Obligations in an aggregate amount not to exceed \$67,520 and to continue to pay Independent Contractor Obligations to their third-party agencies in the ordinary course of business.

16. *Payroll Processing and Withholding Obligations.* The Debtors utilize a third-party service provider, Paylocity Corporation (“Paylocity”), to administer payroll and several other employee-related benefits programs. Paylocity provides, among other things, the Debtors’ payroll processing system and ensures proper tax and benefits withholding.

⁵ In determining the percentage of Commissions to be added to a particular Employee’s salary, the Debtor have ensured that none of the Employees are paid total Wages and Commissions in an amount exceeding the Statutory Cap.

17. *Payroll Taxes.* The Debtors, as employers, are required by law to withhold federal, state, and local taxes from Wages (the “Employee Taxes”) for remittance to appropriate taxing authorities (the “Taxing Authorities”). In addition to the Employee Taxes, the Debtors are required to pay, from their own funds, social security and Medicare/Medicaid taxes as well as additional amounts for state and federal unemployment insurance based on a percentage of gross payroll and subject to state-imposed limits (collectively with the Employee Taxes, the “Payroll Taxes”), and remit the same to the Taxing Authorities. Paylocity processes the Payroll Taxes owed to the various Taxing Authorities on behalf of the Debtors in accordance with the Internal Revenue Code and applicable state law. As of the Petition Date, the Debtors estimate that they owe \$19,500 in accrued but unremitted Payroll Taxes. The Debtors request authority to remit the funded Payroll Taxes and to continue to pay such obligations in the ordinary course of business.

18. *Medical, Benefits and Retirement Plans.* The Debtors have established certain benefit plans and policies for eligible Employees that provide, among other benefits, medical, dental and vision insurance, disability insurance, and other benefits, such as retirement plans. Beginning 30 days after their date of hire, Employees that work a minimum of 30 hours a week are eligible to participate in the following plans.⁶

19. Eligible Employees and their dependents are offered medical coverage through PPO plans administered by Regence BlueCross BlueShield (the “Medical Plans”). The Medical Plans are partially funded by the Debtors and partially funded by participating Employees. The

⁶ The Debtors also provide health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act (“COBRA”) to eligible employees who have been terminated, however, there currently no Employees covered under COBRA at this time and therefore the Debtors do not have any expenses related thereto.

average monthly premium withheld by Paylocity for the Medical Plans is approximately \$40,000, of which approximately \$29,000 is paid by the Debtors.

20. Eligible Employees are offered various dental, vision, and disability insurance plans through Mutual of Omaha (collectively, the “Benefits Plan”). The total average monthly premium withheld by Paylocity for the Benefits Plans is approximately \$6,000, which includes contributions from the Employees and the Debtors in the following manner:

a. Some of the Employees are enrolled in the Dental and Vision Plans, which are self-funded and deducted from such Employees’ Wages through Paylocity.

b. The Debtors offer eligible Employees voluntary short-term and long-term disability insurance. The Short-Term Disability plan, which is funded and deducted from such Employee’s Wages, provides the participating Employees suffering from a disabling injury or illness with up to 60% of an Employee’s pre-disability weekly earnings up to a maximum duration of 25 weeks due to disability. The Long-Term Disability plan provides the participating Employees suffering from an extended disabling injury or illness with up to 60% of such an Employee’s pre-disability monthly earnings up to a maximum of \$7,500. The Long-Term Disability benefits are payable as long as approved or up to Social Security Normal Retirement Age with reducing benefit duration.

c. The Debtors also offer a wide variety of voluntary benefits for Employees, including critical illness and accident insurance. Any costs associated with the participation in any of the Additional Voluntary Benefits is fully borne by the participating Employee and deducted from such Employee’s Wages through Paylocity.

21. Employees are also eligible to enroll in a 401(k) Plan managed by Principal Life Insurance Company (the “Retirement Plan”). Eligible Employees may elect to have a portion of their salary deposited directly into a 401(k) account on their behalf as a pre-tax contribution. Each

participating Employee's 401(k) contributions are deducted automatically from their bi-weekly paychecks through Paylocity.

22. By this Motion, the Debtors seek authority, in their discretion, to (i) continue the Medical Plans, Benefits Plans and Retirement Plans for their Employees in the ordinary course of business on a postpetition basis; (ii) modify their prepetition policies relating thereto as they deem appropriate; (iii) continue making contributions to such Medical Plans and Benefits Plans; (iv) continue to pay fees of Paylocity to process and withhold these amounts, as necessary; and (v) pay any amounts related thereto, including any premiums and claim amounts that (a) accrued prepetition, and (b) accrue postpetition, but relate to the prepetition period.

23. *PTO*. The Debtors provide the Employees with "Paid Time Off" ("PTO") in recognition of their service. Regular, full-time Employees are eligible for PTO that may be used for vacation, sickness, to care for family members, and/or personal activities.⁷ The Debtors allocate such time based on the Employee's years of service as reflected in the chart below:⁸

Years of Service	Maximum Accrual Cap Per Calendar Year
Date of hire through 2 years	80 hours (10 days)
Years 3-5	120 hours (15 days)
Years 6-9	160 hours (20 days)
10 Years or more	200 hours (25 days)

When an Employee's employment anniversary results in a greater PTO accrual rate, the higher accrual rate will begin the first of the month following the applicable employment anniversary. Unless applicable law provides otherwise, Employees may only carry-over 40 hours of accrued

⁷ Part-time and temporary employees are not eligible for PTO.

⁸ For new hires, accrued PTO does not become earned and available for use until completion of one (1) month of service.

but unused PTO from one calendar year to the next. Unless applicable law provides otherwise, any accrued but unused PTO that exceeds the carry-over limit will be lost.

24. The Debtors provide unpaid family and medical leave for eligible Employees under the Family and Medical Leave Act (“FMLA”),⁹ which may be used for events such as (i) the birth of an Employee’s child; (ii) the placement of a child with an Employee for adoption or foster care; (iii) a serious health condition of an Employee; (iii) the care of an Employee’s spouse, child, or parent with a serious health condition; (iv) or an Employee’s serious health condition. In addition, although the Debtors do not close or provide paid time off for specific holidays as the Debtors often need to respond to requests for emergency services, the Debtors do provide holiday pay for those Employees scheduled to work on certain federal holidays assigned annually by the Debtors.

25. The Debtors desire to continue to honor their obligations for PTO on a going forward basis. As of the Petition Date, the Debtors estimate that their Employees have earned or accrued approximately \$91,000 in the aggregate of unused PTO. For any Employee that uses any of this accrued PTO, the used amount will be applied and properly noted by Paylocity for that particular Employee’s Wages during the pay period. By this Motion, the Debtors seek authority, but not direction, to (i) continue to honor their PTO policy in the ordinary course of business; (ii) modify their prepetition policies relating thereto as they deem appropriate; and (iii) honor and pay any obligations related thereto that (a) accrued prepetition, and (b) accrued postpetition, but relate to the prepetition period, up to the Statutory Cap or if otherwise required by applicable state law, related thereto in a manner consistent with their prepetition practices. For the avoidance of

⁹ Eligible Employees are those whom the Debtors have employed for at least twelve (12) months, have worked at least 1,250 hours during the previous twelve (12) months, and are employed at a worksite where fifty (50) or more Employees of the Debtors work within seventy-five (75) miles. Employees who do not qualify for a leave of absence under FMLA or similar state laws because they do not work in a location with fifty (50) or more Employees in a seventy-five (75) mile radius may be eligible for leave under the Debtors’ Leave of Absence policy.

doubt, the Debtors shall not cash out unpaid PTO upon termination of employment, unless applicable state law requires such payment.

26. *Reimbursements.* Prior to the Petition Date, and in the ordinary course of their business, the Debtors reimbursed Employees for certain expenses incurred on behalf of the Debtors in the scope of their employment, including travel, lodging, transportation, meals, and other miscellaneous expenses (the “Reimbursable Expenses”). On average, the Debtors incur approximately \$10,000 per month on Reimbursable Expenses. The Reimbursable Expenses incurred by the Employees in furtherance of the Debtors’ business are added to the Wages of an Employee who submitted an expense report to the Debtors during that pay period, in accordance with the Debtors’ reimbursement policy.

27. To avoid harming Employees who incurred the Reimbursable Expenses, the Debtors request authority, in their discretion, to (i) continue reimbursing the Reimbursable Expenses in accordance with prepetition practices; (ii) modify their prepetition policies relating thereto as they deem appropriate; and (iii) honor and pay any obligations related thereto that (a) accrued prepetition, and (b) accrued postpetition, but relate to the prepetition period, up to the Statutory Cap.

28. *Workers Compensation.* Under applicable law, the Debtors are required to maintain workers’ compensation insurance programs to provide their Employees with workers’ compensation insurance coverage for claims arising from or relating to their employment with the Debtors and to satisfy the Debtors’ obligations arising under or relating to these programs (collectively, the “Workers’ Compensation Programs”). The Workers’ Compensation Programs covers all Employees and coverage is provided through a workers’ compensation insurance policy with Liberty Mutual Insurance. The Debtors pay approximately \$1,087,787 in annual premiums

and fees to maintain the workers' compensation insurance. As of the Petition Date approximately \$707,169 in premiums remains outstanding.¹⁰

29. It is critical that the Debtors be permitted to continue their Workers' Compensation Programs and pay their premiums for workers' compensation coverage, as not doing so would almost certainly be costlier. In addition, failure to maintain this insurance could result in the institution of administrative or legal proceedings against the Debtors and their officers and directors, and an inability of the Debtors to continue as a going concern. As of the Petition Date, there are 3 open claims under the Workers' Compensation Programs. By this Motion, the Debtors request authority to maintain and continue their prepetition practices with respect to the Workers' Compensation Programs, and allow workers' compensation claimants, to the extent they hold valid claims, to proceed with their claims under the Workers' Compensation Programs.

RELIEF REQUESTED

30. By this Motion, the Debtors respectfully request entry of the Interim Order and the Final Order (i) authorizing, but not directing, the Debtors, in their sole discretion, to pay and honor, as the case may be, (a) all prepetition claims of Employees, including, but not limited to, claims for Wages and Commissions up to the Statutory Cap per Employee, (b) Independent Contractor Obligations, (c) all costs and disbursements relating to Payroll Taxes, Medical Plans, Benefits Plans, and Retirement Plans, (d) PTO and the Reimbursable Expenses, up to the Statutory Cap, each in the manner customarily used by the Debtors prepetition, and (e) the Workers'

¹⁰ The Workers' Compensation premiums are financed through a premium financing arrangement, as described in greater detail in the Debtors' *Emergency Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain Existing Insurance Policies, Pay all Policy Premiums, and Renew or Enter Into New Policies, and (B) Continue Insurance Premium Financing Program, Pay Insurance Premium Financing Obligations Arising in Connection Therewith, and Renew Such Premium Financing Arrangements; (II) Authorizing the Debtors to maintain Their Surety Bond Program, Pay Obligations in Connection Therewith, and Renew or Obtain New Surety Bonds; and (III) Authorizing Banks to Honor and Process Checks and Electronic Transfer Requests Related Thereto.*

Compensation Programs and (ii) authorizing and directing all Banks to receive, process, honor, and pay any and all checks or electronic transfers drawn on the Debtors' bank accounts related to ordinary course Employee Obligations, whether presented before or after the Petition Date, provided that sufficient funds are on deposit in the applicable accounts to cover such payments.

31. Accordingly, the Debtors request the authority, but not direction, to pay the following prepetition amounts related to the Employee Obligations outstanding as of the Petition Date:

Employee Obligations	Approximate Total Prepetition Amount Outstanding
Wages and Commissions	\$294,000 ¹¹
Independent Contractor Obligations	\$68,000
Payroll Taxes	\$19,500
Medical Plans and Benefits Plans	\$46,000
PTO and Reimbursable Expenses	\$100,000
Total	\$527,500

BASIS FOR RELIEF

32. The relief requested in this Motion is in the best interests of the estates and is necessary to enable the Debtors to maintain morale during this critical time, retain their current Employees and minimize the personal hardship such Employees may suffer if prepetition employee-related obligations are not paid when due or honored as expected.

33. Courts generally acknowledge that it is appropriate to authorize the payment (or other special treatment) of prepetition employee obligations in certain circumstances. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, a debtor in possession is authorized to operate its business while maintaining "a fiduciary duty to act in the best interest of the estate as a whole, including its creditors, equity interest holders and other parties in interest." *LaSalle Nat'l Bank v.*

¹¹ To the extent this amount includes amounts withheld from Employees by the Debtors (i.e. for Benefits Plans and Reimbursable Expenses), such amounts will be reduced from the amounts owed for those Obligations.

Perelman, 82 F. Supp. 2d 279, 292 (D. Del. 2000). Implicit in the fiduciary duties of any debtor in possession is the obligation “to protect and preserve the estate, including an operating business’s going-concern value.” *In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Some courts have noted that there are instances in which a debtor can fulfill this fiduciary duty “by the preplan satisfaction of a prepetition claim.” *Id.* The *CoServ* court specifically noted that preplan satisfaction of prepetition claims would be a valid exercise of the debtor’s fiduciary duty when the payment “is the only means to effect a substantial enhancement of the estate.” *Id.* In the Chapter 11 Cases, the Debtors are operating as debtors in possession consistent with sections 1107(a) and 1108 of the Bankruptcy Code, and payment of the Employee Obligations is necessary to protect and preserve the Debtors’ business operations. Thus, the Court should authorize the relief requested in the Motion.

34. Consistent with the Debtors’ fiduciary duties, the Court may also grant the relief requested herein pursuant to sections 105(a) and 363 of the Bankruptcy Code and the “necessity of payment” doctrine. 11 U.S.C. §§ 105(a), 363(b), 363(c). Section 363(b)(1) of the Bankruptcy Code states in pertinent part that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate” 11 U.S.C. § 363(b)(1). If a debtor’s determination to use estate assets represents a reasonable business judgment, the Court should approve such use.

35. Moreover, courts in this district have recognized the importance of satisfying employee obligations in cases requesting relief similar to the relief requested here. *See, e.g., In re The Krystal Co.*, Case No. 20-61065 (PWB) (Bankr. N.D. Ga. Jan. 22, 2020) [Docket No. 34]; *In re Jack Cooper Ventures, Inc.*, Case No. 19-62393 (PWB) (Bankr. N.D. Ga. August 6, 2019) [Docket No. 66]; *In re LakePoint Land, LLC*, Case No. 18-41337 (BEM) (Bankr. N.D. Ga. June

13, 2018) [Docket No. 27]; *In re Beaulieu Grp., LLC*, Case No. 17-41677 (PWB) (Bankr. N.D. Ga. July 20, 2017) [Docket No. 35]; *In re AstroTurf, LLC*, Case No. 16-41504 (PWB) (Bankr. N.D. Ga. June 29, 2016) [Docket No. 31]. Section 105(a) of the Bankruptcy Code further provides, in pertinent part, that a “court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a).

36. Furthermore, the “necessity of payment” doctrine authorizes the relief requested in the Motion because the Employees are indispensable to both the Debtors’ operations and the resolution of the Chapter 11 Cases. In addition, the Debtors believe that the unpaid Wages and other benefits earned within 180 days of the Petition Date that the Debtors seek to pay are entitled to priority status under sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code and, individually, do not exceed the Statutory Cap (excluding PTO in certain instances).¹²

37. The Employees are essential to the continued operation of the Debtors’ businesses, and the Employees’ morale directly affects their effectiveness and productivity. As the Debtors rely heavily on their Employees, a failure to continue to satisfy the Employee Obligations without disruption is essential. Consequently, it is critical that the Debtors continue, in the ordinary course, those personnel policies, programs, and procedures that were in effect prior to the Petition Date. If the checks issued and electronic fund transfers requested in payment of any of the compensation or other Employee Obligations are dishonored, or if such obligations are not timely paid postpetition, the Employees will likely suffer extreme personal hardship and may be unable to meet their daily living expenses.

¹² To the extent that any obligation otherwise payable to an Employee would exceed the Statutory Cap, the Debtors do not seek authority at this time to pay any amounts that would exceed the Statutory Cap.

38. A loss of employee morale and goodwill at this juncture would undermine the Debtors' stability and would undoubtedly have an adverse effect on the Debtors, their customers, the value of their assets and businesses, and their ability to achieve their objectives in the Chapter 11 Cases. As noted by the court in *In re Equalnet Communications Corp.*, "[t]he need to pay [prepetition employee wage] claims in an ordinary course of business time frame is simple common sense. Employees are more likely to stay in place and to refrain from actions which could be detrimental to the case and/or the estate if their pay and benefits remain intact and uninterrupted." 258 B.R. 368, 370 (Bankr. S.D. Tex. 2000).

39. As part of the foregoing relief, the Debtors also seek authority to pay all Payroll Taxes. The failure to make such payments may also subject the Debtors and their officers to federal or state liability. *See City of Farrell v. Sharon Steel Corp.*, 41 F.3d 92, 96–97 (3d Cir. 1994) (state law requiring debtor to withhold city income tax from its employees' wages created trust relationship between debtor and city for payment of withheld taxes); *DuCharmes & Co. v. Michigan (In re DuCharmes & Co.)*, 852 F.2d 194, 195–96 (6th Cir. 1988) (noting the special liabilities for failure to pay trust fund taxes). Moreover, the monies payable for amounts held in trust, like the Payroll Taxes, generally are not property of a debtor's estate. *Begier v. IRS*, 496 U.S. 53, 59 (1990) (recognizing that because the debtor does not own an equitable interest in property he holds in trust for another, that interest is not "property of the estate"). The failure to transfer these withheld funds could result in hardship to certain Employees or others. Furthermore, if the Debtors cannot remit these amounts, the Employees may face legal action due to the Debtors' failure to submit these payments.

40. Finally, payment of Payroll Taxes that constitute "trust fund" taxes will not prejudice general unsecured creditors of the Debtors' estates as the relevant Taxing Authorities

would hold priority claims under section 507(a)(8) of the Bankruptcy Code with respect to such obligations. Moreover, the monies payable for trust fund taxes, as well as the other funds that are held in trust for the benefit of third parties, such as withheld funds with respect to the Retirement Plan, are not property of the Debtors' estates.

41. The relief requested in the Motion is necessary for the viability of the Debtors' businesses and maximization of the value of the Debtors' assets. Accordingly, the Debtors submit that the relief sought herein is consistent with sections 105(a), 507(a), and 541 of the Bankruptcy Code.

42. Nothing in the Motion, nor any payments made by the Debtors pursuant to any order entered authorizing the relief requested in the Motion, shall be deemed an assumption or rejection of any employee benefit, employment agreement, other program, or contract, or otherwise affect the Debtors' rights under section 365 of the Bankruptcy Code to assume or reject any executory contract between the Debtors and any Employee.

**REQUEST FOR IMMEDIATE RELIEF AND WAIVER OF STAY TO
AVOID IMMEDIATE AND IRREPARABLE HARM**

43. The Debtors submit that the relief requested in this Motion is necessary to avoid immediate and irreparable harm to the Debtors for the reasons set forth herein and in the First Day Declaration. Therefore, Bankruptcy Rule 6003 has been satisfied and the relief requested herein should be granted.

44. Bankruptcy Rule 6003 provides that the Court may grant relief within 21 days after the filing of the petition regarding "a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition" only if such relief is necessary to avoid immediate and irreparable harm. Fed R. Bankr. P. 6003(b). The relief sought in this Motion is necessary to enable the Debtors to

maintain morale during this critical time, retain their Employees, and minimize the personal hardship such Employees may suffer if prepetition employee-related obligations are not paid when due or honored as expected.

45. Additionally, the Debtors further seek a waiver of any stay of the effectiveness of an order approving this Motion. Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6004(h). As set forth herein, the relief requested in this Motion is essential to prevent immediate and irreparable damage to the Debtors’ operations, going-concern value, and their efforts to pursue a resolution to these Chapter 11 Cases.

46. Accordingly, the relief requested herein is appropriate under the circumstances and under Bankruptcy Rules 6003 and 6004(h) should be waived.

RESERVATION OF RIGHTS

47. Nothing contained herein is intended or should be construed as: (a) an admission as to the validity of any claim against the Debtors; (b) a waiver of the Debtors’ rights to dispute any claim; or (c) an approval or assumption of any agreement, contract, or lease, pursuant to section 365 of the Bankruptcy Code.

NOTICE

48. Notice of this Motion has been given to the following parties or, in lieu thereof, to their counsel, if known: (a) the Office of the United States Trustee for the Northern District of Georgia; (b) the Debtors’ prepetition lender; (c) creditors holding the 30 largest unsecured claims against the Debtors; (d) the United States Attorney for the Northern District of Georgia; (e) the Georgia Department of Revenue; (f) the Internal Revenue Service; (g) the Securities & Exchange Commission; (h) the Georgia Secretary of State; (i) the states attorneys general for states in which

the Debtors conduct business; and (j) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

NO PRIOR REQUEST

49. No prior request for the relief sought in this Motion has been made to this or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that this Court enter the Proposed Orders granting the relief requested herein and such other and further relief as is just and proper.

Date: August 4, 2025
Atlanta, Georgia

Respectfully Submitted,

GREENBERG TRAURIG, LLP

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Proposed Counsel for the Debtors in Possession

Exhibit A

Proposed Interim Order

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

In re:)	
)	
	)	Chapter 11
WELLMADE FLOOR COVERINGS)	
INTERNATIONAL, INC., <i>et al.</i> , ¹	)	Case No. 25-58764
)	
Debtors.	)	(Joint Administration Requested)
)	
	)	Re: Docket No. 8

**INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO PAY
PREPETITION WAGES, PAYROLL TAXES, CERTAIN EMPLOYEE
BENEFITS, AND RELATED EXPENSES AND (II) DIRECTING
BANKS TO HONOR RELATED TRANSFERS**

Upon the *Emergency Motion of the Debtors for Entry of Interim and Final Orders*
(I) Authorizing the Debtors to Pay Prepetition Wages, Payroll Taxes, Certain Employee Benefits,
and Related Expenses, and (II) Directing Banks to Honor Related Transfers (the “Motion”);² and

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 them in the Motion.

the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and this matter being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue of these Chapter 11 Cases and the Motion in this district being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that due and adequate notice of the Motion has been given under the circumstances; and this Court having held a hearing (the “Hearing”) to consider the relief requested in the Motion; and upon the First Day Declaration and the record of the Hearing, this Court having determined that there is good and sufficient cause for the relief set forth in this Order; and after due deliberation thereon,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis to the extent provided herein.
2. The Debtors are authorized, but not directed, to pay all Employee Obligations that have accrued by virtue of the services rendered by the Employees prior to the Petition Date. The Employee Obligations that the Debtors are authorized to pay are described in the Motion and include, without limitation, (a) Wages and Commissions; (b) Independent Contractor Obligations; (c) Payroll Taxes; (d) Medical, Benefit and Retirement Plans, (e) PTO and Reimbursement Programs, and (f) Workers Compensation Programs.
3. The Debtors shall not honor any prepetition claims or obligations on account of the Employee Obligations to any individual that exceeds the priority amounts set forth in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code.
4. The Debtors are authorized, but not directed, to continue to honor and pay their PTO and Reimbursable Expenses in the ordinary course of business and consistent with the Debtors’ prepetition practices and modify, change, and discontinue any of the PTO and

Reimbursable Expenses Programs and to implement new programs, policies, and benefits in the ordinary course of business during these chapter 11 cases.

5. Notwithstanding any other provision of this Order, nothing in this Order shall authorize the Debtors to cash out unpaid PTO, unless applicable non-bankruptcy law requires such payment.

6. The Debtors are authorized to continue the Workers' Compensation Programs and pay all prepetition amounts relating thereto in the ordinary course.

7. The Debtors are authorized to continue to honor and pay amounts related to the Medical Plans, Benefits Plans, and Retirement Plans in the ordinary course of business, including any such prepetition obligations.

8. The Debtors are authorized, but not directed, to make payments to applicable third parties in connection with the Employee Obligations, including, without limitation, all Payroll Taxes, in accordance with the Debtors' ordinary course of business and stated policies, as set forth in the Motion.

9. The Debtors are authorized to make postpetition payments with respect to the foregoing in the ordinary course of business.

10. All of the Debtors' banks are authorized and directed to receive, process, honor, and pay any and all checks or electronic transfers drawn on the Debtors' payroll and disbursement accounts related to the Employee Obligations authorized by the Interim Order, whether presented before or after the Petition Date, provided that sufficient funds are on deposit in the applicable accounts to cover such payments.

11. To the extent that any employment or related agreements may be deemed executory contracts within the meaning of section 365 of the Bankruptcy Code, the Debtors have not sought

authority to assume such contracts, and no relief is granted in respect thereof.

12. Nothing in the Motion or the Interim Order, nor as a result of any payment made pursuant to the Interim Order, shall be deemed or construed as an admission as to the validity or priority of any claim against the Debtors, an approval or assumption of any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code, or a waiver of the rights of the Debtors, or shall impair the ability of the Debtors, or any other party in interest, to the extent applicable, to contest the validity and amount of any payment made pursuant to the Interim Order.

13. Notwithstanding anything to the contrary contained in this Interim Order, any payment, deposit, or other transfer made or to be made under this Interim Order, any authorization contained in this Interim Order, or any claim for which payment is authorized hereunder, shall be subject to the terms and provisions of any orders of this Court approving any debtor-in-possession financing for, or any use of cash collateral by, the Debtors and any approved budget (subject to permitted variances thereto) in connection therewith. Nothing herein is intended to modify, alter, or waive, in any way, any terms, provisions, requirements, or restrictions of (a) any such orders approving any debtor-in-possession financing or use of cash collateral or (b) any debtor-in-possession financing agreements and documents related thereto.

14. Nothing herein shall be deemed to authorize (i) the payment of any amounts in satisfaction of bonus or severance obligations to an insider of the Debtors, which are subject to section 503(c) of the Bankruptcy Code, or (ii) the payment of any amounts owing to any retired or former employees under any supplemental executive retirement plan or otherwise.

15. A final hearing to consider the relief requested in the Motion shall be held on _____, 2025 at ____:____.m. (prevailing Eastern Time) and any objections to entry of such order shall be in writing and filed with this Court no later than _____, 2025 at

4:00 p.m. (prevailing Eastern Time) and served on: (i) the Debtors, c/o Wellmade Floor Coverings International Inc., 1197 Peachtree St. NE, Suite 780, Atlanta, GA 30361, Attn: David Baker (dbaker@auroramp.com); (ii) proposed counsel to the Debtors, Greenberg Traurig, LLP, Terminus 200, 3333 Piedmont Road, NE, Suite 2500, Atlanta, Georgia 30305, Attn: John D. Elrod (elrodj@gtlaw.com) and Allison J. McGregor (Allison.McGregor@gtlaw.com); (iii) counsel for the Prepetition Lenders, King & Spalding LLP, 1180 Peachtree Street, NE, Suite 1600, Atlanta, GA 30309, Attn: Austin Jowers (AJowers@kslaw.com); (iv) counsel for the DIP Lenders, _____ and (v) the Office of the United States Trustee for Region 21, 362 Richard Russell Building & U.S. Courthouse, 75 Ted Turner Drive, S.W., Atlanta, GA 30303.

16. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Order.

17. The requirements of Bankruptcy Rule 6003(b) are satisfied.

18. Notwithstanding Bankruptcy Rule 6004(h), this Order shall be effective and enforceable immediately upon entry hereof.

19. The Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and/or interpretation of this Order.

END OF DOCUMENT

Prepared and presented by:

GREENBERG TRAURIG, LLP

/s/ John D. Elrod

John D. Elrod, GA Bar No. 246604

Jake Evans, GA Bar No. 797018

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Proposed Counsel for the Debtors in Possession

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Attn: John D. Elrod

Kurtzman Carson Consultants LLC d/b/a Verita Global
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El Segundo, CA 90245
Attn: Drake D. Foster

Office of the United States Trustee
362 Richard Russell Federal Building
75 Ted Turner Drive, SW
Atlanta, GA 30303

Exhibit B

Proposed Final Order

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

In re:)	
)	
	)	Chapter 11
WELLMADE FLOOR COVERINGS)	
INTERNATIONAL, INC., <i>et al.</i> , ¹	)	Case No. 25-58764
)	
Debtors.	)	(Joint Administration Requested)
)	
	)	Re: Docket No. 8

**FINAL ORDER (I) AUTHORIZING THE DEBTORS TO PAY PREPETITION WAGES,
PAYROLL TAXES, CERTAIN EMPLOYEE BENEFITS, AND RELATED EXPENSES
AND (II) DIRECTING BANKS TO HONOR RELATED TRANSFERS**

Upon the *Emergency Motion of the Debtors for Entry of Interim and Final Orders*
(I) Authorizing the Debtors to Pay (A) All Prepetition Employee Obligations and (B) Prepetition
Withholding Obligations, and (II) Directing Banks to Honor Related Transfers (the “Motion”);²

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 them in the Motion.

and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and this matter being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue of these Chapter 11 Cases and the Motion in this district being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and this Court having held a hearing (the “Hearing”) to consider the relief requested in the Motion; and upon the First Day Declaration and the record of the Hearing; and the Court having entered an interim order granting the relief requested in the Motion (the “Interim Order”); and good and sufficient cause appearing for the relief set forth in this Order; and after due deliberation thereon,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED to the extent provided herein.
2. The Debtors are authorized, but not directed, to pay all Employee Obligations that have accrued by virtue of the services rendered by the Employees prior to the Petition Date. The Employee Obligations that the Debtors are authorized to pay are described in the Motion and include, without limitation, (a) Wages and Commissions; (b) Independent Contractor Obligations; (c) Payroll Taxes; (d) Medical, Benefit and Retirement Plans, (e) PTO and Reimbursement Programs, and (f) Workers Compensation Programs.
3. The Debtors shall not honor any prepetition claims or obligations on account of the Employee Obligations to any individual that exceeds the priority amounts set forth in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code.
4. The Debtors are authorized, but not directed, to continue to honor and pay their PTO and Reimbursable Expenses in the ordinary course of business and consistent with the Debtors’ prepetition practices and modify, change, and discontinue any of the PTO and

Reimbursable Expenses Programs and to implement new programs, policies, and benefits in the ordinary course of business during these chapter 11 cases.

5. Notwithstanding any other provision of this Order, nothing in this Order shall authorize the Debtors to cash out unpaid PTO, unless applicable non-bankruptcy law requires such payment.

6. The Debtors are authorized to continue the Workers' Compensation Programs and pay all prepetition amounts relating thereto in the ordinary course.

7. The Debtors are authorized to continue to honor and pay amounts related to the Medical Plans, Benefits Plans, and Retirement Plans in the ordinary course of business, including any such prepetition obligations.

8. The Debtors are authorized, but not directed, to make payments to applicable third parties in connection with the Employee Obligations, including, without limitation, all Payroll Taxes, in accordance with the Debtors' ordinary course of business and stated policies, as set forth in the Motion.

9. The Debtors are authorized to make postpetition payments with respect to the foregoing in the ordinary course of business.

10. All of the Debtors' banks are authorized and directed to receive, process, honor, and pay any and all checks or electronic transfers drawn on the Debtors' payroll and disbursement accounts related to Employee Obligations authorized by the Final Order, whether presented before or after the Petition Date, provided that sufficient funds are on deposit in the applicable accounts to cover such payments.

11. To the extent that any employment or related agreements may be deemed executory contracts within the meaning of section 365 of the Bankruptcy Code, the Debtors have not sought

authority to assume such contracts, and no relief is granted in respect thereof.

12. Nothing in the Motion, the Interim Order, or the Final Order, nor as a result of any payment made pursuant to the Final Order, shall be deemed or construed as an admission as to the validity or priority of any claim against the Debtors, an approval or assumption of any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code, or a waiver of the rights of the Debtors, or shall impair the ability of the Debtors, or any other party in interest, to the extent applicable, to contest the validity and amount of any payment made pursuant to the Final Order.

13. Notwithstanding anything to the contrary contained in this Final Order, any payment, deposit, or other transfer made or to be made under this Final Order, any authorization contained in this Final Order, or any claim for which payment is authorized hereunder, shall be subject to the terms and provisions of any orders of this Court approving any debtor-in-possession financing for, or any use of cash collateral by, the Debtors and any approved budget (subject to permitted variances thereto) in connection therewith. Nothing herein is intended to modify, alter, or waive, in any way, any terms, provisions, requirements, or restrictions of (a) any such orders approving any debtor-in-possession financing or use of cash collateral or (b) any debtor-in-possession financing agreements and documents related thereto.

14. Nothing herein shall be deemed to authorize (i) the payment of any amounts in satisfaction of bonus or severance obligations to an insider of the Debtors, which are subject to section 503(c) of the Bankruptcy Code, or (ii) the payment of any amounts owing to any retired or former employees under any supplemental executive retirement plan or otherwise.

15. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Order.

16. Notwithstanding Bankruptcy Rule 6004(h), this Order shall be effective and

enforceable immediately upon entry hereof.

17. The Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and/or interpretation of this Order.

END OF DOCUMENT

Prepared and presented by:

GREENBERG TRAURIG, LLP

/s/ John D. Elrod

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