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BY ELECTRONIC MAIL

August 1, 2024

Mr. Josué Menéndez Agosto
Executive Director
Puerto Rico Maritime Transportation Authority

Re: Conrad Shipyard, LLC

Dear Mr. Menéndez Agosto,

In accordance with the Contract Review Policy (the “Policy”) of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed contract between the Puerto Rico Maritime Transportation Authority (the “MTA”) and Conrad Shipyard, LLC (the “Proposed Contract”).

After reviewing the Proposed Contract, the Oversight Board concludes “Approved with Observations.” Observations related to the Proposed Contract are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Contract with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material changes to the Proposed Contract must be submitted to the Oversight Board for review and approval **prior to execution**.

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when

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Recipient: Mr. Menéndez Agosto

the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to the MTA and solely with respect to the Proposed Contract.

Sincerely,



Jaime A. El Koury
General Counsel

APPENDIX A

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MTA – CONRAD SHIPYARD, LLC

Fiscal Plan Alignment

This review covers the Proposed Contract between the MTA and Conrad Shipyard, LLC (the “Contractor”), which stems from a competitive procurement process (ATI-RFP 2023-002 PB) issued on December 4, 2023, for which the Contractor was the sole bidder. It contemplates the construction of a vehicle transportation barge for the service route between Ceiba and Vieques.

The Proposed Contract has a maximum payable amount of **\$6,395,000**, which consists of the contractual amount of \$5,895,000 and a contingency amount of \$500,000. It also has a term lasting from its date of execution to **June 30, 2025**.¹

According to the information submitted by MTA, the Proposed Contract shall be covered entirely with a mix of General and Federal Funds allocated in the following accounts:

- **MARAD FY2022 AMH Grant No. 693JF72340003** - \$2,800,000; and
- **E0000-111-2850000-0001-008-2023(PRIFAS)** - \$3,595,000.

As such, the Oversight Board’s review indicates that MTA has sufficient budgeted funds in Fiscal Year 2025 to cover the cost of the Proposed Contract as of the date of this letter. This determination does not consider the extent to which total available funds will be subsequently encumbered by MTA throughout the Proposed Contract’s term. Consequently, we rely on MTA’s budget certification for purposes of this review. In the event that the Proposed Contract causes MTA to exceed its budget, it must find savings in other areas to cover any overbudgeted amounts and submit a budget reprogramming request in order to ensure compliance with the Certified Fiscal Year 2025 Commonwealth Budget.

In addition, we note that MTA has certified that it has complied with Act 147 of 1980, as amended, known as the “Office of Management and Budget Enabling Act,” which limits agencies’ expenditures to 50% of their assigned budgets during election years, specifically within the period from July 1 until the inauguration of the elected officials.

MTA is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A to the Policy (Contract Submission Questionnaire) and to request a re-review of the Proposed Contract should any changes occur.

This review was conducted on the basis of information submitted by the MTA. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.

¹ The Proposed Contract also includes a warranty period lasting up to 365 days from the date of execution, which mandates the Contractor to repair and replace any defects discovered on the barge. According to the MTA, this warranty period does not extend the Proposed Contract’s term but ensures the quality and functionality of the barge after the term expires.