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August 20, 2026

By Electronic Mail

Mr. Osvaldo Carlo Linares
President
Third-Party Procurement Office (3PPO)
ocarlo@carlolaw.com

Re: Temporary Emergency Generation Contract – Power Expectations, LLC; Enchanted Rock, LLC; and Reyes Contractor, LLC

Dear President Carlo Linares:

We are counsel to the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") and write in response to your letter of August 18, 2026, concerning the above-referenced Contract.

The concerns raised in your letter are misplaced and do not alter the Oversight Board's decision to revoke its approval of the Contract or its direction to the Puerto Rico Electric Power Authority ("PREPA") to terminate the Contract.

First, as the Oversight Board explained in its August 17 letter, its decision does not depend on resolving the allegations of fraud or determining which party is correct in the dispute between Power Expectations and Enchanted Rock/ERock. Indeed, the Oversight Board expressly takes no position on that dispute. Its concern is whether the facts underlying its approval remain as they were represented to the Oversight Board and whether the conditions on which that approval was granted continue to be satisfied.

They do not. Enchanted Rock/ERock is not participating in the Contract. That fact is dispositive because Enchanted Rock/ERock's participation was a fundamental basis for the procurement award and the Oversight Board's approval. As 3PPO itself determined, Power Expectations and Reyes Contractor had not demonstrated prior experience executing utility-scale projects of comparable scope and complexity. Enchanted Rock/ERock was the party relied upon to supply the technical, operational, and financial capacity necessary for the Seller to qualify under the RFP. The Oversight Board approved the Contract on that basis.

The Oversight Board subsequently learned that Enchanted Rock/ERock would not be performing the Contract and that its interest had purportedly been assigned to a company that did not compete in the procurement and whose substitution was never submitted to or approved by the Oversight Board. Thus, even assuming for purposes of argument that Enchanted Rock/ERock validly executed the Contract and subsequently withdrew—without reaching any conclusion

regarding the allegations now under investigation—the Seller as presently constituted is not the Seller that qualified under the RFP or that the Oversight Board approved.

The due-process concerns raised in your letter therefore miss the point. Your letter characterizes the Oversight Board as cancelling the Contract "on account of the allegations of one party" and asks whether the Oversight Board considers itself exempt from constitutional due-process requirements. That is not what occurred. The Oversight Board did not adjudicate Enchanted Rock/ERock's allegations or make a finding of fraud against Power Expectations. It re-evaluated and revoked its own approval after learning that a material factual premise underlying that approval—Enchanted Rock/ERock's participation as a qualified Seller party—no longer existed. The Oversight Board's May 8 conditional approval and June 2 final determination expressly reserved the right to re-evaluate its approval upon learning of inaccuracies or misrepresentations, whether intentional or not.

Second, and independently, the Seller failed to satisfy the Contract's performance-security requirements. As 3PPO itself informed the Oversight Board on August 5, the approximately $1.18 billion construction-phase performance security had not been delivered. The Oversight Board's August 17 letter identified that failure as independently constituting grounds for termination under Article XV, Section 15.1. PREPA itself provided formal notice of termination by letter dated August 18, 2026, identifying two separate and independent grounds. The first of which was the Seller's failure to furnish the performance security required by Section C.1 of the Contract, which constitutes an Immediate Seller Event of Default under Section 15.1 and authorizes termination under Section 15.5(d).

In short, the Oversight Board was not required to adjudicate allegations of fraud before determining that its approval could no longer stand, nor is the outcome of any criminal or other investigation necessary to PREPA's termination of a Contract whose Seller no longer satisfies the basis on which it was qualified and whose required performance security was not provided.

Accordingly, nothing in 3PPO's August 18 letter provides a basis for reconsidering the Oversight Board's decision.

Sincerely,

Margaret A. Dale

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cc by email:
Robert F. Mujica, Jr.
Jaime A. El Koury, Esq.