



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Benigno R. Fitial
Governor

Timothy P. Villagomez
Lieutenant Governor

DIRECTIVE NO. CPA 08-01

TO: Lee Cabrera
Acting Executive Director
Commonwealth Ports Authority

SUBJECT: Implementation of Rate Increases and Fees for CPA

AUTHORITY: Executive Order No. 08-04; N.M.I. Const., art. III, § 15

WHEREAS, in 1998 the Commonwealth Ports Authority (hereinafter the "Authority" or "CPA") entered into an Airport Revenue Bond Indenture Agreement with Bank of Guam as the trustee of the Bond. This Airport Revenue Bond Indenture Agreement requires the Authority to maintain a 1.25% revenue to bond payment ratio at all times in the duration of the bond; and

WHEREAS, the January 2008 release of the FY 2006 Audit reveals the bond service coverage under the Authority's Bond Indenture Agreement ("Bond") to be deficient at -.17% (negative), thus triggering the provisions under Section 6.11(B) requiring the Authority to commission an Independent Consultant to make recommendations as a revision of the Authority's rates, fees, charges or the methods of operation of the Authority's airports; and

WHEREAS, in 2006 the Authority commissioned Ricondo & Associates, Inc. (hereinafter "Ricondo") to conduct an Airport Rate Study pursuant to the provisions under section 6.11(B) of the Bond, resulting in a June 23, 2006 report submitted by Ricondo to the Authority; and

WHEREAS, the Authority accepts the validity and accuracy of the June 2006 Airport Rate Study as submitted by Ricondo, and deems its contents to be necessary and essential to achieving compliance with the requirements and provisions of the Airport Revenue Bond Indenture Agreement; and

WHEREAS, the Authority has yet to adopt or implement the June 23, 2006 Ricondo Airport Rate Study, as required to satisfy the provisions of the Bond, hence continuing the bond service coverage's deficiency; and

WHEREAS, the Authority desires to implement the June 23, 2006 Ricondo Airport Rate Study, particularly Scenario 2 as to the recommended rates for FY 2008; and

WHEREAS, on April 25, 2008 the Authority commissioned Ricondo to provide an update to the June 2006 rate study incorporating the unaudited financial information draft for FY 2007; the FY 2008 Budget; projections for FY 2009; and other financial information, the results of which are anticipated for delivery in late June 2008; and

WHEREAS, the Bond Trustee has impressed upon the Authority the importance of generating revenue and implementing management controls so as to be able to maintain the debt service ratio as required by the Bond Indenture Agreement given the deteriorating revenues; and

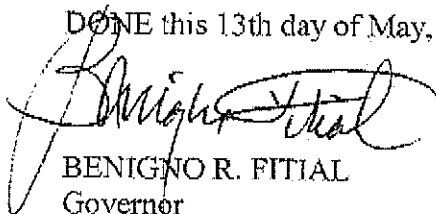
WHEREAS, the Authority's Management has seen the compelling need for immediate action to arrest the continued decrease in revenues threatening the stability of the Authority to be able to service the debt under the Bond Indenture;

NOW, THEREFORE, in consideration of the foregoing recitals and the compelling need to meet its obligations under the Airport Revenue Bond Indenture Agreement and pursuant to Executive Order No. 08-04, I hereby issue the following Governor's Directive No. CPA 08-01 to the Commonwealth Ports Authority:

1. The Authority is directed to and shall implement the Ricondo Airport Rate Study, as submitted to the Authority on June 23, 2006, incorporating the recommendations in Scenario 2 for FYI 2008 and subsequent fiscal years, increasing the rates and fees charged by the Authority for its operations to comply with the recommendations and pursuant to the Authority's Airport Revenue Bond Indenture Agreement between the Authority and the Bank of Guam as trustee;

2. The Authority is hereby directed to further implement the recommendations and rates as recommended by its consultant Ricondo & Associates as to its update of its rate study from FY 2006 to present day including any rate increase recommendations; charges; fees; and methods of operations as necessary and consistent with all applicable rules and regulations under CNMI law.

DONE this 13th day of May, 2008.



BENIGNO R. FITIAL
Governor