

**GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY
2019-P00131**

PROFESSIONAL SERVICES CONTRACT

-----APPEAR-----

AS FIRST PARTY: The Puerto Rico Electric Power Authority (PREPA), a public corporation and government instrumentality of the Commonwealth of Puerto Rico, created by Act No. 83 of May 2, 1941, as amended (Act No. 83), represented in this act by its Chief Executive Officer/Executive Director, José F. Ortiz Vazquez, of legal age, married, and resident of San Juan, Puerto Rico.-----

AS SECOND PARTY: Cruz Aldecoa, P.S.C., (Consultant), a corporation organized and registered to do business in Puerto Rico, represented in this act by its President, Anthony Dale Cruz Aldecoa, of legal age, married, and resident in Guaynabo, Puerto Rico, authorized by virtue of Corporate Resolution dated May 24, 2019.-----

Both PREPA and Consultant are herein individuals referred to as a Party and collectively referred to as the Parties.-----

-----WITNESSETH-----

WHEREAS, PREPA, by virtue of Act. 83 has the authority to engage those professional, technical and consulting services necessary and convenient to the activities, programs and operations of PREPA;-----

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Contract, hereinafter stated, the Parties agree themselves, their personal representatives, and successors to enter into this Contract under the following:



-----**TERMS AND CONDITIONS**-----

Article 1. Scope of Services

Consultant undertakes to provide PREPA, as required, with the professional services necessary and convenient to assist PREPA in the preparation of the financial statements, cash flow statement, supplementary schedules, reporting package and any other analysis or work necessary to issue the financial statements for fiscal years 2016-2017, 2017-2018 and 2018-2019. As part of the services, PREPA may require Consultant's assistance and technical support in other matters necessary for the better functioning of the operational and financial aspects, such as, but not limited to:-----

- analysis and reconciliation of accounting accounts;-----
- analysis and correction of errors in journal entries;-----
- review of accounts payable and reserves;-----
- review of inventory accounts (Rollback & Rollforward);-----
- review of outstanding daily income;-----
- revision of worksheets ("schedules");-----
- review of subsidiaries, including property, plant and equipment, among others;--
- preparation of supporting accounting reports for actuarial reports and other financial matters;-----
- analysis and review of pending issues regarding the "Trial Balance";-----
- any other support or technical assistance that PREPA may need to complete the audit and issuance of the financial statements;-----



- support to management in meetings related to accounting, auditing and accounting processes;-----
- support to management in the reconciliation and analysis of accounting accounts such as cash accounts, accounts payable, accounts receivable, uncollectible accounts reserve, inventory, property, plant and equipment, income and expenses, among others;-----
- support in the preparation and review of supporting documents related to amounts, estimates and balance sheets related to the financial statements;-----
- support in the preparation and analysis of notes for the financial statements;-----
- assist management in the analysis of findings as a result of the audit and in the preparation, implementation and monitoring of corrective plans;-----
- support in any other task related to the financial area, fiscal matters and operational matters that management understands necessary.-----



Article 2. Services

- 2.1 All the Consultant's services in relation to the terms and conditions of this Contract will be coordinated through PREPA's Chief Executive Officer or the person delegated by him.-----
- 2.2 PREPA will be responsible for engaging the services of such other advisers as those may be required in connection with matters in which Consultant is advising, including, but not limited to legal advisers, stockbrokers, solicitors, accountants, taxation advisers, and public relations consultants, and Consultant shall not be responsible for the actions, errors or omissions of such advisers or any of their

respective employees, contractors, subcontractors or agents or any claims, damages, injuries, losses or other liabilities resulting there from.-----

Article 3. Contract Assignment or Subcontract

The Consultant shall not assign nor subcontract its rights and obligations under this Contract, except in the event PREPA give written authorization for such actions. Provided, that no subcontract shall be considered for PREPA's approval, except when the following requirements are met: (1) the Consultant delivers to PREPA a copy of the subcontract, not less than thirty (30) days prior to the effective date of the proposed subcontract; (2) the subcontract includes, as a condition for its legal validity and enforceability, a provision whereby PREPA has the right to substitute, subrogate or assume Consultants' rights under the subcontract, in the event that PREPA declares the Consultant in breach or default of any of the Contract terms and conditions; and (3) the subcontract includes, as a condition for its validity and enforceability, a provision establishing for the subcontractor the obligation to comply with all Consultants' obligations under the Contract (*mirror image clause*), except for such obligations, terms and conditions which exclusively related with works or services not included under the subcontract. A request to subcontract shall specify the issues or matters that will be referred to the subcontractor. These services shall be paid as part of the Contract Amount, as stated in Article 6, Payment. -----

Article 4. Contract Term

This Contract shall be in effect from the date of its execution until June 30, 2020 (The Contract Period). The Contract may be extended, for an additional annual fiscal period,

at the exclusive option of PREPA and subject to the availability of funds, only by written amendment agreed upon by both Parties.-----

Article 5. Contract Termination

5.1 PREPA shall have the right to terminate this Contract, at any time, with thirty (30) days prior written notice by registered mail, return receipt requested, or overnight express mail to the Consultant. If notice is given, the Contract shall terminate upon the expiration of the thirty (30) days and PREPA shall be obligated to pay all fees and expenses incurred up to the day of effective termination, in accordance with the terms of this Contract. The rights, duties and responsibilities of the Parties shall continue in full force and effect during the thirty (30) day notice period. The Consultant shall have no further right to compensation except for what has been accrued for services rendered and expenses incurred under the Contract until said date of effective termination.-----



5.2 PREPA shall have the right to terminate this Contract immediately in the event of negligence, dereliction of duties or noncompliance by the Consultant, without prior written notice. -----

5.3 The Parties acknowledge that PREPA is undergoing a transformation process, and therefore, both Parties agree that in the eventuality of the execution of a Partnership Contract, Sale Contract or any other PREPA Transaction (as these terms are defined in Act 120-2018), PREPA may sell, assign, convey, transfer, pledge, mortgage, sublease, delegate, hypothecate, or otherwise dispose (each, a "Transfer") any of its rights, title, or interest in this Contract as permitted by

applicable law and at any time, and without Consultant's consent or cost, expense or incremental liability to PREPA, to any future operator of Puerto Rico's electric power transmission and distribution system or any of its affiliates, or to any governmental agency, body, public corporation or municipality of Puerto Rico; provided, that PREPA shall notify Consultant no later than thirty (30) days before the effective date of any such Transfer.-----

The Consultant acknowledges that all his responsibilities and obligations under the Contract, such as work to be performed and services to be provided, etc., will continue in full force and effect until the expiration of the thirty (30) day period.-----



Article 6. Payment

6.1 In accordance with the terms and conditions contained herein, PREPA agrees and Consultant accepts that the Contract Price shall not exceed a cumulative amount of five hundred ninety five thousand dollars (\$595,000) (the "Contract Amount"). All payments to be made under this Contract will be charged to account number 01-2425-24287-000-000. PREPA will only pay for Services already rendered before the submitted invoice date. PREPA will not be required to make advance payments for any future service to be rendered by Consultant under the Contract.-----

6.2 In accordance with the terms and conditions contained herein, PREPA agrees to pay Consultant for the Services described in the Contract, as set forth in Section 6.3.-----

6.3 PREPA will pay for the Services rendered by Consultant according to the following hourly rates:-----

Client Service Leader -----	\$155
Technical Resources -----	\$115
Lead Account Executive-Director-----	\$105
Account Executives-Director-----	\$100
Account Managers-----	\$ 90
Account Supervisors-----	\$ 85
Account Seniors -----	\$ 80
Account Staff-----	\$ 65

6.4 The Consultant shall immediately notify PREPA when the billing under this Contract reaches the seventy-five percent (75%) of the maximum amount of this Contract. Once this notification has been issued, the Consultant, in coordination with PREPA, will ensure that no services will be rendered in excess of the Contract Price, except that a written amendment is agreed upon by both Parties. In addition, the Consultant shall present an itemized list of the remaining billable works under the Contract.-----

Article 7. Reimbursable Expenses

PREPA shall not reimburse Consultant for out of pocket expenses incurred in providing the Services.-----

Article 8. Invoices

8.1 Consultant shall submit its invoices on a monthly basis for the work already performed during the preceding month. Consultant will provide to PREPA an invoice for each billing period. The invoice will be detailed and specific and will

be substantiated with a description in detail of the Services rendered and the number of hours spent on each matter by each member of the team group working on the Projects. The invoice for professional services shall be itemized and must be duly certified by an authorized representative of Consultant.-----

8.2 PREPA will review the invoices upon receipt, and if they are in compliance with the requirements set forth in this Contract, it will proceed with payment. Payment is due within 30 days of receipt of the invoice. PREPA reserves the right to conduct the audits it deems necessary, and it will not be subject to finance charges regarding invoice payments subject to an audit.-----

 8.3 All invoices submitted by Consultant shall include the following Certification in order to proceed with its payment:-----

No Interest Certification:

“We certify under penalty of nullity that no public servant of PREPA will derive or obtain any benefit or profit of any kind from the contractual relationship which is the basis of this invoice. If such benefit or profit exists, the required waiver has been obtained prior to entering into the Contract. The only consideration to be received in exchange for the delivery of goods or for the Services provided is the agreed-upon price that has been negotiated with an authorized representative of the PREPA. The total amount shown on this invoice is true and correct. The Services have been rendered, and no payment has been received”.

Consultant's Signature

This is an essential requirement and those invoices without this Certification will not be processed for payment. In order to comply with the certification requirements set forth above, Consultant shall require that subcontractors

providing Services also make the certification set forth above in any invoices submitted in connection with the Services.-----

Article 9. Transfer of Funds

9.1 If Consultant decides to assign or transfer an amount, due or payable, to which he is entitled for services rendered or goods provided during the term of this Contract, Consultant shall notify PREPA of such transfer of funds, in accordance to the provisions of Act 21-2012. Said notice shall clearly indicate the rights granted, including a copy of the contract under which the assignment or transfer of funds is made, the exact amount of funds to be assigned or transferred, and specific identification information regarding the assignee (full name of the person or company), address and any other contact information.-----



Consultant acknowledges and agrees that PREPA may deduct any amount, due or payable under this Contract, that Consultant owes; PREPA may retain any said amount if Consultant fails to fulfill its obligations and responsibilities under this Contract, or a claim arises for warranty or defects regarding the services rendered or goods provided under this Contract. Consultant also acknowledges and agrees that PREPA's payment obligation under any assignment of funds will cease upon payment of the outstanding amounts under this Contract. PREPA shall not be required to make payments or transfer any funds for an amount that exceeds the payment to which Consultant is entitled to under this Contract. -----

Consultant shall include with its notice of assignment of funds a cashier's check or money order for two hundred dollars (\$200), payable to "Puerto Rico Electric Power Authority", to cover administrative costs in processing such assignment.---

Article 10. Information and Material Facts

10.1 PREPA shall promptly provide to Consultant all information under the control of PREPA and necessary for Consultant to perform the Services under this Contract and those material facts that Consultant may reasonably require in order to provide its Services to PREPA. PREPA will ensure, to the best of its knowledge and belief, that the documents, data, and other information and material facts provided to Consultant, which are under its control, are true and complete, and does not constitute misleading or inaccurate information and Consultant shall be entitled to rely on the accuracy and completeness of the documents, data, and other information and material facts.-----

10.2 PREPA will advise in writing Consultant of any developments of which PREPA becomes aware, and which PREPA considers may have a material effect with respect to the information and/or facts provided to Consultant.-----

Article 11. Information Disclosure and Confidentiality

11.1 The Parties shall take all reasonable steps to keep confidential and use only for the purposes contemplated by the terms of the Contract the information provided by PREPA and/or Consultant, and take all reasonable steps to ensure that such information is not disclosed or distributed by its employees or agents in violation of the terms of this Contract.-----



11.2 The Parties also agree that, except as agreed to in writing by both Parties, they will not, at any time after termination of this Contract, disclose any confidential information to any person whatsoever, or permit any person whatsoever to examine and/or make copies of any reports prepared by Consultant or under its control by reason of its consulting services, and that upon termination of this Contract each Party will turn over to the other all documents, papers, and other matters in its possession or under its control that relate to the other Party. Consultant may retain one file copy for its records.-----

11.3 The term “confidential information” shall include, but not be limited to, all information provided to Consultant by PREPA or at PREPA’s direction regarding its facilities or operations and any and all information gathered or developed by Consultant regarding the same. The Parties further agree that proprietary records and documents related to Consultant’s business operations are confidential to Consultant and will not be disclosed to PREPA or other Parties, except as ordered by the court. The Parties agree that PREPA will resist any attempt by opposing counsel or other Parties to obtain Consultant’s proprietary information. The term “confidential information”, however, will not include information that:-----

- (i) is or becomes public other than through a breach of this Contract;--
- (ii) is known to the receiving Party prior to the date of this Contract and with respect to which the receiving Party does not have any obligation of confidentiality; or-----

(iii) is independently developed by the receiving Party without use of, or reference to, confidential information.-----

11.4 The Parties acknowledge that disclosure of any confidential information by either Party will give rise to irreparable harm to the injured Party inadequately compensable in damages. Accordingly, either Party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies, which may be available.----

11.5 If this Contract terminates for any reason, Consultant shall maintain in strictest confidence both; during the term of this Contract and subsequent to termination of this Contract, and shall not during the term of this Contract or thereafter disclose or divulge to any person, firm, or corporation, or use directly or indirectly, for its own benefit or the benefit of others, any information which in good faith and good conscience ought to be treated as confidential information including, without limitation, information relating to PREPA's operations or trade secrets relating to the business or affairs of PREPA which Consultant may acquire or develop in connection with or as a result of the performance of the Services hereunder. In the event of an actual or threatened breach by Consultant of the provisions of this paragraph, PREPA shall be entitled to injunctive relief for such breach. Nothing herein shall be construed as prohibiting PREPA from pursuing any other legal remedies available, including the recovery of damages from Consultant.-----



11.6 The above provisions do not apply with respect to information, which Consultant is requested to disclose under applicable law and regulations, court order, subpoena or governmental directives, in which case Consultant shall provide PREPA prompt notice of such request in order to procure for PREPA a reasonable opportunity to oppose such disclosure. Consultant agrees to expeditiously notify and submit to PREPA a copy of any court order or subpoena and to the extent possible provide any assistance to PREPA (in the form of documents) regarding the submission of such information.-----

 11.7 With respect to this Contract and any information supplied in connection with this Contract and designated by the disclosing Party as confidential, the recipient agrees to: (i) protect the confidential information in a reasonable and appropriate manner and in accordance with applicable professional standards; (ii) use confidential information only to perform its obligations under this Contract; and (iii) reproduce confidential information only as required to perform its obligations under this Contract.-----

Article 12. Rights and Titles

12.1 The Consultant will submit any reports reasonably required by PREPA regarding the Services performed under this Contract. If required by PREPA, at the completion of any assigned task, the Consultant will submit a final written report describing the work it has performed. This requirement shall not be interpreted as a waiver by PREPA of Consultant's ethical obligation and responsibility of keeping PREPA informed of the progress of the assigned matters. -----

12.2 All rights, titles and interest in any reports, documents, analyses, investigations and any other by-product conceived or developed by the Consultant exclusively for PREPA as a result of performing its obligations under this Contract shall be the exclusive property of PREPA. The Consultant shall retain all right, title, and interest in and to proprietary works of authorship, pre-existing or otherwise, that have not been created specifically for PREPA under this Contract. With the exception of items marked as "CONFIDENTIAL" by the Consultant, PREPA shall retain the right to use, refer, share, or provide to any third party, as PREPA may determine, the results of any reports, documents, analyses, investigations or any other by-product of the Services performed by the Consultant under this Contract.-----



Article 13. Copyright

Consultant and PREPA shall jointly defend any suit or action brought against either party based on a claim that any document, report, study, analysis, copyrighted composition, article or any by-product of those, either used in the performance of the Services by Consultant or provided to PREPA by Consultant as part of its Services, or used in the performance of this Contract, including their use by PREPA, constitutes an infringement of any patents or copyrights of the United States. The Party of this Contract subject to the claim or that becomes aware of a potential claim shall promptly notify in writing the other Party of this Contract, and give the authority, information, and assistance reasonable and necessary for the defense of such claim.-----

Article 14. Warranty

14.1 Consultant warrants that it shall perform the Services in accordance with the applicable standards of care and diligence at the time of performance of the Services, and which are normally practiced and recognized in performing services of a similar nature (the "Standard"). Should any of the Services provided by Consultant not fulfill the above established Standard, Consultant shall take all necessary corrective measures to rectify such deficient Services, at its own and exclusive cost, whenever such course of action is possible or desirable. The rectification of deficient Services by Consultant shall not be understood as a waiver by PREPA to any other remedy it may have under this Contract or under the law or equity for any damages that Consultant's may have caused to it by rendering such deficient Services.-----

14.2 No other warranty, express or implied, is made or intended by this Contract, by furnishing oral or written reports of findings made, or by any other act of Consultant. -----

Article 15. Responsibility for Damages

The appearing Parties agree that their responsibilities for damages under this Contract will be governed by the Puerto Rico Civil Code and its case law, as dictated by the Supreme Court of Puerto Rico.-----

Article 16. Independent Contractor

16.1 Consultant shall be considered as an independent contractor, for all material purposes under this Contract, and all persons engaged or contracted by

Consultant for the performance of its obligations herein, shall be considered as its employees or agents, and not as employees or agents of PREPA.-----

16.2 As an independent contractor, Consultant shall not be entitled to any fringe benefits, such as, but not limited to vacation, sick leave, and to which PREPA's employees are entitled.-----

Article 17. Employees not to Benefit

No officer, employee or agent of PREPA, nor of the Government of the Commonwealth of Puerto Rico or its Municipal Governments shall be admitted to any share or part of this Contract or to any benefit that may arise therefrom.-----

Article 18. Conflict of Interest

18.1 Consultant certifies that none of its representatives under this Contract receive payment or compensation of any nature, for the services regularly rendered through an appointment in another government agency, body, public corporation or municipality of Puerto Rico. Consultant also certifies that it may have other consulting services contracts with other governmental agencies or bodies, but such condition does not constitute a conflict of interest for Consultant.-----

18.2 Consultant acknowledges that in executing its services pursuant to this Contract it has a duty of complete loyalty towards PREPA which includes not having conflict of interest. "Conflict of Interest" means representing clients who have or may have interests that are contrary to PREPA, but does not include rendering services that are unrelated to the services covered in this Contract. Also, Consultant shall have the continuous obligation to disclose to PREPA all



information and circumstances of its relations with clients and third persons that would result in a conflict of interest which would influence the Consultant when performing its responsibilities under this Contract. If the Consultant is required to provide services to another entity of the Executive Branch under the provisions of Article 30 and such services could result in a conflict of interests, the Consultant will notify PREPA in writing as provided in this article. -----

18.3 The Parties understand and agree that a conflict of interest exists when Consultant must advocate a position or outcome on behalf of any existing or future client that is contrary to PREPA's interests. Also, any conduct defined in the Rules of Professional Conduct regarding conflict of interests shall apply to Consultant and its personnel.-----

18.4 In the event that any of the partners, directors, agents or employees of Consultant engaged in providing services under this Contract should incur in the conduct described herein, said conduct shall constitute a violation of the prohibitions provided herein.-----

18.5 Consultant's partners, directors, agents or employees and personnel shall avoid even the appearance of the existence of conflicting interests.-----

18.6 Consultant acknowledges that PREPA's Chief Executive Officer shall have the power to intervene with the acts of Consultant and/or its agents, employees, and subcontractors regarding the enforcement of the prohibitions contained herein. In the event that the existence of adverse interests is discovered, the PREPA's Chief Executive Officer shall inform Consultant in writing of PREPA's intention to

terminate this Contract within a thirty (30) day period. During said period, Consultant may request a hearing with the Chief Executive Officer to present its arguments regarding the alleged conflict of interests. In the event that Consultant does not request such hearing during the specified thirty (30) day period or the controversy is not satisfactory settled during the hearing, this Contract shall be canceled.-----

18.7 The Consultant certifies that, at the time of the execution of this Contract, it does not have nor does it represents anyone who has Conflict of Interests with PREPA. If such Conflict of Interest arises after the execution of the Contract, the Consultant shall notify PREPA immediately.-----



Article 19. Notices

All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or sent by telecopy, or postage prepaid, by registered, certified or express mail (return receipt requested) or reputable overnight courier service and shall be deemed given when so delivered by hand, or telecopied, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to the Parties to the following addresses:-----

To PREPA: Puerto Rico Electric Power Authority
PO Box 364267
San Juan, Puerto Rico 00936-4267

Attention: Nelson Morales Rivera
Finance Director

To Consultant: Cruz Aldecoa, P.S.C.
Metro Office Park
Street 1, Lot 6, Suite 203
Guaynabo, Puerto Rico 00968

Attention: Anthony Dale Cruz Aldecoa
President

Article 20. Applicable Law and Venue

This Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Puerto Rico. Also, the Parties expressly agree that only the state courts of Puerto Rico will be the courts of competent and exclusive jurisdiction to decide over the judicial controversies that the appearing Parties may have among them regarding the terms and conditions of this Contract.-----



Article 21. Change in Law

During the term of this Contract, any change in law, including, but not limited to changes in applicable tax law, which cause an increase in Consultant's costs when providing the services, shall be Consultant's responsibility and PREPA shall not be obligated to increase the Contract Amount.-----

Article 22. Force Majeure

22.1 The Parties shall be excused from performing their respective responsibilities and obligations under this Contract and shall not be liable in damages or otherwise, if and only to the extent that they are unable to perform or are prevented from performing by a force majeure event.-----

22.2 For purposes of this Contract, force majeure means any cause without the fault or negligence, and beyond the reasonable control of, the Party claiming the occurrence of a force majeure event.-----

22.3 Force majeure may include, but not be limited to, the following: Acts of God, industrial disturbances, acts of the public enemy, war, blockages, boycotts, riots, insurrections, epidemics, earthquakes, storms, floods, civil disturbances, lockouts, fires, explosions, interruptions of services due to the acts or failure to act of any governmental authority; provided that these events, or any other claimed as a force majeure event, and/or its effects, are beyond the reasonable control and without the fault or negligence of the Party claiming the force majeure event, and that such Party, within ten (10) days after the occurrence of the alleged force majeure, gives the other Party written notice describing the particulars of the occurrence and its estimated duration. The burden of proof as to whether a force majeure event has occurred shall be on the Party claiming the force majeure.-----



Article 23. Novation

23.1 The Parties expressly agree that no amendment or change order, which could be made to the Contract during its term, shall be understood as a contractual novation, unless both Parties agree to the contrary, specifically and in writing.-----

23.2 The previous provision shall be equally applicable in such other cases where PREPA gives Consultant a time extension for the compliance of any of its

obligations under this Contract, or where PREPA dispenses the claim or demand of any of its credits or rights under the Contract. -----

Article 24. Severability

If a court of competent jurisdiction declares any of the Contract provisions as null and void or invalid, such holding will not affect the validity and effectiveness of the remaining provisions of this Contract and the Parties agree to comply with their respective obligations under such provisions not included in the judicial declaration.-----

Article 25. Save and Hold Harmless

The Consultant agrees to save and hold harmless and to indemnify PREPA for all expenses and costs of any nature (including reasonable attorneys' fees) incurred by PREPA arising out of any third party claim made by any person for bodily injuries, including death, or for property damage, to the extent directly caused by the Consultant by the negligent act or omission, in the performance or nonperformance of its obligations under the Contract, but not to the point directly caused by negligence or tort of PREPA or a third party, which is not an employee or subcontractor of the Consultant.-

With respect to any indemnity set forth in this Contract, each indemnity shall give prompt notice of its receipt of any threat, indication or other notice of any claim, investigation or demand that might give rise to any losses required to be indemnified hereunder and shall reasonably cooperate in the defense of such claim. The indemnifying party shall have the right to conduct defense of such action at its sole expense.-----

Article 26. Insurance

The Consultant shall secure and maintain in full force and effect during the life of this Contract as provided herein, policies of insurance covering all operations engaged in by the Contract as follows:-----

1. Commonwealth of Puerto Rico Workmen’s Compensation Insurance:

The Consultant shall provide Workmen’s Compensation Insurance as required by the Workmen’s Compensation Act 45-1935 of the Commonwealth of Puerto Rico. The Consultant shall also be responsible for compliance with said Workmen’s Compensation Act by all its subcontractors, agents, and invitees, if any.-----

The Consultant shall furnish a certificate from the Puerto Rico State Insurance Fund showing that all personnel employed in the work are covered by the Workmen’s Compensation Insurance, in accordance with this Contract.-----

2. Employer’s Liability Insurance:

The Consultant shall provide Employer’s Liability Insurance with a minimum bodily injury limits of \$1,000,000 for each employee and \$1,000,000 for each accident covering against the liability imposed by Law upon the Consultant as result of bodily injury, by accident or disease, including death arising out of and in the course of employment, and outside of and distinct from any claim under the Workmen’s Compensation Act of the Commonwealth of Puerto Rico.-----

3. Commercial General Liability Insurance:

The Consultant shall provide a Commercial General Liability Insurance with limits of \$1,000,000 per occurrence and \$ 1,000,000 aggregate.-----



4. Commercial Automobile Liability Insurance:

The Consultant shall provide a Commercial Automobile Liability Insurance with limits of \$1,000,000 combined single limit covering all owned or scheduled autos, non-owned, and hired automobiles.-----

5. Professional Liability Insurance:

The Consultant shall provide a Professional Liability Insurance with limits of \$ 1,000,000 per claim and \$ 1,000,000 aggregate.-----

Requirements under the Policies:

The Commercial General Liability and Commercial Automobile Liability Insurance required under this Contract shall be endorsed to include:-----

a. As Additional Insured:

Puerto Rico Electric Power Authority (PREPA)
Risk Management Office
PO Box 364267
San Juan, Puerto Rico 00936-4267

b. A 30 day cancellation or nonrenewable notice to be sent to the above address.-----

c. An endorsement including this Contract under contractual liability coverage and identifying it by number, date and Parties to the Contract.-----

d. Waiver of subrogation in favor of Puerto Rico Electric Power Authority (PREPA).-----

e. Breach of Warranties or Conditions:-----

“The Breach of any of the Warranties or Conditions in this policy by the Insured shall not prejudice PREPA’s rights under this policy.”-----

Furnishing of Policies:

All required policies of insurance shall be in a form acceptable to PREPA and shall be issued only by insurance companies authorized to do business in Puerto Rico.-----

The Consultant shall furnish a certificate of insurance in original signed by an authorized representative of the insurer in Puerto Rico, describing the coverage afforded.-----

Article 27. Compliance with the Commonwealth of Puerto Rico Contracting Requirements

 The Consultant will comply with all applicable State Law, Regulations or Executive Orders that regulate the contracting process and requirements of the Commonwealth of Puerto Rico, including but not limited to:-----

A. Executive Order Num. OE-1991-24 of June 18, 1991 to require certification of compliance with the Internal Revenue Services of the Commonwealth of Puerto Rico: Pursuant to Executive Order Number OE-1991-24 of June 18, 1991, the Consultant will certify and guarantee that it has filed all the necessary and required income tax returns to the Government of Puerto Rico for the last five (5) years. The Consultant further will certify that it has complied and is current with the payment of any and all income taxes that are, or were due, to the Government of Puerto Rico. The Consultant shall provide, to the satisfaction of PREPA, and whenever requested by PREPA during the term of this Contract, the necessary documentation to support its compliance with this clause. The Consultant

will be given a specific amount of time to produce said documents. During the term of this Contract, the Consultant agrees to pay and/or to remain current with any repayment plan agreed to by the Consultant with the Government of Puerto Rico. ----

B. Executive Order No. OE-1992-52 of August 28, 1992 to require certification of compliance with the Department of Labor of the Commonwealth of Puerto Rico. Pursuant to Executive Order Number 1992-52, dated August 28, 1992 amending OE-1991-24, the Consultant will certify and warrant that it has made all payments required for unemployment benefits, workmen's compensation and social security for chauffeurs, whichever is applicable, or that in lieu thereof, has subscribed a payment plan in connection with any such unpaid items and is in full compliance with the terms thereof. The Consultant accepts and acknowledges its responsibility for requiring and obtaining a similar warranty and certification from each and every Consultant and Sub Consultant whose service the Consultant has secured in connection with the services to be rendered under this Contract and shall forward evidence to PREPA as to its compliance with this requirement.-----

C. Government of Puerto Rico Municipal Tax Collection Center: The Consultant will certify and guarantee that it does not have any current debt with regards to property taxes that may be registered with the Government of Puerto Rico's Municipal Tax Collection Center (known in Spanish as *Centro de Recaudación de Ingresos Municipales* ("CRIM")). The Consultant further will certify to be current with the payment of any and all property taxes that are or were due to the Government of Puerto Rico. The Consultant shall provide, to the satisfaction of PREPA and

whenever requested by PREPA during the term of this Contract, Certification issued by the Municipal Revenues Collection Center (MRCC), assuring that Consultant does not owe any tax accruing to such governmental agency. To request such Certification, Consultant will use the form issued by the MRCC (called “*CRIM-Certificados, Radicación, Estado de Cuenta y Todos los Conceptos*” in the website). The Consultant will deliver upon request any documentation requested by PREPA. During the Term of this Contract, the Consultant agrees to pay and/or to remain current with any repayment plan agreed to by the Consultant with the Government of Puerto Rico with regards to its property taxes.-----



The Consultant shall provide a Personal Property Tax Filing Certification, issued by the MRCC which indicates that Consultant has filed its Personal Property Tax Return for the last five (5) contributory terms or Negative Debt certification issued by the MRCC with respect to real and property taxes and a sworn statement executed by Consultant indicating that (i) its revenues are derived from the rendering of professional services, (ii) during the last five (5) years (or the time in which it has been providing professional services) it has had no taxable business or personal property on the 1st of January of each year, (iii) that for such reasons it has not been required to file personal property tax returns, as required under Article 6.03 of Act 83-1991, as amended, and (iv) that for such reason it does not have an electronic tax file in the MRCC’s electronic system.-----

D. The Consultant shall furnish a Certification issued by the Treasury Department of Puerto Rico which indicates that Consultant does not owe Puerto Rico Sales and

Use taxes to the Commonwealth of Puerto Rico; or is paying such taxes by an installment plan and is in full compliance with its terms.-----

E. The Consultant shall provide a Puerto Rico Sales and Use Tax Filing Certificate, issued by the Treasury Department of Puerto Rico assuring that Consultant has filed his Puerto Rico Sales and Use Tax for the last sixty (60) contributory periods. -----

F. The Consultant shall provide a copy of Consultant's Certificate of Merchant's Registration issued by the Treasury Department of Puerto Rico. -----

G. Puerto Rico Child Support Administration (*ASUME*): The Consultant shall present, to the satisfaction of PREPA, the necessary documentation certifying that the Consultant nor any of its owners, affiliates of subsidiaries, if applicable, have any debt, outstanding debt, or legal procedures to collect child support payments that may be registered with the Puerto Rico Child Support Administration (known in Spanish as the *Administración Para El Sustento de Menores (ASUME)*). The Consultant will be given a specific amount of time to deliver said documents. 3 L.P.R.A. § 8611 et seq.;-----

H. The Consultant shall provide a Good Standing Certificate issued by the Department of State of Puerto Rico.-----

I. The Consultant shall provide a Certification of Incorporation, or Certificate of Authorization to do business in Puerto Rico issued by the Department of State of Puerto Rico.-----

- J. Special Contribution for Professional and Consulting Services: As required by Act 48-2013, as amended, PREPA will withhold a special contribution of one point five percent (1.5%) of the gross amounts paid under this Contract.-----
- K. Social Security and Income Tax Retentions: In compliance with Executive Order 1991 OE- 24; and C.F.R. Part 404 et. Seq., the Consultant will be responsible for rendering and paying the Federal Social Security and Income Tax Contributions for any amount owed as a result of the income, from this Contract.-----
- L. Income Tax Retention Law: PREPA shall deduct and withhold ten percent (10%) of any and all payments to residents of the Commonwealth of Puerto Rico as required by the Internal Revenue Code of Puerto Rico. In case of US citizens and Non-US citizens, which are nonresidents of the Commonwealth of Puerto Rico the Consultant will retain twenty percent (20%) and twenty-nine percent (29%) respectively. PREPA will remit such withholdings to the Government of Puerto Rico's Treasury Department (known in Spanish as *Departamento de Hacienda de Puerto Rico*). The Consultant will request PREPA not to make such withholdings if, to the satisfaction of PREPA, the Consultant timely provides a release from such obligation by the Government of Puerto Rico's Treasury Department. 3 L.P.R.A. § 8611 et seq., 2011 L.P.R. 232; 232-2011.-----
- M. Compliance with Act No. 1 of Governmental Ethics: The Consultant will certify compliance with Act 1 of January 3, 2012, as amended, known as the Ethics Act of the Government of Puerto Rico, which stipulates that no employee or executive of PREPA nor any member of his/he immediate family (spouse, dependent children or



other members of his/her household or any individual whose financial affairs are under the control of the employee) shall have any direct or indirect pecuniary interest in the services to be rendered under this Contract, except as may be expressly authorized by the Governor of Puerto Rico in consultation with the Secretary of Treasury and the Secretary of Justice of the Government. 3 L.P.R.A. § 8611 et seq.;-----

 N. Law 168-2000: Law for the Strengthening of the Family Support and Livelihood of Elderly People: The Consultant will certify that if there is any Judicial or Administrative Order demanding payment or any economic support regarding Act 168-2000, as amended, the same is current and in all aspects in compliance. Act 168-2000 "*Law for the Strengthening of the Family Support and Livelihood of Elderly People*" in Spanish: "*Ley para el Fortalecimiento del Apoyo Familiar y Sustento de Personas de Edad Avanzada*", 3 L.P.R.A. §8611 et seq.-----

O. Law 127-2004: Contract Registration in the Comptroller's Office of Puerto Rico Act: Payment for services object of this Contract will not be made until this Contract is properly registered in the Office of the Comptroller of the Government of Puerto Rico pursuant to Law 18 of October 30, 1975, as amended.-----

P. Prohibition with respect to execution by public officers: 3 L.P.R.A. 8615(c): No public officer or employee authorized to contract on behalf of the executive agency for which he/she works may execute a contract between the agency for which he/she works and an entity or business in which he/she or any member of

his/her family unit has or has had direct or indirect economic interest during the last four (4) years prior to his/her holding office.-----

Q. Prohibition with respect to contracting with officers or employees: 3 L.P.R.A.

8615(d): No executive agency may execute a contract in which any of its officers or employees or any member of their family units has or has had direct or indirect economic interest during the last four (4) years prior to their holding office, unless the Governor gives authorization thereto with the previous recommendation of the Secretary of the Treasury and the Secretary of Justice.-----



R. Prohibition with respect to contracts with officers and employees of other

Government entities: 3 L.P.R.A. 8615(e): No public officer or employee may be a party to or have any interest in any profits or benefits produced by a contract with any other executive agency or government dependency unless the Governor gives express authorization thereto with previous recommendation from the Secretary of the Treasury and the Secretary of Justice.-----

S. Prohibition with respect to evaluation and approval by public officers:

3 L.P.R.A. 8615(f): No public officer or employee who has the power to approve or authorize contracts shall evaluate, consider, approve or authorize any contract between an executive agency and an entity or business in which he/she or any member of his/her family unit has or has had direct or indirect economic interest during the last four (4) years prior to his/her holding office.-----

T. Prohibition with respect to execution by public officers' contracts with former public officers: 3 L.P.R.A. 8615(h): No executive agency shall execute contracts with or for the benefit of persons who have been public officers or employees of said executive agency until after two (2) years have elapsed from the time said person has ceased working as such.-----

U. Dispensation: Any and all necessary dispensations have been obtained from any government entity and that said dispensations shall become part of the contracting record.-----



V. Rules of Professional Ethics: The Consultant acknowledges and accepts that it is knowledgeable of the rules of ethics of his/her profession and assumes responsibility for his/her own actions.-----

If any of the previously required Certifications shows a debt, and Consultant has requested a review or adjustment of this debt, Consultant will certify that it has made such request at the time of the Contract execution. If the requested review or adjustment is denied and such determination is final, Consultant will provide, immediately, to PREPA a proof of payment of this debt; otherwise, Consultant accepts that the owed amount be offset by PREPA and retained at the origin, deducted from the corresponding payments.-----

Article 28. Anti-Corruption Code for a New Puerto Rico

Consultant agrees to comply with the provisions of Act No. 2-2018, as the same may be amended from time to time, which establishes the Anti-Corruption Code for a New Puerto Rico. The Consultant hereby certifies that it does not represent particular

interests in cases or matters that imply a conflicts of interest, or of public policy, between the executive agency and the particular interests it represents.-----

Consultant shall furnish a sworn statement to the effect that neither Consultant nor any president, vice president, executive director or any member of a board of officials or board of directors, or any person performing equivalent functions for Consultant has been convicted of or has pled guilty to any of the crimes listed in Article 6.8 of Act No. 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico or any of the crimes included in Act No. 2-2018.-----



Consultant hereby certifies that it has not been convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act No. 1-2012, as amended, known as the Organic Act of the Office of Government Ethics of Puerto Rico, any of the crimes listed in Articles 250 through 266 of Act No. 146-2012, as amended, known as the Puerto Rico Penal Code, any of the crimes typified in Act No. 2-2018, as amended, known as the Anti-Corruption Code for a New Puerto Rico or any other felony that involves misuse of public funds or property, including but not limited to the crimes mentioned in Article 6.8 of Act No. 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico.-----

PREPA shall have the right to terminate the Contract in the event Consultant is convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act No. 1-2012, as amended, known as the Organic Act of the Office of Government

Ethics of Puerto Rico, any of the crimes listed in Articles 250 through 266 of Act No. 146-2012, as amended, known as the Puerto Rico Penal Code, any of the crimes typified in Act No. 2-2018, as amended, known as the Anti-Corruption Code for a New Puerto Rico or any other felony that involves misuse of public funds or property, including but not limited to the crimes mentioned in Article 6.8 of Act No. 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico.-----

Consequences of Non-Compliance: The Consultant expressly agrees that the conditions outlined throughout this Article are essential requirements of this Contract. Consequently, should any one of these representations, warranties or certifications be incorrect, inaccurate or misleading, in whole or in part, there shall be sufficient cause for the PREPA to render this Contract null and void, and the Consultant shall reimburse the PREPA all moneys received under this Contract.-----



Article 29. Termination by the Chief of Staff of the Governor of Puerto Rico and Interagency Agreements

Pursuant to Memorandum No. 2017-001, Circular Letter 141-17, of the Office of the Chief of Staff of the Governor of Puerto Rico (*Secretaría de la Gobernación*) and the Office of Management and Budget (*Oficina de Gerencia y Presupuesto – OGP*), the Chief of Staff shall have the authority to terminate this Contract at any time. If so directed by the Chief of Staff, PREPA will terminate this Contract by delivering to the Consultant a notice of termination specifying the extent to which the performance of the work under this Contract is terminated, and the effective date of termination. Upon the

effective date of termination, the Consultant shall immediately discontinue all services affected and deliver to PREPA all information, studies and other materials property of PREPA. In the event of a termination by notice, PREPA shall be liable only for payment of services rendered up to and including the effective date of termination.-----

Both Parties acknowledge and agree that the contracted services herein may be provided to another entity of the Executive Branch which enters into an interagency agreement with PREPA or by direct disposition of the Office of the Chief of Staff. These services will be performed under the same terms and conditions in terms of hours of work and compensation set forth in this Contract. For the purpose of this clause, the term "entity of the Executive Branch" includes all agencies of the Government of Puerto Rico, as well as public instrumentalities, and public corporations.-----

Article 30. Non-Discrimination

The Consultant agrees that it will not discriminate against any employee or applicant for employment on account of race, color, religion, sex, sexual orientation, disability or national origin in violation of applicable laws. -----

Article 31. Miscellaneous

In case of discrepancy or in the event of conflict among the Terms and Conditions of this Contract and the Consultant's Proposal (Appendix A), the Terms and Conditions of this Contract shall take precedence.-----

Article 32. PREPA's Transformation Process

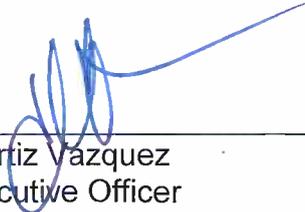
The Parties acknowledge that PREPA is undergoing a transformation process, and therefore, both Parties agree that in the eventuality of the execution of a Partnership

Contract, Sale Contract or any other PREPA Transaction (as these terms are defined in Act 120-2018), PREPA may sell, assign, convey, transfer, pledge, mortgage, sublease, delegate, hypothecate, or otherwise dispose (each, a “Transfer”) any of its rights, title, or interest in this Contract as permitted by applicable law and at any time, and without Contractor’s consent or cost, expense or incremental liability to PREPA, to any future operator of Puerto Rico’s electric power transmission and distribution system or any of its affiliates, or to any governmental agency, body, public corporation or municipality of Puerto Rico; provided, that PREPA shall notify Contractor no later than thirty (30) days before the effective date of any such Transfer.-----

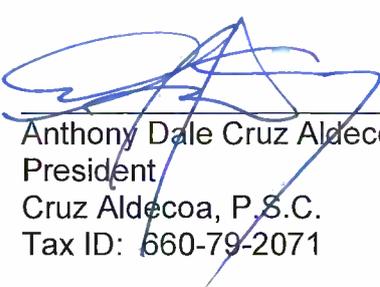
Article 32. Entire Contract

The terms and conditions contained herein constitute the entire agreement between PREPA and Consultant with respect to the subject matter of this Contract, and supersede all communications, negotiations, and agreements of the Parties, whether written or oral, other than these, made prior to the signing of this Contract.-----

IN WITNESS THEREOF, the Parties hereto sign this Contract in San Juan, Puerto Rico this 30 day of June of 2019.-----



José F. Ortiz Vazquez
Chief Executive Officer
Puerto Rico Electric Power Authority
Tax ID: 660-43-3747



Anthony Dale Cruz Aldecoa
President
Cruz Aldecoa, P.S.C.
Tax ID: 660-79-2071



Proposal to Serve Puerto Rico Electric Power Authority

March 27, 2019



Metro Office Park
Street 1, Lot 6, Suite 203
Guaynabo, Puerto Rico 00968

Tel: (787) 525-2054
Email: acruz@cruzaldecoa.com

March 27, 2019

Mr. Nelson Morales
Chief Financial Officer
Puerto Rico Electric Power Authority
PO Box 364267
San Juan, Puerto Rico 00936

Dear Mr. Morales

We appreciate the opportunity to present this proposal to continue to provide advisory services to the Puerto Rico Electric Power Authority ("PREPA"). The proposal outlines the proposed objectives, scope, approach and professional fees related to this engagement.

We appreciate the opportunity to continue to serve your organization. Should you have any doubts or comments about the proposal, I can be reached at my cellular phone number or through my email address included above.

Sincerely yours,
Cruz Aldecoa, PSC

Anthony D. Cruz
President





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Executive Summary

- We appreciate the opportunity to continue to serve as a trusted business advisor of the Puerto Rico Electric Power Authority ("PREPA").
- During the past year, we assisted PREPA with the issuance of the FY2016 audited financial statements and are currently assisting with the issuance of the FY2017 audited financial statements.
- PREPA has established an aggressive timetable to complete its external audits for fiscal years (FY) 2017 and 2018 within the next few months. It also needs to complete on a timely basis its audit for FY2019. PREPA requested that we continue to provide assistance with its year-end closing, assistance in the preparation of its financial statements and coordination of the external audit process until they complete all pending audits for FY2017, FY2018 and FY2019. Once these audits are completed, management desires to assign additional tasks to support projects and other day to day operations including assistance with their FY2020 year end closing process.
- PREPA is also receiving significant amounts of federal awards as a result of the effects of Hurricanes Irma and María that struck Puerto Rico in September 2017. PREPA anticipates that it will be subject to a Single Audit as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* in FY2018 and FY2019. PREPA has not been subject to a Single Audit in many years and has requested that we also assist them with these Single Audits.
- Cruz Aldecoa PSC is a Firm of certified public accountants. Founded by CPA Anthony D. Cruz Aldecoa in January 2013
 - Over 35 years of experience in public accounting
 - Served different industries in KPMG LLP San Juan office for over 25 years, 13 as an audit partner
 - Practice leader of the government practice for the KPMG San Juan office including audit partner of the Commonwealth of Puerto Rico for eight years and a National Single Audit Concurring Review Partner of the US audit practice.





Executive Summary (cont.)

- We have significant accounting and auditing background in government. We know what it takes to assist you in the preparation of your financial statements, in your year-end closing and audit processes and Single Audit.
- We have seasoned professionals that currently serve as part of our team. Key team members will continue to serve PREPA for this engagement.
- We understand that responsive service and ongoing communication drives client satisfaction. We will continue to meet with you periodically throughout the engagement with constant involvement of key team members.



About Cruz Aldecoa, PSC

Cruz Aldecoa, PSC is a local audit and business advisory services firm striving to become a leader in the markets we select to serve. Founded by CPA Anthony D. Cruz in 2013 after working in KPMG LLP for almost 26 years including 13 years as an audit partner. Currently, Anthony has over 35 years of experience in public accounting. During his career, he dealt with complex governmental audit engagements including the Commonwealth of Puerto Rico, the Government of the U.S. Virgin Islands and the Municipality of San Juan among others. While leading the audit team the Commonwealth of Puerto Rico, he reviewed the financial statements of all component units including PREPA.

We have established alliances with other colleagues and currently have a pool of experienced audit and business advisory independent contractors to draw upon in order to serve in key engagement positions. The fact that these individuals are not only experienced professionals in various industries, but most have major accounting firm experience, is what adds value to our clients.

We have significant experience in audits, accounting, internal audits, risk assessments, internal controls, process reviews, financial analysis, compliance, governance and other financial matters.

As noted in the list of clients we have served, we have successfully dealt with large and complex engagements as auditors and as business advisors. Similar assistance as requested by PREPA have been provided to other governmental clients. This unique combination of experience provides valuable perspective of the risks and challenges our clients face.

Being a small firm, we have the ability to change and react quickly. Seasoned team leaders are actively involved in their engagements. We understand that this is what drives client satisfaction.





Why Us?

- ✓ You know us. We assisted PREPA with its FY2016 audit and are currently working with PREPA's FY2017 audit. Our reappointment as business advisors provides continuity of service after June 30, 2019.
- ✓ You know our team. Key team members currently working with PREPA will be assigned to this engagement.
- ✓ We know the complexities of an entity such as PREPA from the perspective of an external auditor and from the perspective of an advisor. CPA Anthony D. Cruz served as the audit partner of the Commonwealth of Puerto Rico's ("Commonwealth") financial statements from FY2001 through FY2008 while working in KPMG LLP. He has also assisted large government entities in their year-end closing process, preparation of financial statements, Single Audits and dealing with issues brought by the external auditors.
- ✓ We know how governments work. We know the challenges your organization faces. We have experience dealing with large complex government entities such as PREPA.
- ✓ We have Big 4 firm experience. We understand your business and the industry in which you operate. We have the right people with the depth, breadth and experience to serve you at the level you expect. We know what to expect from your external auditors.
- ✓ We know your external auditors. We are currently working in another engagement where we serve as the governmental entities' accounting advisors and they serve as external auditors.



Background

- PREPA'S financial statements must be audited annually.
- These audited financial statements are used for inclusion in the financial statements of the Commonwealth of Puerto Rico (Commonwealth) and for filing requirements imposed by bondholders.
- PREPA is a major component unit of the Commonwealth. Therefore, the Commonwealth depends on the timely issuance of PREPA's audited financial statements in order to issue its own financial statements.
- The Commonwealth establishes annually a timetable for the submission of the audited financial statements from its component units, including PREPA. The Commonwealth is under significant pressure to have its audited financial statements issued on a timely basis. Currently, they are working hard to get prior year audits released within the next few months.
- Management as well as members of the Central Accounting Office of the Puerto Rico Department of the Treasury expect to issue the FY2017 financial statements shortly.
- The accounting and audit processes are complex and PREPA is short staffed as a result of workforce reduction among the finance personnel during the past few years.
- The Puerto Rico Department of the Treasury is exerting and will continue to exert significant pressure over management for the release of PREPA's financial statements.
- PREPA needs external assistance in their year-end closing process, preparation of the financial statements and their external audit process.
- PREPA is receiving significant amounts of federal awards as a result of the effects of Hurricanes Irma and María that struck Puerto Rico in September 2017. Therefore, PREPA will be subject to a Single Audit in FY2018 and FY2019 as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. PREPA has not been subject to a Single Audit in many years and needs external assistance with their Single Audits.



Scope of Services

1. The Chief Financial Officer, Nelson Morales has asked us to continue to assist PREPA in its year-end closing process and assist them in issuing their FY2017 and FY2018 financial statements. In addition, he has asked that we assist PREPA with the FY2019 audit, provide support to their accounting and finance staff and commence work with the FY2020 year-end closing process.
2. We assisted management with its issuance of the FY2016 audit and immediately started working with the FY2017 audit. We expect that we will continue similar experience with the FY2018 and FY2019 audits.
3. PREPA is receiving significant amounts of federal awards and will be subject to a Single Audit in FY2018 and FY2019 as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. PREPA has not been subject to a Single Audit in many years and has requested that we assist them with the FY2018 and FY2019 Single Audit process.
4. PREPA has requested us to propose for assistance in the following areas:
 - A. Year-end closing process including financial analyses of transactions, events or account balances
 - B. Preparation of financial statements including notes to financial statements and the Management's Discussion and Analysis (MD&A)
 - C. Participation in year-end closing process and audit process meetings.
 - D. Assistance in the coordination of the year-end closing and Single Audit processes
 - E. Discussions of accounting, auditing and reporting issues with management and the external auditors
 - F. Review of certain deliverables prior to submission to external auditors
 - G. Follow up and provide assistance with corrective actions identified during our delivery of service, or as identified by the external auditors.
 - H. Other assistance in areas to be agreed upon.



Scope of Services (cont.)

4. Our fee is based on the following assumptions:
- A. The work is scheduled to commence in July 2019.
 - B. Although management has expressed its desire to issue FY2018 financial statements by June 2019, FY2018 presents a unique situation because of the impacts caused by Hurricanes Irma and Maria and their accounting and audit implications. Based on our preliminary assessment, we understand that this target due date will not be met. Therefore, it is likely that our involvement for the 2018 financial statements will continue after June 30, 2019.
 - C. Once FY2018 audited financial statements are released, we will continue to work with the FY2019 audit. Similarly, once the audited financial statements for FY2019 are released we will start working with the FY2020 audit.
 - D. Incremental hours have been estimated for our assistance in the Single Audits for FY2018 and FY2019. Such involvement was not required in previous engagements.
 - E. PREPA has a reduced accounting staff. We expect that accounting staff levels and the level of assistance provided by other consultants will not change significantly.
 - F. We will continue to evaluate the year-end closing process and the external auditors' requests and discuss with management and the external auditors proposed changes, if any, to the respective processes to try to expedite the audit process.
 - G. The nature, timing and extent of our involvement will be agreed with management during the early stages of the engagement.
 - H. Management will be actively involved in ensuring that request of information be handled expeditiously and that internal staff or consultants will be made available to meet with us, when needed.
 - I. The execution phase of the engagement shall take place between July 1, 2019 and June 30, 2020. We have estimated 6,250 hours for this engagement.



Scope of Services (cont.)

- Due to the nature of the services requested and the sense of urgency expressed by management, we will use high level professionals to carry out this engagement.
- Because management may use us at their discretion to help them in areas or issues not known at this time, our fees will be billed based on actual hours incurred applied to the hourly rates of the professionals involved.
- The services described in this proposal are not intended to be an audit, examination, attestation, special report or agreed-upon procedures as those services are defined in the American Institute of Certified Public Accountants literature applicable to such engagements conducted by independent auditors. Accordingly, these services will not result in the issuance of a written communication to third parties by Cruz Aldecoa PSC.



PREPA's Roles and Responsibilities

PREPA is responsible for determining the objectives, scope and extent of our services. PREPA accepts responsibility for the substantive outcomes of this engagement and therefore, has a responsibility to be in a position in fact and appearance to make an informed judgment on the results of this engagement. PREPA agrees to designate a Project Coordinator who will comply with the following:

- Be responsible and accountable for overseeing the engagement.
- Establish and monitor the performance of the engagement to ensure that it meets PREPA's objectives.
- Make any decisions that involve management functions related to the engagement and accept full responsibility for such decisions.
- Evaluate the adequacy of the services performed
- Facilitate the support of PREPA's personnel in order to achieve timely completion of the project. Support includes, but is not limited to, the collection of all relevant documents, the scheduling of interviews and the coordination of meetings.
- Review and approve the deliverables prepared during the engagement that documents the results; evaluate the observations and recommendations that arise from the services and monitor corrective action taken.
- Respond promptly to requests made by Cruz Aldecoa, PSC.

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Team Structure

We focus our service delivery on the concept of a Lead Account Executive. This person is a seasoned professional that will be constantly on premises to ensure work is carried out as agreed. We understand that the assignment of such a role is consistent with the level of work being requested and the elevated sense of urgency to release the audited financial statements by the targeted due dates.

Client Service Leader- CPA Anthony D. Cruz will serve as the primary contact to management and is the point person on all determinations involving the services provided.

Lead Account Executive- Sara E. Cortés, is a Director and will serve as your Lead Account Executive. She will work directly with Anthony in the delivery of services. Sara has over 20 years of experience and will be responsible for supervising the work done by your staff and our team members assigned to the engagement. The Lead Account Executive will have continuous involvement throughout the engagement.

Account Executive(s), Manager(s), Supervisor(s) and Senior(s)- Support the Lead Account Executive to the extent needed. These professionals have over 10 years of public accounting experience.

Technical Resource(s)- Supports the Account Executive to the extent needed. This person will have significant experience in governmental accounting and/or IT matters.





Professional Fees

Our professional fees are based upon the specified skill level of professionals providing the services and the amount of time required to complete the engagement. Considering the professionals involved and estimated amount of time we expect to devote to the engagement, we anticipate that our professional fees for assisting PREPA amounts to \$595,000 including out-of-pocket expenses. These fees contemplate:

- ✓ Periodic involvement of the Client Service Leader throughout the engagement.
- ✓ Continued on-premises support of the Account Executive and other team members throughout the engagement.
- ✓ Continued presence of team members throughout the engagement
- ✓ Total estimated hours: 6,250

Scope changes or circumstances encountered during the engagement may cause this estimate to be higher or lower. In the event that the level of involvement requested warrants additional time, we will notify management of any such circumstance, obtain your approval and seek amendments to our contract before proceeding. If the level of involvement is less than anticipated, we will bill based on actual hours incurred.



Professional Fees

The following table represents our hourly billing rates by classification:

Classification	Billing Rates
Client Service Leader	\$ 155
Technical Resources	115
Lead Account Executive- Director	105
Account Executives- Directors	100
Account Managers	90
Account Supervisors	85
Account Seniors	80
Account Staff	65

Professional fees will be billed based on actual hours incurred by each team member at the rates established above. Invoices are submitted on a monthly basis and are payable within 30 days after delivery of the invoice to the person designated by PREPA. The invoices also detail the hours worked daily by each team member and a brief description of work performed.



Our Areas of Practice and Industry Experience

Areas of Practice

- Audit
- Advisory Services-
 - ✓ Accounting and Finance
 - ✓ Financial Reporting
 - ✓ Financial and Data Analysis
 - ✓ Business and Process Improvements
 - ✓ Financial Assessments
 - ✓ Policies and Procedures
 - ✓ Internal Controls
 - ✓ Compliance
 - ✓ Internal Audit and Monitoring Activities
 - ✓ Governance
 - ✓ Due Diligence
 - ✓ Trainings
 - ✓ Audit Support
 - ✓ Loaned Staff

Industry Experience

- Public Service
 - ✓ **Government**
 - ✓ Higher Education
 - ✓ Not-For-Profit Organizations
- Financial Services
 - ✓ Insurance
 - ✓ Financial Institutions
- Manufacturing, Sales & Distribution and Services
- Employee Benefit Plans



List of Clients Recently Served

- Municipality of San Juan
- University of Puerto Rico
- Oficina del Contralor de Puerto Rico
- Corporación del Fondo del Seguro del Estado
- Puerto Rico Science, Technology and Research Trust
- KPMG LLP
- Kevane Grant Thornton LLP
- Universidad del Sagrado Corazón
- EDP University of Puerto Rico, Inc.
- Wyeth Consumer Healthcare LLC (*ultimately wholly-owned subsidiary of Pfizer Inc.*)
- Seamless Puerto Rico Inc. (*ultimately wholly-owned subsidiary of Hanesbrand, Inc.*)
- Humana Puerto Rico Management Services, Inc. (*ultimately wholly-owned subsidiary of Humana Inc.*)
- H&R Block- Puerto Rico Subsidiaries
- Puerto Rico Telephone Company D/B/A CLARO Puerto Rico
- Universal Pipes, Valves and Fittings
- Empresas Fonalledas, Inc.
- QBE Seguros
- Multinational Insurance Company, Inc.
- Banco Cooperativo de Puerto Rico
- Molina Salary Savings Plan of Puerto Rico

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Other Relevant Clients We Have Served

We have developed experience in a large number of audits and advisory engagements including the following industries and clients:

- Government-
 - Commonwealth of Puerto Rico- Audits of the financial statements for 12 years
 - Government of the US Virgin Islands – Financial and Single Audits for over 7 years
 - Municipality of San Juan- Financial and Single Audits for 4 years and as financial advisor for 6 years
 - Oficina del Contralor de Puerto Rico (“Office”)- Anthony serves as instructor of government accounting, auditing and reporting for the Office's audit and finance staff
 - University of Puerto Rico- We provide assistance with year-end closing process, Single Audit process and drafting selected notes to the financial statements for 4 years. In addition, we participate in the discussion and resolution of accounting, financial audit, Single Audit and financial reporting issues.
 - Corporación del Fondo del Seguro del Estado- Provided assistance with year-end closing process and preparation of financial statements for 4 years.
 - KPMG LLP- Provide audit support to the audit team of the Commonwealth of Puerto Rico
 - Kevane Grant Thornton- Provide technical support to the audit practice in governmental clients. Provide government accounting and auditing trainings to the audit staff.



Professional Profile - CPA Anthony D. Cruz

Anthony has over 35 years of experience in public accounting serving a wide range of clients from small local businesses to large and complex entities. While in KPMG LLP he served clients in many industries, including government. Anthony was the engagement partner of large and complex audits including the Commonwealth of Puerto Rico, the Government of the U.S. Virgin Islands, Triple S Management Corporation, and Oriental Financial Group among others. He was exposed to constant communication with Board of Directors and Audit Committees. Since the establishment of his firm Cruz Aldecoa, PSC in 2013, he has been advising our client's senior management and Board of Directors in audit, accounting and financial matters.

Anthony served one year as a member of the KPMG Partnership Council and was a member for three years of the audit quality performance review program. He was also designated as a National Single Audit Concurring Review Partner and a National Employee Benefit Resource Partner.

Anthony has served as instructor in numerous training events throughout his career. While in KPMG he served as a National Instructor. He is also an instructor in training programs offered by the Puerto Rico Society of Certified Public Accountants, the Office of the Comptroller of Puerto Rico, Kevane Grant Thornton and Claro Puerto Rico. He has also participated in numerous other events sponsored by other professional organizations.

Anthony is a member of the governing board of the Puerto Rico Society of Certified Public Accountants and Chairman of its Audit Committee. He is also a member of the Public Sector, Health, Private Firms and Economic Policy Committees of that organization.

He also served for three years as the Treasurer of the Board of Directors of the not-for-profit organization P.E.C.E.S. Inc.





Professional Profile – CPA Sara E. Cortés

Sara is a Director in Cruz Aldecoa, PSC. She has over twenty years of combined experience in private and public accounting. Prior to working with Cruz Aldecoa, PSC, she worked with a privately owned company with over 350 employees and a Fortune 500 Company of over 2,300 employees. She also was a senior manager in the audit practices of two Big 4 accounting firms.

While working in public accounting she audited large clients in various industries including manufacturing, distribution, banking, communications and transportation. She was the audit senior manager of several governmental entities including Economic Development Bank and AEELA Retirement System. She also served as the senior auditor of the Municipality of Guaynabo.

CPA
In the private sector she led a group of 25 employees and had direct responsibility over financial reporting, strategic planning and budget, forecasting, general accounting, revenue cost analysis, inventory, accounts payable and payroll. Other areas under her direct supervision included warehouse, customer service and purchasing/contract compliance department. Sara has served as project manager of several initiatives under her areas of responsibility.

Sara is a Certified Public Accountant and member of the Puerto Rico Society of Certified Public Accountants. She obtained her masters degree in finance and marketing from Indiana University. She completed her bachelor's degree in business administration with concentrations in accounting and information systems from the University of Puerto Rico, Rio Piedras campus.

Sara has been a volunteer member of non-profit organizations Including Rising Stars Foundation Corp. and the Community Investment Committee of United Way. She has also been a member of the Private Enterprise Committee of the Puerto Rico Society of Certified Public Accountants.



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