



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Benigno R. Fitial
Governor

Timothy P. Villagomez
Lieutenant Governor

DIRECTIVE NO. CPA 08-02

TO: Lee Cabrera
Acting Executive Director
Commonwealth Ports Authority

SUBJECT: Repeal of CPA Board Resolution No. 2007-004 (Airline
Incentive Program)

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 -1.17% (negative); and

WHEREAS, the CPA Airline Incentive Program's genesis came from Public Law 14-71 in which the CNMI Legislature appropriated funds in the amount of \$2 million for CPA to afford incentives to airlines for new route development. CPA did so through board resolution 2007-04. That appropriation funding was exhausted on December 31, 2007 without further appropriation from the CNMI Legislature; and

WHEREAS, the CPA Airline Incentive Program provided signatory airlines a 100% discount on fees from October 1, 2007 through March 31, 2008 and a current 50% discount from April 1, 2008 through fiscal years 2009 and 2010 (September 30, 2010); and

WHEREAS, since the \$2 million appropriation from the Legislature has been fully depleted, CPA is effectively foregoing revenue by not imposing fees or charges without further Legislative appropriation; and

WHEREAS, in her recent report the Acting Comptroller reports losses for the first quarter from the Airline Incentive Program for the First Quarter of FY 2008

have totaled \$1.20 million. Projections for a total deficit if the Airline Incentive Program is continued, not accounting for rate increases, is a minimum amount of \$3.4 million. By eliminating the Airline Incentive Program alone, the Acting Comptroller projects a reduction in the losses down to \$1.97 million; and

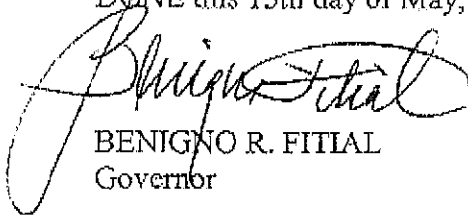
WHEREAS, the Bond Trustee has impressed upon the Authority the importance of generating revenue and implementing management controls so as to be able to maintain the debt service ratio as required by the Bond Indenture Agreement given the deteriorating revenues; and

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 08-02 to the Commonwealth Ports Authority:

1. The CPA Board Resolution No. 2007-04 "A Resolution Authorizing a Discount on Certain Charges to Airlines" is hereby repealed in its entirety; and
2. Such repealer shall take effect within thirty (30) days during which time written notice of termination supporting this resolution shall be delivered to the signatory airlines.

DONE this 13th day of May, 2008.



BENIGNO R. FITIAL
Governor