



June 12, 2014

Mr. Jose R. Lifoifoi
Chairman of the Board
Commonwealth Ports Authority Board of Directors
Commonwealth of the Northern Mariana Islands
P.O. Box 501055
Saipan, MP 96950

Re: Renewal of Successive Master Concession Agreement for DFS Saipan

Dear Mr. Chairman:

DFS Saipan Limited has been advised by your Board's legal counsel, Robert Torres, that we should write a letter of intent to the Commonwealth Ports Authority regarding its request for a new successive master concession agreement. We welcome this opportunity to clearly state for the record what it is that we are seeking.

First, we are seeking a successive master concession, not an exclusive duty-free concession, for the Saipan International Airport. If we were to seek only the duty-free concession for the airport, the term of that concession would be limited by statute to five (5) years which is not sufficient time for DFS to make the substantial investment that it plans for the new concession and to recover those costs. In order to have sufficient time to recover our investment, any new concession would have to last ten (10) years. By law, a successive master concession can be granted for any period up to twenty (20) years, but an exclusive duty-free concession can be granted for only five (5) years. Thus, we must request a successive master concession.

Second, we understand from reading Mr. Torres' report to the Board that the primary concern with granting a new successive master concession is that the concept of a master concession is one concessionaire has responsibility for all commercial activities (e.g. retail sales, food, advertising) at all CNMI ports (i.e. Saipan, Rota, and Tinian air and sea ports), and he reports that DFS Saipan is not currently conducting all the commercial activities, and is not operating at all the ports. While we may differ somewhat on this point (because all commercial activities are being conducted through DFS Saipan by subcontractors), we understand the objection stated. Our response is that DFS Saipan is willing to undertake all the commercial activities during the new term -- food service and advertising as well as retail sales -- and we are willing to open stores at the Rota and Tinian airports. (We have omitted sea ports since it is obvious that passenger ship arrivals are not sufficient for any company to break even at these locations.) This is a major change in our approach to doing business at the ports, and we are willing to talk to the Board about its goals in

having the master concessionaire take on these additional duties to ensure that we are meeting the Board's objectives.

Finally, we are asking the Board to make a finding at its June meeting that it wishes to grant a successive master concession for ten years and that it conduct a public hearing in July on the issue of whether it should negotiate the terms of the successive master concession with its incumbent concessionaire. If the Board determines at its July meeting, after considering public comment, that it should attempt to negotiate with DFS, we could present our proposed new terms during negotiations to be conducted in August. We would also be willing to amend our current master concession agreement so that the increases in payment would begin immediately, rather than wait until the current concession ends.

I hope this answers any questions the Board may have about our intentions. Of course, should there be any questions, I would be happy to meet with the Board, or with its Ad Hoc Committee, at any time to explain our position in further detail.

In closing, I would like to reiterate 4 CMC subsection 2205(b) which states that a Successive Master Concession (SMC) may be granted for up to 20 years. For some reason, we were given only ten years, from 11/14/05 – 11/13/15, when we negotiated the SMC back in 1996. The additional ten years based on this statute is what we are pursuing.

Thank you for providing DFS Saipan with this opportunity to clarify our intent. I look forward to the Board's response.

Very truly yours,



Marian Aldan-Pierce
President

Cc: CPA Board of Directors