IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF SOUTH CAROLINA

In re: SEA PALMS CONDOMINIUM COUNCIL OF CO-OWNERS, Debtor.	Case Number: 26-02880-JD Chapter 11 Subchapter V

UNITED STATES TRUSTEE'S OMNIBUS RESPONSE TO PLEADINGS
SCHEDULED FOR HEARING ON JULY 14, 2026

The Acting United States Trustee for Region 4 (the "UST") hereby files this omnibus response to the following pleadings filed by the Debtor currently scheduled for hearing on July 14, 2026:

a. *Motion to (I) Authorize Debtor to Suppress Certain Personally Identifiable Information for Individual Creditors, Interest Owners and Parties in Interest and (II) Limiting Debtor's Noticing Obligations* [ECF No. 4] (the "PII Motion");

b. *Motion for Authority Pay Prepetition Trust Fund, Property and other Taxes and Similar Obligations* [ECF No. 5] (the "Tax Motion");

c. *Motion for Authority to (I) Continue to Administer Insurance Policies and Related Agreements; (II) Honor Certain Obligations in Respect Thereof; and (III) for Related Relief* [ECF No. 6] (the "Insurance Motion"); and

d. *Motion for an Order (I) Authorizing Debtor to (A) Continue to Use Existing Cash Management Systems, (B) Maintain Bank Accounts and Continue Use of Existing Business Forms and Checks; and (C) Honor Certain related Prepetition and Postpetition Obligations; and (II) Determining Compliance with, or Granting a Waiver of, the Requirements of Sections 345(b) of the Bankruptcy Code; and (III) Granting Related Relief* [ECF No. 7] (the "Cash Management Motion"[1]).

The UST files this response pursuant to the authority granted to him by 28 U.S.C. § 586 and 11

[1] The PII Motion, Tax Motion, Insurance Motion, and Cash Management Motion are collectively referred to herein as the "Motions."

U.S.C. § 307[2].

The UST and the Debtor have been working cooperatively to address concerns raised by the UST to the Motions. The UST has submitted proposed revisions to the orders for all of the Motions. The UST believes that he and the Debtor have resolved all issues related to the Tax Motion and the Insurance Motion and that the Debtor will be submitting revised proposed orders for those motions. The UST also believes that a resolution can be reached as to issues related to the PII Motion.

As to the Cash Management Motion, the UST objects to a waiver of the requirements of 11 U.S.C. §345(b) as to the Debtor's cash management system. The Debtor seeks authority to maintain its cash management system, which it has identified is as follows:

- The "Checking Accounts": One Checking Account is with Comerica Bank, N.A. having an account number ending in x3104. The other Checking Account is with Truist Bank having an account number ending in x2876.
- The "Sweep Accounts": One Sweep Account is with Comerica Bank, N.A. having an account number ending in x6459. The other Sweep Account is with Truist Bank having an account number ending in x2876.
- The "Reserve Account": The Reserve Account is with Ameriprise Financial Services LLC (through its relationship with Comerica Bank, N.A.) having an account number ending in x7965.
- The "Investment Accounts": The Investment Account is with Ameriprise Financial Services LLC (through its relationship with Comerica Bank, N.A.) having an account number ending in x5606.

As to the Reserve Account, the Debtor states, "[b]ecause of the nature of the Reserve Account, the funds were (and still are) invested very conservatively—with such funds invested in U.S. Treasury Notes *or funds* that *almost exclusively* invest in government securities, repurchase

[2] All further references to the United Staes Bankruptcy Code, 11 U.S.C. §§ 101 *et seq*., will be by section number only.

agreements collateralized solely by government securities and/or cash, and cash." (emphasis added)

As to the Reserve Account and Investment Account, the Debtor states that it has developed the "Debtor's Investment Policy as follows:

> Debtor's Investment Policy requires that the Reserve and Investment Accounts utilize "conservative investments" to avoid principal losses. Primary investment types include money market funds, FDIC-insured certificates of deposit (or related instruments) in amounts not to exceed the FDIC insurance limit, and U.S. Treasury securities. Secondarily, the Debtor's Investment Policy provides that Debtor may invest less than 50% of the funds in the Reserve and Investment Account in U.S. Government Agency securities, insured/AAA rated tax free municipal securities (with an underlying issuer rating of at least A), and funds composed primarily of U.S. Treasury Securities and/or Government Agency securities. Thus, under the Debtor's Investment Policy, Debtor conservatively invests the funds in the subject accounts to ensure the safety of principal and adequate liquidity therein.

However, § 345(b) imposes certain requirements as to where estate funds can be held in order to protect the funds for the benefit of all creditors. Unless a deposit or investment is insured or guaranteed by the United States (or a federal department, agency, or instrumentality) or backed by the full faith and credit of the United States, the trustee or debtor in possession must require from an entity with whom estates funds are deposited to post a bond in favor of the United States or, in the alternative, deposit securities of the type specified in section 9303 of title 31 of the United States Code as security for the investment or deposit. *See* 11 U.S.C. § 345(b). Section 345(a) requires the trustee or a debtor in possession to deposit or invest money of the estate so that it will result in the "maximum reasonable net return. . . [while] taking into account the safety of such deposit or investment." Section 345(b) requires that estate funds be deposited or invested so as to ensure that the funds are protected for the benefit of creditors. *See* 11 U.S.C. § 345(b). A court may waive the requirements of § 345 upon the showing of "cause." 11 U.S.C. § 345(b)(2).

Generally, unless the funds are insured, guaranteed, or backed by the full faith and credit of the United States government or its agencies, the institution holding the estate funds must post a bond in favor of the United States or, in the alternative, deposit securities pursuant to 31 U.S.C. § 9303 as security. To ensure that trustees and debtors in possession meet their responsibilities to safeguard funds in accordance with § 345, the UST monitors fiduciaries and depositories, and requires that chapter 11 estate assets be held in debtor-in-possession accounts at "authorized depositories," *i.e.*, those that have entered into a Uniform Depository Agreement with the United States Trustee.

The Debtor has not provided evidence to support a finding that cause exists for the waiver of the requirements of § 345. Based on May 2026 statements provided to the UST, the amount held in the Reserve Account was $2,320,375.24. Of this amount, $585,291.80 was held in U.S. Treasury Notes and $1,735,083.44 was held in the "BNY Dreyfus Govt Cash Mgmt Wealth" fund. Further, based on the May 2026 statement for the Investment Account, all of the funds in that account ($12,700.02) were held in the "BNY Dreyfus Govt Cash Mgmt Wealth" fund. Thus, while some holdings in the Reserve Account appear to be invested in securities that may be backed by the full faith and credit of the United States, the majority of the funds held in the Reserve Account and Investment Account are invested in the BNY Dreyfus Govt Cash Mgmt Wealth fund. While the underlying securities held in the BNY Dreyfus Govt Cash Mgmt Wealth fund may be backed by the full faith and credit of the United States, it is unclear whether the fund itself is backed by the full faith and credit of the United States. The UST does not have the prospectus of the fund to show how the investments of the fund are limited to securities guaranteed by the full faith and credit of the United States, whether the fund is required at all times to be invested in such securities, or whether the managers of the fund have discretion to alter the investment mix based on changing circumstances. Moreover, even if the BNY Dreyfus Govt Cash Mgmt Wealth fund is unconditionally limited to securities guaranteed by full faith and credit of the United States, the failure to hold such securities directly means that the Debtor has not satisfied the strict requirements of § 345 of the Bankruptcy Code. Likewise, no party has posted a bond in favor of the United States as to the funds held in the Investment Account and Reserve Account.

Under the facts and circumstances here, the request to waive the requirements of § 345 should be denied and all funds held in the Debtor's bank accounts should be held in UST approved depositories in designated "Debtor in Possession" accounts. Requiring the Debtor's compliance with § 345 is necessary to protect the substantial amount of estate property held in the Debtor's accounts and to provide the appropriate oversight of the Debtor's post-petition financial transactions as contemplated and required by the Chapter 11 process.

Due to the early nature of the pleadings and the case, the UST reserves his right to raise additional issues regarding the relief requested based on evidence presented at the hearing.

WHEREFORE, the UST respectfully asks the Court to require the Debtor to adequately address the issues contained herein, and to grant such other relief as is appropriate.

MATTHEW W. CHENEY,
ACTING UNITED STATES TRUSTEE
REGION 4

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Date: July 10, 2026

CERTIFICATE OF SERVICE

I, Keith Poston, do hereby certify that on July 10, 2026, I served the below-named document:

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by electronic transmission through the Court's Electronic Case Filing system to the following participants:

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