DEPARTMENT OF THE ATTORNEY GENERAL

News Release

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STATE FILES SUIT AGAINST DFS GROUP L.P., DFS GROUP LIMITED, AND LVMH MOET HENNESSY LOUIS VUITTON, INC.

Attorney General Mark J. Bennett today announced that on Friday, March 28, 2003, the State of Hawaii filed suit against LVMH MOET HENNESSY LOUIS VUITTON, INC. ("LVMH"), DFS GROUP L.P. ("DFS"), and DFS GROUP LIMITED. DFS is the entity with whom the State contracts for the sale of duty free merchandise on and off the airport. DFS Group Limited is DFS's general partner, and LVMH is a French corporation that is a parent of DFS.

The Complaint filed late Friday alleges that at a time when DFS was legally insolvent and was refusing to pay the State millions of dollars that were due and owing, it transferred moneys to its parent, in violation of the Uniform Fraudulent Transfer Act. In the lawsuit, the State seeks to obtain the money that was transferred by DFS to its parent, and other relief available by law.

In addition, on Friday, the State sent a formal notice to DFS demanding payment of all amounts currently due under various contracts with the State. This includes lease rent, permit rent, interest, and late charges totaling approximately $49,000,000. If the default is not substantially cured in a timely fashion, the State will amend the Complaint, allege breach of contract, and seek to recover all amounts due from DFS.

The State will also proceed to collect on a $45 million performance bond.

The State filed suit reluctantly, but for a number of reasons. First, negotiations had ceased. The Governor had told DFS that the State was willing to discuss negotiation of a new contract, but only if DFS first paid the lease rent amounts that were due through the end of 2002 -- approximately $25 million. DFS denied owing the money, and then offered to pay five to ten percent of that amount, but no more. Second, it would be irresponsible for the State not proceed to collect on the performance bond. It is still the hope of the State of Hawaii that new negotiations can take place with DFS. However, that will not occur until DFS pays to the State the lease rent amounts that were due and owing at the end of 2002.

The State recognizes that DFS is an important company in the State of Hawaii, has contributed significant amounts of money to the State, and has contributed much to the State's economy.

However, airport revenue bonds were issued in reliance on DFS honoring its contractual obligations. By refusing to even acknowledge a debt to the State, DFS creates costly problems for the State, especially at times like these when existing debt is being refinanced. Economic conditions in Japan and events related to, and following 9/11 adversely affected more companies in Hawaii than just DFS. Unforeseen developments such as these do not relieve DFS or the State of contractual obligations. While a new contract presumably would take into account changes in the tourist industry in recent years, the State cannot ignore its fiscal responsibility to its own citizens.

The State recently learned that DFS has apparently negotiated a new contract with the Los Angeles International Airport, which involves DFS paying the full amounts owed through the end of calendar 2002 to LAX.

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