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BY ELECTRONIC MAIL

April 23, 2025

Mr. Antonio Ramos Guardiola
Executive Director
Puerto Rico Innovation and Technology Service

Re: Microsoft Caribbean, Inc. (Azure - 2023-000034C)

Dear Mr. Ramos Guardiola,

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 amendment to the contract between the Puerto Rico Innovation and Technology Service (“PRITS”) and Microsoft Caribbean, Inc. (the “Proposed Amendment”).

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

Our review is solely limited to compliance of the Proposed Amendment 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 Amendment or the original contract must be submitted to the Oversight Board for review and approval **prior to execution**.

Date: 4/23/2025

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Recipient: Mr. Ramos Guardiola

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 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 PRITS and solely with respect to the Proposed Amendment.

Sincerely,



Jaime A. El Koury
General Counsel

APPENDIX A

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PRITS – MICROSOFT CARIBBEAN, INC.

Fiscal Plan Alignment

This review covers the Proposed Amendment to the contract between PRITS and Microsoft Caribbean, Inc. (the “Consultant”).

The original contract (2023-000034), which was approved with observations by the Oversight Board on August 24, 2022, contemplates cloud licensing services. Specifically, the Consultant’s scope of work seeks to increase the utilization of cloud services by several Government agencies to reduce expenses and improve reliability through data center consolidation. It has a term from its date of execution of September 1, 2022 to **June 30, 2026** and a maximum payable amount of **\$11,500,000**, which is allocated as follows:

Term	Value
September 1, 2022 to August 30, 2023 (Year 1)	\$2,500,000
September 1, 2023 to August 30, 2024 (Year 2)	\$3,000,000
September 1, 2024 to August 30, 2025 (Year 3)	\$3,000,000
September 1, 2025 to June 30, 2026 (Year 4)	\$3,000,000
Total	\$11,500,000

The first amendment to the contract, which was approved with observations by the Oversight Board on August 8, 2023, modified the account number to include the funds corresponding to Fiscal Year 2024, without altering the term. As such, this amendment **had no budgetary impact**.

The second amendment to the contract, which was approved with observations by the Oversight Board on September 11, 2024, increased the maximum payable amount by **\$9,300,000** (\$3,100,000 for Years 2, 3 and 4) to \$20,800,000, without altering the term, to account for an increase in the number of agencies that subscribed to the Consultant’s information system. As such, the new cost allocation per fiscal year was distributed as follows:

Term	Value
Year 1	\$2,500,000
Year 2	\$6,100,000
Year 3	\$6,100,000
Year 4	\$6,100,000
Total	\$20,800,000

The Proposed Amendment, which constitutes the third amendment to the contract, increases the maximum payable amount by **\$4,600,000** to \$25,400,000 to cover additional cloud services during fiscal year 2025. As such, the new cost allocation per fiscal year is distributed as follows:

Term	Value
Year 1	\$2,500,000
Year 2	\$6,100,000

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Year 3	\$8,400,000
Year 4	\$8,400,000
Total	\$25,400,000

PRITS has certified that the Proposed Amendment shall be covered entirely with general funds allocated in **Account Nos. E2980-111-2710000-0003-2025** and **E2970-111-2710000-0003-007-2025**. As such, the Oversight Board’s review indicates that PRITS has sufficient budgeted funds in Fiscal Year 2025 to cover the cost of the Proposed Amendment as of the date of this letter.

This determination does not consider the extent to which total available funds will be subsequently encumbered by PRITS throughout the applicable term. Consequently, we rely on PRITS’ budget certification for purposes of this review. In the event that the Proposed Amendment causes PRITS to exceed its budget, it must find savings in other areas to cover any overspent amounts and submit a budget reprogramming request in order to ensure compliance with the Certified Fiscal Year 2025 Commonwealth Budget.

Insofar as the Proposed Amendment will be funded with future certified budgets, PRITS must ensure that such budgets incorporate all costs related to the Proposed Amendment.

PRITS 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 Amendment should any changes occur.

This review was conducted on the basis of information submitted by PRITS. 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.