

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO et al.,

Debtors.¹

PROMESA
Title III

Case No. 17 BK 3283-LTS

(Jointly Administered)

ORDER CONCERNING THE PREPA BONDHOLDERS'
RENEWED MOTION FOR RELIEF FROM THE LITIGATION STAY

Pending before the Court is *The PREPA Bondholders' Renewed Motion for Relief from the Litigation Stay* (Docket Entry No. 30841 in Case No. 17-3283 and Docket Entry No. 6092 in Case No. 17-4780)² (the "Motion"), filed by Assured Guaranty Inc., GoldenTree Asset Management LP, Syncora Guarantee, Inc., National Public Finance Guarantee Corporation, the

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

² All references to docket entry numbers herein are to Case No. 17-4780, unless otherwise noted.

PREPA Ad Hoc Group, the Majority Member Ad Hoc Group advised by Paul, Weiss, Rifkind, Wharton & Garrison LLP, and U.S. Bank National Association as trustee (collectively, the “Bondholders”). The Motion seeks partial relief from the litigation stays imposed by the Court’s orders at Docket Entry Nos. 3013 and 5286 (as subsequently extended, the “PREPA Litigation Stay”) with respect to: (i) the *Motion of the Ad Hoc Group of PREPA Bondholders, Assured Guaranty Corp., Assured Guaranty Municipal Corp., National Public Finance Guarantee Corporation, and Syncora Guarantee, Inc. to Dismiss PREPA’s Title III Case, or for Relief from the Automatic Stay to Enforce Their Right to a Receiver* (Docket Entry No. 22291 in Case No. 17-3283 and Docket Entry No. 2973 in Case No. 17-4780) (the “Dismissal/Lift Stay Motion”); (ii) the *Renewed Motion and Memorandum of Law of GoldenTree Asset Management LP and Syncora Guarantee, Inc. for Relief from the Automatic Stay Pursuant to 11 U.S.C. §§ 362(d) and (e) to Allow Them to Enforce Their Statutory Right to Obtain Mandatory Appointment of a Receiver* (Docket Entry No. 4689) (the “Renewed Lift Stay Motion” and, together with the Dismissal/Lift Stay Motion, the “Lift Stay Motions”); and (iii) the Bondholders’ accounting counterclaim (the “Accounting Counterclaim”) asserted in *Defendant’s and Intervenor-Defendants’ Answer, Affirmative Defenses, and Counterclaims* (Docket Entry No. 47 in Adv. Proc. No. 19-391) (the “Counterclaim Complaint”).

Each of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), the Official Committee of Unsecured Creditors of PREPA (“UCC”), the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), and Cortland Capital Market Services LLC, SOLA LTD, Solus Opportunities Fund 5 LP, Ultra Master LTD, and Ultra

NB LLC (collectively, the “Fuel Line Lenders”) have filed responses to the Motion.³ The Court has carefully considered the parties’ briefing concerning the Motion and the arguments made by the parties during the omnibus hearing on May 20, 2026 (the “Hearing”). During the Hearing, the Court rendered an oral decision denying the Motion. This Order memorializes the Court’s ruling.

DISCUSSION

The Court declines to lift the PREPA Litigation Stay as to the Lift Stay Motions. The Court has already lifted the PREPA Litigation Stay with respect to the Accounting Counterclaim, having determined that prosecution of the Accounting Counterclaim will provide the Bondholders with the procedural vehicle they seek to resolve issues pertaining to the calculation of Net Revenues that will aid in resolving many of the other interrelated issues in this Title III case on a materially developed record, including issues of entitlement to stay relief and/or adequate protection. (See Order Concerning Joint Status Report in Response to the Title

³ The filed responses are: (i) the *Fuel Line Lenders’ Response and Reservation of Rights with Respect to the PREPA Bondholders’ Renewed Motion for Relief from the Litigation Stay* (Docket Entry No. 31001 in Case No. 17-3283 and Docket Entry No. 6136 in Case No. 17-4780) (the “FLL Response”); (ii) the *Objection of Official Committee of Unsecured Creditors to PREPA Bondholders’ Renewed Motion for Relief from Litigation Stay* (Docket Entry No. 31002 in Case No. 17-3283 and Docket Entry No. 6137 in Case No. 17-4780) (the “UCC Response”); (iii) *AAFAF’s Objection to the PREPA Bondholders’ Renewed Motion for Relief from the Litigation Stay* (Docket Entry No. 6138) (the “AAFAF Response”); and (iv) the *Objection of Financial Oversight and Management Board for Puerto Rico to PREPA Bondholders’ Renewed Motion for Relief from Litigation Stay* (Docket Entry No. 31003 in Case No. 17-3283 and Docket Entry No. 6139 in Case No. 17-4780) (the “FOMB Response”). The Bondholders have also filed the *Reply in Further Support of the PREPA Bondholders’ Renewed Motion for Relief from the Litigation Stay* (Docket Entry No. 31030 in Case No. 17-3283 and Docket Entry No. 6148 in Case No. 17-4780) (the “Reply”).

III Court's March 16 and March 18, 2026 Orders (Docket Entry No. 30914 in Case No. 17-3283 and Docket Entry No. 6114 in Case No. 17-4780 (the "April 13 Order")).)

"[T]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants." In re Fin. Oversight & Mgmt. Bd. for P.R., 617 B.R. 173, 179 (D.P.R. 2020) (alteration in original) (quoting Landis v. N. Am. Co., 299 U.S. 248, 254 (1936)). Indeed, "federal courts possess the inherent power to stay proceedings for prudential reasons." Microfinancial, Inc. v. Premier Holidays Int'l, Inc., 385 F.3d 72, 77 (1st Cir. 2004). "It follows from these principles that, after imposition of a stay for prudential reasons, 'the court retains the ability to modify or dissolve the stay . . .'" In re Fin. Oversight & Mgmt. Bd. for P.R., 617 B.R. at 179 (quoting Green v. Cosby, 177 F. Supp. 3d 673, 681 (D. Mass. 2016)).

The Court thus has authority to manage its docket. See, e.g., Assured Guar. Corp. v. Fin. Oversight & Mgmt. Bd. for P.R. (In re Fin. Oversight & Mgmt. Bd. for P.R.), 989 F.3d 170, 182 (1st Cir. 2021) (affirming the Court's application of the Sonnax factors and determining that there was no abuse of discretion in the denial of relief from the automatic stay because other pending litigation in the Title III cases would determine key issues relating to stay relief and create "a more complete record on which to make its final determination and [the Court can], if necessary . . . 'lift the stay . . . if [the Oversight Board] is unsuccessful'" (quoting In re Fin. Oversight & Mgmt. Bd. for P.R., 485 F. Supp. 3d 351, 360 (D.P.R. 2020))).

As the Court has indicated, prosecution of the Accounting Counterclaim, with a focus on the methodology for determining Net Revenues, should lead to a formula that will permit the parties and the Court to determine whether Net Revenues have historically existed, whether they currently exist in the form of available funds and, ultimately, the value of the

Bondholders’ secured claim. (April 13 Order at 2; see also Mot. ¶ 18 (arguing that prosecution of the Accounting Counterclaim will allow the Bondholders to “pursue two forms of relief: (1) ‘information’ about how much in Net Revenues have existed and about what happened to those funds; and also (2) ‘disgorgement’ and ‘restitution’ of those funds from monies available for such purpose under the Trust Agreement”).) Information concerning the existence and availability of Net Revenues is pertinent both to the resolution of the Accounting Counterclaim and to the resolution of the Lift Stay Motions and plan confirmation proceedings, including a determination regarding whether the Bondholders are adequately protected. (See April 13 Order at 2-3.)

The Bondholders recognize that an overlap exists between resolution of the Accounting Counterclaim and the Lift Stay Motions. (See Reply ¶ 26 (noting that the “accounting claim will implicate certain issues that are relevant to the Lift Stay Motions and the Motion to Dismiss”); *Joint Status Report in Response to the Title III Court’s March 16 and March 18, 2026 Orders [ECF Nos. 6066, 6070]* (Docket Entry No. 30840 in Case No. 17-3283 and Docket Entry No. 6091 in Case No. 17-4780) (the “Joint Status Report”) ¶ 54 (stating the Bondholders’ position that the “accounting counterclaim will involve much of the same discovery concerning the calculation of Net Revenues that would be addressed in connection with the Lift Stay Motions, again allowing the parties to understand how to value the Bondholders’ collateral by . . . identifying what the collateral is”).) Indeed, determination of whether the Bondholders are adequately protected will necessarily require an understanding of the scope of Net Revenues and the value of the Bondholders’ secured claim.⁴ See In re Fin.

⁴ The Bondholders define an “adequate protection” determination as a “summary proceeding designed to prevent the irreparable injury associated with the ongoing diminution in value of a secured creditors’ collateral.” (Reply ¶ 27.)

Oversight & Mgmt. Bd. for P.R., 485 F. Supp. 3d 345, 348 (D.P.R. 2020) (noting that, in a lack of adequate protection analysis under section 362(d)(1) of the Bankruptcy Code, “[a] ‘secured creditor lacks adequate protection if the value of its collateral is declining as a result of the stay . . . [and] must, therefore, prove this decline in value—or the threat of a decline—in order to establish a prima facie case.’” (quoting In re Elmira Litho, Inc., 174 B.R. 892, 902 (Bankr. S.D.N.Y. 1994))).

Accordingly, issues remain before the Court can conclude whether stay relief or dismissal is appropriate and, as previously recognized, resolution of the Lift Stay Motions depends on determinations concerning the property rights asserted in the Counterclaim Complaint that includes the Accounting Counterclaim. See Fin. Oversight & Mgmt. Bd. for P.R. v. Ad Hoc Grp. of PREPA Bondholders (In re Fin. Oversight & Mgmt. Bd. for P.R.), 899 F.3d 13, 23 (1st Cir. 2018) (discussing, in connection with a similar lift stay motion filed by certain Bondholders, how a weighing of the “potential harm to the debtor and the Title III process” against the “temporary impediments imposed on the bondholders” in an analysis of the factors articulated in Sonnax Indus., Inc. v. Tri Component Prods. Corp. (In re Sonnax Indus., Inc.), 907 F.2d 1280 (2d Cir. 1990) “would . . . seem to require some assessment of the pre-petition value of the bondholders’ collateral (if any exists), whether the bondholders face a threat of uncompensated diminution in such value, whether the bondholders are seeking the protection of existing collateral or, instead, the creation of new collateral, and what, if any, adequate protection PREPA can offer short of a receiver being appointed to manage it if protection is warranted”); GoldenTree Asset Mgmt. LP v. Fin. Oversight & Mgmt. Bd. for P.R. (In re Fin. Oversight & Mgmt. Bd. for P.R.), 91 F.4th 501, 510 (1st Cir. 2024) (affirming the Court’s order at Docket Entry No. 3917 to stay “consideration of the Bondholders’ lift-stay motions,”

including the Dismissal/Lift Stay Motion, and finding no basis to disrupt the “Title III court’s standing order of proceedings” that was put in place “precisely because [the Court] anticipated that rulings in [Adv. Proc. No. 19-391] would bear on the merits of the lift-stay motion”). (See also Docket Entry No. 3917 at 2 (finding that the relief sought in a motion for relief from the automatic stay to allow for the appointment of a receiver to be “substantially duplicative” of the Dismissal/Lift Stay Motion and “substantially dependent upon property rights” asserted in the Counterclaim Complaint).)

The opposing parties recognize that, following the conclusion of the Accounting Counterclaim litigation, the next appropriate step is to address either the Lift Stay Motions or plan confirmation. (See, e.g., UCC Resp. ¶ 9 (noting its support for the Court’s “roadmap” to first litigate the Accounting Counterclaim and, using the results of that litigation, to proceed to either the Lift Stay Motions or plan confirmation); FOMB Resp. ¶ 29 (stating that adjudication of the Accounting Counterclaim will help “establish a path forward towards collateral valuation and Plan confirmation”).) The parties and the Court have been pushing forward towards reaching that juncture. On May 12, 2026, the Court entered an order establishing a discovery and briefing schedule for the Accounting Counterclaim litigation, including scheduling oral argument on cross-motions for summary judgment, if necessary, for November 18, 2026. (See Order Allowing in Part and Denying in Part PREPA Bondholders’ Renewed Motion to Compel Discovery and Setting Discovery and Briefing Schedule, Docket Entry No. 31034 in Case No. 17-3283 and Docket Entry No. 6150 in Case No. 17-4780.)

The Bondholders further argue that the Court should lift the Litigation Stay now because the timing provisions of section 362(e) of the Bankruptcy Code require that the Court “act promptly” with respect to motions seeking stay relief. (Mot. ¶ 12.) However, with respect

to the Dismissal/Lift Stay Motion, the First Circuit has held that the moving Bondholders have “‘waived their right to prompt notice and hearing’ under section 362(e)(1) of the Bankruptcy Code” by “failing to seek relief from the litigation schedule instituted by [the order staying the Dismissal/Lift Stay Motion] or to ‘claim that the order’s indefinite postponement of a final hearing on the [Dismissal/Lift Stay Motion] violated section 362(e)(1).’” (*Order Concerning Renewed Motion of GoldenTree Asset Management LP and Syncora Guarantee, Inc. for Relief from the Automatic Stay and Appointment of a Receiver and the Urgent Motion for Consideration Thereof*, Docket Entry No. 4762 (the “February 2024 Order”) at 9-10 (quoting In re Fin. Oversight & Mgmt. Bd. for P.R., 91 F.4th at 504, 510-11).) In addition, with respect to the Renewed Lift Stay Motion, this Court previously concluded that, to the extent section 362(e) applies, the moving Bondholders have waived their rights thereunder by their failure to notice the Renewed Lift Stay Motion for a specific hearing and to comply with the Court’s procedures and that this waiver has persisted. (February 24 Order at 6, 10.)

The Bondholders nonetheless argue that any alleged waiver does not foreclose the relief they seek. (See Reply ¶¶ 29-30 (arguing that any alleged waiver of section 362(e) has no bearing on the Bondholders’ substantive rights under section 362(d), their right to seek adequate protection, or their right to seek dismissal and does not otherwise extend to the Bondholders who did not join in the motions).) That proposition is, by and large, true. However, it is also true that, as explained earlier, the Court has an ongoing, inherent, right to manage the litigation. The maintenance of the modified PREPA Litigation Stay while the parties litigate the Accounting Counterclaim is a calibrated, appropriate sequencing of attention to issues that are common to the foundations of the Accounting Counterclaim as well as to those of the lift stay, adequate protection, and dismissal arguments.

The Court also notes that the timing requirements of section 362(e)(1) apply only to requests for relief from the stay of “any act against property of the estate.” 11 U.S.C.A. § 362(e)(1) (Westlaw through P.L. 119-90). The Court is not persuaded that the Lift Stay Motions, which both ultimately seek the appointment of a receiver, seek relief concerning an action against property of the debtor within the meaning of section 362(e). See In re Fin. Oversight & Mgmt. Bd. for P.R., 91 F.4th at 509 (finding that the Dismissal/Lift Stay Motion and a similar later-filed lift stay motion were “substantially duplicative” of each other because both motions “seek precisely the same remedy: relief from the automatic stay ‘so [the Bondholders] c[an] seek [the] appointment of a receiver’” (alterations in original)). Even if section 362(e)(1) were to apply, the Bondholders’ proposed schedule with respect to the relief underlying the Lift Stay Motions set a hearing date for more than 110 days following the Court’s entry of an order lifting the PREPA Litigation Stay. (See Joint Status Report at 29.) Moreover, while not all Bondholders have joined in the Lift Stay Motions, the Motion does not suggest that it seeks authorization beyond litigating the Lift Stay Motions as filed, subject to a possible supplementation of portions that seek dismissal to account for developments since their filing and a consolidation of the Lift Stay Motions.⁵ (See Mot. ¶ 16.)

Given the potential for the resolution of the Accounting Counterclaim to offer further clarity and promote progress in PREPA’s Title III case, including with respect to assessing the feasibility of a proposed plan of adjustment and any determinations regarding

⁵ At the Hearing, counsel to GoldenTree Asset Management LP informed the Court that the request to supplement the Lift Stay Motions includes the separate but related request for authorization to file a combined lift stay and dismissal motion that was sought in connection with the Dismissal/Lift Stay Motion. (See Docket Entry No. 2971; May 20, 2026 Hr’g Tr. 35:12-36:9, Docket Entry No. 31094 in Case No. 17-3283 and Docket Entry No. 6163 in Case No. 17-4780.)

adequate protection, the Court declines to lift the PREPA Litigation Stay as to the Lift Stay Motions at this time.⁶

CONCLUSION

For the foregoing reasons, the Motion is denied with respect to the Lift Stay Motions. The PREPA Litigation Stay, as currently configured, shall remain in place pending resolution of the Accounting Counterclaim and further order of the Court.

This Order resolves Docket Entry No. 30841 in Case No. 17-3283 and Docket Entry No. 6092 in Case No. 17-4780.

SO ORDERED.

Dated: May 26, 2026

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

⁶ The Court is heartened by the recent report of the Honorable Shelley C. Chapman as lead mediator and the Honorable Brendan L. Shannon that signaled increased momentum in the mediation process among the various parties. (*See Mediation Team's Twenty-Second Notice and Report*, Docket Entry No. 30984 in Case No. 17-3283 and Docket Entry No. 6132 in Case No. 17-4780 ¶ 2.)