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

WIGBERTO LUGO-MENDER, as the duly appointed Trustee in the liquidation of EURO PACIFIC INTERNATIONAL BANK, INC., Plaintiff, v. **QENTA, INC.; PETER D. SCHIFF; BRENT DE JONG; ET AL.,** Defendants. **EURO PACIFIC FUNDS SCC LTD.; EURO PACIFIC SECURITIES, INC.; EURO PACIFIC CARD SERVICES LTD.; AND GLOBAL CORPORATE STAFFING LTD.** Parties in Interest.	**CIVIL NO.**: 25-1501 (PAD)

DEFENDANT PETER D. SCHIFF'S EMERGENCY MOTION REQUESTING JUDICIAL SCRUTINY OF PROPOSED SETTLEMENT AND FOR AUTHORIZATION TO FILE MATERIALS UNDER SEAL

TO THE HONORABLE COURT:

COMES NOW Defendant Peter D. Schiff ("Schiff" or "Defendant"), through the undersigned counsel, and respectfully states and prays as follows:

1. Mr. Schiff files this Motion on an emergency basis because Wigberto Lugo-Mender, in his capacity as the duly appointed Trustee in the liquidation of Euro Pacific International Bank, Inc. (the "Trustee"), and co-defendant Qenta, Inc. ("Qenta"), are poised to consummate and implement a private settlement that, as presently structured, threatens to deplete or place beyond reach substantial assets of Euro Pacific International Bank, Inc. ("EPB" or the "Bank"), thereby significantly impairing the recovery available to clients and creditors in the liquidation process and, most relevant to this motion, materially prejudicing Mr. Schiff's right,

recognized under the Consent Order issued by the Office of the Commissioner of Financial Institutions of Puerto Rico ("OCIF"), to receive the residual estate value remaining upon completion of that process. In this case, based on information and belief, the residual value should be a multi-million-dollar sum.

2. The prejudice to Mr. Schiff is direct and substantial. If executed, the proposed settlement would not only reduce the estate from which any residual distribution to him could ultimately be made, but would also foreclose any avenue through which he could seek recovery or damages arising from the wrongful retention, transfer, conversion, or depletion of the Bank's assets and other estate property to which he is entitled after satisfaction of the Bank's liabilities.

3. To be clear, Mr. Schiff is not asking this Court to halt the proposed settlement merely because he disagrees with it. What Mr. Schiff challenges is that, as presently structured, the proposed settlement appears to do far more than settle claims between consenting parties: it threatens to deplete or place beyond reach estate assets, undermine the recovery available to clients and creditors in the liquidation process, and materially prejudice Mr. Schiff's own rights in the liquidation process.

4. The latest version of the Settlement Agreement, which representatives of the Trustee and Qenta have represented to be substantially the final version they intend to execute regardless of whether Mr. Schiff consents to it, is wholly unacceptable. The extent of its defects – and the severe prejudice it threatens to inflict upon the liquidation estate, its creditors, and Mr. Schiff – cannot be appreciated in the abstract. Rather, the agreement's most serious defects become clear from an examination of several of its central provisions, which collectively expose a framework that is not merely one-sided, but affirmatively harmful.

5. Because the specific terms of the proposed agreement and the detailed bases for Mr. Schiff's objections are subject to a Confidentiality Agreement, Mr. Schiff is unable to set forth the full substance of his concerns in a public filing without obtaining leave of Court. He therefore files this Motion for two purposes: *first*, to place the Court on notice that a non-consenting party to the proposed settlement has substantial objections to its terms and believes it would inflict formal legal prejudice upon him; and *second*, to request the Court's authorization to file a detailed submission under seal, together with supporting exhibits, so that the Court may review the specific provisions at issue and evaluate Mr. Schiff's objections before the proposed settlement is consummated.

6. Mr. Schiff further respectfully requests that the Court direct the order not to consummate the proposed settlement agreement until the Court has had an opportunity to review the sealed submission and determine whether judicial scrutiny of the proposed agreement is warranted.

7. Although Mr. Schiff is constrained by the Confidentiality Agreement from disclosing the specific terms of the proposed settlement in this public filing, the Court should be aware of the general nature of his concerns, which he is prepared to substantiate in detail in a sealed submission upon the Court's authorization.

a. The proposed agreement would release the affirmative claims asserted by the Trustee in this Action in circumstances where, upon information and belief, the consideration flowing to the estate is not commensurate with the value of the claims being released. Mr. Schiff is directly and materially prejudiced by this result. As the sole shareholder of EPB, he has a direct interest in the preservation and recovery of estate assets, because any residual estate value remaining after

satisfaction of the Bank's liabilities is payable to him under the governing liquidation framework. The release of viable estate causes of action would extinguish the very legal mechanisms through which substantial assets could be recovered, and would foreclose any claim or remedy Mr. Schiff could otherwise pursue to protect his residual interest.

b. Upon information and belief, the proposed agreement employs a valuation methodology for certain categories of estate assets, particularly precious metals, that results in those metals being valued materially below current market prices. Rather than valuing such assets at their present worth, the proposed methodology would peg recovery to historical liquidation proceeds, effectively requiring claimants and the estate to absorb the difference between what was realized through past sales and what the assets are worth today. At current market prices, the resulting shortfall is substantial. This methodology is inconsistent with the Trustee's obligation to maximize the value of estate assets for the benefit of creditors and other stakeholders, including Mr. Schiff

c. Upon information and belief, the proposed agreement would assign certain payment obligations to the Trustee and the liquidation estate while permitting a co-defendant to retain the assets corresponding to those obligations. To the extent customers elect to return to the OCIF-supervised liquidation process, the Trustee would bear the financial burden of satisfying their claims, while the assets that should fund those claims remain outside the estate. Although the proposed agreement may contain provisions requiring the co-defendant to fund

certain shortfalls, Mr. Schiff is prepared to demonstrate in a sealed submission that those provisions are insufficient to ensure that the estate is made whole.

d. Upon information and belief, the proposed agreement also purports to modify the Consent Order and Voluntary Liquidation Plan by redirecting excess funds and other EPB-derived residual assets to Qenta or, more accurately, any party other than Schiff, contrary to the distribution waterfall in those governing documents. Since Schiff is not a party to the Settlement Agreement and has not consented to any modification of his residual-distribution rights, the agreement cannot alter, impair, or supersede his rights, as recognized in the documents that conferred upon Mr. Lugo-Mender the very rights and responsibilities under which he is acting today.

8. A non-settling party ordinarily lacks standing to object to a settlement reached between other parties. But that rule is subject to a well-established exception: a non-settling party has standing to object where the settlement would inflict "formal legal prejudice." *Waller v. Financial Corp. of America*, 828 F.2d 579, 582–83 (9th Cir. 1987). Formal legal prejudice exists where a settlement strips a non-settling party of a legal claim or cause of action, invalidates that party's contractual rights, or otherwise alters its legal position in a concrete and adverse way. *Bhatia v. Piedrahita*, 756 F.3d 211, 218 (2d Cir. 2014).

9. The First Circuit and this District have recognized the same framework. *See In re Viatron Computer Systems Corp. Litigation*, 614 F.2d 11, 14 (1st Cir. 1980); *Bernardi Ortiz v. Cybex Int'l, Inc.*, 345 F. Supp. 3d 107, 125 (D.P.R. 2018) (recognizing standing to object where a settlement would strip a non-settling defendant of a legal claim or cause of action).

10. More fundamentally, parties may not, through settlement, dispose of a third party's own valid claims without that party's consent. *Texas v. New Mexico*, 602 U.S. 943, 953–54 (2024); *see also Local No. 93, Int'l Ass'n of Firefighters v. City of Cleveland*, 478 U.S. 501, 529 (1986) (a consent decree cannot dispose of the valid claims of a nonconsenting intervenor).

11. This case presents precisely the kind of prejudice that warrants judicial intervention. The proposed settlement, if consummated, would not merely compromise claims between consenting parties; it would extinguish estate causes of action that directly affect Mr. Schiff's residual interest and foreclose remedies that would otherwise remain available to the estate and its stakeholders. That is not a permissible consequence of a private settlement between other parties.

12. However, the Confidentiality Agreement entered into by the parties broadly restricts the disclosure of all communications, information, and documents exchanged in connection with the Court-Ordered Negotiations. Mr. Schiff respectfully submits that the Court's review of the proposed settlement's specific terms is essential to a fair adjudication of his objections. The general description of prejudice set forth above, while sufficient to establish the threshold for judicial scrutiny, cannot substitute for the Court's examination of the actual provisions at issue, particularly with an agreement that involves OCIF, a government regulator, and so materially affects the public interest. Accordingly, Mr. Schiff requests that the Court enter an order authorizing Mr. Schiff to file, under seal, a memorandum setting forth his specific objections to the proposed settlement agreement, together with supporting exhibits, for the Court's *in camera* review.

13. This approach accommodates both the legitimate confidentiality interests of all parties and the Court's obligation to ensure that a settlement submitted for its enforcement does

not prejudice the rights of non-consenting parties or the integrity of the liquidation process. Most crucially, the agreement itself will not be confidential. If executed, its objectionable terms will be laid bare for all to see.

14. Finally, and most importantly, Mr. Schiff's deadline to execute the proposed settlement agreement is today, May 8, 2026, at 12:00 PM. Upon information and belief, the Trustee and Qenta intend to consummate the agreement regardless of whether Mr. Schiff signs, and to promptly file a notice of voluntary dismissal of this Action with prejudice pursuant to Federal Rule of Civil Procedure 41(a). Once that dismissal is filed, the claims asserted in this Action will be extinguished and the prejudice against Mr. Schiff will be irreparable.

15. Emergency relief is therefore necessary to preserve the *status quo* and to ensure that the Court has a meaningful opportunity to evaluate the proposed settlement before the claims that are the subject of this Action are permanently extinguished. A brief pause to permit judicial review will not prejudice any party; by contrast, permitting consummation without review risks irreversible harm to Mr. Schiff, to the liquidation estate, and to the interests of EPB's clients and creditors.

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WHEREFORE, Defendant Peter D. Schiff respectfully requests the Court GRANT this motion, with any relief it deems just and necessary.

RESPECTFULLY SUBMITTED in San Juan, Puerto Rico on this May 8, 2026.

WE HEREBY CERTIFY: Today we have electronically filed the foregoing document using the CM/ECF system which will send a copy and notification of filing to all counsel of record.

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