



Office of the Secretary
Department of Finance



P.O. Box 5234 CHRFB, Saipan MP 96950

TEL: (670) 664-1100 FAX: (670) 664-1115

March 21, 2022

SFL 2022-109

Keith Stewart
Marianas Pacific Express dba
Marianas Southern Airways
PMB 586 Box 10000
Saipan, MP 96950

Re: *Notice to Proceed for Contract No. 32200854 for the Airline Services*

Dear Mr. Stewart,

We are pleased to notify you that March 21, 2022 is hereby established as the official Notice to Proceed date for the subject project.

Should there be any delays in completing this contract please notify me in writing. Please note that any expenses incurred prior to the approval of a properly executed Contract Change Order may not be eligible for reimbursement.

If you have any questions, please do not hesitate to contact me at 670-664-1100 or via email at david.atalig@dof.gov.mp.

Respectfully,

David DLG, Atalig
Secretary of Finance

cc: *Francisco C. Aguon, Procurement Services*
Bernadita C. Palacios, Financial Services



**Department of Finance
Division of Procurement and Supply**

P.O. BOX 510008 CK SAIPAN, MP 96950

TEL. (670) 664-1500

FAX (670) 664-1515



MEMORANDUM

TO : Secretary of Finance
FROM : Acting Director of Procurement Services
SUBJECT : Completion of Contract Processing

Pursuant to NMIAC Section 70-30.3-115 (g) (1) of the CNMI Procurement Regulations, this is to inform you that processing of the attached contract no. 32200854 for the **Airline Services vs. Marianas Pacific Express, LLC.** is completed. You may proceed with contract implementation according to the terms contained therein. Please provide this office a copy of the **"NOTICE TO PROCEED"** if applicable.


Francisco C. Aguon
Attachments:

03/21/2022
Date

Cc: Director- Finance & Accounting (with attachments)
Contract File (with attachments)
Vendor (with attachments)

Acknowledgement Copy: Original Contract, Department and Vendor's Copy

Received By: _____
Department **Print Name and Signed** **Date**

ROUTING SLIP

NOTE: CONTRACTS TO BE RELEASED TO AUTHORIZE PERSONNEL DESIGNATED BY PROCUREMENT AND SUPPLY.

ROUTE	DEPARTMENT/OFFICE	PRINT	DATE IN	DATE OUT
1	PROCUREMENT SERVICES		3/10	3/10
2	FINANCIAL SERVICES			
3	SECRETARY OF FINANCE		3/10	3/10
4	ATTORNEY GENERAL	<i>Stephona</i>		
5	GOVERNOR	<i>Kianna</i>	3/18	3/21
6	CONTRACTOR			
7	PROCUREMENT SERVICES			
8	<u>FOR COMPLETION</u>			

* Please Submit Signed Original Contract with 3-Copies*

OAG-CIVIL DIV
2022 MAR 10 PM 12:43

*PLEASE CALL 664-1500, 1506 WHEN CONTRACTS ARE READY FOR PICK-UP WALK-THRU

CONTRACT SPECIFICATION

CONTRACTING OFFICER : Secretary of Finance

VENDOR : Marianas Pacific Express

PROJECT : AIRLINE SERVICES (S/S)

AMOUNT : \$8,000,000.00

ACCOUNT NUMBER 88990002

CONTRACT NUMBER : 32200854

OAG-CIVIL DIV
2022 MAR 10 PM 12:49

Velma
664-1122


Francisco C. Aguon

DIRECTOR OF PROCUREMENT SERVICES

03/10/2022
DATE



Office of the Secretary
Department of Finance



P.O. Box 5234 CHRB, Saipan MP 96950

TEL: (670) 664-1100 FAX: (670) 664-1115

March 10, 2022

SFL 2022-105

Francisco C. Aguon
Acting Director, Division of Procurement Services
Department of Finance
P.O. Box 510008CK
Saipan, MP 96950

Re: *Sole source justification for award of contract to Marianas Pacific Express, LLC.*

Hafa Adai Acting Director Aguon:

Pursuant to Section 70-30.3-215 and Section 70-30.3-225 of the Procurement Regulations, I request approval to execute a sole source contract with Marianas Pacific Express, LLC. Marianas Pacific Express, LLC. is to operate regular flights at set rates between the islands of the Commonwealth of the Northern Mariana Islands (CNMI), as well as between the CNMI and the island of Guam. Marianas Pacific Express, LLC., doing business as Marianas Southern Airways, is a joint venture affiliated with Southern Airways, a reputable United States-based airline consisting of 39 flight destinations, 222 daily departures and 35 aircrafts total, many flights of which focus on inter-island commuter air-travel including inter-island flights between the Hawaiian Islands. Southern Airways is also inter-line partners with three major airlines, United, American, and Alaska Airlines.

The scope of work for this contract shall consist of providing inter-island scheduled and chartered air and cargo passenger service between the islands of the Marianas Islands including Saipan, Tinian, Rota and Guam at set rates as well as to provide for additional considerations.

Under Section 70-30.3-215(a) of the Procurement Regulations, an agency is permitted to procure services without using full and open competition (such as a sole source procurement under Section 70-30.3-225(b)) where,

- (1) Officials with expenditure authority, before executing the contract, shall justify to the P&S Director in writing the following:
 - (i) The need for contracting, the purpose of the contract, how the expected outcome would help the agency achieve its objectives, and that the services do not unnecessarily duplicate any previously performed work or services.
 - (ii) The non-availability of resources within and without the agency;
 - (iii) Vendor qualifications. The official with expenditure authority shall review any contractor evaluation on file with the P&S Director. For professional services contract, a completed resume for each contractor participant who will exercise a major role in the completion of the contract will be required; and
 - (iv) Reasonableness of price. No presumption of reasonableness shall be attached to the incurring of costs by a contractor. The following factors will be used in determining whether costs are justified: cost information in sufficient



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detail to support and justify the contract; cost information for similar services, with differences noted and explained; and special factors affecting the costs under the contract. For contract amendments, the agency shall examine price considerations in the same manner as one would examine them for a basic contract. If the independent government estimate appears to be defective, other means of comparison, such as a history of contracts with similar requirements, or current market prices, shall be used...

The proposed contract with Marianas Pacific Express, LLC. satisfies each of these criteria:

- Section 70-30.3-215(a)(1)(i): The purpose of this contract is to procure the services of Marianas Pacific Express, LLC. to provide inter-island scheduled and chartered air and cargo passenger service between the Commonwealth of the Northern Mariana Islands of Saipan, Tinian, and Rota and between the CNMI and Guam.

Currently, only one airline, STAR Marianas Air, provides commercial passenger flight travel between the islands of Saipan, Rota and Tinian on a regular basis. Similarly, only one airline, United Airlines, provides commercial passenger flight travel between the CNMI and Guam.

As a result of the pandemic, the CNMI's economy which is solely reliant on international travel and tourism has halted and commercial activities on all three islands have been detrimentally impacted. This new means of air-transportation will allow tourists and potential visitors a secondary accommodation option and additional flight schedules for travel into the island of Saipan transiting from the island of Guam. Currently, United Airlines has only one daily flight to and from Saipan every morning. This flight schedule is inconvenient and unideal for travelers anticipating entry into the CNMI from the United States as the daily Honolulu to Guam flight arrives on Guam around 6 pm every evening requiring a 12-hour overnight layover for transitters. This means that all travelers, visitors and returning CNMI residents must acquire overnight accommodations on the island of Guam before catching the connecting flight into CNMI; otherwise, transitters must remain stranded at the Guam Airport overnight with little to no access to food and beverages, sleeping areas, or washrooms.

In addition, because there is a lack of flight availability into the islands of Rota and Tinian, it is costly and inconvenient for tourists to visit these two main islands. Moreover, because the Tinian and Rota economies are also reliant on tourism to support their economies, tourist sites, businesses, and the Rota and Tinian workforces continue to suffer. On many occasions, the lone airline offering inter-island flight service in the CNMI, STAR Marianas Air, has expressed that they lack the resources, staffing, and capacity to increase flights to and from Saipan and the islands of Rota and Tinian. The CNMI has communicated and pursued several avenues, including other air-transportation providers, to meet this critical need for the Commonwealth, however, nothing has materialized from these efforts.



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In recent months, the CNMI's lone inter-island airline, STAR Marianas Air, temporarily suspended flights between the islands of the CNMI causing unease and panic especially for residents of Rota and Tinian who had no alternative air-travel options to and from the main island of Saipan. Thus, Tinian and Rota residents had no air-travel options out of Rota or Tinian altogether. The monopoly airline's hasty suspension of its inter-island commercial flights within the CNMI caused the utmost concern for the Rota and Tinian medical referral patients reliant on STAR Marianas Air's flight schedule dependability for medical treatments and appointments on Saipan as there are no hospitals on both the islands of Rota and Tinian. So as not to have this situation be repeated, the Commonwealth seeks immediate and critical inter-island travel alternatives to safeguard the health and safety of Tinian and Rota and to ensure reliable air transportation between the three main Commonwealth islands.

Further, there have been several instances in the past where the monopoly airline has experienced unanticipated airline or aircraft predicaments causing the cancelation of the limited flights between the islands. Due to the lack of options for air-transportation across the islands, the contracting of Marianas Pacific Express, LLC. for this purpose, will allow for more dependable interisland travel options into the CNMI for visitors and residents. These services do not unnecessarily duplicate any previously performed work or services.

- Section 70-30.3-215(a)(1)(ii): Such reliable air-transportation services are not readily available within the Commonwealth and especially on the islands of Rota and Tinian. Marianas Pacific Express, LLC. is unique in that the airline is locally run and partially owned by a resident of the Commonwealth. In addition, Marianas Pacific Express, LLC. is also unique because its partial owner is associated with the reputable Southern Airways, who is already heavily involved and successful in conducting dependable inter-island air travel routes in the United States and most notably in the Hawaiian Islands. This joint venture is fitting for the Commonwealth as Marianas Pacific Express, LLC. is not only locally based but has extensive experience and expertise between its partners to ensure that the CNMI's interisland travel accommodations can be met and that there are little to no transportation gaps between our islands in cases of emergency and medical-related needs.
- Section 70-30.3-215(a)(1)(iii): Marianas Pacific Express, LLC. is affiliated with a reputable airline, Southern Airways, which specializes in inter-island air transportation. Marianas Pacific Express, LLC. will be able to ensure that their services offer safety, reliability, and dependable accommodations for CNMI visitors and resident travelers.

Marianas Pacific Express, LLC.'s proposal is attached as Attachment 1.

- Section 70-30.3-215(a)(1)(iv): Upon the effective date of the Agreement, the CNMI shall provide to Marianas Southern \$1.5 million dollars in ARPA sourced funding for the purpose of mitigating start-up costs for the airline. "Start-up cost" include acquisition or mobilizing of aircraft/fuel and equipment, staffing, flight crews, training, travel costs, consultants, preparing counter space at CNMI airports, and costs related to those activities.



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Within thirty days of the start of flight operations in the CNMI, Marianas Southern will provide the CNMI an itemized accounting of the items that the Initial Incentive Fund monies were used for. Any monies of the \$1.5 million Initial Incentive Fund not used on start-up costs will be returned to the CNMI. If Marianas Southern is paid the Initial Incentive Fund but fails to start flights by the time indicated on the contract (subject to delivery of aircraft from the manufacturer (any delay not to exceed thirty days beyond the end of May)), Marianas Southern will reimburse the government of the CNMI any and all monies provided to the airline under this section.

Marianas Southern agrees to begin scheduled flight service in the month of May. Marianas Southern agrees that during the “incentive period,” a minimum of 42 weekly departures serving Saipan, Tinian, Rota, and Guam. In addition, Marianas Southern agrees that as soon as possible, but no later than three (3) months after commencing operations, Marianas Southern will offer same-day connectivity to Saipan with United Airlines’ Honolulu-Guam flight. These flights will substantially conform to the schedule set-forth in the Marianas Southern’s proposal. Marianas Southern further agrees that it will increase flights/departures during the incentive period. Marianas Southern will utilize Tecnam P2012 Traveler or Cessna Grand Caravan aircraft during the incentive period. For the first six months of the incentive period, Marianas Southern shall offer flights during the at the following fares: Saipan to/from Guam: \$99.00; Saipan to/from Tinian: \$39.00; Saipan to/from Rota: \$69.00; and Rota to/from Guam: \$69.00. Clearly Marianas Pacific Express, LLC.’s fees are reasonable.

We believe that the price is reasonable. The CNMI, through agencies such as MVA, has entered into incentive agreements where the agency offered incentive payments of up to \$150,000 per month to induce an airline to fly from Japan to the CNMI. The projected per month payment for Marianas Southern is not much different, and that is based on the most optimistic flight rate. An initial incentive payment is different from MVA agreements. However, we believe that \$1.5 million is reasonable as an incentive in that it is not a great amount given in that it will help bring in another airline that will bring enhanced tourism, competition and security to inter-island air travel. Also, the source of funding is federal ARPA money specifically meant to enhance local tourism, so it will be federal money (not local money) being spent for its purpose, incentivizing and enhancing local tourism.

Further, under Section 70-30.3-225(b) of the Procurement Regulations, [f]or any sole source procurement pursuant to subsection (a)(1), a written justification for sole source procurement shall be prepared by the official with expenditure authority and shall contain the specific unique capabilities required; the specific unique capabilities of the contractor; the efforts made to obtain competition; and the specific considerations given to alternative sources and specific reasons why alternative sources were not selected.

As mentioned, the needs of the CNMI and the capabilities required by the Commonwealth for this contracted service are not only specifically unique but are scarce because these services have historically been difficult to access and obtain, not just for the CNMI, but for the entire region because of our secluded nature. The Commonwealth in its need to provide air-transportation



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Department of Finance**

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alternatives for tourists and residents traveling inter-island require not only safe and dependable aircrafts, but the necessary aircraft equipment and maintenance supplies, and trained professional aircraft operators, maintenance and safety staff and licensed crew members. These capabilities are not readily accessible in the CNMI as presently, there is only one inter-island service provider in the Commonwealth. The limited flight options for travel in and out of the islands of Rota and Tinian, and the unpredictable suspension of flights by monopolizing service provider has hindered the ability of Rota and Tinian residents to seek necessary medical treatment on a consistent basis and has affected their overall ability to enter in and out of their home islands.

Additionally, it is crucial for Rota and Tinian's economic sustainability and development that visitors and tourists are provided with ample and affordable means to travel into the islands because their economies, just like Saipan's, are solely dependent on the tourism market. Moreover, this new means of air-transportation will allow tourists and potential visitors a secondary accommodation option and additional flight services into the island of Saipan from the island of Guam. As Guam possesses the nearest international airport to the CNMI in proximity, this provided service has the ability to dramatically impact the Commonwealth's economic viability.

Furthermore, Marianas Pacific Express, LLC.'s specific capabilities as a contractor is exceptionally notable as it is partially locally owned and will be locally based in the CNMI allowing for all airline decisions will be made locally and with consideration to the needs and input of the CNMI community. On top of that, Marianas Pacific Express, LLC.'s partial owner has extensive experience and expertise as he has been directly affiliated with the reputable Southern Airways, of which maintains flight services all across the United States and has destination hubs in Dallas, Denver, Honolulu, Kahului, Los Angeles, Memphis, Nantucket, New York City, Pittsburgh, and Washington-Dulles. More notably and for the purposes of this contract, Southern Airways has had immense success with its inter-island flight accommodations across the Hawaiian Islands. This distinctive partnership exemplifies the unique capabilities of Marianas Pacific Express, LLC. as the contractor.

The Commonwealth has made several attempts over the years to entice air-transportation service providers to conduct business in the CNMI, but unfortunately, has not been successful. There have been several international airlines who have held passenger services in the Commonwealth but who have pulled out of conducting flight service in the Commonwealth for more sustainable business opportunities elsewhere. These airlines traveled into Saipan only, with the exception of Cape Air which eventually ceased operations after United Airlines acquired Continental Airlines (United Airlines currently only flies into the CNMI from Guam once a day). The CNMI government has communicated the need for more dependable and affordable inter-island flight services within the three main islands of the Commonwealth and between the CNMI and Guam but these efforts never materialized.

Other considerations were provided to existing inter-island flight service providers, however, due to past experiences and requests to increase flight schedules for major events held on Tinian and Rota, the existing inter-island service provider expressed difficulties due to the lack the resources, staffing, and capacity. Further, recently, the CNMI's lone inter-island airline temporarily and with little notice, suspended all inter-island flights in the Commonwealth causing unease and panic for



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Rota and Tinian residents who had no alternative air-travel options to and from the main island of Saipan, thus having no alternative air-travel options out of Rota and Tinian. Accordingly, the CNMI has exhausted its efforts in seeking alternative sources and have listed specific reasons as to why they were not selected.

Having satisfied the criteria under 70-30.3-215(a)(2) and § 70-30.3-225(a) and (b), thus justifying the use of a non-competitive award of a contract, I note that I have the authority to issue a sole source contract. Under NMIAC § 70-30.3-225(a)(7), “[a] contract may be awarded for a supply, service, or construction without competition when (1) The Director determines in writing that there is only one source for the required supply, service, or construction...”

As expressed throughout this letter, Marianas Pacific Express, LLC. is affiliated with a reputable and successful airline, Southern Airways, who has immense experience with inter-island travel across the nation and is the only available inter-island air-transportation provider that can immediately meet the Commonwealth’s need for more affordable and accessible inter-island travel options within the Marianas. Acquiring their services will provide dependable interisland travel for tourists, returning residents and medical referral patients, and will bring forth extensive tourism and economic relief throughout all three main islands of the Commonwealth.

For the foregoing reasons, we respectfully request that the Division of Procurement & Supply approve of the sole source justification and determine that the Office of the Governor may enter into a sole source contract with Marianas Pacific Express, LLC. for their much-needed inter-island air transportation services. As demonstrated, my office satisfies the criteria of Sections 70-30.3-215 and 225 of the Procurement Regulations. Accordingly, I ask the Division of Procurement & Supply to approve the application to proceed through sole source contracting.

Should you have any questions or need additional information regarding this letter, please do not hesitate to contact us at (670) 664-1100 or email via david.atalig@dof.gov.mp.

Respectfully,

David DLG, Atalig
Secretary of Finance

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
CONTRACT FOR PURCHASE OF SERVICE -
AIRLINE INCENTIVE AGREEMENT

I. PARTIES

This contract is between the Department of Finance, a department of the Commonwealth of the Northern Mariana Islands and referred to herein as “the Commonwealth,” and Marianas Pacific Express, LLC, doing business as Marianas Southern Airways, and referred to in this contract as the “Contractor.”

Contractor is a limited liability corporation.

The David Dlg. Atalig, Secretary of Finance is the Expenditure Authority for the Department of Finance. Any reference to the expenditure authority in this contract is a reference to David Dlg. Atalig, Secretary of Finance. The Expenditure Authority may take any action on behalf of the Commonwealth provided for by this contract or by law.

II. NOTICE

All notices and communications required by this contract shall be in written form and shall be delivered to the following addresses:

Attn: David DLG. Atalig
Secretary of Finance
Department of Finance
P.O. Box 5234 CHRB
Saipan, MP 96950
E-mail: d.atalig@dof.gov.mp

Division of Procurement and Supply
Department of Finance
P.O. Box 50008
Saipan, MP 96950

Marianas Pacific Express, LLC
d/b/a Marianas Southern Airways
PMB 583 Box 10000
E-mail: k.stewart@IFlymarianas.com

III. COMMUNICATION

The Contractor shall maintain communications with Department of Finance at all stages of the Contractor’s work. The Contractor will submit any questions it may have to the Department of Finance regarding the performance of the contract.

IV. GENERAL PURPOSE

The purpose of this contract is for the Commonwealth to procure from the Contractor the services described in this contract and in the attached exhibits and to enjoy any warranty or other goods provided for by this contract. The services being procured are described as follows:

Tourism is a vital part of the economy of the CNMI, however, the COVID-19 pandemic severely curtailed tourism to the CNMI from outside the CNMI and also reduced inter-island travel within the CNMI. The federal government, through the American Rescue Plan Act (“ARPA”), U.S. P.L. 117-2, subtitle M, section 602(c), provided funds to the CNMI whereby the CNMI could, in turn, provide funding to maintain or revive tourism and tourism related activities in the CNMI.

The purpose of this contract is to establish an incentive framework between the Commonwealth and the Contractor whereby the Contractor would be incentivized to provide inter-island passenger and cargo service in the Marianas Islands. This incentive framework will take the form of an Initial Incentive Fund, a Flight Incentive Program, and Government Related Pricing.

The services being purchased by this contract and the incentive framework are further described in **Exhibit B** and **C**. If the description of the services in **Exhibit B** and **C** conflict with the description of the services in this contract, then the description in this contract will control.

V. CONTRACTOR TO PROVIDE EQUIPMENT

The Contractor will provide all equipment and personnel necessary to complete this contract.

VI. WARRANTY

The services purchased by this contract are subject the warranties provided for by law.

VII. CONTRACT DOCUMENTS

The following instruments shown in the table below, constitute the contract documents (“Contract Documents”) and are incorporated as part of the Contract thereof. If any of the attached documents conflict with this contract, then the language of this contract will control.

EXHIBIT	NAME OF DOCUMENT
A	Standard Terms and Conditions
B	Airline Incentive Framework
C	Marianas Southern Airways Proposal

VIII. CONSIDERATION AND CEILING CONTRACT PRICE

Contractor agrees to perform the services described in this contract and the documents attached and incorporated into this contract. The Commonwealth agrees to make incentive payments in the amount and at the rate outlined Exhibit B in exchange for the services. The ceiling price for this Contract is eight million dollars (\$8,000,000.00). In addition, the consideration for this agreement is in the mutual covenants and stipulations hereby agreed to by the parties and set out in the following paragraphs.

IX. DURATION OF CONTRACT

The Contractor will begin its performance upon receipt of a Notice to Proceed by the Commonwealth.

This contract will remain in effect for a two-year period beginning on the date the Notice to Proceed was issued.

X. CONTRACT EXTENSION

The Commonwealth may extend the term of this contract by written notice to the Contractor thirty (30) days before the contract expires. This extension provision may be exercised more than once, but the total extension of performance may not exceed six (6) months. If the Commonwealth exercises its option to extend this contract, then the contract will continue without any change in the terms and conditions of this contract.

XI. DELIVERY AND PAYMENT

The Contractor agrees to begin, and to continue for as long as this contract provides, to perform services described in this Contract, unless and until the Contractor has already performed services corresponding to, and invoiced the Department of Finance, for the full ceiling price of this Contract. The Contractor will invoice the Commonwealth and will be paid according to the following schedule:

See **Exhibit B**

XII. SIGNATURE REQUIREMENTS

No Contract can be formed prior to the approval of all required signatories, as evidenced by the signature affixed below of each of them, made in the order listed. The Contract shall become effective upon certification of contract completion by the Director of Procurement and Supply.

XIII. ADJUSTMENTS OF TIME FOR PERFORMANCE

The Expenditure Authority may grant the Contractor up to thirty additional days to complete the delivery of the services required by this contract. A grant of additional time will only be effective if it is placed in writing and signed by the Expenditure Authority.

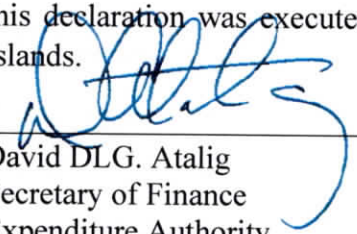
The Contractor may grant the Commonwealth additional time, as necessary, to complete the payment for the services. A grant of additional time will only be effective if it is placed in writing and signed by an agent of the Contractor.

XIV. SIGNATURES

Expenditure Authority

I declare that I have complied with the Commonwealth procurement regulations; that this contract is for a public purpose; and that the contract does not waste or abuse public funds. I declare that I, personally, have the authority to obligate the expenditure of funds for this contract. I declare under penalty of perjury that the foregoing is true and correct and that

this declaration was executed this day in the Commonwealth of the Northern Mariana Islands.

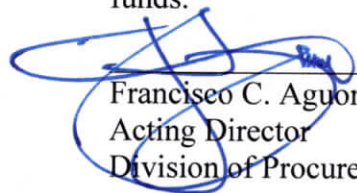


David DLG. Atalig
Secretary of Finance
Expenditure Authority

Date: 03/10/2022

Procurement and Supply

I hereby certify that to the best of my information and belief this contract is in compliance with the CNMI Procurement Regulations, is for a public purpose, the contractor is a responsible contractor, and the contract does not waste or abuse public funds.



Francisco C. Aguon
Acting Director
Division of Procurement Services

Date: 03/10/2022

Secretary of Finance

I hereby certify that the funds identified below are available and have been committed for funding of this Contract:

Account: AR88990002

Amount: \$8,000,000.00



David DLG. Atalig
Secretary of the Department of Finance

Date: 03/10/2022

Attorney General

I hereby certify that this contract has been numbered, review and approved as to form and legal capacity.

Edward Manibusan
Attorney General

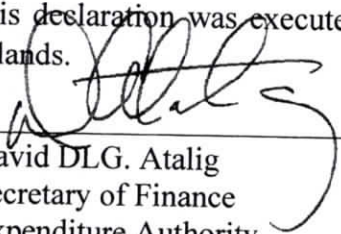
Date

Governor

Ralph Deleon Guerrero Torres
Governor

Date

this declaration was executed this day in the Commonwealth of the Northern Mariana Islands.

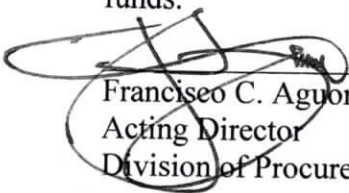


David DLG. Atalig
Secretary of Finance
Expenditure Authority

03/10/2022
Date: _____

Procurement and Supply

I hereby certify that to the best of my information and belief this contract is in compliance with the CNMI Procurement Regulations, is for a public purpose, the contractor is a responsible contractor, and the contract does not waste or abuse public funds.



Francisco C. Aguon
Acting Director
Division of Procurement Services

03/10/2022
Date _____

Secretary of Finance

I hereby certify that the funds identified below are available and have been committed for funding of this Contract:

Account: AR88990002

Amount: \$8,000,000.00

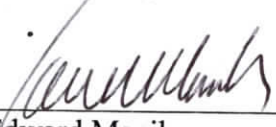


David DLG. Atalig
Secretary of the Department of Finance

03/10/2022
Date _____

Attorney General

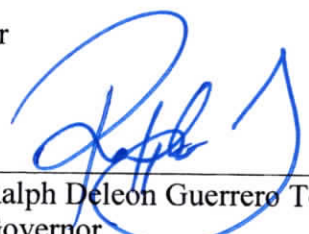
I hereby certify that this contract has been numbered, review and approved as to form and legal capacity.



Edward Manibusan
Attorney General

3/17/2022
Date _____

Governor



Ralph Deleon Guerrero Torres
Governor

3/24/2022
Date _____

Contractor – Marianas Pacific Express, LLC:

On behalf of the Contractor, I represent that I am authorized to bind the Contractor to the terms of this Contract, and by my signature I do hereby accept and bind the Contractor to the terms of this Contract. I further represent for the Contractor that no person associated with the Contractor has retained any person in violation of the Commonwealth Procurement Regulations.

KEITH J. STEWART
PRINTED NAME OF SIGNING AUTHORITY


MANAGER
TITLE


SIGNATURE OF SIGNING AUTHORITY

3 / 21 / 2022
Date

CERTIFICATION OF CONTRACT COMPLETION

I hereby certify that this contract bears all signatures and is therefore complete.


Francisco C. Aguon
Acting Director
Division of Procurement Services

03/21/2022
Date

XV. END OF CONTRACT DOCUMENT

Procurement Information
(For government purposes only)

Method of Procurement (Check one only)

- Competitive Sealed Bids
- Competitive Sealed Proposal
- Small Purchase
- Sole Source
- Emergency
- Expedited

Type of Procurement (Check one only)

- Initial procurement
- Subsequent procurement –
- Following Bid Protest
- Government’s Option
- Replacement for Defaulted Contractor

Government contract numbers of all related contracts with the Vendor:
Insert Contract Numbers, or NONE

Exhibit A

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
STANDARD TERMS AND CONDITIONS

§ 1. **Entire Agreement:**

With respect to the subject matter of the Contract, the Contract, as expressed in the Contract Documents, represents the entire agreement between the Commonwealth and the Contractor, and supersedes all prior agreements and understandings. No revision to the express terms of the contract shall be implied, except as required by law.

§ 2. **Contract Not Assignable:**

The Contract and all of its covenants shall inure to the benefit of and be binding respectively upon the Commonwealth and the Contractor and its partners, successors, assigns and legal representatives. The Contractor may not assign, transfer, encumber, or sublet its interest or obligations under the Contract without written consent of the Commonwealth.

§ 3. **Independent Contractor:**

- (a) For purposes of the application of Part 700, "Ethics in Public Contracting" of the CNMI Procurement Regulations, the Contractor and its employees, agents, subcontractors, and representatives shall be considered employees of the Commonwealth government.
- (b) Except as stated in the CNMI Procurement Regulations or authorized in writing by the Contracting Officer and only under the terms so stated or authorized, neither the Contractor nor its employees or subcontractors shall act for, represent, or bind the Commonwealth in any capacity or manner whatsoever, or be deemed or considered an employee, agent, or representative of the Commonwealth, or be deemed to have any relationship with the Commonwealth other than that of independent contractor.

§ 4. **No Waiver by Commonwealth:**

The failure of the Commonwealth in any one or more instances to insist upon strict performance of any of the items of the Contract, or to exercise any option herein conferred, shall not be construed as a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms or options on any future occasion. Nothing contained in this Contract is intended to serve as a waiver of sovereign immunity by any entity to which sovereign immunity may be applicable.

§ 5. **Regulations Controlling:**

This contract is void if either the procurement processes or contract execution fails to comply with the Commonwealth Procurement Regulations codified by NMIAC §§ 70-30.3-001, et seq. Any procurement action of a government official or employee in violation of said regulations is not authorized by the government and is an act for which the government will not take responsibility or be liable in any manner. The Contractor and the government Contracting Officer hereby certify that they have both read and understand said procurement regulations and have complied with all such regulations.

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§ 6. **Interpretations and Validity:**

- (a) This contract shall be interpreted under the laws of the Commonwealth of the Northern Mariana Islands. Where no local law is available to resolve a particular issue, reference shall be had to U.S. federal procurement law and cases similar to the matter in dispute, including the Federal Acquisition Regulation and decisions interpreting it, as well as scholarly treatises on U.S. federal procurement law.
- (b) All provisions of this Contract shall, to the extent practical, be interpreted to be consistent with the CNMI Procurement Regulations. In the event of an unresolvable conflict between any provision of the contract and the CNMI Procurement Regulations, the CNMI Procurement Regulations shall govern the Contract.
- (c) In the event of a conflict between any provision of the Contract and Agreement document and these General Conditions, the Contract and Agreement shall govern the Contract.
- (d) If the contract documents include a "Special Conditions" document, that document shall be interpreted to supplement these General Conditions and shall prevail if in conflict.
- (e) In the event the contract or the procurement action resulting in the contract is found to be in violation of the CNMI Procurement Regulations, then the Contract will not be valid under the laws of the Commonwealth of the Northern Mariana Islands, and may be found to be legally voidable. The Commonwealth will seek to have any liability asserted against it by a contractor which directly results from improper acts of a government employee to be determined judicially to be the individual liability of the employee who committed the wrongful acts.

§ 7. **Contract Subject to Funding:**

Continued funding of this Contract beyond the present fiscal year is contingent on availability of funding in future years. In the event that such funding does not become available, the Commonwealth may terminate the contract without any further liability.

§ 8. **Satisfaction of Expenditure Authority Required:**

Contractor agrees to complete the contract according to the contract terms and to the full satisfaction of the Expenditure Authority.

§ 9. **Litigation:**

If the Commonwealth, without any fault on its own part, becomes a party to any litigation by or against the Contractor in connection with this contract, the Contractor shall pay all costs and expenses incurred by the Commonwealth, including reasonable attorneys' fees. For the convenience of the parties and witnesses, and in the interest of justice, the venue for litigation shall be the court of appropriate jurisdiction on the island of Saipan, CNMI.

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§ 10. **Taxes, Insurance, and Permits:**

The Contractor is responsible for all applicable Commonwealth or federal taxes and fees which may become due and owing by the Contractor by reason of this contract. The Contractor is also responsible for obtaining all insurance, licenses, permits, and certificates that may be required in order to perform this contract.

§ 11. **Debarment, Suspension, and Liability for Violations of Procurement Regulations:**

If this contract is in violation of the procurement regulations referred to above, the Contractor may be subject to debarment or suspension from government contracting and the government Contracting Officer may be personally liable for any damages incurred, in addition to other penalties provided for by law or regulation.

§ 12. **Contract Disputes:**

- (a) Any dispute arising under this contract between the Commonwealth and the Contractor shall be submitted to administrative review and appeal as provided for by the procurement regulations codified by NMIAC §§ 70-30.3-001, et seq.
- (b) Commonwealth law governs this contract.
- (c) The Commonwealth will not be held liable for interest on any judgment taken as a result of any legal action in connection with this contract.
- (d) The Commonwealth will not be held liable for any punitive damages as a result of any legal action in connection with this contract.
- (e) The Commonwealth will not be held liable for any attorneys' fees incurred by the Contractor as a result of any legal action in connection with this contract.

§ 13. **Gratuities:**

It shall be a breach of contract for the Contractor to offer, give, or agree to give a gratuity or an offer of employment to any employee or former employee in connection with the execution of this contract. It shall be a breach of contract for any government employee to solicit, demand, accept, or agree to accept from the contractor, a gratuity, or an offer of employment in connection with the execution of this contract. See § 70-30.3-725 Gratuities and Kickbacks.

§ 14. **Kickbacks:**

It shall be a breach of contract for any payment, gratuity or offer of employment to be made by or on behalf of a subcontract under a contract to the prime contractor or higher tier subcontractor or any person associated therewith as an inducement for the award of a subcontract or order. See § 70-30.3-725 Gratuities and Kickbacks.

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§ 15. Representation of Contractor Concerning Contingent Fees:

The Contractor hereby represents that, in accordance with § 70-30.3-730, it has not retained any person to solicit or secure government contracts upon an agreement or understanding for a commission percentage, brokerage or contingent fee except for the retention of a bona fide employees or bona fide established commercial selling agencies for the purpose of securing business.

§ 16. Payments to Contractor

- (a) The Commonwealth will pay the contract price as provided in this clause.
- (b) The Commonwealth will make progress payments monthly as the work proceeds or at more frequent intervals as determined by the Contracting Officer, on estimates approved by the Contracting Officer.
- (c) Before the first progress payment under the Contract becomes due, the Contractor shall prepare a breakdown of the contract price acceptable to the Contracting Officer showing the amount included therein for each principal category of the work, in such detail as requested. The values in the breakdown will be used to provide a basis for determining progress payments. The Contractor's overhead and profit shall be prorated throughout the life of the contract.
- (d) Except as may be otherwise provided in the Contract, the contract price shall include all applicable Federal, Commonwealth of the Northern Mariana Islands, and local taxes and duties.
- (e) Estimates on which progress payments are based shall include the value (as determined by the Contracting Officer) of satisfactory in place work performed pursuant to change orders.
- (f) Preparatory work done will not be taken into consideration in preparing estimates upon which progress payments are based.
- (g) The Contracting Officer, at his discretion, may authorize payments for materials delivered and stored on the work site. The Contractor is fully responsible for the materials delivered and stored by him.
- (h) The Contractor, prior to receiving a progress or final payment under the Contract, shall submit to the Contracting Officer a certification that the Contractor has made payments from the proceeds of prior payments, or that he will make timely payment from the proceeds of the progress payments or final payment due him, to his workers, subcontractors, and suppliers in accordance with the Contractor's contractual agreement with them.
- (i) In making each progress payment, there shall be retained ten percent (10%) of the estimated amount until final completion and acceptance of the contract work. Furthermore, upon completion and acceptance of each separate building, public work, or other division of the contract on which the price is stated separately in the contract, payment may be made therefore without retention of a percentage.
- (j) All material and work covered by progress payments made shall thereupon become the sole property of the Commonwealth, but this provision shall not be construed as relieving the Contractor from the sole responsibility for all material and work upon which the payments have been made or the restoration of any damaged work, or as waiving the right of the Commonwealth to require the fulfillment of all of the terms of the contract.
- (k) Upon completion and acceptance of all work, the amount due the Contractor under the Contract shall be paid upon the presentation of a properly executed voucher and after the

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Contractor shall have furnished the Commonwealth with a written release of all claims against the Commonwealth arising by virtue of the Contract, other than claims stated in amounts as may be specifically excepted by the Contractor from the operation of the release. If the Contractor's claim to amounts payable under the Contract has been assigned under the "Assignment of Claims" clause, a release may also be required of the assignee.

§ 17. Changes:

- (a) **Change Order.** By a written order at any time, the Procurement Officer or the Official with Expenditure Authority may, subject to all appropriate adjustments, make changes within the general scope of this contract in compliance with applicable Procurement Regulations.
- (b) **Adjustments of Price or Time for Performance.** If any change order increases or decreases the Contractor's cost of, or the time required for the performance of any part of the order, an adjustment shall be made and the contract modified in writing accordingly. Any adjustment in contract price made pursuant to this clause shall be determined in accordance with applicable "Price Adjustment" clauses of this contract. Failure of the parties to agree to an adjustment shall not excuse the Contractor from proceeding with the contract as changed, provided that the Commonwealth promptly and duly makes such provisional adjustments in payment or time for performance as may be reasonable. By proceeding with the work, the Contractor shall not be deemed to have prejudice any claim for additional compensation, or an extension of time for completion.
- (c) **Time Period for Claim.** Within thirty (30) days after receipt of a written change order under paragraph (1) (Change Order) of this clause, unless such period is extended by the Chief Procurement Officer in writing, the Contractor shall file notice of intent to assert a claim for an adjustment. Later notification shall not bar the Contractor's claim unless the Commonwealth is prejudiced by the delay in notification.
- (d) **Claims Barred After Final Payment.** No claim by the Contractor for adjustment hereunder shall be allowed if notice is not given prior to final payment under this contract.
- (e) **Other Claims Not Barred.** In absence of such a change order, nothing in this clause shall be deemed to restrict the Contractor's right to pursue a claim arising under the contract if pursued in accordance with the clause entitled, "Claims Based on an Official With Expenditure Authority's Actions or Omissions, Notice of Claim" clause, or for breach of contract.

§ 18. Stop Work Order:

- (a) **Order to Stop Work.** The Chief Procurement Officer may, by written order to the Contractor, at any time, and without notice to any Surety, require the Contractor to stop all or any part of the work called for by this contract. This order shall be for a specified period not exceeding ninety (90) days after the order is delivered to the Contractor, unless the parties agree to any further period. Any such order shall be identified specifically as a

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Stop Work Order issued pursuant to this clause. Upon receipt of such an order, the Contractor shall forthwith comply with its terms and take all reasonable steps to minimize the occurrence of costs allocable to the work covered by the order during the period of work stoppage. Before the stop work order expires, or within any further period to which the parties shall have agreed the Chief Procurement Officer shall either: (a) cancel the stop work order; or (b) terminate the work covered by such order as provided in the "Termination For Default" clause or the "Termination For Convenience" clause of this contract.

- (b) **Cancellation or Expiration of the Order.** If a stop work order issued under this clause is canceled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the Contractor shall have the right to resume work. An appropriate adjustment shall be made in the delivery schedule and/or the contract price shall be modified in writing accordingly, if:
- i. The Stop Work order results in an increase in the time required for, or in the Contractor's costs properly allocable to, the performance of any part of this contract; and
 - ii. The contractor asserts a claim for such adjustment within thirty (30) days after the end of the period of work stoppage; provided that, if the Chief Procurement Officer decides that the facts justify such action, any claim may be received and acted upon at any time prior to final payment under this contract.
- (c) **Termination of Stop Work.** If a stop work order is not cancelled and the work covered by such order is terminated for default or convenience, the reasonable cost resulting from the stop work order shall be allowed by adjustment or otherwise.
- (d) **Adjustment of Price.** Any adjustment in contract price made pursuant to this clause shall be determined in accordance with the "Price Adjustment" clause of this contract.

§ 19. Claims Based on the Acts or Omissions of the Expenditure Authority:

- (a) **Notice of Claim.** If any action or omission on the part of the Expenditure Authority, or designee of such official, requiring performance changes within the scope of the contract constitutes the basis for a claim by the Contractor for additional compensation, damages, or an extension of time for completion, the Contractor shall continue with the directions or orders of such officials, but by so doing, the Contractor shall not be deemed to have prejudiced claim for additional compensation, damages, or an extension of time for completion, provided:
- (i) The Contractor shall have given written notice to the Expenditure Authority and Chief Procurement Officer, or designee of such officer:
 - A. Prior to the commencement of the work involved, if at that time, the Contractor knows of the occurrence of such action or omission.

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- B. Within thirty (30) days after the Contractor knows of the occurrence of such action or omission, if the Contractor did not have knowledge prior to the commencement of the work; or
 - C. Within such further time as may be allowed by the Chief Procurement Officer in writing.
- (b) This notice shall state that the Contractor regards the act or omission as a reason which may entitle the Contractor to additional compensation, damages, or an extension of time. The Chief Procurement Officer or, designee of such officer, upon receipt of such notice, may rescind any action, remedy such omission, or take such other steps as may be advisable in the discretion of the Chief Procurement Officer or designee of such officer.
- i. The notice required by subparagraph (a) of this paragraph describes as clearly as practicable at the time the reasons why the Contractor believes that additional compensation, damages, or an extension of time may be remedies to which the Contractor is entitled; and
 - ii. The Contractor maintains and, upon request, makes available to the Chief Procurement Officer within a reasonable time, detailed records to the extent practicable, of the claimed additional costs or basis for an extension of time in connection with such changes.
- (c) **Limitations of Clause.** Nothing herein contained, however, shall excuse the Contractor from compliance with any rules of law precluding any Commonwealth officers and any contractors from acting in collusion or bad faith in issuing or performing change orders which are clearly not within the scope of the contract.
- (d) **Adjustment of Price.** Any adjustment in the contract price made pursuant to this clause shall be determined in accordance with the "Price Adjust" clause of this contract.

§ 20. **Price Adjustment:**

- (a) **Price Adjustment Methods.** Any adjustment in contract price pursuant to a clause in this contract shall be made in one or more of the following ways:
- i. By agreement on a fixed price adjustment before commencement of the pertinent performance or as soon thereafter as practicable;
 - ii. By unit prices specified in the contract or subsequently agreed upon;
 - iii. By the cost attributable to the event or situation covered by the clause, plus appropriate profit or fee, all as specified in the contract subsequently agreed upon;
 - iv. In such other manner as the parties may mutually agree; or
 - v. In the absence of agreement between the parties, by a unilateral determination by the Chief Procurement Officer of the costs attributable to the event or situation covered by the clause, plus appropriate profit or fee, all as computed by the Chief Procurement Officer in accordance with generally accepted accounting principles.

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- (b) **Submission of Cost or Pricing Data.** The Contractor shall provide cost of pricing data for any adjustments.

§ 21. **Termination for Default:**

- (a) **Default.** If the Contractor refuses or fails to perform any of the provisions of this contract with such diligence as will insure its completion within the time specified in this contract, or any extension thereof, or otherwise fails to timely satisfy the contract provisions, or commits any other substantial breach of this contract, the Chief Procurement Officer may notify the Contractor in writing of the delay or non-performance and if not cured in ten (10) days or any longer time specified in writing by the Chief Procurement Officer, such officer may terminate the Contractor's right to proceed with the contract or such part of the contract as to which there has been delay or failure to properly perform. In the event of termination in whole or in part, the Chief Procurement Officer may procure similar supplies or services, in a manner and upon terms deemed appropriate by the Chief Procurement Officer. The Contractor shall continue performance of the contract to the extent it is not terminated and shall be liable for excess costs incurred in procuring similar goods or services.
- (b) **Contractor's Disputes.** Notwithstanding termination of the contract and subject to any direction from the Chief Procurement Officer, the Contractor shall take timely, reasonable, and necessary action to protect and preserve property in the possession of the Contractor in which the Commonwealth has an interest.
- (c) **Compensation.** Payment for completed supplies delivered and accepted by the Commonwealth shall be at the contract price. Payment for the protection and preservation of property shall be in an amount agreed upon by the Contractor and the Chief Procurement Officer; if the parties fail to agree, the Chief Procurement Officer shall set an amount. The Commonwealth may withhold from amounts due the Contractor such sums as the Chief Procurement Officer deems to be necessary to protect the Commonwealth against loss because of outstanding liens or claims of former lien holders and to reimburse the Commonwealth for the excess costs incurred in procuring similar goods and services.
- (d) **Excuse for Non-Performance or Delayed Performance.** Except with respect to defaults of subcontractors, the Contractor shall not be in accordance with its terms (including any failure of the Contractor to make progress in the protection of the work hereunder which endangers such performance) if the Contractor has notified the Chief Procurement Officer within fifteen (15) days after the cause of the delay and the failure arises out of causes such as: acts of god; acts of public enemy; acts of the Commonwealth and any other governmental entity in its sovereign or contractual capacity; fires; floods; epidemic; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. If the failure to perform is caused by the failure of a subcontractor to perform or to make progress, and if such failures arises out of causes similar to those set forth above, the Contractor shall not be deemed to be in default, unless the supplies or services to be furnished by the subcontractor were reasonably obtainable from other

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sources in sufficient time to permit the Contractor to meet the contract requirements. Upon the request of the Contractor, the Chief Procurement Officer shall ascertain the facts and extent of such failure, and, if such Officer determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the Contractor's progress and performance would have met the terms of the contract, the delivery schedule shall be revised accordingly, subject to the rights of the Commonwealth under the clause entitled "Termination For Convenience".

- (e) **Erroneous Termination for Default.** If, after notice of termination of the Contractor's right to proceed under the provisions of this clause, it is determined for any reason that the contractor was not in default under the provisions of this clause, or that the delay was excusable under the provision of paragraph 4 ("Excuse For Non-Performance Or Delayed Performance") of this clause, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to the clause providing for Termination For Convenience of the Commonwealth.
- (f) **Additional Rights and Remedies.** The rights and remedies provided in this clause are in addition to any other rights and remedies provided by law or under this contract.

§ 22. **Termination for Convenience:**

- (a) **Termination.** The Commonwealth may, when its interests so require, terminate this contract in whole or in part for the convenience of the Commonwealth. The Commonwealth will give written notice of the termination to the Contractor if the contract is terminated for the convenience of the Commonwealth.
- (b) **Contractor's Obligation.** If the contract is terminated, then the Contractor will not incur any further obligation in connection with the terminated contract. The Contractor will work to terminate outstanding orders and subcontracts as they relate to the terminated contract, and will settle the liabilities and claims arising out of the termination. The Contractor will limit and mitigate its damages as much as possible. The Chief Procurement Officer may direct the Contractor to assign the Contractor's right, title, and interest under terminated orders or subcontracts to the Commonwealth. The Contractor must still complete the work not terminated by the notice of termination and incur obligations as are necessary to do so.
- (c) **Compensation.**
 - (i) The Contractor shall submit a termination claim specifying the amounts due because of the Termination for convenience together with cost and pricing data to the extent required. If the contractor fails to file a termination claim within one (1) year from the effective date of the termination, the Chief Procurement Officer may pay the Contractor, if at all, an amount set in accordance with paragraph (iii) of this paragraph.
 - (ii) The Chief Procurement Officer and the Contractor may agree to a settlement provided the Contractor has filed a termination claim supported by cost or

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pricing data to the extent required and that the settlement does not exceed the total contract price plus settlement costs reduced by payments previously made by the Commonwealth, the proceeds of any sales and supplies and manufacturing materials under paragraph 3 of this clause, and the contract price of the work not terminated.

- (iii) Absent complete agreement under subparagraph (ii) of this paragraph, the Chief Procurement Officer shall pay the Contractor the following amounts, provided payments agreed to under subparagraph (ii) shall not duplicate payments under this subparagraph:
- A. Contract prices for supplies or services accepted under the contract.
 - B. Costs incurred in preparing to perform and performing the terminated portion of the work plus a fair and reasonable profit on such portion of the work (such profit shall not include anticipatory profit or consequential damages) less amounts paid or to be paid for accepted supplies or services; provided, however, that if it appears that the Contractor would have sustained a loss if completed, no profit shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss.
 - C. Cost of settling and paying claims arising out of termination of subcontracts or orders pursuant to paragraph (b) of this clause. These costs must not include cost paid in accordance with subparagraph (iii) (B) of this paragraph.
 - D. The reasonable settlement costs of the Contractor including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the contract for the termination and settlement of the contracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of property allocable to the terminated portion of the Contract. The total sum to be paid the Contractor under this subparagraph shall not exceed the total contract price plus reasonable settlement costs of the Contractor reduced by the amount of payments otherwise made from the proceeds of any sales of supplies and manufacturing materials under subparagraph (ii) of this paragraph, and the contract price of work not terminated.

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§ 23. Right to Audit:

The Contractor and subcontractor or grantee and sub-grantee at all levels shall provide the Public Auditor of the Commonwealth with access to and the right to examine and copy any records, data or papers relevant to this contract or grant until three (3) years have passed since the final payment pursuant to this contract or grant. NMIAC § 70-30.3-275.

§ 24. Assurances and Compliance with Federal Requirements:

Any contract funded with federal funds is required to comply with all applicable federal laws, executive orders, policies regulations, and standards applicable to the specific project and provide federal agencies with access to Contractor records. Contractors have a duty to clarify applicable requirements prior to entering into the contract and by signature agree to comply with all applicable federal requirements. The Contractor, by signing the contract, affirms that they are in compliance with federal laws and regulations including, but not limited to, the following:

- (a) Hatch Act (5 U.S.C. §§ 1501-1508 and 7324-7328);
- (b) OMB Circular Part A-133, Part 3;
- (c) Compliance with Executive Order 11246 of September 24, 1965 entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor Regulations (41 CFR chapter 60);
- (d) Compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR Part 3);
- (e) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR Part 5);
- (f) Compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333) as supplemented by Department of Labor regulations (29 CFR Part 5);
- (g) Access by the grantee, the sub grantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions;
- (h) Retention of all required records for three years after grantees or sub grantees make final payments and all other pending matters are closed;
- (i) Compliance with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 1857(h)), Compliance with section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR part 15). (Contracts, subcontracts, and sub grants of amounts in excess of \$100,000);
- (j) Mandatory standards and policies relating to energy efficiency which are contained in the applicable Commonwealth energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871);
- (k) Lead -Based Paint Poisoning Prevention Act (42 U.S.C. §§ 4801.et seq.).

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§ 25. **Design Within Cost Limitation:**

- a) The Consultant shall use its best efforts to design a facility which can be constructed, under normal contracting procedures in the Northern Mariana Islands, within cost limitations, for each separate part of the facility, as provided to the Consultant by the Contracting Officer and as agreed to, in writing, by the Consultant.
- b) Unless stated otherwise in the Scope of Work or other Contract Documents, the Consultant shall be permitted to include contingencies for design, bidding, and price escalation, to determine what materials, equipment, component systems, and type of construction are to be include, and to allow for reasonable adjustments in the scope of the project to be designed. If, after receipt of competitive bids, it is found that a construction contract cannot be awarded within the cost limitations, the Consultant will, as part of the Contract, and at no additional cost to the Commonwealth, re-design, re-estimate, and perform other services as are necessary to produce a useable facility within cost limitations.
- c) In connection with the foregoing, the Consultant shall be obligated to perform such additional service at no increase in the contract price only when the Commonwealth has received competitive bids within six (6) months from the date of final approval of the Consultant's drawings and specifications.

END OF DOCUMENT

AIRLINE INCENTIVE FRAMEWORK

WHEREAS, tourism is a vital part of the economy of the CNMI, however, the COVID-19 pandemic severely curtailed tourism to the CNMI from outside the CNMI and also reduced inter-island travel within the CNMI.

WHEREAS, through the American Rescue Plan Act (“ARPA”), U.S. P.L. 117-2, subtitle M, section 602(c), the federal government provided funds to the CNMI whereby the CNMI could, in turn, provide funding to maintain or revive tourism and tourism related activities in the CNMI.

WHEREAS, the recent temporary closure of the only current inter-island air carrier demonstrated the vulnerability of the CNMI economy, including its tourist economy, to only having one air carrier in the CNMI.

WHEREAS, the Contractor (hereinafter referred to in this Exhibit as “Marianas Southern”) was formed as a joint venture between MP Enterprises, LLC and Southern Airways in order to provide inter-island scheduled and chartered air and cargo passenger service between the islands of the Marianas Islands including Saipan, Tinian, Rota and Guam. However, Marianas Southern needs economic incentives in order to begin operations in the CNMI.

WHEREAS, the government of the CNMI has the means and desire to provide incentive funding to Marianas Southern in order to promote tourism to and within the CNMI and to provide increased economic security for the people of the CNMI.

WHEREAS, as part of this incentive agreement, the CNMI government will provide start-up funding and per flight incentive funding for a set period of time to Marianas Southern. In turn, Marianas Southern agrees to operate certain flights at set rates as well as provide other consideration.

NOW, THEREFORE, the parties hereto agree as follow:

1. Initial Incentive Fund. Upon the effective date of this Contract, the CNMI shall provide to Marianas Southern \$1.5 million dollars in ARPA sourced funding for the purpose of mitigating start-up costs for the airline. “Start-up cost” include acquisition or mobilizing of aircraft/fuel and equipment, staffing, flight crews, training, travel costs, consultants, preparing counter space at CNMI airports, and costs related to those activities. Within thirty days of the start of flight operations in the CNMI, Marianas Southern will provide the CNMI an itemized accounting of the items that the Initial Incentive Fund monies were used for. Any monies of the \$1.5 million Initial Incentive Fund not used on start-up costs will be returned to the CNMI. If Marianas Southern is paid the Initial Incentive Fund on or before April 1, 2022 but fails to start flights in the month of June (subject to delivery of aircraft from the manufacturer (any delay not to exceed thirty days beyond the end of June)), Marianas Southern will reimburse the government of the CNMI any and all monies provided to the airline under this section.

2. Flight Incentive Program.

(a) Marianas Southern agrees to begin scheduled flight service in the month of June. Marianas Southern agrees that during the "incentive period," it will provide a minimum of 42 weekly departures serving Saipan, Tinian, Rota, and Guam. In addition, Marianas Southern agrees that as soon as possible, but no later than three (3) months after commencing operations, Marianas Southern will offer same-day connectivity to Saipan with United Airlines' Honolulu-Guam flight. These flights will substantially conform to the schedule set-forth in the Marianas Southern's proposal. (See Exhibit C). Marianas Southern further agrees that it will increase flights/departures during the incentive period. Marianas Southern will utilize Tecnam P2012 Traveler or Cessna Grand Caravan aircraft during the incentive period.

For the first six months of the incentive period, Marianas Southern shall offer flights at the following fares:

Saipan to/from Guam: \$99.00
Saipan to/from Tinian: \$39.00
Saipan to/from Rota: \$69.00
Rota to/from Guam: \$69.00

(b) The CNMI shall provide the following per-flight/departure incentive funding during the incentive period:

Incentive per Departure (Each Way) Based on Number of Monthly Segments			
Flight Between	First 500	Next 500	Next 1000+
SPN & GUM	\$583.33	\$486.11	\$416.67
ROP & GUM	\$408.33	\$340.28	\$291.67
SPN & TIQ	\$175.00	\$145.83	\$125.00
SPN & ROP	\$350.00	\$291.67	\$250.00
TIQ & GUM	\$495.83	\$413.19	\$354.17

To claim the incentive money, within 15 days of the end of a month, Marianas Southern will provide a report and invoice listing and enumerating the amount of flights/departures for the prior month, the route of the flight/departure, and the incentive amount as set forth in this Exhibit B. Marianas Southern may transmit the report and invoice by electronic mail, or post-marked certified mail, or facsimile.

Upon receipt of the report and invoice, the CNMI shall have 30 days to verify or otherwise satisfy itself of the authenticity of the claim. Upon the verification or satisfaction of the CNMI (such satisfaction not to be unreasonably withheld), the CNMI shall immediately remit the total incentive amount for that month. If the CNMI objects to any part of an invoice, then it shall pay the unobjectionable portion of the incentive amount immediately. Mistake as to the veracity or satisfaction regarding a claim does not render any future discovery of a fraudulent report or invoice, or discovery of a report and invoice based on gross negligence or willful misconduct, as un-actionable. Upon discovery, the CNMI may pursue the actions and remedies described in the

following paragraph.

If Marianas Southern submits a fraudulent report or invoice, or submits an erroneous report and invoice, and such error amounts to gross negligence or willful misconduct, the CNMI reserves the right to withhold incentives, bring suit or terminate the Contract. Any knowingly false statement made in the report and invoice may be actionable and prosecuted for fraud, misrepresentation, and/or breach of contract.

(c) As used in this section, the “incentive period” is the eighteen (18) months after first flight of a scheduled flight in the month of June.

3. Government Related Pricing

(a) Subsequent to the first six-months of the incentive period (as provided in Section (2)(c) of this Exhibit B) and for the rest of the incentive period, Marianas Southern shall implement and administer a Corporate Discount Program for official CNMI government travel on any flight operated by Marianas Southern. Marianas Southern shall be responsible for ensuring approved travel agencies in the CNMI are able to issue airline tickets in accordance with this Corporate Discount Program. This Corporate Discount Program may be patterned after existing programs currently administered by Marianas Southern.

(b) At least for the incentive period (as provided in Section (2)(c) of this Exhibit B), Marianas Southern shall provide the CNMI government charters rates as follows:

Route	Introductory Government Charter Rate	Incentive to be Applied	Final Costs
Saipan/Tinian	\$450	\$175	\$625
Saipan/Rota	\$900	\$350	\$1,250
Saipan/Guam	\$1,600	\$583	\$2,183

Prices are listed as each way and the incentive amount is to apply for the incentive period (as provided in Section (2)(c) of this Exhibit B).

Introducing a New Era in Inter-Island Air Travel



MARIANAS
— SOUTHERN AIRWAYS —

The Air Bridge of the Marianas

*A Saipan-based joint venture partnership with
America's Most Reliable Commuter Airline*

SOUTHERN



 iFlyMarianas.com

Making the case for Marianas Southern Airways

PAST HISTORY OF A SUCCESSFUL AIR SERVICE

The Mariana Islands have had a proud and storied history of air travel, pre-dating even the Golden Age of Aviation. As elders in the community look at the present state of inter-island air travel, they may wonder, "How did we get here? How could we travel so freely in the past but be so limited today, especially considering all the advancements the world has experienced in the last few decades? Have we been forgotten about, ignored, or simply overlooked? Is this our new normal? The answer to the last question is a resounding "no." The current state of inter-island air travel does not have to be the new normal. The days of being overlooked and underserved will soon become a relic of aviation history as we enter a "New Era of Inter-Island Air Service" and propel the Commonwealth of the Northern Mariana Islands into the future.

In 1968 - what seems like a lifetime ago - Air Micronesia established its headquarters in Saipan. Its launch was probably the single most important factor in the economic development that would span the next half-century as, for the first time, once-remote islands in the Pacific were connected to one another and the world at large. In the 1980's Air Micronesia became wholly-owned by Continental Airlines and its headquarters was moved from Saipan to Guam.

Cape Air, a Boston-based commuter airline primarily operating dated 8-seat piston-driven aircraft, began operating 42-seat ATR aircraft under the Continental banner in 2004. The service featured up to five daily flights between Guam and Saipan, as well as service from Rota to both of those islands. In 2012, Continental was acquired by United Airlines, and in 2018, after 14 years of providing connectivity between the Mariana Islands, United cut ties with Cape Air in Micronesia. This decision left Cape Air with a choice of either operating independently from United or vacating the marketplace altogether. Cape ultimately ceased operations, and United offered limited service between Guam and Saipan, over-flying Rota on that route.

Perhaps one of the reasons Cape Air chose not to continue flying in the region was the early success of Star Marianas Air. Star Marianas began as a charter operator in 2009 with a fleet of 5-seat Piper Cherokee 6s. The airline transitioned to become a scheduled-service operator in 2014. Two years later, it expanded its fleet to include 8-seat Piper Chieftains. At its peak, Star operated up to 200 flights per day within the islands. As the flight frequency of Star Marianas became a popular draw for daily passengers, larger aircraft that operated with limited frequency (like those of Cape Air) became less desirable. Without the help of United, it would have been difficult for Cape to compete with the convenience of the full time-of-day departure schedule that Star Marianas provided.

Air travel within the islands is a necessity, and the companies that provide it have always been well-respected by island leaders and communities. Air Micronesia, in particular, is credited with opening the Mariana Islands to the world for tourism and economic growth. When Air Micronesia's headquarters was moved from Saipan to Guam, its decisions continued to be made locally. It was only after United Airlines' acquisition of Continental that those decisions began to be made in Chicago, with very little input from the community. Nevertheless, the company and its services remain a source of positive memories for many islanders to this day.

CURRENT AIR TRAVEL DILEMMA

Unfortunately, air travel throughout the Marianas is no longer the positive experience that it was during the early 2000s. Currently, there are no legacy carriers serving the CNMI except for United, which only provides one flight per day between Guam and Saipan.

FINANCIAL CONSIDERATIONS

Reliable air transportation is vital for the CNMI economy. It provides the city-pair connections that serve as virtual bridges between the islands to support a healthy flow of key economic activities. Air service facilitates links between businesses, governments, and people, enabling trade, investment, tourism, and travel—not to mention critically important health care accessibility for people living in rural communities.

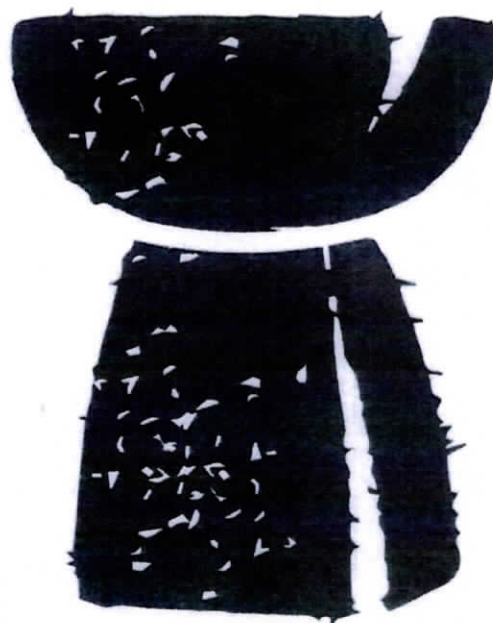
Air connectivity strengthens the CNMI's participation in the global economy by increasing access to international markets and facilitating the globalization of production and supply chains. Because 54% of international tourists travel by air, it is also indispensable for tourism, a major engine of economic growth—particularly in emerging economies. Aviation widens markets and unlocks an incredible range of economic benefits, including greater access to international capital, human resources, and investment. This is why improving air connectivity can generate a substantial boost to economic growth. As the world recovers from the COVID pandemic, it is critically important to ensure that the CNMI has a reliable, reputable, and efficient airline operating between the islands.

According to a study undertaken by global consulting firm PwC, air connectivity can strengthen a country's economy over the long haul, boosting productivity through its positive impact on businesses. Furthermore, the report notes that stakeholders have the ability to influence many factors that enable greater air connectivity through - amongst other things - regulatory and economic frameworks that enable growth.

Considering the necessity of reliable air transportation to the overall well-being and economic growth of the CNMI, Marianas Southern Airways is requesting governmental incentives to initiate service.

Its operating airline, Southern Airways, has countless opportunities for growth on the U.S. mainland and in Hawaii. Resources, such as planes and pilots, can be immediately deployed to routes in the mid-Atlantic region, the Gulf South, and in Southern California, where air service needs are time-sensitive and where Southern already has operations. To relocate assets to the western Northern Pacific versus simply taking advantage of easier opportunities is a considerable risk to Southern and comes at a significant cost.

Marianas Southern Airways was formed to bring reliable, modern, and immediate inter-island air service to the CNMI and to provide the air transportation infrastructure required for economic recovery. It also seeks to serve the health and well-being of island communities. In order to do this, and to guarantee long-term sustainability, Marianas Southern Airways is requesting a financial incentive package to help mitigate start-up risks and provide a solid foundation for future growth.



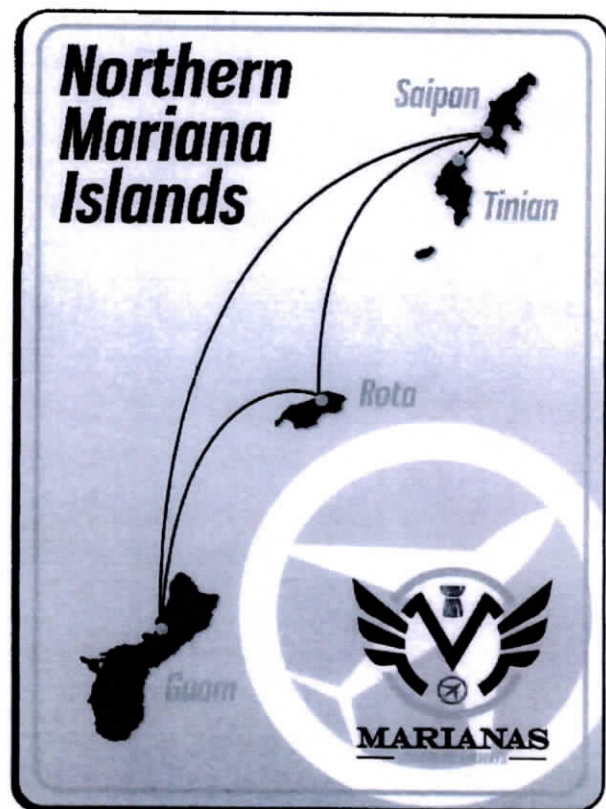
FINANCIAL INCENTIVES

Financial incentives will ensure the delivery of aircraft (anticipated in April 2022), airline startup, reliable travel services at the introductory rates proposed for a period of 6 months and the airline's commitment to ramp up operations to meet the community's needs over 18 months. This would also include reasonable cargo rates when such services are offered.

An Initial Incentive Request of \$1.5M is required to start the inter-island airline, mobilize aircraft and prepare for the first flights. This Initial Incentive amount will help mitigate the risks associated with ferrying \$12M of aircraft to the CNMI from the U.S. mainland where current route opportunities are both immediate and financially supported by federal subsidies. For Southern to overlook the guaranteed revenue potential of these routes and instead relocate aircraft, establish pilot bases, and create an entirely new operational structure, financial considerations are a necessity.

The investment of Marianas Southern Airways resources in the CNMI comes with considerable hard costs, and the allocation of aircraft (due to the remote geographical location of the islands) will be essentially permanent. These risks must be offset by long-term financial assurances.

To guarantee a successful launch and mitigate the ongoing costs and uncertainties of establishing new routes on the heels of a global pandemic, while simultaneously adding more aircraft to the fleet, Marianas Southern Airways is also requesting a per-flight incentive for a period of eighteen months. This will ensure additional aircraft will be provided to meet demand. The incentive amounts are illustrated in the table below.



Incentive per Departure Based on Number of Monthly Segments

Route	First 500	Next 500	Next 1000+
SPN-GUM	\$583.33	\$486.11	\$416.67
ROP-GUM	\$408.33	\$340.28	\$291.67
SPN-TIQ	\$175.00	\$145.83	\$125.00
SPN-ROP	\$350.00	\$291.67	\$250.00

ABOUT THE SOUTHERN AIRCRAFT

Marianas Southern Airways is targeting two potential aircraft types for operation in the CNMI. One is the Cessna Grand Caravan, a turbine-powered aircraft that Southern has extensive expertise in operating. The other is the newly developed Tecnam P2012 Traveler, a modern twin-engine aircraft that has been tested in high-frequency commuter operations for the last three years.

The Cessna Caravan was developed in 1982 and is one of the only aircraft types to remain in constant production for the last 40 years. The 9-passenger turboprop aircraft has been well-reviewed by passengers living in the communities where Southern flies. With the Caravan, Southern has demonstrated the ability to offer record-setting passenger counts across multiple markets. The seating configuration allows for more personal space than passengers usually experience flying in business class on large passenger jets. Each Caravan is equipped with an underbelly cargo pod, making large suitcases, packages, and golf clubs easy to transport. The aircraft is powered by the time-tested Pratt & Whitney PT6-A engine, which has consistently evolved since its 1964 debut.

The Tecnam P2012 Traveler is known as the world's most advanced twin turbocharged piston aircraft. Manufacturing aircraft for more than 70 years, Tecnam has developed the P2012 Traveler to meet the challenges of daily scheduled airline operations. The 9-seat aircraft features generous luggage allowances to complement its sleek and modern interior design which includes LED reading lights, over-head air conditioning controls, and ergonomic seats with a USB port, armrest, and cup holder.

Either of these multi-million dollar aircraft will successfully move the inter-island air service offerings into the modern age of aviation and will provide an operating platform to meet the needs of the reemerging CNMI economy.



Tecnam P2012 Traveler



Cessna Grand Caravan

Southern Solves the National Pilot Shortage

Entire aircraft fleets have been retired in the past decade, and many American carriers have ceased operations as a direct and proximate result of not being able to recruit and retain adequate numbers of crew members. Southern recognized this issue early and began taking steps to position itself for competitive advantage.

Southern's Chairman served as a member of the Department of Transportation Working Group to study these issues and help alleviate the problems related to rural air service. Since that time, Southern has implemented groundbreaking programs to recruit and retain quality pilots, including the Southern Senior Pilot Leadership Program and the Southern Airways Pilot Cadet Program. In addition, the airline has a full-time recruiting staff dedicated to bringing the best and brightest candidates to Southern Airways. The company's pilot corps numbers are among the best in the industry and promise a very positive 2022 and beyond.

As demonstrated by its controllable completion rates which have led the industry since November of 2017, Southern has rarely canceled a flight due to crew availability. Now that the COVID pandemic has subsided and travel has rebounded, a pilot hiring frenzy is taking place at all major carriers and regional airlines. Southern's pilot recruiting and retention strategies have insulated the airline from the adverse effects of the recent pilot shortage trends. In 2021, Southern trained over 150 new pilots—keeping the airline properly staffed for the months and years to come. Southern is the only commuter airline that has a fully-developed pilot pipeline that has kept the pilot corps 100% staffed since November 2017. The January pilot class welcomed 25 pilots, setting 2022 up to be best year for recruitment thus far.

To guarantee flight performance and reliability for Marianas Southern Airways, Southern intends to have a mix of locally-based pilots living in Saipan and Guam as well as transient pilots from other Southern Airways regions. This hybrid model will allow for a constant flow of pilots to ensure that flight frequency can increase as demand dictates. Having pilot bases on each end of the island chain will allow for both early morning and late evening departures in both directions.

 [FACEBOOK.COM/IFLYSOUTHERN](https://www.facebook.com/IFLYSOUTHERN)

 [INSTAGRAM.COM/FLYSOUTHERN](https://www.instagram.com/FLYSOUTHERN)

 [PINTEREST.COM/IFLYSOUTHERN](https://www.pinterest.com/IFLYSOUTHERN)

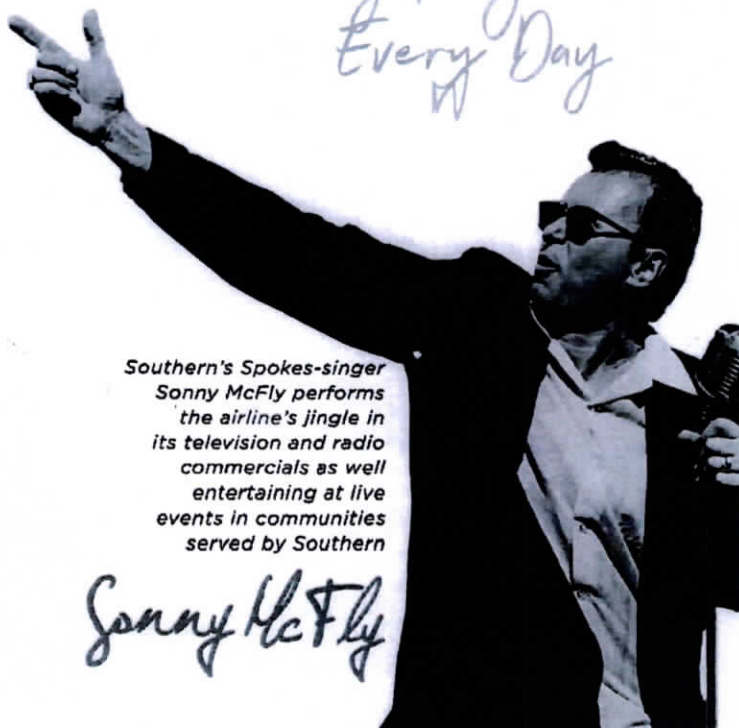
 [TWITTER.COM/IFLYSOUTHERN](https://twitter.com/IFLYSOUTHERN)

 [YOUTUBE.COM/USER/IFLYSOUTHERN](https://www.youtube.com/user/IFLYSOUTHERN)

*Every Passenger.
Every Flight.
Every Day*

*Southern's Spokes-singer
Sonny McFly performs
the airline's jingle in
its television and radio
commercials as well
entertaining at live
events in communities
served by Southern*

Sonny McFly



Southern Airways By the Numbers

222 Daily Departures

30,000 Monthly Passengers

510 Employees

225 Pilots

35 Aircraft

39
Amazing
Destinations

IN THE MID-ATLANTIC:

Bradford, Penn.

DuBois, Penn.

Lancaster, Penn.

Morgantown, W.Va.

IN NEW ENGLAND

Boston/Hanscom, Mass.

Boston/Harbor, Mass.

Boston/Norwood, Mass.

Bridgeport, Conn.

New Bedford, Mass.

Providence, R.I.

IN NEW YORK

East Hampton

Montauk

Shelter Island

IN THE GULF:

Destin, Fla.

Harrison, Ark.

Palm Beach, Fla.

El Dorado, Ark.

Hot Springs, Ark.

Tampa, Fla.

IN CALIFORNIA:

Imperial/El Centro

IN THE ROCKIES:

Chadron, Neb.

IN HAWAII:

Hana

Kapalua

Kona

Molokai

Hilo

Kalaupapa

Lāna'i City

Waimea-Kohala

10 HUB/FOCUS CITIES:

Dallas

Denver

Honolulu

Kahului

Los Angeles

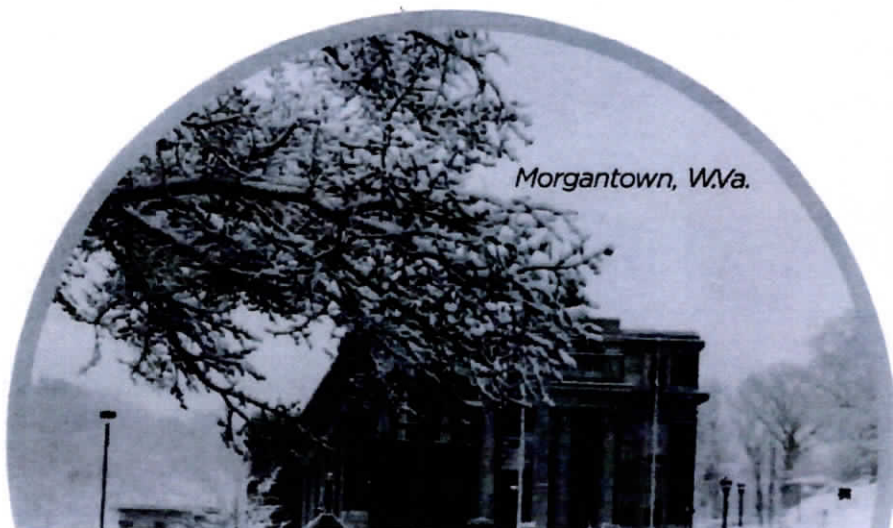
Memphis

Nantucket

New York City

Pittsburgh

Washington-Dulles



ALL MAJOR DISTRIBUTION CHANNELS

Southern invests a considerable portion of its marketing budget to promote its service to traditional travel agents and to internet shoppers who purchase tickets through online travel agencies.

MAJOR GLOBAL DISTRIBUTION SYSTEMS:

Sabre
Amadeus
Worldspan
Galileo
Travelport
Apollo

MAJOR ONLINE TRAVEL AGENCY WEBSITES:

Expedia
Travelocity
Orbitz
Kayak
Priceline
Cheaptickets

amadeus

Sabre

Travelport 

KAYAK

ORBITZ

priceline.com


 Expedia


travelocity

Southern's interline partners United, American, and Alaska

Southern is interline partners with three major airlines. This means seamless ticketing and baggage connections to and from your final destination.

UNITED 

American Airlines 

Alaska.



What Are They Saying About Southern

OLEAN TIMES HERALD

Southern Airways has record December at Bradford airport

By MARICE SCHELLHAMMER The Bradford Era Jan 25, 2022



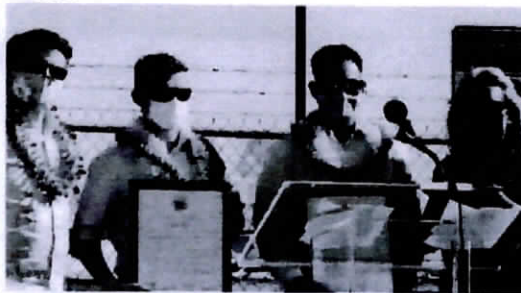
A Southern Airways plane parked at Bradford Regional Airport.

"I feel like they're committed to the community. When they say they're going to do something, they do it. That means spare planes and spare crews (to serve Hot Springs)."

—Glen Barentine, Hot Springs Airport Manager.

HAWAII NEWS NOW

Mokulele Airline pilots honored for their heroic efforts



"Southern continues to provide good service and we appreciate what they have done for the airport. They have an excellent completion rate at 97 percent. Compare that to other airlines, and you'll find that percentage is excellent."

—Jay Chamberlin, Chairman, DuBois Regional Airport Commission

Arkansas Business

Southern Airways Keeps Bringing EAS Reliability to 3 Cities

By Sarah Campbell-Miller
Monday, April 16, 2023 12:00 pm 3 minutes



Southern Airways Express plane at El Dorado, Hot Springs and Morrilton.

"Their customer service performance has been excellent. Their service performance has been so much better than their predecessor's"

—John Sutherland, Chadron, Nebraska City Manager

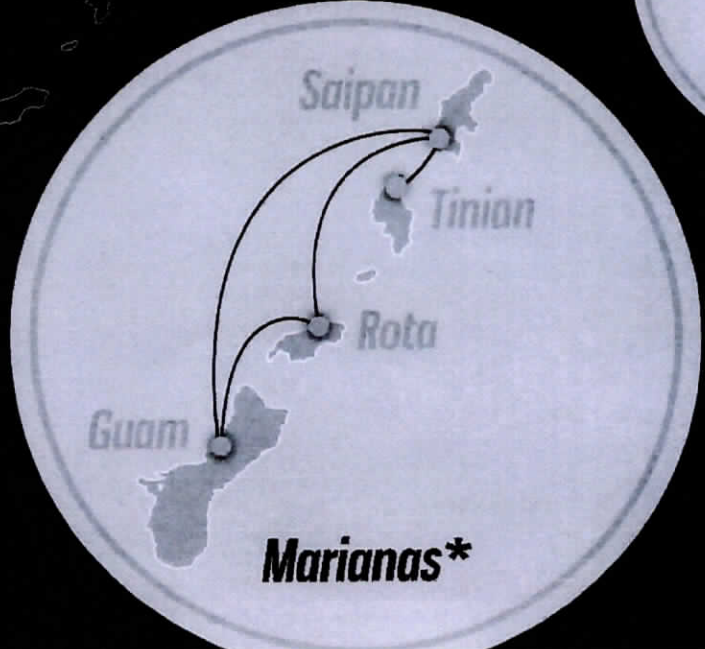
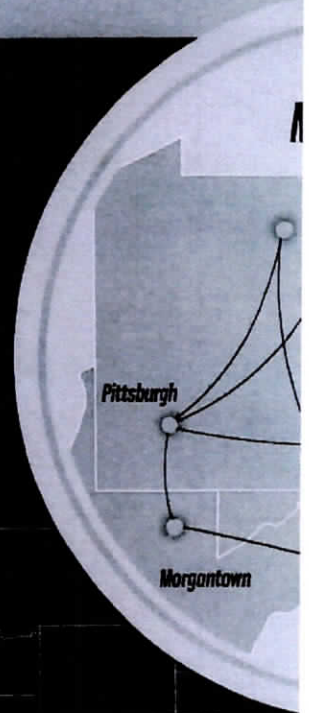
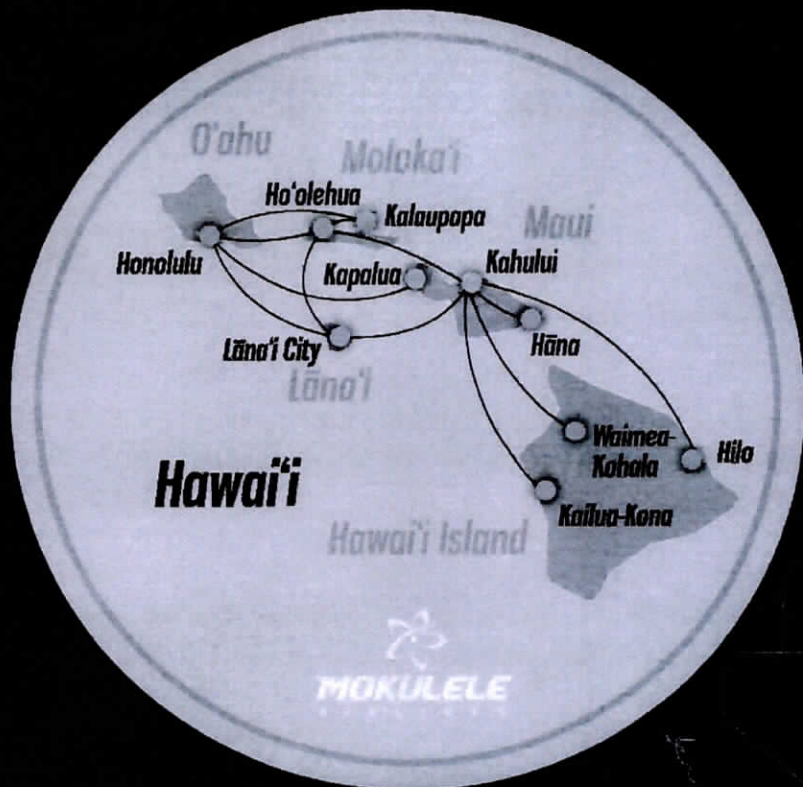
Mokulele Airlines expanding service to fill void left by 'Ohana by Hawaiian's suspension of operations

Star Advertiser



Sonny McFly

Southern Spokes-singer



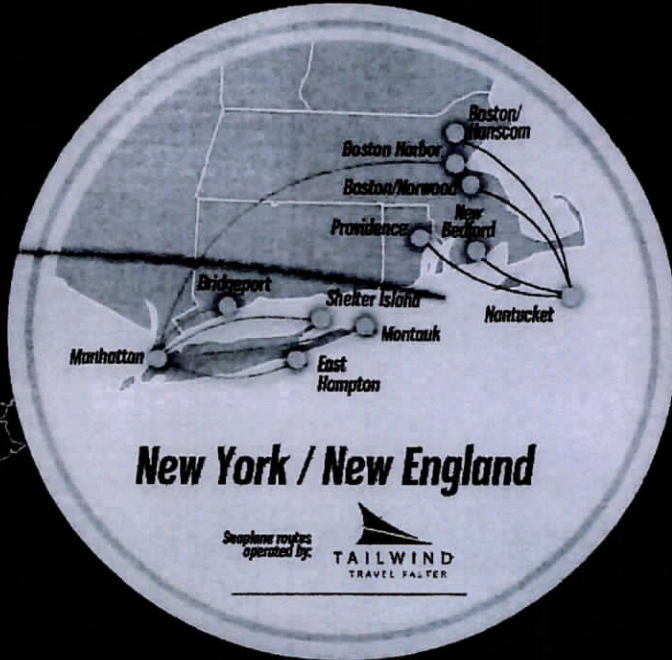
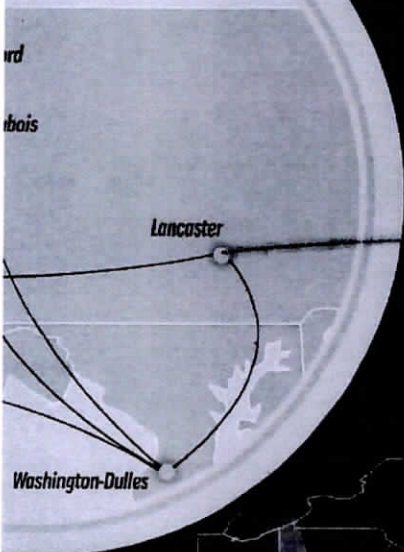
SOUTHERN
 EXP

Route

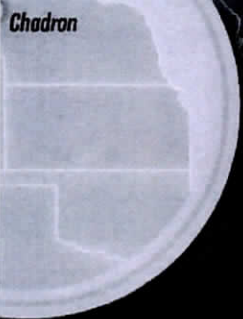
Now serving 44
 234 daily

MAP
 Weekend
 * CO

Atlantic



Rockies



WAYS

Map

s with over
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SOON

Launching a New Era of Inter-Island Air Service

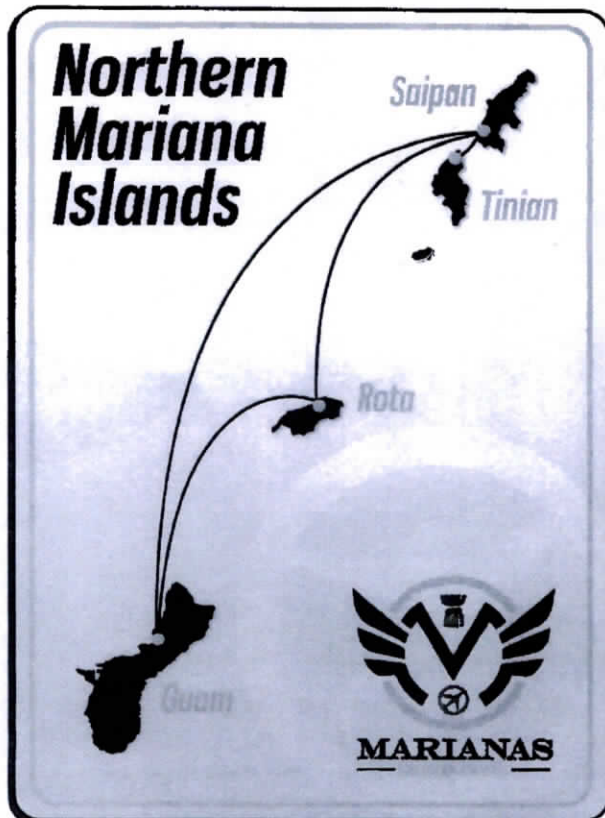
THE INITIAL LAUNCH STRATEGY

Marianas Southern Airways will launch service with three initial aircraft based in Saipan and Guam and is planning for a total of six aircraft over the next three years to meet the anticipated demand. Having a comprehensive route network is essential to the long-term success of the airline.

The initial offering will include up to 42 weekly flights serving Saipan, Tinian, Rota, and Guam, reconnecting the islands of Rota and Guam for the first time in many years. Importantly, in phase two of the rollout, the airline will offer same-day connectivity to Saipan with United's Honolulu-Guam flight, thereby avoiding an unnecessary overnight stay in Guam.

Through Southern's interline agreement with United Airlines, the ability to make a seamless reservation from Tinian, Rota, or Saipan to anywhere in the United network will be available for the first time in nearly a decade.

			
Saipan to Tinian		Tinian to Saipan	
Departure	Arrival	Departure	Arrival
7:00 A.M.	7:15 A.M.	7:35 A.M.	7:50 A.M.
12:30 P.M.	12:45 P.M.	1:05 P.M.	1:20 P.M.
4:00 P.M.	4:15 P.M.	4:35 P.M.	4:50 P.M.
Saipan to Rota		Rota to Saipan	
Departure	Arrival	Departure	Arrival
8:15 A.M.	8:45 A.M.	11:10 A.M.	11:40 A.M.
1:45 P.M.	2:15 P.M.	2:35 P.M.	3:05 P.M.
Saipan to Guam		Guam to Saipan	
Departure	Arrival	Departure	Arrival
8:15 A.M.	9:40 A.M.	10:15 A.M.	11:40 A.M.
5:15 P.M.	6:05 P.M.	6:40 P.M.	9:30 P.M.
Rota to Guam		Guam to Rota	
Departure	Arrival	Departure	Arrival
9:05 A.M.	9:40 A.M.	10:15 A.M.	10:50 A.M.



PUBLIC FARES

Like most airlines, Southern Airways follows a three-tiered fare structure, with many seats selling at a discounted purchase price for those who can plan more than two weeks out. Most seats are sold at the middle fare class, with the remainder being sold at a premium. This structure allows the last seats on the plane to be available for those who need to book last minute. Marianas Southern Airways will follow this pricing strategy over time, but for the first six months of operations, most seats will be sold at one flat introductory rate.

Introductory fares:

Saipan to Guam: \$99
Saipan to Tinian: \$39
Saipan to Rota: \$69
Rota to Guam: \$69

MARKETING AND COMMUNITY OUTREACH

It has long been established that the best marketing an airline can do is to provide great customer service, on-time departures, and near-perfect reliability. Word-of-mouth from satisfied customers is crucial to successfully growing ridership. In addition to providing reliable and affordable air service, Marianas Southern Airways plans to utilize all traditional and social media channels, as well as invest in community engagement initiatives. Additional passenger-building plans include partnerships with local tourism offices, accommodation providers, and popular attractions offering packages that include airfare.

The branding strategy of Marianas Southern Airways will be positioned as "A New Era in Inter-Island Air Travel." This positioning has been developed to let passengers know that a modern alternative to their current sub-par airline offerings is now available. The most reliable and fastest-growing commuter airline in America will soon be serving the Commonwealth of the Northern Mariana Islands with a focus on creating economic growth through safe, affordable, and consistent air travel.

BRANDING

A strong brand and effective communications are critical to the success of Marianas Southern Airways. The primary branding goal is to position the airline as a modern air travel solution while also focusing on tangible customer benefits - specifically safety and reliability. The secondary branding goal is to establish Marianas Southern Airways as a driving force in the rebuilding of the CNMI economy. Air Micronesia was credited as being the primary factor in the opening of Micronesia to the world for tourism and economic growth. It was supported by island leaders and, to this day, is remembered fondly by local communities.

Marianas Southern Airways can one day be recognized with similar affection as a primary component in the post-COVID revival of the islands.

Marianas Southern Airways is a home-grown airline with local ownership and decision-makers. Brand messaging will highlight this fact in the hope that locals will come to associate Marianas Southern with the great air service they received from Air Micronesia when the company was based in Saipan.

ADVERTISING

Advertising will focus on traditional media local to CNMI and Guam as well as digital and social media solutions that specifically target the key demographic.

Key Demographic:

Primary: Customers living or working within the CNMI and Guam.

Secondary: Leisure customers seeking to visit the CNMI or Guam.

Key Messages:

Convenience – frequent flights featuring easy-in and easy-out facilities with no long screening, boarding, or customs lines.

Comfort – modern aircraft featuring new interiors, air conditioning, and a quiet in-cabin experience.

Competitive rates – customers will be offered a competitive value proposition based on service, frequency, fares, and reliability. Attention – customer feedback will be solicited, carefully considered, and addressed to customize air service options that best fit customers' needs.

Traditional media partners may include: The Saipan Tribune, Marianas Variety, Pacific Daily News, The Guam Daily Post, Joy FM, Power 99, KKMP, and selected Guam radio stations.

SOCIAL NETWORKING AND ONLINE MEDIA STRATEGY

Online media, blogs, and social networking sites provide an excellent and cost-efficient way to create an online community of consumers ahead of launch.

Corporate profiles and follower sites will be developed for Marianas Southern Airways on Facebook, Instagram, LinkedIn, and Twitter. Individuals and business customers can all be reached via these mediums.

In sync with the traditional media launch rollout, milestones and news will be tweeted to "followers" across all social media platforms and will be managed by a social media aggregator tool to ensure uniformity of message.

Social media profiles will begin with low-key messaging and progress rapidly as developments take place. The airline will also make use of pre-established contacts through the airline team's personal accounts.

Post-launch, close monitoring of these sites can help to identify potential issues ahead of time, allowing leaders to resolve these issues quickly and find solutions to problems as they arise.

POSITIONING FOR MEDIA COVERAGE

As it builds its media profile, Marianas Southern Airways will highlight its credibility as an air travel provider. Key messages will include: The airline is a well-financed operation comprising an 'A-list' management team. The operating airline is particularly experienced in inter-island operations. Marianas Southern Airways brings a modern air-travel solution to the CNMI and will be a necessary part of the post-COVID inter-island economic recovery.

A press packet and electronic press kit will be produced to brief media on the airline's business strategy, route/airport selection, product development, and launch timeframe. Press releases, backgrounders, and fact sheets will be disseminated broadly as the airline completes the path to launch.

MEDIA COVERAGE TALKING POINTS:

Local Leadership -- Marianas Southern Airways is a Saipan-based company with local owners who will be involved in all operations and decisions that affect local communities.

Experience -- Though the company is local, its operating airline, Southern Airways, is the most respected commuter airline in America, as evidenced by its interline partnership with United Airlines. As a result of its operation of Mokulele Airlines, the largest inter-island airline in Hawaii, (based both on its number of daily departures and its number of destinations served), Southern is intimately familiar with inter-island operations.

Modernity -- Marianas Southern Airways is bringing a modern air travel solution to the CNMI with its modern aircraft, professional management team, and global connectivity to United Airlines.

Dependability -- Southern Airways is the most reliable commuter airline in all of America. At the height of the COVID pandemic, Southern's financial security allowed the airline to lose millions while providing essential workers, healthcare professionals, and government officials the flights they needed in order to keep Hawaiian communities safe. That same level of dedication and attention will be given to clients in the CNMI.

Economic Growth -- The cornerstone of any thriving economy is the ability for people and goods to travel easily from one place to another. For this reason, Marianas Southern Airways is vital to the future of the Marianas.

KEY MEDIA EVENTS

Initial Announcement – local media will be invited to press conferences held in Saipan and Guam for a formal announcement of service, ticket on-sale dates, and inaugural flight days.

Inaugural Flight - a full inaugural publicity blitz, including “behind the scenes” features and opportunities to see the project come to fruition in print and on television, will be planned to launch the airline. Media will be invited onto various flights throughout the inaugural flight day.

COMMUNITY OUTREACH

A significant portion of the marketing strategy will be dedicated to the targeting of community partners. These relationships are important to build synergies between local businesses, community organizations, and the airline. Marianas Southern Airways has identified the following starting points for implementing this initiative.

Local Chambers and Civic Organizations – Chambers of Commerce, along with civic groups such as Rotary and Lions Clubs, provide a great platform for sharing the benefits of new businesses with their respective members and member lists. Each of these organizations also participates in community events and fundraisers where sponsorships and ticket donations could do tremendous good for the airline’s stature in the community. Being a good corporate partner is also morale-building for the airline’s team members, as involvement with charities and schools instills a sense of pride while contributing to the overall well-being of local communities.



Key Influencers – identifying the key influencers on each of the islands and enlisting those individuals to be airline advocates is an essential method of building grass-roots support for the new brand and its air travel options.

Blogger Outreach – Marianas Southern Airways recognizes that traditional journalists are no longer the exclusive distributors of information. Many everyday people have become successful online bloggers and have developed large followings. To maximize the airline’s messaging reach, qualified bloggers will be treated as local journalists. Top bloggers will be invited to preview the aircraft ahead of launch and fly on inaugural services.

Government Outreach – The airline understands its responsibility to keep local officials informed about every facet of its operations. Commitments to the environment, job creation, local investment, and increased flight frequency are just a few of the items that will be communicated to local government on a regular basis. This vigilance on the part of Marianas Southern will further secure buy-in while preventing confusion, misinformation, and speculation from entering the public debate. Marianas Southern Airways believes it is essential to share the success stories of the airline and give important media opportunities to community leaders.

TARGET AUDIENCE ACQUISITION STRATEGY

While it is understood that the initial launch of the service will create an unavoidable buzz among CNMI residents desperate for modern air travel solutions, it is also necessary to identify and engage with likely consumers. The following key sectors will be among the first groups targeted.

Business Customers within the Catchment Area – Marianas Southern Airways will target business customers through electronic geo-targeted marketing channels as well as news and business media. The airline’s goal is to register these customers for updates using the official website and social media channels in advance of the first flight.

Leisure Customers within the Catchment Area -- the airline will attract leisure consumers through traditional and social media platforms, thus creating an online community of potential passengers. In addition to paid media, Marianas Southern Airways intends to be visible in the community via casual, guerrilla-marketing style promotions on each island. The online community will be offered sales and special promotions such as weekend getaways to stimulate demand when corporate travel is light.

Corporate, Government, and Frequent Fliers -- for the past five years, Southern Airways has catered to corporate clients using its "21st Century e-Ticket Book" platform, which offers pre-paid travel discounts to clients who use the service often. Sales agents will aggressively canvass small to medium-sized enterprises, local corporations, and government organizations to promote and execute this successful corporate program.

Travel Management Companies and Travel Agents -- airline sales staff and senior executives will make use of new and pre-existing relationships with travel management companies, travel agencies, and other travel industry organizations. Familiarization tours will be offered to travel organizations such as the Marianas Visitor Authority and Guam Visitors Bureau. These tours will also be available to other travel partners representing local hotels and special attractions.

Package Tours -- Marianas Southern Airways will work with local business partners such as hotels, tour operators, The Marianas Visitor Authority, and Guam Visitors Bureau to develop marketable tour packages. Examples of such packages will be golf trips from Guam to Rota and Saipan, day trips to visit the sights of Tinian, diving and fishing tours, and any similar ventures that can be identified as adding economic value to the islands.

Military -- a key initiative will be to schedule regular and ongoing meetings with military stakeholders. The airline firmly believes in providing quality air service for the CNMI's growing military presence - both for official and leisure travel - is essential to long-term success. This sector is highly important to the economic growth of the region.



Star Marianas, after abruptly ceasing air operations in December 2021, is now flying less than 20 daily flights between Saipan, Tinian, and Rota—it offers no passenger flights to or from Guam.

In 2020, Saipan-based businessman Keith Stewart and his associate Bill Giles began working on an air service development concept to bring heavy-lift back to Saipan. Stewart and Giles recognized that the past success of Air Micronesia was heavily attributable to the fact that it was a Saipan-based airline with local leaders and decision-makers. They contracted Strategic Aviation Solutions, an experienced and proven consulting team that has launched airlines around the globe. Together, they formed Marianas Pacific Airlines, a start-up company with the goal of bringing high-yield international travelers directly to Saipan. Recognizing the gap in the availability of cargo air service in and out of the area, coupled with the demand for passenger travel on selected international routes, a new market entrant could be expected to increase the tourism base and stimulate the overall economic stability of the islands.

Over the next three years, Marianas Pacific Airlines' start-up operations will provide 52 flights per week on seven niche routes using three U.S.-registered Boeing 757-200 aircraft. The planned B-757 routes will be accessible to over 313 million people in four countries within a 6-hour and 15-minute flight time of Saipan. One key objective of this plan is to provide non-stop links to Saipan and Guam from Australia, a high-yield tourism market that the Marianas Visitor Authority has sought to access for many years. (United previously operated flights between Guam and Sydney.)

Originally, Marianas Pacific Airlines planned to delay the expansion of inter-island commuter connections until Phase II of its business plan

--with the idea that flights to Tinian, Rota, and Guam could further support and enhance the international market for the B-757 operation. This strategy has now changed following the abrupt suspension of services by Star Marianas. The interruption of service by the only inter-island carrier in the Marianas stoked fear among the local citizens, as the general health and well-being of the community is direly-dependent upon connectivity. As a result, leaders in the CNMI requested that Marianas Pacific Airlines immediately shift focus and find a way to fill the critically-important need for reliable inter-island air travel.

Though Star Marianas Air has resumed some daily flights, there is no certainty that operations will not be disrupted in the future. It is also widely recognized that the company will require a significant injection of capital if it is to upgrade its fleet from the decades-old piston aircraft to planes that will meet the future needs of the community. These concerns about the general health of the airline have expedited an immediate need for a long-term solution.

THE FORMING OF A JOINT VENTURE AND THE IMPORTANCE OF LOCAL OWNERSHIP

In order to create an immediate solution with long-term sustainability, Marianas Pacific Airlines realized it would be necessary (and efficient) to partner with an established, reputable, U.S. operator with inter-island aviation experience. After a period of research and exploration, MPA decided to target and recruit Southern Airways - one of the largest commuter airlines in America. The resulting relationship led to a joint venture in which the principals of Marianas Pacific and Southern Airways became equal partners with a goal of launching near-term relief to the current air travel crisis. CNMI-based Marianas Pacific Express, marketed as Marianas Southern Airways, was formed in January of 2022.

The joint venture will feature Southern Airways as the air service operator focusing on safety, flight and ground operations, ticketing, maintenance, and finance. Local owners will contribute market knowledge, media, governmental relations, route development, schedule planning, and community outreach to the joint company. Local ownership ensures that any decisions directly affecting the islands are made with local input and considerations.

The ease and predictability of reliable mobility between communities is one of the cornerstones of a modern-functioning society. In order for an economy to survive, let alone prosper, people and supplies must be transported from one place to another every day. Air transportation between island communities is fundamentally important. Local ownership with a vested interest in the success of those communities is highly optimal.

THE SOUTHERN STORY

The first Southern Airways Express flight departed from Memphis, Tennessee, in June of 2013. At the time, the company owned just two airplanes and employed only three pilots. Now less than ten years later it has become one of the largest commuter airlines in the US, operating over 220 daily departures across six time zones, and establishing itself as a respected regional presence in the airline community. Much of Southern's success can be attributed to its targeted expansion of scale and stability, its groundbreaking initiatives to solve the industry-wide pilot shortage, and its operation of the most reliable and modern 9-seat aircraft.

After having acquired Sun Air International in 2016, and with Southern's Essential Air Service markets receiving near-perfect completion rates, the opportunity to make another acquisition presented itself. Mokulele Airlines had been in operation in Hawaii since 1994 and was very similar to Southern. With this acquisition, Southern became one of the largest and most-respected commuter airlines in the country.

Since the acquisition of Mokulele, Palm Beach-based Southern Airways has expanded into the Northeast, offering daily routes from the island of Nantucket to three communities in New England. It has also solidified its footprint in Southern California, expanded to the Rocky Mountains, and is the ticketing and call center platform for a seaplane operation conducting flights in Manhattan, the Hamptons, and The Boston Harbor.

In 2021, Southern completed over 99.3% of its 220 daily scheduled flights and led all commuter airlines in on-time performance. As a joint venture partner with Marianas Southern Airways, Southern offers scale, experience, and a solid reputation, ensuring the long-term viability and stability of this important new inter-island service.



Saipan International Airport

This per-flight incentive request is based upon the company's anticipated launch schedule and it decreases on a graduated basis as scale is added and more passengers use the service. The amounts in this incentive request have been calculated based on several considerations such as stage length and whether a route is currently served.

Marianas Southern Airways is also interested in having an individual, appointed by the Governor, join its Advisory Board for the duration of the incentive period, if desired.

Providing necessary financial support as the service is introduced and the economy recovers from COVID will ensure a long-term and permanent inter-island air travel solution. Mokulele Airlines in Hawaii has operated for over 25 years, and with Southern Airways as its operator, the service is more stable now than at any other time in its history. In partnering with America's largest commuter airline, Marianas Southern Airways can deliver an equally stable (and arguably superior) inter-island air service product to the people of the Mariana Islands and the thousands of new visitors who will use the service over the coming years.

INCENTIVE SCHEDULE

Incentive Schedule						
Month	Estimated Number of Flights	Projected Incentive Amount		Month	Estimated Number of Flights	Projected Incentive Amount
1	400	\$151,667		10	900	\$315,972
2	400	\$151,667		11	1,000	\$347,569
3	500	\$189,583		12	1,200	\$401,736
4	500	\$189,583		13	1,200	\$401,736
5	600	\$221,181		14	1,400	\$455,903
6	600	\$221,181		15	1,500	\$482,986
7	700	\$252,778		16	1,600	\$510,069
8	800	\$284,375		17	1,800	\$564,236
9	800	\$284,375		18	1,800	\$564,236

SUMMARY

As outlined in this document, the establishment of a modern air carrier will bring significant social and economic benefits- including the long-awaited-return of direct service between Guam and Rota, as well as an increased number of flights between Saipan and Guam.

The strength of local ownership and representation, partnered with the experience of a respected U.S. airline that deeply understands the importance of inter-island travel, makes Marianas Southern Airways a credible, long-term, and necessary option for commuters. It further underpins one of the key tenants for driving economic growth-reliable inter-island air service.



MARIANAS
— SOUTHERN AIRWAYS —

The Air Bridge of the Marianas



MARIANAS

SOUTHERN AIRWAYS

To further display Marianas Southern Airways' commitment to serving the air travel needs of the CNMI, please see the following additions to the initial offerings.

Private Charters

Marianas Southern Airways is offering a superior flying experience on new and modern aircraft. For the general public, that private charter experience will be priced a premium and will not include any government incentive. For government-related charter travel, the airline will offer a discounted rate that will include the per flight incentive.

Route	Introductory Government Charter Rate*	Incentive to be applied†	Final Costs
Saipan / Tinian	\$450	\$175	\$625
Saipan / Rota	\$900	\$350	\$1,250
Saipan / Guam	\$1,600	\$583	\$2,183

- Prices are listed as each way.
- Incentive to be supplemented for a period of 18 months.

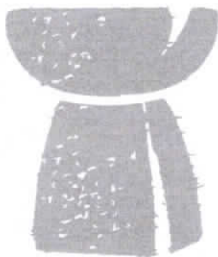
Additional Routes

Though not included in the initial route offerings, Marianas Southern Airways recognizes that the demand for travel, specifically military-related travel, may be increasing between Tinian and Guam. For this reason, the adjacent incentive table has been adapted to include that possible route addition.

Incentive per Departure Based on Number of Monthly Segments			
Flights Between	First 500	Next 500	Next 1000+
SPN & GUM	\$583.33	\$486.11	\$416.67
ROP & GUM	\$408.33	\$340.28	\$291.67
SPN & TIQ	\$175.00	\$145.83	\$125.00
SPN & ROP	\$350.00	\$291.67	\$250.00
TIQ & GUM	\$495.83	\$413.19	\$354.17

Updated Route Map

In addition to potentially offering a non-stop route between Tinian and Guam, Marianas Southern Airways is excited to offer potential private charter and group tour flights to the island of Pagan, as soon as runway conditions are improved.



DAG-CIVIL DIV
2022 MAR 16 AM 9:37

MEMORANDUM

To: Attorney General
From: Gilbert Birnrich, Legal Counsel to the Governor
Date: March 16, 2022
Re: Requested changes and additional information

Good morning Attorney General Manibusan. I write this Memorandum to assist the Department of Finance in facilitating the completion of the proposed contract with Marianas Southern Airlines. This memorandum is meant to address your comments and suggestions that were conveyed to me and the Secretary of Finance through e-mails on March 14.

We have taken your suggestion and revised the indemnity clause to only be applicable to the CNMI instead of being a mutual indemnity clause. The page to Exhibit B with the modified language is attached to this memorandum. It has also been switched out in Exhibit B.

As for the suggestion that we include a provision where Marianas Southern must obtain insurance and make the CNMI a beneficiary in case of loss, we do not believe such a clause is needed for this agreement. First and foremost, the CNMI has no insurable interest. Perhaps you were thinking of DPL land leases where insurance clauses are common. However, in the case of land leases, the CNMI usually has an insurable interest such as structures on the property. If a structure burns down, naturally the CNMI would want the structure replaced. Thus, the need for insurance. Here, if a plane crashes, nothing of value to the CNMI is lost. It is of course a horrible loss for the people on the plane, families of those members, and for the airline. However, it is not a loss for the CNMI in any direct property or pecuniary way.

Further, the CNMI has never to my knowledge, required insurance in an airline incentive agreement. Most recently, with Skymark Airlines, MVA entered into an airline incentive agreement. A review of that agreement does not show any requirement for insurance.

Even more, airlines are highly regulated business. They require licenses and permits from the FAA to even operate and must demonstrate competence and safety. Specifically, Marianas Pacific Express, LLC is affiliated with a reputable and successful airline, Southern Airways, who has immense experience with inter-island travel across the nation and is the only available inter-island air-transportation provider that can immediately meet the Commonwealth's need for more affordable and accessible inter-island travel options within the Marianas. We have confidence in the safety and ability of the Contractor.

All this is to say that we do not believe we need a clause in the contract mandating insurance that is payable to the CNMI. It is our policy and business judgment that the language contained in section 10 of Exhibit A, Standard Terms and Conditions, is sufficient protection for the CNMI in an airline incentive agreement.

We believe that all of your concerns and comments have been addressed. We believe that the agreement protects the CNMI and gives real value for its investment. We also believe that the agreement is a fantastic opportunity for the CNMI to make a better life for the people of the islands and the tourism industry upon which it depends. We respectfully request that you and your office sign the contract so that the CNMI may pursue this significant initiative.