

United States Court of Appeals For the First Circuit

No. 23-1314

INSTITUTO MÉDICO DEL NORTE, INC.,

Debtor,

INSTITUTO MÉDICO DEL NORTE, INC.,

Appellant,

v.

GREENGIFT CAPITAL, LLC,

Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

[Hon. Pedro A. Delgado-Hernández, U.S. District Judge]

Before

Gelpí, Thompson, and Montecalvo,
Circuit Judges.

Rafael A. González-Valiente, with whom Godreau & Gonzalez Law, LLC was on brief, for appellant.

Ramón L. Ramos-Aponte, with whom Gustavo A. Chico-Barris, Tomás F. Blanco-Pérez, and Ferraiuoli LLC were on brief, for appellee.

September 2, 2026

THOMPSON, Circuit Judge.

Instituto Médico del Norte, today's debtor/appellant, has been trying to repay a loan since *the 1980s*. But Instituto and Greengift Capital (the current loan-holder and today's appellee) are in a fierce battle about what, exactly, Instituto's got to fork over.

We'll fill in the deets shortly, but the SparkNotes is this. In a recent adversary proceeding¹ in bankruptcy court, Instituto tried to invoke a 1991 agreement to explain why it owed less on the loan balance than Greengift (and its predecessor loan-holders) said it did. The bankruptcy court sided with Greengift. See In re Instituto Médico del Norte, Inc., No. 13-08961, 2022 WL 609995, at *7 (Bankr. D.P.R. Mar. 1, 2022).

But admittedly -- and with no disrespect intended towards the bankruptcy court -- we struggle to make sense of several key determinations in its dispositive order. We know that bankruptcy courts are quite busy, and they also don't have an obligation to make specific findings of fact or to elaborate on their decisions when resolving motions for summary judgment. See Grossman v. Berman, 241 F.3d 65, 68 (1st Cir. 2001). But

¹ "An adversary proceeding is a subsidiary lawsuit within the larger framework of a bankruptcy case," In re Buscone, 61 F.4th 10, 16 n.1 (1st Cir. 2023) (cleaned up), but it has "great" similarities to "an ordinary civil action," In re Harrington, 992 F.2d 3, 6 n.3 (1st Cir. 1993).

sometimes, a careful statement of reasoning is "a necessary precondition to intelligent appellate review." Id. We've said before that "[s]uch an occasion arises when a trial court grants a motion for summary judgment under circumstances in which the basis for its ruling is not easily ascertainable from the bare record." Id. And especially when we're wading in the "byzantine world of bankruptcy law," Guallini-Indij v. Banco Popular de P.R., 169 F.4th 64, 70 (1st Cir. 2026), we think "it is risky business for an appellate court to guess at what the [bankruptcy] court might have been thinking, and the better course is to remand for an elaboration of the decision," Grossman, 241 F.3d at 68.

That's the case here. In response to the bankruptcy court's various orders to cough up some evidence of what's owed, Instituto offered more than 1,000 pages' worth of documents, as well as briefs with arguments and specific record citations. And yet the bankruptcy court (after, admittedly, providing a lot of background info, such as procedural history and general primers on Rule 12(b)(6) and Rule 56) unfortunately resolved the case in an "opinion and order" with only a paragraph of analysis that (1) lacks any record citation or reference to applicable law and (2) doesn't make clear the grounds of decision, with multiple possible interpretations of its reasoning apparent to us. See In re Instituto, 2022 WL 609995, at *7. That paucity deprives us of the opportunity to provide meaningful appellate review. So we

vacate and remand to the bankruptcy court to take another shot at it. "And given our inability to parse what happened below . . . we necessarily explain in considerable detail just why we think remand is necessary." Rivera-Carrasquillo v. Centro Ecuestre Madrigal, Inc., 812 F.3d 213, 215 (1st Cir. 2016). We articulate the specifics of what the bankruptcy court should consider upon remand, guided by our comments.

SETTING THE SCENE

A. The Loan and the 1991 Agreement(s)

We'll start at the beginning, of course. Back in 1984, Instituto obtained a loan to the tune of \$10,683,230 from Ponce Bank to build a hospital in Vega Baja, Puerto Rico.

But Instituto and Ponce quickly fell into a dispute. The dispute's details are admittedly complicated and not well-documented in the record before us, but here's what we can glean from the parties' materials: Greengift says that Instituto quickly found itself "in default with the [l]oan's terms," while Instituto says that Ponce "refused to make disbursements on the loan as required by the credit agreement." But either way, Ponce filed a collections and foreclosure suit against Instituto in 1986. And then Instituto filed for Chapter 11 bankruptcy in 1987, soon afterward opening an adversary proceeding against Ponce.

Following long negotiations, Instituto and Ponce reached a settlement in 1991 to end this multi-faceted litigation.² Yet the parties have different accounts of what exactly happened in 1991. Instituto says the most critical thing, at least for our purposes, was that the loan's balance was divided into two distinct notes going forward: an interest-bearing note for the principal balance of \$10,584,920.17, and a non-interest-bearing note for past overdue interest of \$3,585,388.53. (Put differently, from then on, interest would accrue on the principal note with an annual

² As the bankruptcy court noted in another Instituto order (one that isn't part of today's adversary proceeding), here are the practical effects of the settlement:

[Instituto] filed a Chapter 11 petition on February 13, 1987 After a stipulation filed between Instituto and Ponce Federal Bank in June 1990, the petition was voluntarily dismissed in April 1991. The adversary proceeding filed by Instituto against Ponce Federal Bank . . . ended in September 1993 when judgment was entered pursuant to the [S]tipulation filed by the parties in February 1991.

Instituto Médico del Norte Inc., No. 13-08961, 2022 WL 1721350, at *2 n.1 (Bankr. D.P.R. May 27, 2022). Our understanding is that these agreements were not formalized into a confirmed plan, given Instituto's voluntary dismissal of its bankruptcy petition. The parties do not detail what happened with the 1986 collection action, but our examination of the docket revealed that it ceased at approximately the same time as the 1991 agreements were being hashed out. See generally Docket, Ponce Fed. Bank, FSB v. Instituto Médico del Norte, Inc., No. D CD1986-1935 (Bayamon Sup. Ct.). And no one notes that the Bayamon Superior Court made a determinative ruling on the collections effort that would otherwise legally affect the agreements.

interest rate of 5.981%, but that other \$3.5 million note wouldn't accrue interest, as Instituto sees it.) Instead of everything accruing interest, in its telling, Instituto agreed to pay the interest-bearing note in monthly installments of up to \$75,069, followed by a balloon payment at the end of the payment schedule worth approximately \$4.6 million -- that figure being the remnants of the principal note, combined with the total value of the non-interest-bearing note (for which monthly payments were not due in the interim). Greengift, meanwhile, claims that a single specific 1991 agreement establishing that two-track payment plan "does not exist," at least in the sense that there were really several agreements between Instituto and Ponce executed then.³

B. The Stipulation and the Plan

Fast forward more than twenty years of payments according to the settlement. In 2013, Instituto again filed for Chapter 11 bankruptcy. And in the bankruptcy court, Oriental (who took Ponce's place as the holder of the loan) filed a proof of claim for \$8,951,814.92 with an annual interest rate of 5.98%.⁴ (Oriental's proof of claim did not distinguish between an

³ In a 2021 filing before the bankruptcy court, Greengift's predecessor, Condado, identified six different agreements between the parties in 1991.

⁴ A "proof of claim" is a "creditor's written statement that is submitted to show the basis and amount of the creditor's claim" in order for the creditor "to make a claim for payment out of the estate in bankruptcy." Proof of Claim, Black's Law Dictionary (12th ed. 2024).

interest-bearing portion of the loan and a non-interest-bearing portion.)

While Instituto's bankruptcy plan was being worked out, Instituto and Oriental got into it about how much Oriental should be paid. But they worked it out. And in 2015, the two filed a stipulation to the bankruptcy court explaining how Oriental's claim should be treated in the final bankruptcy plan. Here's the important language from "The Stipulation":

CLASS 7^[5] - The allowed secured claim of Oriental, is currently being paid \$75,069.00 per month according to **a payment plan agreed upon in 1991.** This Plan proposes to restructure the balance of the allowed secured claim to be amortized in a 19.25 year term with interest at the annual rate of 5.98% with a monthly payment of \$60,000 for a six (6) month[] period from the effective date of the plan; thereafter a monthly payment of \$75,069.00 for a period of fifty four (54) months **with a[n] amortization as agreed in 1991.**

(Emphasis ours.) As the reader will later learn, from that "with [a]n amortization as agreed in 1991" language, Instituto says the two-note plan purportedly established in 1991 was preserved.

⁵ "Class 7" is referring to the "Class of Claims." As the Supreme Court has explained, the Bankruptcy Code "sets forth a basic system of priority, which ordinarily determines the order in which the bankruptcy court will distribute assets of the estate." See Czyzewski v. Jevic Holding Corp., 580 U.S. 451, 457 (2017) (describing the usual priority order, but noting that there is "more flexibility for distributions pursuant to Chapter 11 plans"). More simply, where the creditor's claim falls on the priority list will determine where in line they stand when the assets are dished out.

The final plan (which we uncreatively christen "The Plan") approved by the bankruptcy court incorporated most of the above-reproduced language, but not all. First, in the "Classes of Claims and Equity Interest" section:

CLASS 7 - This class comprises the allowable secured claim of Oriental Bank and Trust ("Oriental"). . . . A settlement agreement⁶ was reached with Oriental as to the manner in which this creditor will be paid. The settlement was approved by this Hon. Court and its terms and conditions are made part of the treatment for this creditor under the Plan.

(Underlined in original.) Second, in the "Treatment of Claims"⁷ section:

CLASS 7 - The allowed secured claim of Oriental is currently being paid \$75,069 per month according to a payment plan agreed upon in 1991. **This Plan proposes to restructure the balance of the allowed secured claim to be amortized in a 231-monthly term with interest at the annual rate of 5.98%.** Monthly installments of \$60,000.00, including principal and interest, will commence at the Effective Date of the Plan for six months, and then 54 monthly payments of \$75,069.00. The remaining balance will be due in a balloon payment 30 days thereafter. . . . See Summary of Claims and Plan Payments attached hereto as Exhibit A-1.

⁶ This settlement agreement is, as we understand it, the Stipulation. (More on that later.)

⁷ Drawing on the above "Class of Claims" section, this portion of the bankruptcy plan explains the debtor's legal obligations to the class of creditors therein going forward.

(Bolded ours, underlined in original.) Nowhere in either passage in the Plan, the astute reader will note, is the phrase "a[n] amortization as agreed in 1991."

So the Plan went into effect in August 2016.

But later on, some wires got crossed. In short, Instituto and Oriental fell into a spat about the loan's precise balance after the Plan's Confirmation. The disagreement continued when Condado 7, another entity, acquired the loan from Oriental. Condado thought that balance was much higher than Instituto did, because Instituto believed that the bifurcated note plan remained in effect -- that is, a significant portion of the loan balance still wasn't accruing interest, even after the Plan went into effect.

C. Bankruptcy Court Proceedings

That leads to today's case. In 2021, Instituto reopened the 2013 bankruptcy case and started an adversary proceeding against Condado. After some initial matters, Instituto filed an amended complaint. There, it explained what, precisely, it sought:

- declaratory judgments stating (1) that Instituto correctly accounted the loan's total and principal balances; and (2) that the \$3.5 million note doesn't accrue interest, based on the "amortization as agreed in 1991" language;

- a civil contempt claim against Oriental and Condado for violating the Plan by charging interest Instituto didn't owe; and
- damages.

i. The Motion to Dismiss

Condado soon moved to dismiss the complaint. Among other points it made, it identified at least six distinct "1991 agreements" that could have been the focus of the Stipulation's "a[n] amortization as agreed in 1991" language. And it said that its application of interest was actually consistent with the Plan's terms.

In response, Instituto moved to convert Condado's motion to dismiss into a motion for summary judgment. In Instituto's view, Condado didn't focus on the allegations but instead made reference to matters outside the pleadings; that, in essence, made its motion one for summary judgment. And given the way Condado had presented its motion with facts outside the pleadings referenced, Instituto also sought more time to get discovery to properly respond to what it thought, in essence, was a summary judgment motion; Instituto wanted the chance to depose Oriental Bank officials and request production of some documents to make its case.

Condado retorted by observing that the documents it referenced were incorporated into the pleadings by reference, so

it was still fine to proceed under Rule 12. And Condado alternatively argued that Instituto's discovery wasn't necessary because, even if the court intended to treat the motion as a summary judgment motion, Instituto's filing hadn't met the strictures of Federal Rule of Civil Procedure 56(d), which requires an affidavit showing specific evidentiary needs to halt summary judgment proceedings and allow discovery.

To that, Instituto offered a short response largely repeating points from its original motion.

The bankruptcy court then entered a puzzling order. See In re Instituto Médico del Norte, Inc., No. 13-08961, 2021 WL 4944085 (Bankr. D.P.R. Oct. 22, 2021). (We'll call it the "October 2021 Order.") After summarizing the arguments, the court concluded "that the bottom-line of this case hinges on one factual issue." Id. at *5. In its words, here was that one big issue:

Have the payments made by Instituto to Oriental/Condado been credited and applied by Oriental/Condado to the restructured allowed secured claim in accordance with the amortization provided for in the [Plan] . . . which incorporates the [S]tipulation with Oriental Bank (dkt. #491 in bankruptcy case), approved on September 28, 2015 (dkt. #513 in the bankruptcy case)?

Id. It next explained that, to secure the declaratory judgment, "Instituto ha[d] the burden of establishing" that payments "had not been made" according to the schedule; its "conclusory allegations" in the complaint didn't show any misapplication. Id.

Still, Condado's retort -- that all payments had been correctly applied in accordance with the Plan and the Stipulation -- wasn't sufficient in the court's eyes to dismiss the case, because those documents weren't before it. Id. So the bankruptcy court said the issue could get figured out in three steps: first, determining "how the payments should have been made and applied as set forth in the [Plan]," then providing "a detail of the payments made," and finally providing "a detail of how the payments were applied and the balance owed after each payment." Id. at *6. That all made good sense.

And then things began to go off the rails. Without expressly saying it was converting Condado's motion to dismiss into a motion for summary judgment, the bankruptcy court then ordered Instituto -- yes, Instituto, not Condado -- to move for summary judgment. See id. But unlike the typical summary judgment motion, the bankruptcy court said discovery wasn't necessary to conduct this tripartite analysis because "such basic accounting should have been in [Instituto's] possession before filing the complaint, as it is the basis for the causes of action in the same. Not having the evidence may raise the inference of intended delay if the payments were not actually made."⁸ Id. at *5-6.

⁸ We pause here to note the effect of this ruling: Instituto could no longer rely on the pleading standard, but instead had to produce evidence to keep the case moving. As we'll discuss, we think it awfully odd that the bankruptcy court imposed an

ii. Instituto's Motion for Summary Judgment

Thus spawned more motions.

First, as the bankruptcy court directed, Instituto indeed moved for summary judgment, and submitted with it a hefty pile of papers. It argued that the Stipulation and the Plan incorporated the 1991 Agreement, which in turn "created an interest-bearing note for the then outstanding principal balance on the loan and a non-interest-bearing Note for the then outstanding overdue interest." With the motion came about 700 pages of documentation, including documents from the 1990s and what we think is Oriental's spreadsheet of a payment schedule with a "non[-]interest[-]bearing portion" in the exact amount Instituto claimed: \$3,585,388.53. Greengift (who had, by this point, taken over for Condado) naturally opposed.⁹ It argued that all payments had been applied as the Plan and the Stipulation required and highlighted a spreadsheet of its own.

Instituto then said that it needed time to pursue additional discovery to file its reply brief. In its view, Greengift had argued that the documents were ambiguous, so discerning the "intent of the [p]arties" was necessary for it to

evidentiary burden on Instituto without letting Instituto undertake discovery, particularly given that Instituto repeatedly claimed it couldn't meet that burden without such an opportunity.

⁹ And thus Greengift became the movant for the still-outstanding motion to dismiss.

respond to Greengift's arguments. Instituto thus sent a set of interrogatories to Oriental (who, to remind, was the co-signatory of the Stipulation). The bankruptcy court granted the extension to pursue this discovery.

But Greengift moved to reconsider the decision on January 13, 2022 (and yes, the specific dates begin to matter here). It quoted the October 2021 Order, which (to remind) said that the outstanding inquiry didn't "require conducting discovery at this juncture." In re Instituto, 2021 WL 4944085, at *5. From that, Greengift said that discovery wasn't needed for Instituto's reply. A response from Instituto to this motion to reconsider was due on January 27, 2022.

But that chance to respond never came. On January 21, 2022, the bankruptcy court held a long status conference. The highlights are that the bankruptcy court (1) granted Greengift's motion to reconsider and thus stayed any discovery until the resolution of Instituto's summary judgment motion, and (2) ordered the parties to provide supplements to their summary judgment briefing within 21 days. It issued minutes of this status conference and the order for supplemental briefing about a week later, on January 27.

Instituto supplemented its briefing on February 11. It filed more stacks of banking paperwork (largely provided by

Oriental via its initial disclosures) that, in its view, showed how the \$3.5 million note "does not generate interest."

Greengift filed its brief six days later, but Instituto suddenly moved to strike the filing. It argued that Greengift had filed six days too late, because 21 days after the status conference was February 11, rather than February 17. And Instituto theorized that Greengift filed late so it could use this no-longer-simultaneously-filed supplemental briefing to get a leg up on Instituto.¹⁰ The bankruptcy court denied Instituto's motion to strike without explanation.

At this point, we offer a quick reminder of the procedural highlights thus far, all the better to understand the upcoming order:

- Instituto filed an amended complaint.
- Condado moved to dismiss.
- Instituto sought to convert that motion into a motion for summary judgment, and also sought discovery.
- Without resolving Condado's motion to dismiss, the bankruptcy court ordered Instituto to file a motion for summary judgment, but denied Instituto's request to get discovery.

¹⁰ On appeal, but not before the bankruptcy court, Greengift pointed to the day the order was issued, rather than the day of the status conference, as the day the 21-day clock began ticking, which would make its supplemental brief timely.

- Instituto sought discovery again.
- The bankruptcy court permitted it.
- Greengift moved for the court to reconsider that decision.
- At the status conference, the bankruptcy court sided with Greengift and again forbade discovery, but permitted the parties to file supplemental briefing.
- Both parties filed supplemental briefing (though quibbled about the timeline).

iii. The March 2022 Order

And, finally, we turn to the bankruptcy court's order ending the case (which we now call the "March 2022 Order" to help keep things straight). See generally In re Instituto, 2022 WL 609995. After describing much of the above, as well as providing primers about Rule 12 and Rule 56 caselaw, the bankruptcy court explained as follows:

Instituto has failed to present to the court evidence or reasonable support for its allegation that the [S]tipulation between [Instituto] and [Oriental], as well as the [Plan], provide that the portion of the credit in the amount of \$3,585,388.53 does not generate interest. Moreover, even if the \$3,585,388.53 did not generate interest at some point in time, Instituto has failed to provide evidence that it has complied with the payments as provided for in the [Plan] and the [S]tipulation. Conclusory allegations do not suffice. On the other hand, assuming the truth of all well-plead facts in the amended

complaint and giving the benefit of all reasonable inferences therefrom, the court concludes that the complaint does not plead a plausible claim as it is based on conclusions not supported by the facts. Plaintiff Instituto has had a reasonable opportunity to fill the factual gap and has been unable to do so.

Id. at *7. With those five sentences, the litigation before the bankruptcy court came to an end.

D. District Court Proceedings

Instituto appealed to the federal district court, per the appellate bankruptcy process. It argued: (1) that the bankruptcy court erred in dismissing the adversary proceeding; (2) that it erred in denying Instituto's motion for summary judgment; (3) that it erred in denying Instituto's request for discovery; and (4) that it erred in denying Instituto's motion to strike the supposedly late filing.

The district court found no error. See Instituto Médico del Norte, Inc. v. Greengift Cap., LLC, No. CV 22-1122 (PAD), 2023 WL 2732420, at *1 (D.P.R. Feb. 24, 2023). For starters, it held that the Plan didn't adopt the 1991 Agreement's bifurcation of the notes. Instead, the Plan just stated that the loan's balance would "be amortized in a 231-monthly term with interest at the annual rate of 5.98%." Id. at *3. So the Plan didn't incorporate the bifurcation terms, and the Stipulation's language (specifically "with a[n] amortization as agreed in 1991") couldn't alone

establish "that the parties were splitting the remaining balance into one interest-bearing portion and a second non-interest-bearing portion." Id.

Nor did the district court find reversible error in the bankruptcy court's denial of Instituto's discovery requests. It thought the issue could be resolved from the plain text of the Plan, and it was unconvinced that the denial of discovery was "plainly wrong" (the appellate standard of review, in its words). Id. at *4.

Third, the district court affirmed what it determined to be the bankruptcy court's decision to convert the motion to dismiss into one for summary judgment, given the only factual question necessary to resolve the case was outside the pleadings. Because "the case was dismissed pursuant to the summary judgment standard, not the traditional 12(b)(6) standard," this argument wasn't getting Instituto anywhere. Id. at *5.

Finally, the district court said the bankruptcy court's denial of the motion to strike Greengift's late filing was "a purely discretionary matter that this court will not interfere with on appeal." Id.

Instituto then appealed to us. And here we are.

OUR TAKE

Instituto offers us essentially the same four arguments it presented to the district court. Before we get to them, though,

we note one thing: "While the district court affirmed the bankruptcy court's decision, we review the bankruptcy court's decision directly and cede no special deference to the district court's determinations." In re Zizza, 875 F.3d 728, 731 (1st Cir. 2017) (cleaned up). So we draw on the district court's reasoning only to the extent it helps us make sense of the bankruptcy court's decision.

We begin with Greengift's motion to dismiss¹¹, then move to Instituto's motion for summary judgment, and close with thoughts about discovery (not reaching the motion to strike).

A. Greengift's Motion to Dismiss

Instituto first argues that the bankruptcy court's order violated Rule 12(b)(6) in a few ways. For one, Instituto says the bankruptcy court's choice of words -- that it was granting Greengift's motion to dismiss because Instituto's complaint was "based on conclusions not supported by the facts" -- raised the bar too high for the case to survive Rule 12(b)(6). In re Instituto, 2022 WL 609995 at *7. As a follow-on, Instituto observes that the bankruptcy court never explicitly converted Greengift's motion to dismiss into a motion for summary judgment (only denying Instituto's motion for summary judgment), where such

¹¹ To be clear, this is the motion to dismiss that Condado originally filed. Greengift technically took it over when it assumed Condado's place in the litigation. For simplicity's sake, we refer to it as Greengift's motion to dismiss.

a standard would have been permissible. And if all the non-conclusory allegations were instead credited, says Instituto, it properly stated claims for relief -- and thus the case shouldn't have ended at the hands of Rule 12(b)(6).

Greengift responds that, once Instituto moved for summary judgment (following the bankruptcy court's order), the Rule 12(b)(6) standard "became inapplicable," because Greengift's motion to dismiss was converted into a motion for summary judgment.¹² And, relying on the district court's formulation (which strikes us as somewhat baffling), Greengift explains that the motion was "expressly converted." Instituto, 2023 WL 2732420, at *5. On the merits, Greengift walks through why Instituto failed to state a claim, quoting the bankruptcy court in saying that Instituto "failed to provide evidence" that there's a part of the loan that doesn't accrue interest *and* that Instituto "has complied

¹² We find the argument admittedly a bit confusing, so we're going to quote the brief verbatim here:

Instituto repeats in the instant appeal that the Bankruptcy Court erred in dismissing its Complaint because it "should have applied the standards under Rule 12(b)(6), but failed to do so." . . . Instituto fails to understand that when it moved for summary judgment, the Fed. R. Civ. P. 12(b)(6) standard became inapplicable. As correctly analyzed by the District Court, "the 12(b)(6) standard discussion is inapposite because the Bankruptcy Court expressly converted Greengift's motion to dismiss into a motion for summary judgment."

with" the Plan and the Stipulation. See In re Instituto, 2022 WL 609995, at *7.

For starters, we offer just a bit about when, exactly, motions to dismiss are converted into motions for summary judgment, an analysis that's "functional rather than mechanical." Calderón-Amezquita v. Rivera-Cruz, 158 F.4th 54, 69 (1st Cir. 2025). "Under Rule 12(b)(6), the district court may properly consider only facts and documents that are part of or incorporated into the complaint; if matters outside the pleadings are considered, the motion must be decided under the more stringent standards applicable to a Rule 56 motion for summary judgment." Trans-Spec Truck Serv., Inc. v. Caterpillar Inc., 524 F.3d 315, 321 (1st Cir. 2008) (emphasis added, cleaned up); see also Crawford v. Salve Regina Univ., 178 F.4th 734, 742-43 (1st Cir. 2026) (discussing the rule). But the important word there is "considered." Because, "if the district court chooses to ignore the supplementary materials and determines the motion under the Rule 12(b)(6) standard, no conversion occurs." Garita Hotel Ltd. P'ship v. Ponce Fed. Bank, F.S.B., 958 F.2d 15, 18 (1st Cir. 1992). Put differently, "the test is not whether supplementary materials were filed, but whether the court actually took cognizance of them, or invoked Rule 56, in arriving at its decision." Id. at 19.

After careful review of the record and the parties' arguments, we are puzzled by the bankruptcy court's treatment of

Greengift's motion to dismiss. "And, regrettably, the record does not supply a ready answer: each side's characterization of the judge's actions finds at least some support there." Rivera-Carrasquillo, 812 F.3d at 228.

Here's what Greengift gets right. Earlier in the litigation, the bankruptcy court recognized that a factual issue was central to the adjudication of the ultimate case. See In re Instituto, 2021 WL 4944085, at *5 ("The above factual question is the key to the amended complaint."). And the same order also said that the circumstances "move[] the court to consider the matter through a motion for summary judgment as it is fact-based, and the dispositive data is not before the court." Id. at *6. Those points certainly favor Greengift's interpretation of the record -- at least an implicit conversion of the motion into one for summary judgment.

Along with that, the bankruptcy court said as follows during the January 2022 status conference:

[T]he motion to dismiss . . . was addressed in this court's order of October 22, 2021 . . . in which the Court opted to consider the motion to dismiss as a motion for summary judgment and that, in answer to this Court's order . . . is that the debtor-plaintiff filed a motion for summary judgment. So really, what is before the Court is a motion for summary judgment and the opposition by Greengift.

And the bankruptcy court, almost immediately afterwards, agreed that Greengift's motion to dismiss was "subsumed" (whatever that means) by Instituto's motion for summary judgment.

Still, countervailing considerations suggest that Instituto's right: the bankruptcy court applied the wrong standard in the dispositive order. For starters, before the issuance of the October 2021 order, Instituto specifically asked for the motion to dismiss (which, to remind, was at that point filed by Condado, because Greengift hadn't taken over) to be converted into a motion for summary judgment, and Condado opposed -- actually saying that the motion to dismiss shouldn't be converted into a motion for summary judgment.

Several parts of the March 2022 order also complicate things. For starters, the bankruptcy court provided more than a page's worth of generic Rule 12(b)(6) caselaw in the "standard" sections -- with a specific section of "Standard of Motion to Dismiss" -- and nowhere in that lengthy explanation did it include any caselaw about conversion. See In re Instituto, 2022 WL 609995, at *3-4. We find the extended discussion of Rule 12(b)(6) caselaw an odd addition if such a conversion to summary judgment did occur.

The one paragraph of analysis that the bankruptcy court provided in that order did include statements that don't quite comport with Rule 12(b)(6). On the one hand, the bankruptcy court said that it "assum[ed] the truth of all well-plead facts in the

amended complaint and [gave] the benefit of all reasonable inferences therefrom." Id. at *7. So far, so good.

But the bankruptcy court then faulted Instituto for failing to state a claim because the complaint "does not plead a plausible claim as it is based on conclusions not supported by the facts." Id. Perhaps that was a statement that the complaint was too conclusory -- which also is fine to say when evaluating a Rule 12(b)(6) motion. Yet the bankruptcy court then noted that Instituto "had a reasonable opportunity to fill the factual gap and has been unable to do so." Id. We don't read the bankruptcy court to be saying that Instituto could've filled this gap via a second amended complaint (and no party is arguing that's what the bankruptcy court meant), so the fault assigned to Instituto in that sentence seems to be about a dearth of evidence. Assuming the truth of well-plead facts in the complaint is in-line with Rule 12(b)(6); granting a motion to dismiss in part because a party didn't "fill a factual gap" with evidence, however, is not. See e.g., In re Maifeld, 495 B.R. 127, 134 (Bankr. D. Mass. 2013), aff'd sub nom. Maifeld v. W. Coast Life Ins., 516 B.R. 186 (D. Mass. 2014) (explaining "that a Rule 12(b)(6) motion to dismiss does not permit the Court to engage in fact finding or otherwise test the evidence," but rather "to test the sufficiency of the allegations"). But in back-to-back sentences, the bankruptcy court seemed to suggest both bore on the analysis. That is wrong.

And anyways, we think all the order's language about Rule 12(b)(6) is awfully odd given the bankruptcy court's early statements about the motion to dismiss being "subsumed," too.

In the appellate posture, the district court did an admirable job trying to make sense of all this. Yet we can't agree with its analysis. First, it said the bankruptcy court "expressly converted Greengift's motion to dismiss into a motion for summary judgment." Instituto, 2023 WL 2732420, at *5. But that overstates the record's clarity: the bankruptcy court ordered Instituto to move for summary judgment, while not stating what it did with Greengift's motion to dismiss -- at least before the final order, where the bankruptcy court granted the motion at least in part using Rule 12(b)(6) language, which would contradict the district court's conclusion that the motion was converted. See In re Instituto, 2022 WL 609995, at *7. And that's also why we can't buy the district court's observation that the case was "dismissed pursuant to the summary judgment standard, not the traditional 12(b)(6) standard." Instituto, 2023 WL 2732420, at *5. That doesn't match up with the actual language of the bankruptcy court's order. See In re Instituto, 2022 WL 609995, at *3-4; id. at *7.

So here's where we are confused. Did the bankruptcy court think it was converting Greengift's motion to dismiss into a motion for summary judgment when it ordered Instituto to file a motion for summary judgment? The difference matters for a couple

reasons. For one, the burden: at summary judgment, if the moving party shows there is "no genuine factual issue for trial, the non-moving party must come armed with some evidence to show that a reasonable jury could find for them." Guldseth v. Fam. Med. Assocs. LLC, 45 F.4th 526, 533-34 (1st Cir. 2022). For another, the way we read the record at summary judgment: we draw "all reasonable inferences" in favor of the non-moving party. Xiaoyan Tang v. Citizens Bank, N.A., 821 F.3d 206, 215 (1st Cir. 2016). Swap out the moving party and these concepts all go the other way, too: Instituto could no longer rely on its pleadings but now had the "evidentiary obligations" to "put up or shut up" at summary judgment, even though it wasn't permitted to get discovery. See United States ex rel. Omni Healthcare Inc. v. MD Spine Sols. LLC, 160 F.4th 248, 265 (1st Cir. 2025).

And by tying Greengift's motion to dismiss with Instituto's motion for summary judgment, and then still using the traditional language of Rule 12(b)(6) to rule against Instituto, the bankruptcy court made it difficult to tell what burdens and standards it actually did apply. And, importantly, "[c]oming down either way would require us to emphasize and rely on some of the judge's words, while ignoring and putting to one side others. Guessing at what a [bankruptcy] judge intended to do does not strike us as the proper way to go about deciding an appeal." Rivera-Carrasquillo, 812 F.3d at 230. "Because the record on

appeal can be fairly read to support each party's divergent view" of this important motion, "an explanation from the [bankruptcy] court is more than valuable, it is essential for us to conduct a meaningful appellate review." Id. (cleaned up).

So we vacate the bankruptcy court's order dismissing Instituto's complaint (as well as the district court's affirmance of that order) so that the bankruptcy court can take another shot at this one. As we've explained in great detail, some parts of the current record suggest the bankruptcy court treated it as a motion to dismiss, yet others evince it was treated as a motion for summary judgment, and we will not guess between the two. We trust that, in addressing the motion a second time, the bankruptcy court will be clearer about the standard it is applying -- Rule 12(b)(6) or Rule 56 -- as well as the materials it "actually took cognizance of" in deciding the motion.¹³ Garita Hotel Ltd. P'ship, 958 F.2d at 19.

¹³ To be clear: if, in resolving either party's motion, the court takes cognizance of anything beyond the pleadings (or anything properly incorporated into the pleadings), it should convert Greengift's motion into one for summary judgment, consistent with our caselaw. See Crawford, 178 F.4th at 742-43; cf. Brown v. P.S. & Sons Painting, Inc., 680 F.2d 1111, 1112 n.1 (5th Cir. 1982) ("Although the District Court, in granting the motion of the individual defendants, referred to this motion as one to dismiss for failure to state a claim . . . it seems likely that the District Court, in passing on both motions, considered the depositions and other documents that had been filed, including both parties' memoranda on the motions.").

But importantly, the bankruptcy court should not feel bound to simply clarify its past decision. Instead, it is welcome to reconsider the propriety of that decision on the merits, given the guidance we are about to provide based on its adjudication of Instituto's motion for summary judgment (and, specifically, the Stipulation's potential ambiguity). In other words, "we leave the procedure to be followed on remand to the lower court's informed discretion, without endeavoring to set an outer limit on its range of options," aside from the minimum requirement of making it abundantly clear which standard it uses in deciding Greengift's motion. See Uno v. City of Holyoke, 72 F.3d 973, 992 (1st Cir. 1995) (cleaned up).

B. Instituto's Motion for Summary Judgment

We now turn to the bankruptcy court's treatment of Instituto's motion for summary judgment.

As best we can tell, we read the bankruptcy court to have denied Instituto's motion for two reasons: because (1) Instituto "failed to present" evidence or support that the \$3.5 million note doesn't accrue interest and (2) even if the note didn't accrue interest "at some point in time," Instituto still didn't offer up proof "that it has complied with the payments as provided for in the [Plan] and the [S]tipulation." In re Instituto, 2022 WL 609995, at *7. Instituto attacks each of these holdings on appeal.

But, like the bankruptcy court's handling of the motion to dismiss, we find that its terse discussion of the issues raised by Instituto's motion for summary judgment does not provide us adequate material for appellate review. We have trouble understanding its holdings, each of which could be interpreted at least a couple ways and lack citation to applicable law. (We'll lay out why shortly.) So we will vacate and remand the denial of summary judgment for Instituto, as well. But, since we're already here, we will provide some guidance that we hope will be helpful to the bankruptcy court moving forward.

i. Interest

Instituto first says that, from the "plain language of the Stipulation and the Plan," the \$3.5 million note doesn't accrue interest even after the Plan's confirmation. The hook that Instituto uses is the "[a]n amortization as agreed in 1991" language from the Stipulation: that (in its view) clearly incorporates the bifurcated note plan. And even if that language isn't clear, says Instituto, the parties' actions during and after negotiation in 2015 prove that the two-note track survived the Plan's confirmation. In Instituto's view, it has documentation from Oriental (who, remember, signed the Stipulation with Instituto) showing that the non-interest-bearing note was treated differently even after the Plan's confirmation. That includes the "Workout Plan Proposal" showing, by name, the separate

interest-bearing note for \$3.5 million. Yet Instituto says the bankruptcy court and the district court totally ignored this evidence.

Greengift responds that neither the Stipulation nor the Plan help Instituto. In Greengift's view, a "1991 Agreement" that helps Instituto "does not exist," at least in the sense that Instituto has failed to specifically identify where it found support for its argument about the bifurcated note plan. Greengift also says (citing some caselaw) that anyway, "under a confirmed reorganization plan[,] former legal relationships between a debtor and its creditors are extinguished and replaced by new commitments binding in law," the point being that the Plan supplanted any remnants of the 1991 Agreement's purported bifurcated-note plan. See In re DiBerto, 171 B.R. 461, 471 (Bankr. D.N.H. 1994) (cleaned up). And as for the "Workout Plan Proposal," Greengift says that it was neither attached, nor referenced, nor incorporated into the Plan, so it can't count.

Here, too, the bankruptcy court's decision unfortunately does not provide sufficient rationale for us to try and review. Cf. Grossman, 241 F.3d at 67-69. To refresh, all the bankruptcy court had to say on the matter was this: "Instituto has failed to present to the court evidence or reasonable support for its allegation that the [S]tipulation between [Instituto] and [Oriental], as well as the [Plan], provide that the portion of the

credit in the amount of \$3,585,388.53 does not generate interest." In re Instituto, 2022 WL 609995, at *7. But this sentence -- arguably the million-dollar (or, really, \$3.5-million-dollar) sentence -- could reasonably mean at least two different things:

1. That the bankruptcy court thought the Stipulation's phrase "[a]n amortization as agreed in 1991" was clear that the Plan *did not* incorporate the bifurcated note approach that Instituto says it does; or
2. That the bankruptcy court thought the Stipulation's phrase "[a]n amortization as agreed in 1991" was ambiguous, and thus the parties' intent in the Stipulation was relevant, but Instituto's proffered evidence didn't prove the parties intended to do the bifurcated note approach.

Between the two, the bankruptcy court didn't quite say which it thought was right (or if a third possibility existed). See In re Instituto, 2022 WL 609995, at *7. But our review would look quite different depending on the holding. We might be reviewing a simple (in relative terms) exercise of contract interpretation, which could be affirmed, reversed, or vacated with instructions to evaluate extrinsic evidence of intent. Or we might be reviewing an archeological dig into the record to evaluate extrinsic evidence of intent, which could be affirmed, reversed, or vacated with

instructions to proceed to trial based on the existence of a material dispute of fact. But we don't know which it is.

Given what we're about to describe, we think it would be reasonable to say that the phrase was ambiguous, so an exploration into intent is necessary.¹⁴ And to the extent the bankruptcy court thought otherwise, we think it should take another careful look.

We want to remind the bankruptcy court of the law that should guide its analysis. For starters, we treat these bankruptcy documents -- a confirmation plan and a stipulation -- like contracts. In re New Seabury Co. Ltd. P'ship, 450 F.3d 24, 33 (1st Cir. 2006). So to figure out what they mean, we use "principles of contract interpretation." Id. Such principles are ordinarily derived from state law. See, e.g., DIRECTV, Inc. v. Imburgia, 577 U.S. 47, 54 (2015) (explaining that "the interpretation of a contract is ordinarily a matter of state law"). That's true even in federal bankruptcy cases. See In re Felt Mfg. Co., 402 B.R. 502, 511 (Bankr. D.N.H. 2009); In re BLB Worldwide Holdings, Inc., No. 09-12420, 2015 WL 13829131, at *10 (Bankr. D.R.I. Nov. 3, 2015). So that's why we are about to draw from Puerto Rico's contract law.

¹⁴ We say this not to bind the bankruptcy court to this reasoning for law-of-the-case purposes, but rather to provide at least some meaningful appellate guidance that it can draw on in its reconsideration, since we're already here.

Under Puerto Rico's Civil Code,¹⁵ two principles are especially important to contract interpretation:

If the terms of a contract are clear and leave no doubt as to the intentions of the contracting parties, the literal sense of its stipulations shall be observed.

If the words should appear contrary to the evident intention of the contracting parties, the intention shall prevail.

P.R. Laws Ann. tit. 31, § 3471; see also Wells Real Est. Inv. Tr. II, Inc. v. Chardon/Hato Rey P'ship, S.E., 615 F.3d 45, 53 (1st Cir. 2010). And, drawing on Puerto Rican jurisprudence, we've explained that clear terms "are those that in themselves are lucid enough to be understood in one sense alone, without leaving any room for doubt, controversies, or difference of interpretation." Home Ins. Co. v. Pan Am. Grain Mfg. Co., 397 F.3d 12, 16 (1st Cir. 2005) (quoting Heirs of Ramírez de Arellano v. Superior Court, 81 P.R.R. 347, 351 (1959)) (cleaned up). Likewise, we must take a holistic look at the agreement: a contract's terms "should be interpreted in relation to one another, giving to those that are

¹⁵ We recognize that the Puerto Rico Civil Code was amended in 2020 and the new version took effect on November 28, 2020. But given that the Stipulation and the Plan were formed before the new Civil Code's effective date, we refer to the applicable provisions of the Puerto Rico Civil Code of 1930, which we understand to be the applicable law at the time of the alleged facts. See Disaster Sols., LLC v. City of Santa Isabel, 21 F.4th 1, 6 (1st Cir. 2021) ("Because the alleged contract was formed prior to the effective date of the new Civil Code, we apply, as the parties have, Puerto Rico law as it was under the 1930 Civil Code.").

doubtful the meaning which may appear from the consideration of all of them together." P.R. Laws Ann. tit. 31, § 3475.

If the terms of the agreement (which are, in theory, the best evidence of intent) are ambiguous, the court can look to "extrinsic evidence" to "prove the parties' intent." Wells Real Est., 615 F.3d at 54. Importantly, "summary judgment is appropriate only if the undisputed extrinsic evidence of intent supports only one of the conflicting interpretations." Id. (cleaned up). We also note the mechanics of summary judgment: because Instituto was the party seeking summary judgment, it needed to "inform the court of the basis for its motion and identify the portions of the pleadings, depositions, answers to interrogatories, admissions, and affidavits, if any, that demonstrate the absence of any genuine issue of material fact." Omni Healthcare, 160 F.4th at 258 (cleaned up). But as long as Instituto crosses "this modest threshold," it becomes Greengift's "duty to, with respect to each issue on which it would bear the burden of proof at trial, demonstrate that a trier of fact could reasonably resolve that issue in its favor." Id. (cleaned up).

With all those principles in mind, we'll turn back to the documents and offer just a bit of guidance. When the Plan and the Stipulation are read together -- as they should be, given the Plan's incorporation of the Stipulation -- there's a fair case to be made that they are contradictory and thus ambiguous. (Note,

importantly, that we aren't holding this as a matter of law, but rather offering an impression in order to help move the case along with additional appellate guidance.)

Start with the Plan's text. In the "Classes of Claims and Equity Interest" section, it says: "A settlement agreement was reached with Oriental as to the manner in which this creditor will be paid." (Underlining removed.) As far as we can tell, that "settlement agreement" is the Stipulation. Next sentence: "The settlement was approved by this Hon. Court and its terms and conditions are made part of the treatment for this creditor under the Plan." (Underlining removed.) So the Stipulation is built into the Plan, for sure.

Now, onto the Stipulation. It says:

This Plan proposes to restructure the balance of the allowed secured claim to be amortized in a 19.25 year term with interest at the annual rate of 5.98% with a monthly payment of \$60,000 for a six (6) month[] period from the effective date of the [P]lan; thereafter a monthly payment of \$75,069.00 for a period of fifty four (54) months with a[n] amortization as agreed in 1991.

(Emphasis added.) So, cutting through the fat, one may well read the Stipulation to say the Plan "proposes to restructure" the arrangement "with a[n] amortization as agreed in 1991."

True, as the district court noted, the "Treatment of Claims" section in the Plan "makes no distinction as to interest-bearing and non-interest-bearing portions of the

debt," instead saying simply "that the totality of the balance of the allowed secured claim will 'be amortized in a 231-monthly term with interest at the annual rate of 5.98%.'" Instituto, 2023 WL 2732420, at *3-4. But we think that only highlights a possible internal contradiction within the Plan. One section says the Stipulation governs, and the Stipulation says the amortization to be followed was "agreed in 1991," while another section says that it's a straightforward amortization "in a 231-monthly term with interest at the annual rate of 5.98%," without reference to the two-note plan. Maybe those terms can be read together to say the same thing; but maybe (as Instituto suggests) the "amortization as agreed in 1991" is indeed the two-track plan. And that possible contradiction -- as well as whether the two-note plan constitutes an "amortization" more generally -- is what might make the Plan ambiguous. Cf. J.R.T. v. Nat'l Packing Co., 112 D.P.R. 162, 12 P.R. Off. Trans. 197, 202 (P.R. 1982) ("A clause whose language seems clear may be ambiguous if it allows conflicting interpretations.").

To reach the contrary conclusion, the district court made a couple other points that we briefly address. See Instituto, 2023 WL 2732420, at *3-4. First, it said that the Plan didn't "expressly incorporate" the terms of the 1991 Agreement. Id. at *4. But that overlooks how the Plan incorporates the Stipulation, which does incorporate (at least to some extent) the "amortization

as agreed in 1991." Second, it said that the only reference to the 1991 Agreement in the Stipulation was "to describe how the claim was being paid prior to its confirmation." Id. But, as we've detailed, the Stipulation itself references the "amortization as agreed in 1991" in part to explain how the Plan "proposes to restructure" the loan going forward.

The bankruptcy court, on remand, should make a more specific determination about Instituto and Oriental's intent in crafting the Stipulation in 2015 to determine what, exactly, they meant by "[a]n amortization as agreed in 1991." We are confident that, in resolving the summary judgment motion(s), the bankruptcy court will enlighten the parties and any reviewing courts about its specific reasoning. And we remind the bankruptcy court that "summary judgment is appropriate only if the undisputed extrinsic evidence of intent supports only one of the conflicting interpretations." Wells Real Est., 615 F.3d at 54 (cleaned up). We trust it will proceed to trial should there be sufficient ambiguity about the parties' intent.

ii. Compliance

Recall the alternative grounds for the bankruptcy court's decision to deny Instituto summary judgment: even if one part of the note didn't accrue interest "at some point in time," Instituto still didn't offer up proof "that it has complied with

the payments as provided for in the [Plan] and the [S]tipulation."
In re Instituto, 2022 WL 609995, at *7.

Greengift says that this means the bankruptcy court found Instituto to be in default under the Plan. And, according to Greengift, that means that Instituto cannot enforce the Plan, because 11 U.S.C. § 524(i) says that "the willful failure of a creditor to credit payments received under a plan . . . shall constitute a violation" of said plan "unless . . . the plan is in default." In other words, based upon its reading of § 524(i), because Instituto is in default under the Plan, it cannot advance a civil contempt claim against Greengift invoking the Plan. Instituto, in its reply brief, seems to contest that it's in default.

This is another determination that we can't make sense of, based on the complexity of the record, the dearth of caselaw on 11 U.S.C. § 524(i) (which, to be clear, is a statute that the bankruptcy court didn't cite in its order), and the paucity of the bankruptcy court's reasoning about whether it was making a finding of default. Again, we won't leave a potentially decisive holding on these grounds up to guesswork. See In re Farnsworth, No. BAP MW 08-086, 2009 WL 8466786, at *8 (B.A.P. 1st Cir. Nov. 20, 2009) ("Effective review should not depend upon the intuition of the appellate judges or their ability to divine the critical facts or the [bankruptcy] court's reasons for its judgment.").

So we vacate and remand this holding, too. In addressing the issue again, the bankruptcy court should clarify what it meant by its statement concerning compliance with the payment schedule required by the Plan and the Stipulation, as well as (1) whether the bankruptcy court thought the statement was dispositive for both of Instituto's claims and (2) whether the bankruptcy court was (as Greengift says it is) making a finding under 11 U.S.C. § 524(i) that Instituto was in default and thus cannot enforce the Plan.

C. Discovery

Instituto next takes aim at the bankruptcy court's granting of summary judgment despite its denial of discovery, a decision which we would ordinarily review under the abuse of discretion standard. See, e.g., In re Colon, No. PR 07-053, 2008 WL 8664760, at *3 (B.A.P. 1st Cir. Nov. 21, 2008). Because we have vacated the decision denying Instituto summary judgment, we need not linger on this issue, but we note one thing.

Remember the bankruptcy court asserted that the key question to this case could be resolved through the summary judgment framework, yet without discovery. See In re Instituto, 2021 WL 4944085, at *5 ("The answer to the question does not require conducting discovery at this juncture."). We remind the bankruptcy court that our caselaw strongly disfavors granting summary judgment against a party without giving that party the

opportunity for discovery, particularly when the party has sought discovery (as Instituto has here, repeatedly). See, e.g., Cortés-Ramos v. Martin-Morales, 178 F.4th 760, 773 (1st Cir. 2026) (collecting cases). So while the bankruptcy court of course retains broad discretion over discovery, it remains obligated to "fairly balance the interests of the parties." Id. at 775. It should keep in mind that obligation going forward.

THE WRAP-UP

In short, we vacate the appealed order and remand to the district court with instructions that the matter be remanded to the bankruptcy court for further proceedings consistent with this opinion.¹⁶ See Grossman, 241 F.3d at 69.

Unlike a more usual "vacate and remand for clarification" case, we do not retain jurisdiction here because of the many ways the litigation could unfold, and we see no need to restrict the bankruptcy court further in figuring things out.

All parties will bear their own costs.

And that's all, folks.

¹⁶ We decline to reach Instituto's argument about the bankruptcy court's supposed improper consideration of Greengift's supplementary brief, given that we are vacating the decision already.