

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

In re: THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, as representative of THE COMMONWEALTH OF PUERTO RICO <u>et al.</u> , Debtors. ¹	PROMESA Title III Case No. 17 BK 3283-LTS (Jointly Administered)
In re: THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, as representative of PUERTO RICO ELECTRIC POWER AUTHORITY, Debtor.	PROMESA Title III Case No. 17 BK 4780-LTS

ORDER CONCERNING JOINT STATUS REPORT IN RESPONSE TO
THE TITLE III COURT’S MARCH 16 AND MARCH 18, 2026 ORDERS

The Court has received and reviewed the *Joint Status Report in Response to the Title III Court’s March 16 and March 18, 2026 Orders* (Docket Entry No. 30840 in Case No. 17-

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the: (i) Commonwealth of Puerto Rico (the “Commonwealth”) (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (iv) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (v) Puerto Rico Public Buildings Authority (“PBA”, and together with the Commonwealth, HTA, ERS, and PREPA, the “Debtors”) (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations). On October 30, 2024, the Title III case for the Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284-LTS) was closed.

3283 and Docket Entry No. 6091 in Case No. 17-4780) (the “Status Report”).² The Court also takes notice of *The PREPA Bondholders’ Renewed Motion for Relief from the Litigation Stay* (Docket Entry No. 30841 in Case No. 17-3283 and Docket Entry No. 6092 in Case No. 17-4780) (the “Renewed Stay Relief Motion”), filed by the Bondholders.

The Status Report sets forth the parties’ competing proposals for litigation going forward in PREPA’s Title III case. The Oversight Board, joined by the Committee and AAFAF, proposes a schedule for litigation on a motion to determine the value of the Bondholders’ secured claim under 11 U.S.C. § 506. (See Status Report ¶¶ 23, 36, 40.) In the Status Report and the Renewed Stay Relief Motion filed shortly after the Status Report and noticed for the omnibus hearing scheduled for May 20, 2026 (the “May Omnibus Hearing”), the Bondholders propose a schedule for litigating the Lift Stay Motions, one of which includes a request, in the alternative, to dismiss PREPA’s Title III case, as well as litigation concerning the accounting counterclaim asserted in Adversary Proceeding No. 19-391. (See Status Report ¶ 60.)

Although the parties propose different litigation vehicles, the proposed new proceedings have in common important issues of law and fact concerning the methodology for valuing the Bondholders’ secured claim and the ultimate result of such calculations. The Court agrees that valuation of that claim is an essential step for progress in PREPA’s Title III case, but there are substantial methodological issues that must be first resolved. Litigation narrowly focused on arriving at a figure representing the value of the Bondholders’ secured claim at this juncture risks arriving at a conclusion that will be undermined by updated economic data and projections underlying that figure. (Cf. Status Report ¶ 64.) Based upon the parties’ arguments to date, the only litigation matter proposed by the parties that does not require reference to changing economic data and projections is the Bondholders’ accounting counterclaim. (See Status Report ¶¶ 63-64.)

Accordingly, the Court is inclined to lift the litigation stay to permit prosecution of the Bondholders’ accounting counterclaim as well as discovery concerning the counterclaim and certain issues underlying it. The litigation should be phased and begin with legal and factual argument, following upon appropriate limited discovery, concerning the methodology for determining the Net Revenues (and/or, as necessary, appropriate computations under section 928(b) of the Bankruptcy Code of revenues net of necessary operating expenses). The initial goal should be to resolve the parties’ disputes concerning the interpretation of terms under the Trust Agreement and provisions of the Bankruptcy Code and other applicable law in the context of the types of income and expenses that PREPA has incurred.

Resolution of these disputes should lead to a formula that will permit the parties and the Court to determine (1) on an historic basis whether there have been Net Revenues (or revenues exceeding necessary operating expenses, as applicable) prepetition or postpetition and, if so, whether they currently exist in the form of available funds and, (2) ultimately, the value of the Bondholders’ secured claim using up-to-date information at the appropriate point. The former information will be pertinent to evaluation and resolution of the accounting claim and

² Capitalized terms used but not defined herein have the meaning given to them in the Status Report.

will also provide information material to the resolution of the Lift Stay Motions, and plan confirmation proceedings with respect to the Plan (as it may be amended from time to time) based upon up-to-date financial information. The Court anticipates that resolving these methodological issues will provide the parties and the Court with a workable framework and clearer picture of their rights and obligations with respect to the Title III case and provide important insights for their settlement negotiations.

Certain of the potentially relevant disputes concerning the methodology for calculating Net Revenues (and/or PREPA's revenues net of necessary operating expenses, as appropriate) have been identified in the past by the parties, notably in the Bondholders' Motion to Compel. The Court notes that, at this juncture, the Court is not persuaded that the past reporting methodology for the monthly operating reports is determinative of the parties' current rights and obligations, nor that the past reporting methodology is entirely irrelevant to the interpretation and application of the Trust Agreement's terms. Thus, the Court will permit the parties to litigate motions to compel discovery, limited to the issues raised in the Bondholders' Motion to Compel in connection with the administrative expense motion that are relevant to the accounting counterclaim, and without prejudice to the parties' rights to raise additional discovery issues in the future. Additionally, any proposed discovery on the Bondholders' accounting counterclaim must be nonduplicative of discovery already produced to the Bondholders in the course of these proceedings, and proportionate to the needs of the parties.

The PREPA litigation stay is hereby lifted solely to the extent necessary to enable the above-described discovery and litigation, without prejudice to briefing and arguments concerning the Renewed Stay Relief Motion in connection with the May Omnibus Hearing. The Court sets the following initial schedule for the first phase of litigation concerning the Bondholders' accounting counterclaim. The Rule 26(f) report must include deadlines for summary judgment briefing, which may include any additional legal defenses which were left open in the appeal of this Court's prior decisions in this matter. See U.S. Bank N.A. v. Fin. Oversight and Mgmt. Bd. for P.R. (In re Fin. Oversight and Mgmt. Bd. for P.R.), 121 F.4th 280, 314-16 (1st Cir. 2024). The deadlines contained in the schedule proposed in the Rule 26(f) report for the litigation of the Bondholders' accounting counterclaim will be subject to revision by the Court pending the resolution of the Bondholders' motion to lift the litigation stay. The parties are encouraged to consult with the Mediation Team to refine the proposed litigation schedule.

<u>Deadline</u>	<u>Date</u>
Parties to complete any outstanding document production from the discovery on the administrative expense motion, if any. Rule 30(b)(6) depositions permitted by prior orders in relation to the administrative expense motion suspended until further order of the Court.	April 17, 2026

Bondholders to file renewed motion to compel discovery, limited to issues raised in their motion to compel discovery in connection with the administrative expense motion.	
Parties to file joint Rule 26(f) report regarding the litigation schedule for the Bondholders' accounting counterclaim.	
Oversight Board to respond to the Bondholders' renewed motion to compel	April 28, 2026
Counterclaim defendant to serve/file answer to accounting counterclaim	
Hearing before Judge Dein regarding Bondholders' motion to compel discovery and status conference regarding parties' Rule 26(f) report, if necessary.	May 12, 2026

SO ORDERED.

Dated: April 13, 2026

/s/ Laura Taylor Swain
LAURA TAYLOR SWAIN
United States District Judge