

**United States Bankruptcy Court
Northern District of Illinois
Eastern Division**

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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:	)	Case No. 25 B 11977
	)	
SANDP SOLUTIONS LLC, d/b/a	)	Chapter 7
BITCOIN OF AMERICA,	)	
	)	Judge David D. Cleary
Debtor.	)	

**ORDER GRANTING MOTION OF SONNY MERABAN AND THE FAB FORTUNES
FAMILY PROTECTION TRUST FOR ENTRY OF AN ORDER AUTHORIZING THE
EXAMINATION OF, AND PRODUCTION OF DOCUMENTS BY, ATHENA BITCOIN,
INC. AND TAPROOT ACQUISITION ENTERPRISES, LLC PURSUANT TO FEDERAL
RULE OF BANKRUPTCY PROCEDURE 2004**

This matter comes before the court on the motion of Sonny Meraban (“Meraban”) and The Fab Fortunes Family Protection Trust (“Trust” and collectively, “Movants”) for entry of an order authorizing the examination of, and production of documents by, Athena Bitcoin, Inc. (“Athena”), Taproot Acquisition Enterprises, LLC (“Taproot”) and Jordan Mirch (“Mirch” and collectively, “Respondents”) pursuant to Fed. R. Bankr. P. 2004 (“2004 Motion”). At the initial presentation of the 2004 Motion, Respondents objected and the court entered a briefing schedule. Respondents filed a response (“Response”) and Movants filed a reply in support of the 2004 Motion (“Reply”).

Fed. R. Bankr. P. 2004(a) allows any “party in interest” to request that the bankruptcy court order “the examination of any entity.” Respondents first contend that Movants do not have standing to seek examinations under Rule 2004 “because they are insiders asserting claims that are factually and legally invalid” and therefore are not parties in interest. Response, ¶ 4.

Although the phrase “parties in interest” is not defined in the Bankruptcy Code, the Supreme Court recently observed “that Congress uses the phrase ‘party in interest’ in bankruptcy

provisions when it intends the provision to apply ‘broadly.’” *Truck Ins. Exch. v. Kaiser Gypsum Co., Inc.*, 602 U.S. 268, 278 (2024).

[T]he Seventh Circuit has interpreted this term as “anyone who has a legally protected interest that could be affected by a bankruptcy proceeding.” *Adair v. Sherman*, 230 F.3d 890, 894 n.3 (7th Cir. 2000); *Matter of FBN Food Servs., Inc.*, 82 F.3d 1387, 1391 (7th Cir. 1996). In accordance with general bankruptcy standing rule, that interest must be pecuniary.

A creditor’s interest is pecuniary, and thus any creditor would generally qualify as a “party in interest[.]”

In re Pantazelos, No. 15 B 8916, 2016 WL 2342905, at *2 (Bankr. N.D. Ill. Apr. 29, 2016) (citations omitted). While Respondents (although not the case trustee) filed objections to Movants’ proofs of claims about three weeks after the 2004 Motion was filed, those claims remain allowed until an objection is sustained. Since Movants are creditors, they are parties in interest who may bring a motion under Rule 2004.

A Rule 2004 examination “may relate only to: (A) the debtor’s acts, conduct, or property; (B) the debtor’s liabilities and financial condition; (C) any matter that may affect the administration of the debtor’s estate; or (D) the debtor’s right to a discharge.” Fed. R. Bankr. P. 2004(b)(1). Production of documents and the attendance of the entity for examination under Rule 2004 can be compelled by a subpoena. *See* Fed. R. Bankr. P. 2004(c).

The scope of a Rule 2004 examination is broad. *See In re Hope 7 Monroe St. Ltd. P’ship*, 743 F.3d 867, 874 (D.C. Cir. 2014). “Great latitude of inquiry is ordinarily permitted.” *In re Handy Andy Home Improvement Ctrs., Inc.*, 199 B.R. 376, 379 (Bankr. N.D. Ill. 1996) (quotation omitted).

Some courts have held that the party seeking leave to take examinations under Rule 2004 “has the burden to show good cause for the examination it seeks[.]” *Sec. Inv. Prot. Corp. v.*

Bernard L. Madoff Inv. Sec. LLC (In re Madoff), Adv. No. 08-1789 (SMB), 2014 WL 5486279, at *2 (Bankr. S.D.N.Y. Oct. 30, 2014). Others look to the plain language of Rule 2004.

No “good cause” language is included in the Rule.... Rule 2004 is substantially a pre-litigation device for assessing whether grounds exist to commence an action. Thus, while civil discovery and bankruptcy investigation provisions seem parallel, they are not identical, and case law requiring a showing of “good cause” for the entry of a protective order under Fed. R. Civ. P. 26(c) is inapplicable to a Rule 2004 investigation.

Handy Andy, 199 B.R. at 380 (quotation omitted).

Movants seek authority to examine and request information and documents from Respondents that relate to the estate’s scheduled claim against Taproot. They seek this information in order to “value these claims and to trace the proceeds of the estate’s largest asset.” 2004 Motion, ¶ 11. Movants contend that “granting this motion will supplement – not duplicate – the Trustee’s investigation[.]” *Id.*, ¶ 14.

Rule 2004 permits Movants to inquire about the topics described above. These areas of investigation fall within the broad scope of the Rule, which allows discovery of “any matter that may affect the administration of the debtor’s estate[.]” Movants have met the standard under the Rule, which requires only some reasonable basis that a party in interest is “assessing whether grounds exist to commence an action.” *Handy Andy*, 199 B.R. at 380 (quotation omitted).

Respondents contend that because non-bankruptcy litigation is ongoing, the “pending proceeding rule” bars the relief sought in the 2004 Motion. They cite a case for the proposition that a trustee “may only conduct Rule 2004 examinations of entities which are ‘not parties to or are not affected by the pending adversary proceeding(s).’” Response, ¶ 25 (quoting *In re Buick*, 174 B.R. 299, 305 (Bankr. D. Colo. 1994)).¹

¹ Respondents’ pinpoint citation is to page 301, but this quotation is found on page 305.

While Respondents' quotation is accurate, their use of that quotation is not. A more expansive quotation from *Buick* explains the correct proposition:

Once the trustee has filed adversary proceeding(s), the trustee is no longer entitled to conduct Rule 2004 examinations regarding issues within the scope of the pending adversary proceeding(s). Instead, the trustee is limited to discovery procedures pursuant to the Federal Rules of Civil Procedure. *In re Blinder, Robinson & Co., Inc.*, 127 B.R. 267 (D.Colo.1991).

However, this limitation on Rule 2004 examinations only applies to entities affected by the adversary proceeding. As stated in *Blinder, Robinson*, “[e]ntities not affected by the adversary proceeding do not require the greater protections afforded under the Federal Rules, and the trustee should be permitted to examine them under Rule 2004.” *Id.*, at 275. Thus, even after the trustee has commenced adversary proceeding(s), the trustee may conduct Rule 2004 examinations of entities which are not parties to or are not affected by the pending adversary proceeding(s).

Buick, 174 B.R. at 305.

Nevertheless, this court is mindful that non-bankruptcy litigation is pending between the parties, and that “Rule 2004 should not be used to obtain information for use in an unrelated case or proceeding pending before another tribunal.” *Madoff*, 2014 WL 5486279, at *3 (quotation omitted). As one court wrote, “[t]he difficult and relevant question is whether the [movant’s] primary purpose in the Rule 2004 examination/production is to further the administration of the bankruptcy case or to aid its pending state court litigation against [the respondent].” *In re Oklahoma Automatic Door Co., Inc.*, 599 B.R. 167, 171 (Bankr. W.D. Okla. 2019).

This limit on the use of Rule 2004 may become pertinent if the court is asked to decide a motion brought under Fed. R. Civ. P. 45(d). However, Rule 2004 permits the Movants to examine these parties and to issue document requests. Its areas of investigation fall within the broad scope of the Rule, which allows discovery of “any matter that may affect the administration of the debtor’s estate[.]”

The court is not persuaded by Respondents' contention that "Meraban and the Trust just have to sit tight and wait for the Trustee to finish administering the bankruptcy estate, and then once the case ends and the stay terminates, they can propound all the discovery they want against Taproot, Athena and Mirch in the Illinois and Florida courts where litigation is already pending." Response, ¶ 31. *Cf. In re Internat'l Fibercom*, 283 B.R. 290 (Bankr. D. Ariz. 2002).

Respondents cite no authority for this argument, which Movants appropriately rebut on the grounds that the claims they seek to investigate "may affect the administration of the debtor's estate[.]" Fed. R. Bankr. P. 2004(b)(1)(C).

[T]he claims against Respondents belong to the estate, and Movants have no occasion to seek stay relief to pursue claims that are not theirs to pursue....

Respondents also cannot seriously argue that the investigation of the claims the bankruptcy estate holds against them should await the full administration and closure of the bankruptcy case. If the Trustee administers the bankruptcy estate's claims, including the claims against Athena, Taproot and Mirch, then those claims will have been resolved and cannot be pursued after the case closes.

Reply, ¶¶ 23-24.

If the court grants the 2004 Motion, Respondents ask that the court narrowly tailor the scope of inquiry. However, the court will not anticipate what questions may be asked or documents sought. *See In re Velsicol Chem. LLC*, No. 23 B 12544, 2024 WL 765083, at *5 (Bankr. N.D. Ill. Feb. 23, 2024) ("To the extent the Debtors wish to object to particular questions or document requests, the court can address these objections when raised at the appropriate time in accordance with the applicable rules."). Unlike discovery under the Federal Rules of Civil Procedure, which must be "*relevant* to any party's claim or defense and proportional to the needs of the case," Fed. R. Civ. P. 26(b)(1) (emphasis added), inquiries under Rule 2004 need only *relate* to "(A) the debtor's acts, conduct, or property; (B) the debtor's liabilities and financial condition; [or] (C) any matter that may affect the administration of the debtor's estate[.]"

“For parties in interest, Rule 2004 permits an appropriately comprehensive probe” into those areas of investigation. *In re the Diocese of Buffalo, N.Y.*, 655 B.R. 72, 75 (Bankr. W.D.N.Y. 2023). To the extent the Respondents wish to object to particular questions or document requests, the court can address these objections when raised at the appropriate time in accordance with the applicable rules. If Movants’ requests exceed the permissible bounds of a Rule 2004 examination, Respondents may seek the appropriate remedies.

Procedurally, a Rule 2004 motion is not the appropriate vehicle for the court to determine which questions and document requests are likely to produce information within the bounds of the Rule and which are not.

The rule contemplates only that the court may order the examination of any entity. That entity’s cooperation in the examination process is then secured with a subpoena, issued under Rule 45 of the Federal Rules of Civil Procedure. If the examinee thinks that the subpoena is inappropriate, it may take advantage of the procedures outlined there.

Velsicol, 2024 WL 765083, at *5 (quoting *In re Sheetz*, 452 B.R. 746, 748–49 (Bankr. N.D. Ind. 2011)) (citations omitted).

For all of the reasons stated above, the Respondents’ objections are overruled. To the extent the Respondents wish to object to particular questions or document requests, the court can address these objections when raised at the appropriate time in accordance with the applicable rules. Therefore, **IT IS ORDERED THAT** the 2004 Motion is **GRANTED**.

ENTERED:

Date: September 9, 2026


DAVID D. CLEARY
United States Bankruptcy Judge

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