Docket #0188 Date Filed: 03/17/2026

UNITED STATES BANKRUPTY COURT
NORTHERN DISTRICT OF NEW YORK

IN RE:

Vanderbilt Minerals, LLC., Case No. 26-60110-5 (WAK)
Chapter 11

Debtor.

UNITED STATES TRUSTEE'S OBJECTION TO DEBTOR'S MOTION FOR AN ORDER (I) APPROVING THE CONTINUED USE OF THE DEBTOR'S CASH MANAGEMENT SYSTEM AND (II) GRANTING RELATED RELIEF

TO: THE HONORABLE WENDY A. KINSELLA, UNITED STATES CHIEF BANKRUPTCY JUDGE:

William K. Harrington, the United States Trustee for Region 2 (hereinafter "United States Trustee"), in furtherance of his duties and responsibilities pursuant to 28 U.S.C. § 586, submits this objection to the Debtor's Motion for an Order Approving the Continued Use of the Debtor's Cash Management System ("Motion" or "Cash Management Motion") as follows:

BACKGROUND

1. On February 16, 2026, ("Petition Date"), Vanderbilt Minerals, LLC. (the "Debtor"), filed a voluntary chapter 11 petition for relief under Title 11 of the United States Code ("Bankruptcy Code").

2. On the Petition Date, the Debtor filed various motions seeking relief on an emergency interim basis (collectively, "First Day Motions"), including the Cash Management Motion seeking entry of interim and final orders authorizing the Debtor to continue to use its current cash management system, continued use of its bank accounts and business forms, and other related relief.

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3. The Debtor maintains bank accounts at JPMorgan Chase Bank, N.A. ("JPM") and Wells Fargo Bank, N.A. ("Wells Fargo"); both JMP and Wells Fargo have entered into a Uniform Depository Agreement ("UDA") with the United States Trustee and participate in the United States Trustee's collateralization and monitoring program. This program is mandated by law and provides a convenient vehicle for debtors-in-possession to comply with the requirements of 11 U.S.C. § 345. One of the Debtor's JPM accounts is a money market account ending in x1161 ("Money Market Account"). To the extent that the Debtor's bank accounts are held in authorized depositories, no waiver of 11 U.S.C. § 345 is needed.

4. The United States Trustee's objection is focused on the Debtor's request for waiver of 11 U.S.C. § 345 with respect to the Money Market Account, which may not be FDIC insured. The Cash Management Motion did not disclose the balance of funds in the Money Market Account nor did it provide proof that it is insured.

5. On February 17, 2026, the Court conducted hearings on the First Day Motions. With respect to the Cash Management Motion, the Court approved relief sought on an emergency basis, and entered interim orders on February 18th (the "Interim Cash Management Order") and February 25th (the "Second Interim Cash Management Order").

6. On March 3, 2026, the United States Trustee appointed an Official Committee of Unsecured Creditors. ECF No. 111.

7. On March 12, 2026, the Debtor filed Schedules of Assets and Liabilities. ECF No. 171. According to Schedule A/B, the value of Debtor's interest in the Money Market Account is $1,150,664.08 and the Money Market Account is a restricted account.

OBJECTION

8. Congress enacted 11 U.S.C. § 345 of the Bankruptcy Code to protect "money of the estate" during the pendency of a bankruptcy case. At the time it was enacted, 11 U.S.C. § 345 imposed significant, new fiduciary obligations on trustees and debtors-in-possession in bankruptcy to safeguard cash and other financial assets of the bankruptcy estate.

> (b) Except with respect to a deposit or investment that is insured or guaranteed by the United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States, the trustee shall require from an entity with which such money is deposited or invested—
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> (1) a bond—
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> (A) in favor of the United States;
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> (B) secured by the undertaking of a corporate surety approved by the United States trustee for the district in which the case is pending; and
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> (C) conditioned on—
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> (i) a proper accounting for all money so deposited or invested and for any return on such money;
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> (ii) prompt repayment of such money and return; and
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> (iii) faithful performance of duties as a depository; or
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> (2) the deposit of securities of the kind specified in section 9303 of title 31; unless the court for cause orders otherwise.

11 U.S.C. § 345(b) (emphasis added).

9. The sole purpose of 11 U.S.C. § 345(b) is to protect bankruptcy estate assets for the benefit of creditors. The legislated history is instructive on this point. "In order to protect the creditors, subsection (b) requires certain precautions against loss of the money so deposited or invested. H.R. Rep. No. 95-595, 95th Cong., 1st Sess. 333 (1977); S. Rep. No. 95-989, 95th Cong., 2nd Sess. 44 (1978) (emphasis added).

10. A bankruptcy court may order a waiver of the requirements of section 345(b) for cause, but the Debtors have the burden of establishing cause. *See* 11 U.S.C. § 345(b); *In re Ditech Holding Corp.*, 605 B.R. 10, 22 (Bankr. S.D.N.Y. 2019) (finding that debtors failed to establish cause to excuse them from complying with the requirements of section 345(b)).

11. In the Cash Management Motion, the Debtor asks the Court for, among other things, authorization to continue to waive the requirements of section 345(b) in connection with the Money Market Account.

12. Having filed a voluntary chapter 11 case, the Debtor is required to comply with all applicable provisions of the Bankruptcy Code, including 11 U.S.C. § 345. As set forth herein, the United States Trustee has an established method for chapter 11 debtors and their banks to comply with 11 U.S.C. § 345. The Debtor may avail itself to the United States Trustee collateralization and monitoring program or it may pursue an alternate path to § 345 compliance. Either way, the statute is clear about the requirements and the Debtor's duties.

13. The Debtor puts forth several general reasons why they believe "cause" exists for this Court to waive the protections of section 345 of the Bankruptcy Code. However, the Cash Management Motion provides no specific justification for the waiver of protections of section 345 with respect to the Money Market Account.

14. The Debtor bears the burden to prove that cause exists to waive the requirements of 11 U.S.C. § 345. *In re Ditech* at 22 ("Debtors have failed to establish 'cause' to excuse them from collateralizing the (accounts) as required by section 345(b) of the Bankruptcy Code. The Motion is denied.").

1 5 . The Bankruptcy Code does not define "cause" as that term is used in 11 U.S.C. § 345(b)(2). Cases that interpret this section of the Bankruptcy Code are surprisingly

few. Some courts have relied on the analysis performed by the Middle District of Tennessee in *In re ServiceMerchandise Co., Inc.*, 240 B.R. 894 (Bankr. M.D. Tenn. 1999) as being "instructive" on the question of determining cause.

16. In *Ditech*, the Bankruptcy Court stated that the *Service Merchandise* factors may help inform a court's decision, but ultimately the determination must be based on the "totality of the circumstances." *Ditech* at 20. The Debtor in this case has not presented any admissible evidence addressing the *Service Merchandise* factors or the totality of the circumstances.

17. The record on the Cash Management Motion is bare; it contains only attorney representations and legal argument, neither of which constitutes evidence.

18. The United States Trustee urges the Court to deny the Debtor's request to waive 11 U.S.C. § 345 because the Debtor failed to present sufficient evidence to support such relief, including why the Money Market Account should not be protected for the benefit of creditors.

WHEREFORE the United States Trustee requests that the Court deny the Motion, together with any other and further relief the Court may deem just and necessary.

Dated: March 17, 2026
Syracuse, New York

Respectfully submitted,

WILLIAM K. HARRINGTON
UNITED STATES TRUSTEE FOR REGION 2

By: /s/ Erin P. Champion
Erin P. Champion
Assistant United States Trustee
Office of the U.S. Trustee
erin.champion@usdoj.gov