

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

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In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

PROMESA
Title III

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*, (Jointly Administered)
Debtors.¹
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Case No. 17-BK-03283 (LTS)

**STATUS REPORT OF THE FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR MAY 20-21, 2026 OMNIBUS HEARING**

To the Honorable United States District Court Judge Laura Taylor Swain:

The Commonwealth of Puerto Rico (the “Commonwealth”), the Puerto Rico Highways and Transportation Authority (“HTA”), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”), the Puerto Rico Electric Power Authority (“PREPA”), and the Puerto Rico Public Buildings Authority (“PBA,” and together with the Commonwealth, HTA, ERS, and PREPA, the “Debtors”), by and through the Financial Oversight

¹ The Debtors in these Title III cases, along with each Debtor’s respective Title III case number listed as a bankruptcy case number due to software limitations 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-BK3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481), (ii) 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), (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808), (iv) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284 (LTS)) (Last Four Digits of Federal Tax ID: 8474), (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17-BK-4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747), and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523 (LTS)) (Last Four Digits of Federal Tax ID: 3801). 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.

and Management Board for Puerto Rico (the “Oversight Board”), as sole Title III representative of the Debtors pursuant to Section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), respectfully submit this Status Report in response to this Court’s order, dated April 17, 2026 [Case No. 17-03283, ECF No. 30940].²

General Status and Activities of the Oversight Board

1. In August 2025, the Oversight Board issued statements that Arthur J. Gonzalez, Cameron McKenzie, Betty A. Rosa, Juan A. Sabater, Luis A. Ubiñas, and Andrew G. Biggs’ positions as members of the Oversight Board had been terminated. The statements further noted and restated the Oversight Board’s continued dedication to day-to-date operations and work in cooperation with the administration of Governor Jenniffer González and the Legislature on “priorities around fiscal responsibility as mandated under PROMESA.”

2. On September 18, 2025, Arthur J. Gonzalez, Andrew G. Biggs, and Betty A. Rosa (collectively, the “Board Plaintiffs”) filed a complaint with the United States District Court for the District of Puerto Rico (the “District Court”) against Sergio Gor, in his official capacity as Director of the White House Personnel Office; Donald J. Trump, in his official capacity as President of the United States (together with Sergio Gor, the “United States Defendants”); John E. Nixon, in his official capacity as Member of the Oversight Board; and Robert F. Mujica, in his official capacity as the Executive Director of the Oversight Board. [Case No. 25-cv-1508, ECF No. 15-1].³ The complaint seeks, among other things, a declaration that (*i*) the termination of Arthur J. Gonzalez,

² Unless otherwise stated herein, ECF citations refer to documents filed in Case No. 17-03283.

³ On September 24, 2025, Judge Antongiorgi- Jordán issued an order granting plaintiffs’ notice of errata and motion to file a corrected complaint, docketed at ECF 15-1.

Betty A. Rosa, and Andrew G. Biggs was invalid and unlawful; and (ii) Arthur J. Gonzalez, Betty A. Rosa, and Andrew G. Biggs are members of the Oversight Board. *Id.* at 16–17.

3. On September 22, 2025, the Board Plaintiffs filed a motion for a preliminary injunction. [Case No. 25-cv-1508, ECF No. 15-6]. Following briefing and a hearing, Judge Antongiorgi-Jordán issued an opinion and order on October 3, 2025, granting the motion and enjoining the defendants from, “[e]ffectuating in any manner the attempted removal of [Arthur J. Gonzalez, Betty A. Rosa, and Andrew G. Biggs] from their positions as a members of the [Oversight Board], including by treating them as having been removed. . . pending the resolution of this litigation.” [Case No. 25-cv-1508, ECF No. 88].

4. On December 2, 2025, the United States Defendants filed a notice of interlocutory appeal regarding its appeal to the United States Court of Appeals for the First Circuit (the “First Circuit”) of the Court’s opinion and order granting the preliminary injunction. [Case No. 25-cv-1508, ECF No. 97; Case No. 25-cv-2158, Doc. 00118375182]. The United States Defendants requested neither an expedited appeal nor a stay of Judge Antongiorgi-Jordán’s order.

5. The proceedings have been stayed in both the District Court and the First Circuit following unopposed motions from the United States Defendants citing the U.S. Supreme Court’s contemporaneous consideration of the removal of Lisa Cook as a Member of the Board of Governors for the Federal Reserve in *Trump v. Cook*, No. 25A312. [Case No. 25-cv-1508, ECF 102; Case No. 25-2158, Doc. 00118384694]. In granting the United States Defendants’ motion, the First Circuit directed the United States Defendants to file a status report every thirty (30) days from the date of the order, and to promptly inform the court when a decision is reached in *Cook* by the Supreme Court. *Id.* The United States Defendants have timely filed the required status reports.

6. In compliance with Judge Antongiorgi-Jordán's October 3, 2025 order the Oversight Board currently consists of four voting members: John E. Nixon, Arthur J. Gonzalez, Betty A. Rosa, and Andrew G. Biggs.

PREPA

Fiscal Plan and Amended Proposed Plan of Adjustment

7. On February 6, 2025, the Oversight Board certified the 2025 Fiscal Plan for PREPA (the "2025 PREPA Fiscal Plan"). On February 11, 2025, the Oversight Board filed the *Informative Motion of the Financial Oversight and Management Board for Puerto Rico Regarding Certification of PREPA Fiscal Plan* [ECF No. 28853] with a copy of the 2025 PREPA Fiscal Plan. The key conclusions of the 2025 PREPA Fiscal Plan include:

- a. Despite efforts to improve PREPA's system and service reliability, it has deteriorated further to unacceptable levels relative to mainland United States utilities.
- b. The 2025 Fiscal Plan's cost projections reflect estimates of LUMA⁴ (as operator of the transmission and distribution system) and Genera PR, LLC ("Genera") (as operator of the legacy generation units) to operate and maintain the system independent of limitations imposed by the 2017 Rate Order issued by the Puerto Rico Energy Commission (now known as the Puerto Rico Energy Bureau ("PREB")).

⁴ "LUMA" shall refer collectively to LUMA Energy, LLC, a joint venture between Quanta Services and Canadian Utilities Limited, an ATCO Ltd. Company, or to LUMA Energy ServCo, LLC its subsidiary.

- c. The cost projections far exceed previous projections given the continuing deterioration of the system and the operators' projections being unconstrained by the 2017 Rate Order. The prior budgets built around the limitations of the 2017 Rate Order had masked the real needs of the system.
- d. PREPA will not be able to impose any sustainable rate increases for debt service because covering costs alone would require rates above the median income household's affordability.

8. As previewed in the 2025 PREPA Fiscal Plan, the Oversight Board retained an independent consultant to review the 2025 PREPA Fiscal Plan expense projections provided by LUMA and Genera. The report of the consultant – EnerNex – was posted online by Oversight Board on December 4, 2025, and can be found in its entirety on the Oversight Board's website at <https://oversightboard.pr.gov/enernex-report-review-of-puerto-rico-energy-system-expense-projections-in-the-2025-prepa-fiscal-plan/>. EnerNex's determinations are supportive of the assumptions in the 2025 PREPA Fiscal Plan.

9. After certification of the 2025 PREPA Fiscal Plan, the Oversight Board determined to pursue confirmation of an amended PREPA plan of adjustment paying settling creditors recoveries materially in line with existing plan support agreements and the previously filed plan of adjustment (incorporating changes previously discussed with such creditors) while also paying in full the amount of any non-settling bondholders' (the "Bondholders") allowable secured claim, as determined by the Title III Court, and paying any additional amounts required if the Bondholders are determined to have other allowed claims. Subsequently, the Bondholders filed an administrative expense claim for up to \$3.7 billion. After briefing and argument, the Court

disallowed the claim, and the order disallowing it is now being briefed in the Bondholders' appeal to the First Circuit. *See infra* ¶¶ 18-31.

10. On March 20, 2025, the Court entered the *Order Regarding PREPA Litigation Schedule and Relief from the PREPA Litigation Stay* [ECF No. 29081] (the “PREPA Litigation Order”), modifying the PREPA litigation stay and authorizing the Oversight Board to file an amended plan of adjustment and disclosure statement by March 28, 2025, among other things. PREPA Litigation Order, at 2.

11. On March 28, 2025, the Oversight Board filed the *Fifth Amended Title III Plan of Adjustment of the Puerto Rico Electric Power Authority* [ECF No. 29125] (the “Fifth Amended Plan”) and the *Disclosure Statement for Fifth Amended Title III Plan of Adjustment of the Puerto Rico Electric Power Authority* [ECF No. 29126], consistent with the 2025 PREPA Fiscal Plan and the First Circuit’s decision in *Fin. Oversight & Mgmt. Bd. for P.R. v. U.S. Bank N.A. (In re Fin. Oversight & Mgmt. Bd. for P.R.)*, 121 F. 4th 280 (1st Cir. 2024). The Fifth Amended Plan incorporates several amendments to the previous structure, including a Rate Reduction Fund to support PREPA’s pensions, and the elimination of the Legacy Charge for debt service contemplated in previous versions of the Plan. The Fifth Amended Plan also removes the Contingent Value Instruments because it otherwise provides for payment in full of the allowed secured claim. As discussed at the omnibus hearing in March 2026, the use of Contingent Value Instruments remains available in a negotiated settlement. Pursuant to the proposed Fifth Amended Plan, consenting creditors will be entitled to share excess payment capacity that could result from prevailing in litigation with non-consenting Bondholders. The Fifth Amended Plan honors the settlements previously reached with the Official Committee of Unsecured Creditors (the “Committee”), PREPA’s prepetition fuel line lenders, and two groups of settling bondholders, and

will pay in full the allowed secured claim of Bondholders as determined by the Court, and administrative claims of Bondholders if allowed by the First Circuit.

12. On October 1, 2025, all members of the Majority Member Ad Hoc Group⁵ and various other bondholder-parties to the Restructuring Support Agreement, dated as of August 25, 2023, sent the Oversight Board notices of termination of their participation in the agreement. Since that time, various other bondholders have issued similar notices. While the Oversight Board would like Bondholder support, it believes the proposed Fifth Amended Plan remains confirmable and substantial Bondholder support is more difficult to achieve while their cooperation agreement is effective. But, in the absence of the Restructuring Support Agreement, the proposed plan is materially less expensive to confirm if the Oversight Board's positions on the administrative claim and secured claim are correct.

Mediation

13. On October 6, 2025, the Court entered its *Order Extending the Appointment of Lead Mediator* [ECF No. 30038]. Subsequently, mediation, which was scheduled to terminate on April 30, 2026, was further extended through October 1, 2026. [ECF No. 30843]. The Oversight Board continues to interact with the Mediation Team, and believes a mediated consensual resolution of remaining disputes in PREPA's Title III Case is possible.

Bondholder Litigation

14. On June 12, 2024, the First Circuit reversed in part and affirmed in part the Court's decision regarding Bondholder claims in the PREPA Title III Case. The First Circuit ruled that Bondholders have a valid and unavoidable perfected security interest in PREPA's net revenues

⁵ The Majority Member Ad Hoc Group means Blackrock Financial Management, Inc., Franklin Advisers, Inc., Nuveen Asset Management, LLC, Taconic Capital Advisors, L.P., and Whitebox Advisors LLC, represented by Paul Weiss, Rifkind, Wharton & Garrison.

before they are deposited in accounts controlled by the U.S. Bank National Association, as bond trustee (the “PREPA Bond Trustee”), although they do not hold perfected security interests in Revenues (as defined by the Trust Agreement) and do not hold a recourse claim.

15. On June 26, 2024, the Oversight Board and the Committee filed petitions seeking rehearing of the First Circuit’s ruling, and on November 13, 2024, the First Circuit withdrew its June 12, 2024 opinion and issued a new opinion in which the Panel formulated a new analysis concluding the Bondholders’ security interest in Net Revenues (as defined therein) was a nonavoidable security interest in general intangibles under the Uniform Commercial Code. [Case No. 23-2036, Doc. No. 00118214209].⁶

16. By order, dated July 11, 2024, ECF No. 27748, the Court imposed a stay of litigation of all disputes between the Oversight Board and the Bondholders through September 8, 2024; the stay was thereafter extended through March 24, 2025. [ECF No. 28767].

17. On March 20, 2025, the Court entered the PREPA Litigation Order, among other things, partially lifting the PREPA litigation stay to (a) permit the Oversight Board to file an amended proposed plan of adjustment and disclosure statement (which, as noted above, were filed on March 28, 2025), and (b) permit the Bondholders to file their administrative expense claim motion and to set a briefing schedule on the motion. PREPA Litigation Order, at 2. Other than as specifically set forth in the PREPA Litigation Order, the PREPA litigation stay was otherwise extended *sine die*. *Id.*

⁶ On November 27, 2024, the Oversight Board and the Committee filed petitions seeking panel rehearing of the First Circuit’s November 13 ruling, and on December 31, 2024, the First Circuit denied the Oversight Board’s petition for rehearing. [Case No. 23-2036, Doc. No. 00118230859]. No party filed a petition for writ of certiorari, the deadline for which has since expired.

18. As aforesaid, on April 7, 2025, the Bondholders filed the *PREPA Bondholders' Motion and Memorandum of Law for Allowance of Administrative Expense Claim* [ECF No. 29173] (the "Administrative Expense Motion"), seeking allowance of an administrative expense claim of at least \$3.7 billion. The Administrative Expense Motion asserted that from fiscal years 2018 through 2023, PREPA generated \$3.7 billion of Net Revenues and used them to maintain PREPA rather than turn them over for debt service. The Bondholders argued PREPA's post-petition use of their collateral to maintain the system entitles them to an administrative expense claim.

19. Following numerous procedural events, on December 9, 2025, the Court entered the *Order Regarding Discovery for PREPA Bondholders' Motion for Allowance of Administrative Expense Claim*, ECF No. 30391, lifting the PREPA litigation stay to allow the parties to litigate motions to compel solely in connection with Administrative Expense Motion, and setting forth a related discovery schedule therein. The parties complied with the Court's order and briefing concluded in February 2026. *See* ECF Nos. 30492; 30562; 30621; and 30642.

20. On March 16, 2026, the Court entered the *Opinion and Order Denying PREPA Bondholders' Motion for Allowance of Administrative Expense Claim*, ECF No. 30762, denying the Bondholders Administrative Expense Motion, "because it fails as a matter of law to demonstrate that the Bondholders have an allowable administrative expense claim." Bondholders, as well as U.S. Bank National Association, as Trustee, appealed the decision with the First Circuit on March 23, 2026, and March 24, 2026, respectively. *See* ECF No. 30792; 30793; 30794; 30795; and 30799. The appeals were docketed and consolidated on April 9, 2026, and April 10, 2026, respectively, at Case Nos. 26-1330, 26-1331, 26-1332, 16-333, and 26-1334, and briefing is currently underway, and on May 14, 2026, Bondholders filed opening briefs. [Case No. 26-1330,

Doc. Nos. 00118446925 and 00118446919; Case No. 26-1331, Doc. No. 00118446888; and 26-1334; Doc. No. 00118446871].

21. Debtor's brief is due 50 days after the later of (i) the date of filing of Bondholders' opening briefs or (ii) the date of filing of any amicus brief(s) in support of Bondholders, which much be filed by May 21, 2026. [Case No. 26-1330, Doc. No. 00118433017].

22. Additionally, on March 16, 2026, the Court entered the *Order Regarding PREPA Bondholders' Motion to Compel in Connection with the Administrative Expense Motion*, ECF No. 30767, denying the Bondholders' motion to compel as moot, and, in light of the Court's ruling on the Administrative Expense Motion, directing the parties therein to meet and confer and file a joint status report on or before March 30, 2026, discussing (i) the status of discovery issues in connection with the motion to compel, and (ii) outstanding discovery issues that will carry forward in PREPA's Title III Case, along with a proposed discovery schedule. On March 18, 2026, the Court supplemented its order, adding that the status report must also include: (i) motions the parties expect to make or renew; (ii) litigation they expect to commence; (iii) the relationship of the proposed discovery to such motions or litigation; and (iv) a proposed schedule for such motions or litigation. [ECF No. 30783].

23. In compliance with the Court's order, the parties filed the *Joint Status Report in Response to the Title III Court's March 16 and March 18, 2026 Orders* [ECF Nos. 6066, 6070] on March 30, 2026. [ECF No. 30840]. Therein, each parties submitted statements regarding the next phase of PREPA's Title III case. The Oversight Board proposed that the most efficient next phase would and should be litigation to determine the value of the Bondholders' collateral and thus the allowed amount of their secured claim, and accordingly, proposed a schedule for such litigation and related discovery ending with a valuation hearing the week of July 27, 2026; the

Committee agreed with the Board that this path was the best and most efficient path forward; AAFAF further agreed that the litigation stay should remain in place except for the valuation of Bondholders' secured claim; and the Bondholders, asserted the right to protect their collateral, asking the Court to lift the Litigation Stay with respect to their pending motion to lift the automatic stay, their pending motion to dismiss the Title III Case or motion to lift the automatic stay, and their reinstated accounting counterclaim in Adversary Proceeding No. 19-00391 (the "Accounting Counterclaim"), and accordingly, proposed an expedited schedule with limited discovery spanning at least one hundred ten days. *Id.*

24. On March 30, 2026, Bondholders filed *The PREPA Bondholders' Renewed Motion for Relief from the Litigation Stay* [ECF No. 30841] (the "Renewed Stay Relief Motion"), renewing their request for entry of an order partially lifting the Litigation Stay with respect to their (i) pending motion to lift the automatic stay at ECF No. 4689, (ii) pending motion to lift the automatic stay or, alternatively, motion to dismiss the Title III case at ECF No. 2973, and (iii) Accounting Counterclaim. Bondholders contend that given the Court's March 16, 2026 ruling on the Administrative Expense Claim, they will suffer irreparable injury unless the automatic stay is lifted and seek relief to pursue their rights as secured creditors. The Renewed Stay Relief Motion was noticed to be heard at the May 20, 2026 omnibus hearing. [ECF No. 30842].

25. On April 13, 2026, the Court entered the *Order Concerning Joint Status Report in Response to the Title III Court's March 16 and March 18, 2026 Orders*. [ECF No. 30914]. Therein, the Court lifted the litigation stay solely to the extent necessary to enable discovery and litigation with respect to the Bondholders' accounting counterclaim (the "Accounting Counterclaim Litigation"), and without prejudice to the briefing and arguments concerning the Renewed Stay Relief Motion in connection with the May 20, 2026 omnibus hearing. The Court

expressed that, “[r]esolution of these disputes [concerning interpretation] 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.” *Id.* The Court further permitted the parties to litigate motions to compel discovery limited to issues raised in the Bondholders Motion to Compel in connection with the Administrative Expense Motion that are relevant to the accounting counterclaim. The order set an initial schedule for the first phase of litigation which, among other things, directed the Bondholders to file a renewed motion to compel discovery, limited accordingly, and the parties to file a joint Rule 26(f) report regarding discovery.

26. On April 17, 2026, the Oversight Board filed the *Rule 26(f) Report and Discovery Plan* outlining the parties’ contrasting beliefs as to the scope, schedule, and limitations of discovery related to Accounting Counterclaim Litigation, and setting forth alternative proposed schedules. [ECF No. 30942]. As further articulated in subsequent filings, *see* ¶¶ 25-26, the Oversight Board contends that most relevant historical discovery has already been completed, and proposed a narrow and expedited process, with a proposed schedule targeting completion of fact discovery by early July 2026 and summary judgment briefing by September 2026, whereas Bondholders contend that due to the inherently backward-looking nature of the accounting counterclaim, a broader discovery, and thus more extensive schedule is required. Bondholders proposed schedule that begins fourteen days after an order is entered on the Renewed Motion to Compel with production by the Oversight Board, and concludes at the earliest, 155 days later with summary judgement briefing.

27. Additionally, on April 17, 2026, the Bondholders’ filed *The PREPA Bondholders’ Renewed Motion to Compel Discovery Pursuant to the Order Concerning Joint Status Report in Response to the Title III Court’s March 16 and March 18, 2026 Orders* [ECF No. Case No. 17-04780, 6121] (the “Renewed Motion to Compel”). The Bondholders seek discovery from the Oversight Board, arguing they are entitled to (i) PREPA’s historical accounting records to demonstrate a consistent methodology for calculating Net Revenues under the Trust Agreement; (ii) discovery related to the Oversight Board’s assertion that the MORs are inaccurate; and (iii) documentation on federal reimbursement funds and post-petition budgets related to federally funded capital projects.

28. On April 28, 2026, the Oversight Board filed its opposition to the Renewed Motion to Compel, arguing the motion should be denied because extensive discovery—approximately 3,500 documents, totaling nearly 18,000 pages—had already been produced and is more than sufficient to resolve the Accounting Counterclaim Litigation. [Case No. 17-04780, ECF No. 6130]. In particular, the Oversight Board contends, among other things, that (i) additional prepetition discovery is unnecessary and disproportionate, (ii) certain documents sought are irrelevant given their inconsistency with the Trust Agreement’s definition of “Revenues”, and (iii) Bondholders improperly seek privileged work product and premature expert analysis.

29. On May 12, 2026, following a hearing on the Renewed Motion to Compel, the Court entered the *Order Allowing in Part and Denying in Part PREPA Bondholders’ Renewed Motion to Compel Discovery and Setting Discovery and Briefing Schedule* [ECF No. 31034]. The Court largely rejected the Bondholders’ request for broad historical and accounting related documents, and applied the rulings to the scope of forthcoming deposition topics for the parties. The Court also set an expedited and narrow discovery schedule, with depositions and fact

discovery to be completed September 21, 2026, summary judgment briefing to be completed November 10, 2026, and oral arguments, if necessary, tentatively scheduled for the November 18, 2026 omnibus hearing.

30. On May 5, 2026, the Oversight Board, the Committee, and AAFAF each filed an objection to the Renewed Stay Relief Motion. The Oversight Board argued that the Bondholders' Renewed Stay Relief Motion should be denied because, among other reasons, relief was partially granted pursuant to the Court's April 13, 2026 order allowing the Accounting Counterclaim Litigation, the relief sought requires the valuation of Bondholders' allowed secured claim – something the Bondholders have resisted, and to lift the stay as sought in the motion would be disruptive to the transformation of PREPA and the confirmation of a proposed plan. [ECF No. 31003]. Likewise, the Committee argued that given allowance of the Accounting Counterclaim Litigation, in the interest of efficiency, time, and resources, no further relief should be granted. [ECF No. 31002]. AAFAF similarly argued that continuing the stay is the most efficient path forward and is not prejudicial to the Bondholders, reiterating the Court's reasoning in proceeding first with the Accounting Counterclaim Litigation in the hopes of “permit[ing] the parties and the Court to (1) determine on a historic basis whether there have been Net Revenues . . . and, (2) ultimately, the value of the Bondholders' secured claim[.]” [Case No. 17-04780, ECF No. 6138].

31. On May 12, 2026, Bondholders filed the *Reply in Further Support of the PREPA Bondholders' Renewed Motion from the Litigation Stay* [ECF No. 31030]. Therein, Bondholders contend that the four (4) year length of the PREPA Litigation Stay “is nothing routine” and that no rationales for the stay remain, thus, Bondholders have the right to seek adequate protection in the full value of their remaining collateral, arguing that valuing their secured claim is not a prerequisite to granting stay relief or adequate protection, and citing PREB's recent Final Rate

Order (as defined below) as evidence. In addition, Bondholders argue holding the Bondholders' Renewed Stay Relief Motion in abeyance pending resolution of the Accounting Counterclaim Litigation would be inconsistent with due process and the Bankruptcy Code.

Litigation Involving LUMA

32. On December 11, 2025, P3A and PREPA (with PREPA not represented by the Oversight Board) filed an action with the Puerto Rico Court of First Instance requesting determinations that LUMA's T&D OMA⁷ was not validly extended [Civil Case No. CJ2025CV1193, ECF No. 1] (the "P3A/PREPA Action"). On December 16, 2025, Governor Jenniffer González and the Commonwealth of Puerto Rico filed a nearly-identical action against LUMA with the Puerto Rico Court of First Instance, seeking, among other things, the same declaration of nullity of the T&D OMA on the same basis as the P3A/PREPA Action (the "Government Action"). [Civil Case No. SJ2025CV11202, ECF No. 1]. LUMA removed both actions to the Title III Court on December 15, 2025, and December 17, 2025, respectively, along with the pending requests for intrajurisdictional certification of appeal to the Supreme Court of Puerto Rico filed by the plaintiffs in each action.⁸ [Adv. Proc. No. 25-00061, ECF No. 1; Adv. Proc. No. 25-00062, ECF No. 1]. Because of the critical impact the actions could have on PREPA's restructuring and the people of Puerto Rico, the Oversight Board moved to intervene in the Government Action. [Adv. Proc. No. 25-00062, ECF No. 18]. In accordance with the Court's

⁷ The T&D OMA shall refer to the *Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement, dated as of June 22, 2020, by and among the Puerto Rico Electric Power Authority, as Owner, the Puerto Rico Public-Private Partnerships Authority, as Administrator, LUMA, LLC as Management Co, and LUMA Servco, LLC as ServCo*, as supplemented and extended.

⁸ See Case No. CT-2025-0006 and Case No. CT-2025-0007.

Order Concerning Joint Status Report [Adv. Proc. No. 25-00061, ECF No. 9; Adv. Proc. No. 00062, ECF No. 11], the parties completed briefing of the plaintiffs' remand motions.

33. On April 14, 2026, the Oversight Board's motion to intervene was granted in part, permitting the Oversight Board to intervene to address issues related to remand. [Adv. Proc. No. 25-00062, ECF No. 66].

34. On May 8, 2026, the Court entered the *Memorandum Order Granting Motions to Remand* [Adv. Proc. No. 25-00061, ECF No. 49; Adv. Proc. No. 00062, ECF No. 68] (the "Remand Order"), granting remand of both the Government Action and the P3A/PREPA Action. The Court held that, while it has federal subject matter jurisdiction under PROMESA, remand is required, as both actions fall within the police and regulatory power exception of PROMESA § 306(d), and because the binding forum selection clause of the T&D OMA requires the remand of the P3A/PREPA action, as the Court interprets the current dispute as falling squarely within its scope, defeating any argument of diversity jurisdiction.

35. LUMA filed a notice of appeal to the First Circuit of the Remand Order on May 13, 2026. [Adv. Proc. No. 25-00061, ECF No. 50; Adv. Proc. No. 00062, ECF No. 62]. The case has not yet been docketed.

36. Additionally, on May 13, 2026, LUMA filed the *Urgent Motion for Stay of Order to Remand Pending Appeal and Request for Expedited Relief*, moving the Court, pending resolution of its appeal to the First Circuit, for a temporary stay of the Remand Order to permit parties to brief the issue and determine whether a stay pending appeal is appropriate, and seeking to have the matter heard on an expedited basis to resolve the issue before the actions are remanded to the Commonwealth on May 15, 2026, as scheduled [Adv. Proc. No. 25-00061, ECF No. 51; Adv. Proc. No. 25-00062, ECF No. 70] (the "Urgent Motions").

37. On May 14, 2026, the Court entered its *Order Scheduling Briefing on Urgent Motions for Stay of Order to Remand Pending Appeal and Request for Expedited Relief*, directing any responses to the Urgent Motions be filed by 5:00 pm (AST) on May 18, 2026, replies in support of the Urgent Motions be filed by 5:00 pm (AST) on May 21, 2026, and staying the Remand Order pending resolution of the Urgent Motions. [Adv. Proc. No. 25-00061, ECF No. 52; Adv. Proc. No. 25-00062, ECF No. 71].

2025-2026 Rate Case Before PREB

38. On July 3, 2025, LUMA filed its Motion Submitting Rate Review Petition with PREB on behalf of itself, Genera, and PREPA for fiscal years 2026-2028, the first such petition in over eight years. *Motion Submitting Rate Review Petition*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Jul. 3, 2025) (the “LUMA Petition”).⁹ Following instructions from the PREB, stakeholders provided three (3) budgets for evaluation: an “Optimal Budget,” a “Constrained Budget,” and a “Provisional Budget,” to present the revenue requirements that support the requested rate changes in each scenario. The budgets presented to PREB do not include pensions or any amount for any debt service. However, PREPA and LUMA each provided separate requests for the inclusion of the costs of pensions for the subject years in the requested rates.

39. The proposed budgets are comparable to the cost estimates outlined in the 2025 PREPA Fiscal Plan for the applicable years (2026-2028). The following chart compares the total revenue requirement,¹⁰ including for fuel and purchased power (“F&PP”) and pension costs as

⁹ All filings currently available from the 2025-2026 rate case in front of PREB can be found on the public docket at <https://energia.pr.gov/en/dockets/?docket=nepr-ap-2023-0003>.

¹⁰ Figures in the table exclude debt service, but include F&PP costs and requested or projected pension costs, and are based on LUMA’s March 11, 2026 revised revenue requirement schedules containing an updated Constrained Budget and updated Optimal Budget. *See Hearing Examiner’s Order Requiring Confirmation of Annual Revenue Requirement and*

separately requested by LUMA,¹¹ under the Optimal Budget, the Constrained Budget, and the 2025 PREPA Fiscal Plan:

	Optimal Revenue Requirements (\$M)	Constrained Revenue Requirements (\$M)	2025 PREPA Fiscal Plan (\$M)
FY2026	\$5,796	\$5,354	\$5,078
FY2027	\$6,077	\$5,415	\$5,789
FY2028	\$6,251	\$5,673	\$6,075

40. The Bondholders intervened in the PREB rate proceeding and are actively participating, including in the evidentiary hearings on the revenue requirement and subsequent briefing, discussed below, available on the PREB docket. [Case No. NEPR-AP-2023-0003].

41. On July 31, 2025, PREB issued a Resolution and Order approving a provisional rate of 1.4931 cents/kWh, plus a rider for pension costs of 1.9191 cents/kWh, for a total rate increase of 3.4122 cents/kWh. The provisional rate supports the PREB approved provisional revenue requirement of \$227.598 million. The provisional rate became effective on September 1, 2025, and will be reconciled with the final rates starting on July 1, 2025, and ending on the date final rates become effective.

42. On August 19, 2025, PREB issued a Resolution and Order determining that LUMA's application filed on July 3, 2025, was complete, starting the 180 day period for PREB to review LUMA's application and issue a final ruling. Resolution and Order, *In re: Puerto Rico Electric Power Authority Rate Review*, Case No.: NEPR-AP-2023-0003, Aug. 19, 2025. On February 12, 2026, PREB extended its review period by 60 days to remain in compliance with the

Submittal or Correction of Supporting Exhibits, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Mar. 5, 2026).

¹¹ PREPA submitted its own request for pension costs, at approximately \$30 million less per year than LUMA's for FY 2026 and 2027.

applicable statutory framework. Resolution and Order, *In re: Extension of Time for Final Resolution and Order*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Feb. 12, 2026).

43. Following entry of the provisional rate order, proceedings regarding the permanent rate continued, with, among other things, evidentiary hearings on the revenue requirement taking place from November 12, 2025 through December 19, 2025.

44. Following significant post-hearing briefing,¹² on April 15, 2026, PREB issued the Final Resolution and Order on Electricity Rates (the “Final Rate Order”)¹³ approving a permanent base rate of 10.58 cents/kWh for fiscal year 2026, 11.55 cents/kWh for fiscal year 2027, and 11.15 cents/kWh for fiscal year 2028 (the “Permanent Rate”). The Permanent Rate supports the PREB-approved final revenue requirement of \$1.78 billion for fiscal year 2026, \$1.783 billion for fiscal year 2027, and \$1.786 billion for fiscal year 2028 (the “Final Revenue Requirement”), approximately \$1.362 annually less than requested by the operators, who sought, per LUMA’s final revisions submitted March 17, 2026, \$3.131 billion for fiscal year 2026, \$3.504 for fiscal year 2027; and \$3.665 for fiscal year 2028.

45. Specifically, PREB found:

¹² Per the Hearing Examiner’s December 22, 2026 Order, post-hearing briefing included: (a) initial briefs, and reply briefs on revenue requirements; (b) initial briefs and reply briefs on rate design; and (c) initial briefs and reply briefs on legal and policy issues, including (i) legacy debt and unsecured debt; (ii) pension cost; (iii) pension rider rate design; and (iv) refunds of ratepayer payments for nonfederal capital expenditures. See *Hearing Examiner’s Order on Exhibits, Miscellaneous Post-Hearing Matters and Legal Issues*, <https://energia.pr.gov/wp-content/uploads/sites/7/2025/12/20251222-AP20230003-Hearing-Examiners-Order-on-Exhibits-Miscellaneous.pdf> (December 22, 2025). All post-hearing briefing, as well as an official transcript of the rate proceeding, are available on PREB’s public docket at <https://energia.pr.gov/en/dockets/?docket=nepr-ap-2023-0003>.

¹³ The Final Rate Order is available on PREB’s public docket at <https://energia.pr.gov/wp-content/uploads/sites/7/2026/04/20260415-AP20230003-Final-Resolution-and-Order.pdf>.

- a. widespread physical deterioration across generation, transmission, and distribution systems, attributable to years of underinvestment and deferred maintenance;
- b. high forced outage rates, frequent service interruptions, and an “unsustainable trend of emergent failures” in critical infrastructure; and
- c. ongoing asset degradation that continues to outpace repair efforts, exacerbating system instability and performance metrics.

46. Nevertheless, in reaching the Final Revenue Requirement, PREB made cost removals in four general areas: (i) projects eligible for federal funds; (ii) excessive systemwide costs; (iii) department-specific costs of projects deemed to be not executable; and (iv) department-specific costs otherwise deemed by PREB to be excessive. In particular, PREB voiced concern for LUMA’s ability to achieve “optimality” in only three years, stating, “the resulting budgets for PREPA, LUMA, and Genera reflect improvements that are gradual, financeable with current dollars, and executable.” Final Rate Order, Ch. 1 at 49. PREB acknowledged the federal funds and funds from other sources it contemplated may not be available, and noted those issues could be addressed by using the emergency rate mechanism.

47. For PREPA, PREB included the recovery of more than \$300 million annually of PREPA pension costs through rates. In reaching this determination, PREB recognized PREPA’s obligations under PROMESA to comply with the 2025 PREPA Fiscal Plan, which compels PREPA to pay pension costs, and noting that the characterization of whether pension payments are current expenses or prepetition debt is not required for setting rates, and a question that lies with the Title III Court. The Permanent Rate does not include items covered by riders, but does

incorporate a zero-dollar “placeholder” legacy debt rider, preserving the mechanism for future recovery, but making clear any implementation depends on outcomes in the Title III Court.

48. On April 29, 2026, Genera filed a motion for reconsideration of the Final Rate Order, and on May 5, 2026, PREPA, LUMA, the Solar and Energy Storage Association of Puerto Rico, jointly with Solar United Neighbors, and the Institute of Competitiveness and Economic Sustainability followed suit (collectively, the “Reconsideration Motions”). All moving parties contend that the Final Rate Order is both legally and factually flawed, requiring reconsideration. LUMA argues, among other things, that the Final Rate Order denies or restricts essential funding mechanisms while imposing arbitrary new standards and requirements that undermine system reliability, such as PREB’s three-category framework for excluding capital projects, and contractual rights and obligations, particularly under the T&D OMA. PREPA argues that, among other things, despite not increasing overall rates, the Final Rate Order improperly allocates resources, arbitrarily denying or reducing funding for essential PREPA functions, such as the Executive Director’s operational budget and critical staffing increases, and improperly reduced its Title III restructuring costs and audit expenses inconsistent with PROMESA. Genera argues, among other things, that the Final Rate Order improperly relies on speculative federal funding to exclude use of PREPA revenues for necessary projects and unlawfully disallowed contractually mandated mechanisms, such as reserve accounts.

49. On May 8, 2026, the Bondholders moved PREB for leave to file a response to the Reconsideration Motions.

General Status of Relations Among the Oversight Board and Commonwealth and Federal Governments

50. The Oversight Board’s relationship with the Government continues to be collaborative and the Oversight Board continues to work closely with Governor González, the

Legislative Assembly (the “Legislature”), and the rest of the Commonwealth administration, despite certain differences on issues, such as the LUMA litigation. The Oversight Board and the Government remain in agreement that the health, safety, and economic welfare of the people of Puerto Rico must be the priority. The prior Governor, Legislature, and Oversight Board previously disagreed on various pieces of significant legislation, some of which are the subject of ongoing litigation.

Act 119-2022

51. On December 23, 2022, Governor Pierluisi signed House Bill (“HB”) 1182 into law as Act 119-2022 (“Act 119”). Act 119, among other things, increases the rate at which public employees accrue vacation leave from 1.25 to 2 days per month, such that public sector employees will now accrue 24 vacation days a year, nine more than the 15 days they enjoyed prior to enactment of Act 119. The Government informed the Oversight Board that Act 119 has not been implemented because implementing regulations have not been submitted to the Oversight Board for approval as required by the Oversight Board’s Rules, Regulations and Orders Review Policy, established pursuant to PROMESA § 204(b)(4). On January 9, 2023, the Oversight Board received Governor Pierluisi’s submission for Act 119 pursuant to PROMESA § 204(a). After substantive internal review, the Oversight Board found several deficiencies in the submission and raised these concerns with Governor Pierluisi in a letter dated June 16, 2023. In response, Governor Pierluisi requested the Oversight Board provide the Government until August 31, 2023 to submit a revised submission pursuant to PROMESA § 204(a). After multiple extensions, on September 6, 2023, the Government submitted a revised submission pursuant to PROMESA § 204(a) estimating the annual cost of Act 119 at \$58.3 million without identifying measures to offset its cost. As a result, on January 17, 2024, the Oversight Board informed the Government that Act 119 is significantly inconsistent with the Commonwealth Fiscal Plan, violates PROMESA, and cannot be

implemented. On January 24, 2024, in response to the Oversight Board's concerns, the Government confirmed it will not implement Act 119 until an agreement is reached with the Oversight Board.

Act 81-2020

52. On May 2, 2023, certain retired police officers filed a motion to intervene in Adv. Proc. No. 21-00119, seeking an order reopening the adversary proceeding as it pertains to Act 81-2020, or in the alternative, for an order directing the Oversight Board, Governor Pierluisi, and AAFAF to produce the agreement between the Oversight Board and the Government regarding "a means to provide enhanced retirement benefits to police officers." [Adv. Proc. No. 21-00119, ECF No. 17]. The parties engaged in discussions to potentially resolve the motion without the need for further briefing or Court involvement, but those discussions did not conclude the matter. On February 8, 2024, the Court issued an order denying the retired police officers' emergency motion to intervene to request an order to reopen the action. [Adv. Proc. No. 21-00119, ECF No. 44].

53. On March 7, 2024, the retired police officers filed a notice of appeal with the First Circuit as to this Court's February 8, 2024 ruling.

54. Briefing is complete except for the retired police officers' reply brief, which was due on the extended deadline of January 17, 2025. The retired police officers have not filed their reply brief.

55. On August 28, 2025, the retired police officers filed a motion requesting the First Circuit issue a notice of mandatory pre-argument settlement conference, to which the Oversight Board responded on September 8, 2025. On September 25, 2025, Chief Settlement Counsel for the First Circuit, Jaime E. Toro-Monserrate, notified the parties that the request for a settlement conference was denied. The First Circuit has not yet ruled on the pending appeal.

Act 10-2024

56. On January 10, 2024, Governor Pierluisi signed Act 10-2024 (“Act 10”) into law. Act 10, among other things, (i) prevents independent regulation of PREPA’s net metering for many years during which PREPA would be required to purchase electricity produced from solar energy whether or not needed; (ii) amends Act 114-2007 to prevent PREB from commencing a net metering study earlier than January 2030 for the purpose of determining whether changes to the net metering program are necessary, and bars PREB from modifying the current net metering program until that study is completed; (iii) provides that any changes to the net metering program, including rates, can only take effect 12 months after PREB decides to make any such changes (2031 at the earliest); and (iv) provides that any customer with a net metering contract or that has a distributed generator installed and certified by a licensed professional at the time PREB issues its final determination changing the net metering structure (which, as noted above, cannot be before 2031) shall be entitled to enjoy the pre-change net metering terms for at least 20 years from the date new net metering rates are implemented (or until at least 2051).

57. After a series of communications with the Government seeking to resolve its concerns, the Oversight Board commenced an adversary proceeding on July 26, 2024 in the PREPA Title III case against Governor Pierluisi seeking to nullify and enjoin Act 10. [Adv. Proc. No. 24-00062].

58. Three parties filed motions to intervene in the action: former Senate President Dalmau [Adv. Proc. No. 24-00062, ECF No. 8, 8-1], SUN [Adv. Proc. No. 24-00062, ECF No. 13], and the Puerto Rico Chapter of the Sierra Club (“Sierra Club”). *Id.* On September 11, 2024, the Court allowed in part and denied in part the former Senate President’s intervention motion, permitting him to intervene permissively. [Adv. Proc. No. 24-00062, ECF No. 27]. On September 25, 2024, Magistrate Judge Dein issued an order denying SUN and Sierra Club’s motion to

intervene but granted them leave to file an *amicus* brief. [Adv. Proc. No. 24-00062, ECF No. 41].¹⁴

59. On September 25, 2024, the former Senate President and the Oversight Board each filed a motion for summary judgment and a statement of undisputed material facts. [Adv. Proc. No. 24-00062, ECF Nos. 42, 43, 46, 47]. Both motions for summary judgment have been fully briefed and remain pending before the Court.¹⁵

Act 99-2024

60. On May 29, 2024, after both the House and the Senate passed Senate Bill (“SB”) 644, the Legislature sent the measure to Governor Pierluisi. On June 5, 2024, Governor Pierluisi vetoed SB 644, but on June 25, 2024, the Legislature overrode Governor Pierluisi’s veto, enacting SB 644 which was enrolled as Act 99-2024 (“Act 99”). Section 6 of Act 99 requires the Public Corporation for Supervision and Insurance of Cooperatives of Puerto Rico (“COSSEC”) to transfer to the cooperatives the funds necessary to satisfy the cooperatives’ non-operational impairments (which would include losses on Commonwealth bonds resulting from the Plan of Adjustment). If, after such transfers, COSSEC certifies that COSSEC’s total available resources are insufficient for COSSEC to maintain a net position of 2% of the insured shares and deposits, Act 99 directs the

¹⁴ On May 6, 2025, Professor Luis Aníbal Avilés Pagán, Ph.D., J.D., filed a motion requesting leave to appear as *amicus curiae* and to file an oversized memorandum of law in support of Act 10’s validity. [Adv. Proc. No. 24-00062, ECF No. 95]. On May 13, 2025, Magistrate Judge Dein denied Professor Avilés Pagán’s motion, finding, in part, that accepting the *amicus* brief would “delay resolution of this matter.” [Adv. Proc. No. 24-00062, ECF No. 96].

¹⁵ On October 30, 2024, certain non-profit and for-profit entities filed a motion for leave to file an *amicus* brief in support of the former Senate President’s and former Governor Pierluisi’s opposition to the Oversight Board’s motion for summary judgment. [Adv. Proc. No. 24-00062, ECF Nos. 71, 73, 74]. The next day, Magistrate Judge Dein issued an order denying the motion and, on November 25, 2024, denied the non-profit and for-profit entities’ motion for reconsideration. [Adv. Proc. No. 24-00062, ECF Nos. 76, 91].

Treasury Secretary to transfer to COSSEC the additional resources necessary to fully mitigate the cooperatives' non-operational impairments and maintain COSSEC's required 2% net position.¹⁶

61. Before the enactment of Act 99, the Oversight Board expressed concerns regarding the measure.¹⁷

62. On July 19, 2024, the Oversight Board received Governor Pierluisi's PROMESA § 204(a) submission for Act 99. On August 16, 2024, after reviewing the § 204(a) submission and as a result of its concerns, the Oversight Board adopted a resolution declaring that Act 99's provisions are illegal, invalid, and void. On August 20, 2024, the Oversight Board sent a letter pursuant to PROMESA § 204(a)(3)(C), notifying Governor Pierluisi and the Legislature that the Governor had submitted a certification that Act 99 is significantly inconsistent with the Commonwealth Fiscal Plan and the COSSEC Fiscal Plan, and, pursuant to PROMESA § 204(a)(4)(B), the Oversight Board directed the Government to amend or repeal Act 99-2024 to eliminate the inconsistencies set forth in the Oversight Board's letter or provide an explanation for the inconsistencies. On August 30, 2024, Governor Pierluisi, through AAFAF, sent a letter to the Oversight Board reiterating concerns about the law expressed in his veto letter and § 204(a) submission. On March 20, 2025, the Oversight Board sent a letter to COSSEC reiterating its

¹⁶ Any contribution or transfer of funds is subject to the approval or authorization of the Oversight Board and cannot be made unless or until the Oversight Board authorizes the transfer or the Oversight Board's authorization is no longer required by law. *See* Act 99-2024, § 6.

¹⁷ In letters dated June 22, 2022, January 24, 2023, December 18, 2023, and June 27, 2024, the Oversight Board informed the Senate, the House, and Governor Pierluisi of its concerns that then-SB 644 would violate PROMESA and was significantly inconsistent with the Commonwealth Fiscal Plan and the COSSEC Fiscal Plan. The Oversight Board also informed Governor Pierluisi and the Legislature that Act 99 would violate the Commonwealth Plan of Adjustment (the "Plan of Adjustment") because providing cooperatives relief or compensation for bonds issued by governmental entities (including the Commonwealth) outside the treatment established in the Plan of Adjustment would violate the Confirmation Order because the Plan of Adjustment fully resolved those entities' debt obligations.

concerns regarding Act 99 and reminding COSSEC that Act 99 is null and void and cannot be implemented. To the Oversight Board's knowledge, to date none of Act 99's provisions have been implemented. The Oversight Board will take all necessary and appropriate actions regarding this law.

House Bills 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, and 509; Senate Bill 93

63. During the January-June 2025 legislative session, which began on January 13, 2025, a number of tax-related bills were introduced in the Legislature. These bills propose to make various changes to Puerto Rico's tax code, and may result in, either individually or collectively, a significant fiscal impact on the Commonwealth's finances, if enacted as currently drafted.

64. On April 7, 2025, the Oversight Board issued a letter to Governor González, Senate President Rivera Schatz, and Speaker of the House Méndez Núñez regarding these bills (the "April 7, 2025 Letter"). In the April 7, 2025 Letter, the Oversight Board noted the "fiscal and budgetary impact of" the bills had "not been fully evaluated" and that the "bills are proceeding outside the ongoing budget process between the administration and the Oversight Board for the upcoming fiscal year 2026." Despite these issues, the Oversight Board noted it "agrees with the Government that tax reform is necessary and a priority" and re-affirmed its commitment to "truly comprehensive tax reform that can contribute to Puerto Rico's competitiveness as a critical part of its economic development." While reserving judgment on the bills until their fiscal impacts could be properly assessed, the Oversight Board noted that some of the "proposed tax changes would immediately reduce tax revenue" and would thus "be significantly inconsistent with the [Commonwealth] Fiscal Plan and are fiscally irresponsible, thereby impairing or defeating the purposes of PROMESA."

65. The Oversight Board and the Government came to an agreement on most of the above-mentioned bills or their nearly identical counterparts originally introduced in the other Legislative house. For those bills that remain unresolved, the Oversight Board is monitoring those key measures as they work their way through the legislative process and is prepared to take action regarding these measures should it be deemed necessary and appropriate.

66. To date, the Legislative Assembly's Budget Office ("OPAL") has issued scoring reports on HBs 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, and 509, as well as SB 93.¹⁸ Of those reports, OPAL quantified projected negative fiscal impacts for HBs 499, 500, 501, 503, 508, and 509 and SB 93.¹⁹ OPAL further noted that it could not determine the fiscal impact for HB 497, but that, if enacted as currently drafted, HB 497 would likely result in a reduction to Commonwealth General Fund revenues. OPAL also noted it was unable to determine the fiscal impact of HB 504.²⁰

¹⁸ HB 498 was enacted as Act 64-2025, HB 500 was enacted as Act 78-2025, HB 502 was enacted as Act 180-2025, HB 504 was enacted as Act 65-2025, HB 505 was enacted as Act 38-2026, HB 506 was enacted as Act 72-2025, and SB 93 was enacted as Act 76-2025. In each instance the Oversight Board took no further action.

¹⁹ Specifically, OPAL projected HB 499 would result in a fiscal impact of \$666,197–\$733,527 per year for FYs 2026–30; HB 500 would result in a fiscal impact of \$18.0–\$18.5 million per year for FYs 2025–29; HB 501 would result in a fiscal impact of \$132.3–\$141.2 million per year for FYs 2026–29; HB 503 would result in a fiscal impact of \$9.1–\$10.1 million per year for FYs 2025–30; HB 508 and SB 93 would collectively result in a fiscal impact of \$42.1–\$46.4 million per year for FYs 2026–30; and that HB 509 would result in a fiscal impact of \$34.4–\$38.1 million per year for FYs 2026–31.

²⁰ OPAL determined that HBs 498, 506, and 507, as currently drafted, would result in little to no fiscal impact, HB 505 would likely have a positive impact on General Fund revenues, and that HB 502 was likely to have no impact, but if any, it would likely occur after January 1, 2031. As of the date of this Status Report, HBs 497, 501, 507, 508, and 509 are pending in the House of Representatives. HBs 499 and 503 have been passed in the House of Representatives.

67. The Oversight Board is monitoring those measures as they work their way through the legislative process and is prepared to take action regarding these measures should it be deemed necessary and appropriate.

68. In January 2026, Governor González announced a new administrative proposal to reduce personal income tax rates. On January 12, 2026, the Administration's proposal was introduced as SB 912 and HB 1014 in their respective houses of the Legislature. The bills adjust personal income tax thresholds and rates as well as repeal certain sales and use tax exemptions. In a letter dated January 30, 2026, the Oversight Board shared its assessment that the bills as proposed would reduce Commonwealth revenues by approximately \$370 million in FY2026 (\$563 million in reduced tax revenues against \$193 million in estimated revenue increases), as well as other concerns about the measures. Based on its assessment, the Oversight Board concluded that the bills "appear to be significantly inconsistent with the [Commonwealth] Fiscal Plan, the fiscal year 2026 Budget, and PROMESA." The Oversight Board remains available to work with the Governor and the Legislative Assembly on developing and implementing truly comprehensive, holistic tax reform consistent with the Commonwealth Fiscal Plan, its confirmed Plan of Adjustment, and PROMESA.

Joint Resolution 26-2026

69. On February 3, 2026, Governor González signed Joint Resolution 26-2026 (the "Tax Rebate Legislation"), a tax relief measure for the 2025 tax year. Since that time, the Government and the Oversight Board have worked collaboratively to ensure the measure provides relief to individual taxpayers as intended, while maintaining sufficient funding to meet budget challenges.

70. On May 7, 2026, the Oversight Board issued a written statement that it had reached a satisfactory and fiscally responsible agreement with Governor González and the Government regarding the Tax Rebate Legislation that will allow the Commonwealth to provide \$554 million in tax relief to residents (the “Tax Rebate”). Contemporaneously, the Government formally submitted Administration Bills 115 and 116 to the Legislature, which were introduced as House Bills 1261 and 1262, and Senate Bills 1237 and 1283, respectively, and which the Oversight Board worked together with the Government in developing, to establish permanent fiscal safeguards for Puerto Rico’s budget, including the establishment of a budget stabilization fund, a capital fund, and a five-year fiscal plan; measures the Oversight Board has long advanced. In its written statement, the Oversight Board emphasized that “no existing reserves are being spent to fund this [tax] relief – to the contrary, building reserves is precisely what today’s legislation accomplishes for the first time.” The Tax Rebate will be funded from two, identified, non-recurring sources: (i) funds initially set aside to cover potential revenue shortfalls under Act 52-2022 and that were not needed because Act 52 revenues exceed projections; and (ii) reductions in prior-year extensions for planned spending that will not be executed. The Tax Rebate does not affect the budget for the current fiscal year 2026.

Senate Bill 127

71. Also, during the January-June 2025 legislative session, SB 127 was introduced in the Legislature. SB 127 seeks to create the “Essential Employees Incentivized Retirement and Guaranteed Fair Pension Special Act” and allow the incentivized retirement of “essential” employees, excluded from the Final Stipulation Concerning Act 80 of 2020 and Joint Resolution 33 of 2021 (the “Final Stipulation”) between the Oversight Board and the Government under the

partial implementation of Act 80-2020 which was entered as a court order on March 22, 2024 (the “Final Order”).²¹

72. On June 13, 2025, the Oversight Board issued a letter to Senate Majority Leader and Chairman of the Senate’s Public Safety and Veterans Affairs Committee, Hon. Gregorio B. Matías Rosario, pursuant to PROMESA Section 204(a)(6). In the June 13, 2025 letter, the Oversight Board expressed its concerns stating that SB 127 would be in violation of the Plan of Adjustment, the Final Stipulation and Final Order, PROMESA, and the Commonwealth Fiscal Plan. The Senate and the House of Representatives approved SB 127, but Governor González vetoed the measure on December 20, 2025.

73. The Oversight Board is prepared to take necessary and appropriate actions regarding this measure should the Legislative Assembly override the Governor’s veto.

General Status of Claims Reconciliation in the Title III Cases

74. Of the approximately 183,321 proofs of claim originally filed in the Title III cases, 2,058 General Unsecured and Convenience Claims filed against the Commonwealth, HTA, ERS, and PBA have been allowed, and 713 additional General Unsecured Claims and Convenience Claims are pending objections to reduce and allow or liquidate and allow (these include (i) one (1) proof of claim asserted against HTA; (ii) four (4) proofs of claim asserted against PBA; (iii) one (1) proof of claim asserted against ERS; and (iv) 707 proofs of claim asserted against the Commonwealth). Of the 2,095 claims filed against the Commonwealth, HTA, ERS, and PBA that remain to be reconciled, approximately 2,050 claims are subject to pending litigations (in addition, there are 34 pending accounts payable claims and 11 miscellaneous claims that remain to be reconciled).

²¹ Case No. 21-ap-00119 (D.P.R. Mar. 22, 2024).

75. Of those 2,050 unresolved litigation claims, approximately 1,620, or 79%, relate to five (5) large multi-party litigation cases: (i) *Alberto Agron Valentin, et. al. v. Autoridad de Edificios Publicos*, Civil No. KPE-2007-4359 (the “Agron Valentin Litigation”); (ii) *Nilda Agosto Maldonado et al. v. Commonwealth of Puerto Rico Family Department et al.*, Civil No. KPE 2005-0608 (the “Nilda Agosto Litigation”); (iii) *Rosa Lydia Velez v. Commonwealth of Puerto Rico*, Case No. KPE 1980-1738 (the “Special Education Litigation”); (iv) *Acevedo, Osvaldo Acevedo, et al. v. Autoridad de Carreteras y Transportación de Puerto Rico*, Case No. 1994-ACT-013; and (v) *Sepulveda, Maggie Acevedo et al. v. Departamento de Salud*, Case No. 2000-06-1639. The Debtors have continued their efforts to reconcile claims asserted in connection with three (3) of these litigations, the Agron Valentin Litigation, the Nilda Agosto Litigation, and the Special Education Litigation.

76. Despite the progress made to date, the reserve necessary to account for certain still-pending claims is very significant, rendering any interim distributions to be made pursuant to the Plan of Adjustment *de minimis* in amount and economically not feasible to be made. In particular, and as described in more detail below, significant reserves are still necessary to address the Special Education Litigation and the litigation associated with the Trustee POC (as defined below).

Agron Valentin Litigation

77. In 2007, numerous individual non-unionized employees of PBA commenced the Agron Valentin Litigation, alleging that PBA unlawfully granted salary increases to certain unionized employees while excluding non-unionized employees. As compensation, plaintiffs in the Agron Valentin Litigation seek wage increases equivalent to those given to unionized employees.

78. On September 4, 2024, March 6, 2025, November 20, 2025, and February 19, 2026, the Debtors extended settlement offers to certain holders of claims asserted in connection with the

Agron Valentin Litigation (the “Agron Valentin Claims”). As of January 21, 2026, 125 out of 154 Agron Valentin Claims that received settlement offers were ordered resolved pursuant to various orders. *See* [ECF Nos. 28372, 28374, 28867, 28641, 29002, 29235, 30010, 30302, and 30545].

79. The Debtors continue to (i) engage with the holders of Agron Valentin Claims that received a settlement offer counteroffer but have either not responded to the offer or counteroffer, or may have accepted the offer or counteroffer but have yet to return a signed stipulation, and (ii) reconcile the remaining four (4) Agron Valentin Claims that have not yet received settlement offers.

Nilda Agosto Litigation

80. In 2005, numerous individual employees of the Puerto Rico Department of the Family filed the Nilda Agosto Litigation, alleging that the Puerto Rico Department of the Family failed to pay plaintiffs wages and adjust pensions in accordance with the principles of uniform remuneration and equal pay for equal work under a variety of Puerto Rico laws. On September 27, 2010, judgment was entered in favor of the plaintiffs, with evidence of calculations of the liability amounts to be presented at a subsequent hearing. Prior to the commencement of the Commonwealth’s Title III case, the Commonwealth made partial payments of outstanding wage liabilities to the plaintiffs in the Nilda Agosto Litigation.

81. Counsel representing the plaintiffs in the Nilda Agosto Litigation filed a master claim on behalf of all plaintiffs in the Nilda Agosto Litigation, Proof of Claim No. 115276 (the “Nilda Agosto Master Proof of Claim”), which asserted liabilities associated with “Unpaid pension adjustments - Civil Case Num. K PE2005- 0608.” In addition, plaintiffs in the Nilda Agosto Litigation filed individual proofs of claim asserting liabilities associated with the outstanding wage payments owed to such plaintiffs per the September 27, 2010 judgment.

82. On October 25, 2024, in an effort to reconcile claims asserted in connection with the Nilda Agosto Litigation (the “Nilda Agosto Claims”), the Commonwealth filed the *Six Hundred Fifty-Fourth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Partially Duplicative, Misclassified, Unliquidated, And/or Partially Overstated Claims* [ECF No. 28308] (the “Six Hundred Fifty-Fourth Omnibus Objection”), which seeks to (a) disallow portions of certain Nilda Agosto Claims to the extent they assert pension liabilities that are duplicative of the pension liabilities asserted on the Nilda Agosto Master Proof of Claim, (b) reduce and/or liquidate certain Nilda Agosto Claims to the extent that, based upon the Commonwealth’s books and records, the holders of the applicable Nilda Agosto Claims are entitled to a lower amount of wage liabilities than asserted in the claims, (c) reclassify, reduce, and liquidate one (1) Nilda Agosto Claim asserting wage liabilities that asserts entitlement to priority status, but provides no basis for the asserted priorities, and (d) allow the wage liabilities portion of certain Nilda Agosto Claims as general unsecured claims in the reduced amounts specified on Exhibit A to the Six Hundred Fifty-Fourth Omnibus Objection.

83. Responses to the Six Hundred Fifty-Fourth Omnibus Objection were due on November 26, 2024. Only one (1) response and two (2) “supplemental” responses were filed. The Six Hundred Fifty-Fourth Omnibus Objection and the three (3) remaining responses are currently scheduled to be heard at the July 15, 2026 omnibus hearing.

84. On December 20, 2024, the Commonwealth filed the *Six Hundred Sixtieth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Partially Duplicative, and/or Partially Overstated Claims* [ECF No. 28620] (the “Six Hundred Sixtieth Omnibus Objection”), seeking to reduce and/or liquidate and allow 26 additional Nilda Agosto Claims to the extent that,

based upon the Commonwealth's books and records, the holders of the applicable Nilda Agosto Claims are entitled to a lower amount of wage liabilities than asserted in the claims.

85. Responses to the Six Hundred Sixtieth Omnibus Objection were due on January 21, 2025. Only one (1) supplemental response was filed. The Six Hundred Sixtieth Omnibus Objection is also currently scheduled to be heard at the July 15, 2026 omnibus hearing. The Commonwealth continues to reconcile several individually-filed claims associated with the Nilda Agosto Litigation.

86. On April 22, 2025, counsel for claimants in the Nilda Agosto Litigation filed an *Urgent Motion Seeking Order Directing the Consolidation of the Individual 725 POC Filed by the Nilda Agosto-Group Judgment Claimants and for Related Relief* [ECF No. 29233] (the "Nilda Agosto Consolidation Motion"). On April 25, 2025, this Court entered the *Order Regarding Motion to Consolidated Nilda Agosto Maldonado Litigation Claims* [ECF No. 29251] (the "Nilda Agosto Consolidation Order"), noting that the "relief sought by [the Nilda Agosto Consolidation Motion] is unclear" and directing the parties to meet and confer and file a joint status report regarding the same. Since entry of the Nilda Agosto Consolidation Order, the parties have met and conferred on multiple occasions, and exchanged documentation regarding the parties' positions. At present, the parties are continuing to meet and confer in an effort to address the issues raised by the Nilda Agosto Consolidation Motion as consensually as possible, and have accordingly sought extensions of the deadline for submitting the required status report.

Remaining Claims

87. As of the filing of this Status Report, excluding claims currently being addressed in the ADR or ACR Procedures (as discussed in more detail above), approximately: (i) 173 proofs of claim remain asserted against the Commonwealth; (ii) two (2) proofs of claim remain asserted

against ERS; (iii) one (1) proof of claim remains asserted against PBA; and (iv) 121 proofs of claim remain asserted against HTA (collectively, the “Remaining Non-ADR/ACR Claims”).

88. The Remaining Non-ADR/ACR Claims include certain limited categories of claims, such as intergovernmental claims asserted by municipalities or other entities within the Puerto Rico government, eminent domain and inverse condemnation claims, and claims asserted by agencies and departments of the federal government. The Oversight Board currently anticipates the intergovernmental claims and the eminent domain and inverse condemnation claims will be resolved and paid by the Debtors in the ordinary course.

89. Further, pursuant to stipulations, dated September 17, 2024, March 18, 2025, June 27, 2025, September 25, 2025, December 15, 2025, and March 16, 2026, and ordered by the Title III Court on September 20, 2024 [ECF No. 28126], March 24, 2025 [ECF No. 29104], July 1, 2025 [ECF No. 29576], September 26, 2025 [ECF No. 29991], December 16, 2025 [ECF No. 30418], and March 17, 2026 [ECF No. 30773] (the “March 2026 Stipulation”), respectively, the Debtors and the United States of America, through the United States Department of Justice, for itself and on behalf of certain of its departments and agencies, agreed to the withdrawal of 23 proofs of claim, and the allowance of two (2) proofs of claim. The parties also agreed to continue the reconciliation process to determine which of the remaining proofs of claim set forth on Exhibit D to the March 2026 Stipulation (collectively, the “Remaining Federal Claims”) (a) have been satisfied in the ordinary course and should be withdrawn, (b) should be allowed and in what amounts, and/or (c) require additional reconciliation. The Debtors remain in the process of reconciling the Remaining Federal Claims and, pursuant to agreement, the period in which the Debtors may file objections to the Remaining Federal Claims was extended up to and including June 16, 2026. March 2026 Stipulation ¶ 3.

90. It should be noted that one (1) Remaining Federal Claim, filed by Universal Service Administrative Company in the approximate amount of \$129 million, is the subject of pending litigation and discovery. Pursuant to an agreed upon scheduling order, discovery in connection therewith was to be concluded by October 31, 2025, and such claim and the Commonwealth's objection thereto were to be fully briefed and submitted to the Court in January 2026. Following the federal government shutdown, the parties agreed to a revised deadline of January 30, 2026 for the substantial production of documents. Both parties made productions on or before that date. Since substantially completing document discovery responsive to the pending requests, the parties continue to meet and confer regarding remaining discovery and the associated briefing and litigation schedule, as well as next steps in the matter. The deadline for the parties to complete depositions and close fact discovery is currently June 30, 2026, and briefing is scheduled to be completed by August 17, 2026. [ECF No. 31000]. It is likely that these dates will be extended.

Claims Estimation and Timing of Distributions

91. As the Court is aware, it is the goal of the Oversight Board and the restructured Debtors under the Commonwealth Plan to commence distributions to general unsecured creditors and convenience creditors as soon as possible. To that end, the Oversight Board has substantially completed its reconciliation of PBA general unsecured claims, and understands that PBA has informed AAFAF it has completed processing and issued payments to remaining holders of allowed wage-related unsecured claims against PBA. The Oversight Board continues to resolve the few remaining PBA general unsecured claims, and to work with AAFAF and PBA in order to resolve certain tax issues relating to distributions for non-wage related claims.

92. To otherwise commence distributions to the holders of Commonwealth General Unsecured Claims, and as authorized by the Court, the Oversight Board (a) disseminated a settlement notice to be distributed, through counsel, where applicable, to claimants who are parties

to the Special Education Litigation, which, as mentioned in earlier status reports, comprise a significant number of the remaining claims asserted against the Commonwealth, (b) is continuing to prepare and file motions to estimate the remaining fully and partially unliquidated claims, and (c) is prosecuting its objection to the proof of claim filed against the Commonwealth by the PREPA Bond Trustee.

93. With respect to the Special Education Litigation, on February 10, 2025, the Court entered the *Order Granting Motion of the Commonwealth of Puerto Rico for an Order, Pursuant to Bankruptcy Code Section 105 and Federal Rule of Bankruptcy Procedure Rule 2002, Regarding Notice Procedures in Connection with Proposed Special Education Settlement* [ECF No. 28846] and the *Memorandum Opinion Regarding Motion of the Commonwealth of Puerto Rico for an Order Pursuant to Bankruptcy Code Section 105 and Federal Rule of Bankruptcy Procedure Rule 2002, Regarding Notice Procedures in Connection with Proposed Special Education Settlement* [ECF No. 28847], approving procedures and form of notice to be distributed – through counsel, where applicable – to claimants who are parties to the Special Education Litigation.²² Accordingly, the Commonwealth, in coordination with Kroll Restructuring Administration LLC (“Kroll”), implemented the Special Education Claim Procedures. The deadline for each claimant entitled to the Settlement Offer (as defined therein) to (a) either accept or reject the Settlement Offer and (b) to submit any other required claim information requested by the Commonwealth to

²² After the Court’s approval of the Special Education Claim Procedures, on February 24, 2025, the certain claimants filed the *Motion for Reconsideration of the Court’s Order Regarding Notice Procedures in Connection with the Proposed Special Education Settlement* [ECF No. 28892] (the “Reconsideration Motion”), requesting the Court reconsider approval of the Special Education Claim Procedures. On February 25, 2025, the Court entered the *Order Denying Motion for Reconsideration of the Court’s Order Regarding Notice Procedures in Connection with the Proposed Special Education Settlement* [ECF No. 28913], denying the Reconsideration Motion.

enable the Commonwealth to determine the claimant's entitlement to the Settlement Offer (collectively, the "Response") was June 3, 2025 (the "Submission Deadline").

94. On November 18, 2025, the Oversight Board filed the *Motion of the Commonwealth of Puerto Rico for an Order, Pursuant to Bankruptcy Code Section 105 and Federal Rule of Bankruptcy Procedure Rule 2002, (A) Modifying Certain Deadlines Pertaining to the Special Education Settlement Offer, and (B) Establishing Notice Procedures in Connection with Proposed Special Education Information Requests* [ECF No. 30277], which sought entry of an order (a) designating response forms submitted following the Submission Deadline as valid pursuant to the Court-approved Special Education Claim Procedures and extending the Submission Deadline to accept the Settlement Offer, and (b) following expiration of the modified submission deadline, authorizing the Oversight Board to disseminate, through direct mailing, a Special Education Information Request in accordance with the proposed Special Education Information Request Procedures to claimants who either rejected, are deemed to have rejected, or who did not respond to the Settlement Offer.

95. On January 15, 2026, following briefing and the implementation of certain court-suggested modifications, *see* ECF No. 30490, the Court entered the *Order Granting Motion of the Commonwealth of Puerto Rico for an Order, Pursuant to Bankruptcy Code Section 105 and Federal Rule of Bankruptcy Procedure Rule 2002, (A) Modifying Certain Deadlines Pertaining to the Special Education Offer, and (B) Establishing Notice Procedures in Connection With Proposed Special Education Information Requests* and incorporated certain of the requests from Lead Counsel's from the January 14 motion. [ECF No. 30518]. Therein, the Court ordered: (a) the Submission Deadline extended from June 3, 2025 to April 15, 2026 at 11:59 p.m. (Atlantic Standard Time) to allow for the Commonwealth to accept any late-filed responses to the Settlement

Offer (the “Modified Submission Deadline”); (b) the form of Modified Submission Deadline Notice attached therein approved; (c) the form of Special Education Information Request attached therein approved; and (d) the proposed procedures relating to the Modified Submission Deadline and Special Education Information Request approved, as set forth therein (the “Procedures”). *Id.*

96. The deadline for each claimant entitled to the Settlement Offer (as defined therein) to (a) either accept or reject the Settlement Offer and (b) to submit any other required claim information requested by the Commonwealth to enable the Commonwealth to determine the claimant’s entitlement to the Settlement Offer (collectively, the “Response”) was April 15, 2026. Kroll’s analysis and reconciliation of timely received responses provides that 2,552 total response forms were submitted, including responses from 3,950 individual claimants. Of the 2,552 total response forms that were submitted, as of May 6, 2026, approximately 2,027 response forms were determined to be valid. Within the 2,027 valid response forms, 2,843 claimants accepted the Settlement Offer and 1,507 claimants rejected the Settlement Offer.

97. Accordingly, the Commonwealth, in coordination with Kroll and Lead Counsel, has been working to implement the Procedures.

98. As to the estimation of remaining fully or partially unliquidated claims, on May 24, 2024, the Court entered an order granting the Oversight Board’s *Motion for Entry of an Order (A) Approving Procedures for Estimating Claims, (B) Approving Form of Notice, and (C) Granting Related Relief*, ECF No. 27319, and authorizing the revised procedures for estimating currently pending accounts payable and litigation claims via the ADR Procedures [ECF No. 27519] (the “Revised Estimation Procedures”). Pursuant to the Revised Estimation Procedures, each estimation motion filed by the Oversight Board must include, *inter alia*, “the Debtors’ proposed

allowed amount for each Claim and an explanation, including an appropriate factual proffer, of the basis for the proposed allowed amount.” See Revised Estimation Procedures at ¶ 4(c).

99. Since entry of the Revised Estimation Procedures, the Oversight Board has filed multiple estimation motions, which have been granted by the Court.²³ The orders, among other things, authorized the Debtors to allow the claims at their estimated allowed amounts or use their estimated allowed amounts for purposes of establishing appropriate reserves while allowing the claims to proceed through the ADR Procedures. The Debtors are reviewing these claims to determine their treatment.

100. On March 23, 2026, the Debtors filed the *Eighth Motion of the Commonwealth of Puerto Rico and the Puerto Rico Highways and Transportation Authority for an Order Estimating for Purposes of Allowance Certain Tort-Related Claims* [ECF No. 30796]. On March 26, 2026, the Court entered the *Order Granting the Seventh Motion of the Commonwealth of Puerto Rico and the Puerto Rico Highways and Transportation Authority for an Order Estimating for Purposes of Allowance Certain Tort-Related Claims* [ECF No. 30811]. The Debtors intend to continue filing additional estimation motions on a rolling basis.

²³ See *Order Granting the First Motion of the Commonwealth of Puerto Rico for an Order Estimating for Purposes of Allowance Certain Tort-Related Claims* [ECF No. 28943], the *Order Granting the Second Motion of the Commonwealth of Puerto Rico for an Order Estimating for Purposes of Allowance Certain Tort-Related Claims* [ECF No. 28944], the *Order Granting the Third Motion of the Commonwealth of Puerto Rico for an Order Estimating for Purposes of Allowance Certain Tort-Related Claims* [ECF No. 29469], the *Order Granting the Fourth Motion of the Commonwealth of Puerto Rico for an Order Estimating for Purposes of Allowance Certain Employment Related Claims* [ECF No. 29470], the *Order Granting the Fifth Motion of the Commonwealth of Puerto Rico for an Order Estimating for Purposes of Allowance Certain Fourth Amendment Claims* [ECF No. 30531], and the *Order Granting the Sixth Motion of the Commonwealth of Puerto Rico for an Order Estimating for Purposes of Allowance Certain Tort-Related Claims* [ECF No. 30532].

101. As the Court is aware, one of the remaining claims asserted against the Commonwealth was filed by the PREPA Bond Trustee in the asserted amount of \$8.5 billion (the “Trustee POC”).

102. On July 22, 2025, the Title III Court entered the *Memorandum Opinion and Order Granting Motion of Commonwealth of Puerto Rico to Enforce Commonwealth Title III Plan Regarding Claim No. 50049 of U.S. Bank National Association* [ECF No. 29687] (the “Subordination Order”), holding that the Trustee POC is a Section 510(b) Subordinated Claim, as defined in the Plan of Adjustment, and in accordance with the provisions of the confirmed and consummated Plan of Adjustment, no party is entitled to receive any treatment or distribution on account of the Trustee POC.

103. On August 1, 2025, the PREPA Ad Hoc Group, U.S. Bank National Association (“USB”), Assured Guaranty Inc. (“Assured”), National Public Guarantee Corporation (“National”), GoldenTree Asset Management LP (“GoldenTree”), and Syncora Guarantee, Inc. (“Syncora”) each filed a notice of appeal to the First Circuit as to Judge Swain’s July 22, 2025 ruling [ECF Nos. 29739, 29740, 29742, 29743, 29744]. The matter has now been fully briefed and the parties await the First Circuit’s calendaring of oral argument.

Objections to Claims

104. The Debtors continue to anticipate that future objections to proofs of claim will involve only those claims that: (a) are asserted against PREPA, and determined to be invalid, deficient, or to suffer from some other flaw; or (b) were transferred into the ACR Procedures or the ADR Procedures and are subsequently transferred back to the claims registry for determination by the Title III Court, as contemplated by paragraph 42 of the Plan of Adjustment and paragraph 29 of the *Order and Judgment Confirming Modified Fifth Amended Title III Joint Plan of*

Adjustment of the Puerto Rico Highways and Transportation Authority [Case No. 17-03567, ECF No. 1415].

105. Consistent with the above, since the October 2025 omnibus hearing, the Debtors have filed seven (7) omnibus objections²⁴ covering over 100 claims.

106. On October 11, 2025, the Oversight Board filed a notice of appeal with the First Circuit, ECF No. 30052, as to the Court's *Opinion and Order Granting in Part the Motion of Jonathan Hernández Zorrilla and Yadira Carrasquillo González for Relief From the Title III Plan Injunction* [ECF No. 30001] (the "Individual Liability Opinion"), and filed an urgent motion with the Title III Court for a stay pending appeal or, alternatively, a short extension of the October 15 deadline. [ECF No. 30053]. The Title III Court partially granted the Oversight Board's motion, staying the portions of its order requiring the Oversight Board and the Commonwealth to file notices in other proceedings, but otherwise letting its order, including its non-dischargeability holding, to go into effect. [ECF No. 30219]. The Oversight Board's expedited appeal of the

²⁴ See *Six Hundred Eightieth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico and the Puerto Rico Highways and Transportation Authority to Deficient ADR Claims* [ECF No. 30144], *Six Hundred Eighty-First Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico and the Puerto Rico Highways and Transportation Authority to Unliquidated Claims* [ECF No. 30145], *Six Hundred Eighty-Second Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Modified Unliquidated Claims* [ECF No. 30589], *Six Hundred Eighty-Third Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority to Overstated and/or Unliquidated Claims* [ECF No. 30861], *Six Hundred Eighty-Fourth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Misclassified and Unliquidated Claims* [ECF No. 30862] and *Corrected Six Hundred Eighty-Fourth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Misclassified and Unliquidated Claims* [ECF No. 30915], *Six Hundred Eighty-Fifth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority to Claims for which the Debtors Are Not Liable* [ECF No. 30858], and *Six Hundred Eighty-Sixth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico to Duplicate Claims* [ECF No. 30863].

Individual Liability Opinion to the First Circuit, Case No. 25-1993, remains pending. The parties have completed briefing, and oral argument was held April 8, 2026. [Case No. 25-1993, Doc. 00118408024].

ADR and ACR Processes²⁵

107. Pursuant to the ACR Order, the Debtors have filed 48 notices transferring claims into Administrative Claims Reconciliation (collectively, the “ACR Transfer Notices”) and have transferred over 46,482 claims (collectively, the “ACR Designated Claims”) into Administrative Claims Reconciliation. The ACR Designated Claims will be resolved utilizing the Pension/Retiree Procedures, the Tax Refund Procedures, the Public Employee Procedures, and/or the Grievance Procedures, as set forth in the ACR Transfer Notices. Subsequent thereto, the Debtors have filed notices, wherein the Debtors reported the successful resolution of approximately 24,890 ACR Designated Claims. Approximately 12,880 ACR Designated Claims were removed from the ACR process and expunged based on claimant withdrawal, stipulations with corresponding claimants, or omnibus objections orders. Seven (7) ACR Designated Claims were removed from the ACR process and transferred to the ADR Procedures, further discussed below, after which five (5) of the seven (7) claims were successfully resolved. Lastly, four (4) ACR Designated Claims were removed from the ACR process for further review of one or more bases of objection, resulting in

²⁵ “ACR Procedures” shall mean those procedures as approved in the *Order (A) Authorizing Administrative Resolution of Claims, (B) Approving Additional Form of Notice, and (C) Granting Related Relief* [ECF No. 12274] (the “ACR Order”). “ADR Procedures” shall mean those procedures as approved in the *Order (A) Authorizing Alternative Dispute Resolution Procedures, (B) Approving Additional Forms of Notice, and (C) Granting Related Relief* [ECF No. 12576], as amended [ECF No. 23113; ECF No. 28125] (the “ADR Order”). Capitalized terms not otherwise defined in the “ADR and ACR Process” section shall have the meanings ascribed to them in the ACR Order or the ADR Order.

approximately 8,701 ACR Designated Claims currently in review under the ACR process. The Debtors' next ACR Status Notice is scheduled to be filed on June 23, 2026.

108. With respect to certain ACR Designated Claims, mailings have been made, or are in the process of distribution, informing claimants that the administrative files for their claims are incomplete, and requesting additional information in order to enable the Debtors to reconcile their claims. Certain claimants have provided responses to these mailings, and the Debtors are evaluating the additional information received and determining whether the information received is sufficient to complete the claimants' administrative file; where necessary, the Debtors will send further follow up mailings to such claimants to ensure they have a complete administrative file. The Debtors continue to await responses from numerous additional claimants.

109. In many instances, the Debtors have re-sent initial mailings to claimants who failed to respond, reiterating the Debtors' request for information sufficient to complete the claimants' administrative file, and warning them that ongoing failure to respond may force the Debtors to object to their claims, as contemplated by paragraph 42 of the Plan of Adjustment. The Debtors continue to await responses from such claimants, and to the extent no responses are received, the Debtors intend to object to their claims. To date, the Debtors have filed several objections to claimants who did not respond to the final mailings and anticipate filing additional objections to non-responsive claimants in the coming months.

110. Mailings have been made, or are in the process of distribution, with respect to additional ACR Designated Claims, informing claimants of the initiation of the ACR process and the timetable for the resolution of their ACR-related claims.

111. The Debtors' next ACR Transfer Notice is scheduled to be filed on or before May 25, 2026, to the extent necessary.

112. Pursuant to the ADR Order, the Debtors have filed 50 notices transferring claims into the ADR Procedures (collectively, the “ADR Notices”), and have transferred approximately 6,000 claims into the ADR Procedures.

113. Subsequent thereto, the Debtors have filed notices (collectively, the “ADR Status Notices”) indicating eight (8) claims were settled in Evaluative Mediation, 537 claims have been fully resolved, approximately 2,113 claims are currently in the Offer-Exchange phase of the ADR Procedures and have received either an Offer or an Information Request, and 33 claimants have accepted the Debtors’ offers. Further, 31 claims have been submitted to the Evaluative Mediation phase of the ADR Procedures, and Evaluative Mediation was terminated with respect to one (1) claim, which is currently or will soon be the subject of further litigation. In addition, 1,862 claims were removed from the ADR process and expunged based on the Court’s orders on omnibus objections or due to other reasons, and 1,127 claims were removed from the ADR process and are subject to omnibus objections.

114. The Debtors remain in the process of documenting the resolution of claims as to which offers have been accepted or agreements in principle have been reached.

115. The Debtors are also evaluating all responses received to Information Requests and Offers, and are attempting to engage claimants in the hopes of achieving a consensual resolution of the remaining claims currently in the Offer-Exchange process. Certain claimants have not responded to Information Requests or Offers, and the Debtors, through their counsel, have already or are in the process of re-sending mailings to claimants who did not respond, or attempting to contact them directly using phone numbers or email addresses provided by the claimants. In addition, other claimants have responded to Information Requests, but their responses have not provided information sufficient to enable the Debtors to understand the nature or basis of the claim

and to develop an appropriate Offer. To date, the Debtors have filed several objections to claimants who either did not respond to Information Requests or provided incomplete responses. Further, certain claimants have responded to Offers, but have either not returned signed stipulations, or returned the stipulations, but their signatures have not met the Court's requirements. Accordingly, the Debtors are continuing to reach out to those claimants in hopes of obtaining stipulations with appropriate signatures.

116. The Debtors continue to await responses from additional claimants, and anticipate that they will ultimately be forced to object to their claims to the extent the claimants do not respond to Debtors' outreach, as contemplated by paragraph 42 of the Plan of Adjustment. However, the Debtors note that since the transfer of a large volume of claims into the ADR Procedures, the Debtors have observed an increase in the number of responses to their Information Requests and the overall level of creditor engagement, which has resulted in the successful resolution of a significant volume of additional claims.

117. At present, the Debtors anticipate that additional claims filed against PREPA may be transferred into the ADR Procedures, but the Debtors are unable to predict with any certainty the timing for those transfers.

Dated: May 18, 2026
San Juan, Puerto Rico

Respectfully submitted,

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