



January 5, 2022

Ms. Natalie Jaresko

Executive Director and Interim Revitalization Coordinator

Financial Oversight and Management Board

Dear Ms. Jaresko

Thank for your response on December 28th to my letter on December 15th, 2021. I sincerely appreciate your letter, and as we start a fresh calendar year, I hope it is the opening chapter of an ongoing and constructive dialogue.

As the chief executive of a company that stepped up for Puerto Rico in its moment of need after Hurricane Maria, you and I share the goal of a brighter future for the Island and its people. A swift resolution of our ongoing situation will save both taxpayers and ratepayers money, as lawyers and consultants will no longer be reviewing invoices and PREPA will stop incurring in excess of \$3 million dollars each month in interest on delayed payments.

I understand your letter represents information you received from the Puerto Rico Electric Power Authority ("PREPA"), an organization that has been under constant turmoil, including six different CEOs in the last four years. As such, we certainly do not think PREPA is a reliable source of information.

As you correctly noted, we are working with PREPA's attorneys and their consultants, but we are not working with anyone from PREPA with decision-making authority. Because the Financial Oversight and Management Board for Puerto Rico ("FOMB") has oversight of the approved contracts in question, I believe the FOMB will need to take a more direct role in this matter.

I specifically want to call your attention to four points from your letter that are based on information you received from PREPA, but that are at odds with the facts.

First, your letter states that, *"based on reporting we receive from PREPA, PREPA does not have funds on hand to pay Cobra through previous allocations from FEMA. We are not aware of any material FEMA funds in PREPA's possession or that it has discretion to allocate to payment to Cobra."* This statement conflicts with PREPA's own attorneys who in a court filing from June 4, 2021, declared, *"FEMA has obligated approximately \$250 million for the costs incurred under this contract."* The point is that money has been obligated on the second contract, yet PREPA still refuses to pay.

Second, PREPA states that the “*review process*” must be completed before funds can be paid and goes on to predict it will conclude “*shortly.*” At this juncture, the review process has been ongoing for over two and one-half years and there is no end in sight. It is clear to us that this is a stall tactic implemented by PREPA to avoid paying their bills. For example, in a number of instances during this review process, PREPA has requested the same set of documents three or four times. As I am sure you can appreciate, PREPA’s continued mistreatment of its private sector partners will drive away potential contractors who can assist Puerto Rico in the aftermath of future natural disasters.

Third, PREPA has been using the ongoing criminal trial of Cobra Acquisitions LLC’s (“Cobra”) former president as a fig leaf to avoid paying their bills. It is undisputed that from the first day Cobra learned of the Department of Justice investigation, it has been cooperating fully. Mr. Ellison is no longer affiliated with the company. His pending trial should have no effect on PREPA’s obligations to meet its contractual obligations under the operative contracts. In fact, since 2017, Mammoth’s subsidiaries have responded to no fewer than 15 subsequent storm restoration projects funded by the Federal Emergency Management Agency (“FEMA”) for natural disaster recovery. Notably, it has been paid for every single one. The only storm restoration project for which Mammoth or its subsidiaries have not been paid is Puerto Rico post-Maria. Even United States District Judge Laura Swain, who oversees the debt restructuring case in the Puerto Rican government-debt crisis, appears skeptical of the arguments that have been made regarding the criminal case’s bearing on Cobra’s contracts, stating in a memorandum order dated May 21, 2020, that, “*PREPA’s contractual arguments may well be strained.*”

Finally, you write, “*We believe the Review Process now taking place and pending requests for FEMA funding weigh in favor of paying remaining amounts duly owed to Cobra when those amounts are settled after the completion of the Review Process, from all available funding provided by FEMA as opposed to PREPA’s cash on hand.*”

For its work in Puerto Rico after Hurricane Maria, Cobra was awarded two separate contracts by PREPA. There is no dispute on contract #1 (PW 251), and yet amounts on that contract go unpaid. For example, Cobra has been waiting almost three years for the tax gross up it is owed by PREPA. Additionally, contract #2 breaks down to a 90% – 10% cost share between FEMA and PREPA, respectively. Ten percent is not reliant upon FEMA for reimbursement, yet that 10 percent – owed by PREPA – remains unpaid.

I stand ready to assist in any way possible as a good-faith partner in the completion of this cause. For a concrete next step, I propose a meeting between you, myself, and the current CEO of PREPA.

All the best for a happy and healthy 2022.



Arty Straehla

Chief Executive Officer

Mammoth Energy Services