

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended November 30, 1995
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 1-9610

CARNIVAL CORPORATION
(Exact name of registrant as specified in its charter)

Republic of Panama
(State or other jurisdiction of
incorporation or organization)

59-1562976
(I.R.S. Employer
Identification No.)

3655 N.W. 87th Avenue, Miami, Florida
(Address of principal executive offices)

33178-2428
(Zip Code)

Registrant's telephone number, including area code (305) 599-2600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Class A Common Stock (\$0.01 par value)	New York Stock Exchange, Inc.
4-1/2% Convertible Subordinated Notes due July 1, 1997	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in any definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

The aggregate market value of the voting stock held by non-affiliates of the Registrant is approximately \$2,893,000,000 based upon the closing market price on January 17, 1996 of a share of Class A Common Stock on the New York Stock Exchange as reported by the Wall Street Journal.

At January 17, 1996, the Registrant had outstanding 229,898,013 shares of its Class A Common Stock, \$.01 par value and 54,957,142 shares of its Class B Common Stock, \$.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The information described below and contained in the Registrant's 1995 annual report to shareholders to be furnished to the Commission pursuant to Rule 14a-3(b) of the Exchange Act is shown in Exhibit 13 and is incorporated by reference into this Form 10-K.

Part and Item of the Form 10-K

Part II

Item 5(a) and (b). Market for the Registrant's Common Equity and Related
Stockholder Matters - Market Information and Holders.

Item 6. Selected Financial Data

Item 7. Management's Discussion and Analysis of Financial

Item 8. Financial Statements and Supplementary Data

The information described below and contained in the Registrant's 1996 definitive Proxy Statement, to be filed with the Commission is incorporated by reference into this Form 10-K.

Part and Item of the Form 10-K

Part III

- Item 10. Directors and Executive Officers of the Registrant.
- Item 11. Executive Compensation.
- Item 12. Security Ownership of Certain Beneficial Owners and Management.
- Item 13. Certain Relationships and Related Transactions.

PART I

Item 1. Business

A. General

Carnival Corporation was incorporated under the laws of the Republic of Panama in November 1974. Carnival Corporation and subsidiaries (the "Company") is the world's largest multiple-night cruise company based on the number of passengers carried and revenues generated. The Company offers a broad range of cruise products, offering contemporary cruises through Carnival Cruise Lines ("Carnival" - a division of Carnival Corporation), premium cruises through Holland America Line and luxury cruises through Windstar Cruises and the Company's joint venture, Seabourn Cruise Line. As of January 1996, the ten Carnival ships have an aggregate capacity of 16,796* passengers with itineraries in the Caribbean and Mexican Riviera. As of January 1996, the seven Holland America Line ships have an aggregate capacity of 8,795 passengers with itineraries in the Caribbean and Alaska and through the Panama Canal, as well as other worldwide itineraries. The three Windstar ships, as of January 1996, have an aggregate capacity of 444 passengers with itineraries in the Caribbean, the South Pacific, and the Mediterranean. During 1995, Seabourn Cruise Line operated two 204 passenger cruise ships with itineraries in the Caribbean, the Baltic, the Mediterranean and the Far East. In January 1996, Seabourn entered into an agreement to acquire a third 204 passenger ship which will begin operation during 1996. In April 1995, the Company sold its 49% equity interest in Epirotiki Line, a Greek cruise operator, for \$25 million.

The Company has signed agreements with a Finnish shipyard providing for the construction of three additional 2,040-berth SuperLiners for Carnival with delivery now expected in February 1996, March 1998 and November 1998. Two additional 2,640-berth cruise vessels are under contract for construction for Carnival from an Italian shipyard now scheduled for delivery in September 1996 and December 1998. The Company also has agreements with the same Italian shipyard for one 1,266-berth cruise ship and one 1,320-berth cruise ship for Holland America Line with delivery expected in April 1996 and September 1997, respectively. In December 1995, the Company entered into an agreement to charter the 1,146 passenger Carnival cruise ship, Festivale, to Dolphin Cruise Line effective April 28, 1996.

The Company also operates a tour business: Holland America Westours. Holland America Westours markets sight-seeing tours both separately and as part of Holland America Line cruise/tour packages. Holland America Westours operates 16 hotels in Alaska and the Canadian Yukon, three luxury day-boats offering tours to the glaciers of Alaska and the Yukon River, over 290 motor coaches used for sight-seeing and charters in the states of Washington and Alaska and in the Canadian Rockies and ten private domed rail cars which are run on the Alaskan railroad between Anchorage and Fairbanks.

The Company and Airtours Plc, a United Kingdom public company in the tour business, have been in discussions with regard to future cooperation which could lead to the Company acquiring a stake of less than 30 percent of the equity of Airtours Plc through a purchase of newly issued shares and a

partial offer to all existing shareholders. No assurance can be given that any agreement will be reached.

* In accordance with industry practice all capacities indicated within this document are calculated based on two passengers per cabin even though some cabins can accommodate three or four passengers.

B. Cruise Ship Segment

Industry

The passenger cruise industry as it exists today began in approximately 1970. Over time, the industry has evolved from a trans-ocean carrier service into a vacation alternative to land-based resorts and sight-seeing destinations. According to Cruise Lines International Association ("CLIA"), an industry trade group, approximately 500,000 North American passengers took cruises in 1970 for three consecutive nights or more. CLIA estimates that this number reached 4.5 million passengers in 1993, an average compound annual growth rate of 10% since 1970. Also, according to CLIA, by the end of 1993 the number of ships in service totaled 139 with an aggregate capacity of approximately 104,000 berths.

CLIA estimates that the number of passengers carried in North America declined from 4.5 million in 1993 to 4.3 million in 1995. The Company nevertheless has been able to increase the number of passengers it carried by approximately 200,000 in each of the past two years. The number of berths in the industry remained effectively flat totaling 105,000 berths on 126 ships at the end of 1995. CLIA estimates that the number of cruise passengers will grow to 4.7 million in 1996. CLIA also projects that by the end of 1996, North America will be served by 133 vessels having an aggregate capacity of approximately 116,000 berths.

The following table sets forth the industry and Company growth over the past five years based on passengers carried for at least three consecutive nights:

YEAR	NORTH AMERICAN CRUISE PASSENGERS* (Calendar)	COMPANY CRUISE PASSENGERS CARRIED (Fiscal)
1995	4,300,000(est)	1,543,000
1994	4,448,000	1,354,000
1993	4,480,000	1,154,000
1992	4,136,000	1,153,000
1991	3,979,000	1,100,000

*Source: CLIA.

From 1991 through 1995, the Company's average compound annual growth rate in number of passengers carried was 8.8% versus the industry average of 2.0%.

The Company's passenger capacity has grown from 17,973 at November 30, 1991 to 26,035 at November 30, 1995. The delivery of the Statendam, Sensation and Maasdam in 1993 increased capacity an additional 4,572 berths, more than offsetting a decrease of 906 berths related to the sale of the Mardi Gras. During 1994, net capacity increased by 2,369 berths due to the delivery of the Fascination and Ryndam, net of the sale of the 937 berth FiestaMarina. In 1995, with the delivery of the Imagination, capacity increased 2,040 berths.

In spite of the cruise industry's growth since 1970, the Company believes cruises represent only approximately 2% of the applicable North American vacation market, defined as persons who travel for leisure purposes on trips of three nights or longer involving at least one night's stay in a hotel. Only an estimated 7% of the North American population has ever cruised.

Cruise Ships and Itineraries

Under the Carnival Cruise Lines name, the Company operates ten ships (collectively, the "Carnival Ships") which offer contemporary cruises. Nine of the Carnival Ships were designed by and built for Carnival, including

eight SuperLiners which are among the largest in the cruise industry. The tenth vessel, the Festivale, which was not built for Carnival, will be chartered to Dolphin Cruise Line effective April 28, 1996. During 1995, eight of the Carnival Ships operated in the Caribbean and two Carnival Ships called on ports in the Mexican Riviera. During 1996 one of the Carnival Ships, the Tropicale, will begin operating in Alaska during the summer season and Carnival will also offer cruises through the Panama Canal and to the Hawaiian Islands.

Through its subsidiary, HAL Antillen N.V. ("HAL"), the Company operates ten cruise ships offering premium or luxury cruises. Seven of these ships, the Rotterdam, the Nieuw Amsterdam, the Noordam, the Westerdam, the Statendam, the Maasdam and the Ryndam are operated under the Holland America Line name (the "HAL Ships"). The remaining three ships, the Wind Star, the Wind Song and the Wind Spirit, are operated under the Windstar Cruises name (the "Windstar Ships"). Six of the HAL Ships were designed by and built for HAL. The three Windstar Ships were built for Windstar Sail Cruises, Ltd. ("WACL") between 1986 and 1988.

The HAL Ships offer premium cruises of various lengths, primarily in the Caribbean, Alaska, Panama Canal, Europe, the Mediterranean, Hawaii, Mexico, South Pacific, South America and the Orient. Cruise lengths vary from 3 to 98 days, with a large proportion being seven or ten days in length. Periodically, the HAL Ships make longer grand cruises or operate on short-term special itineraries. For example, in 1995, the Rotterdam made an 85-day world cruise, and a 34-day Grand South Pacific voyage. HAL will continue to offer these special and longer itineraries in order to increase travel opportunities for its customers and strengthen its cruise offerings in view of the fleet expansion. The majority of the HAL Ships operate in the Caribbean during fall to late spring and in Alaska during late spring to early fall. The three Windstar Ships currently operate in the Caribbean, the Mediterranean and the South Pacific.

The following table presents summary information concerning the Company's ships. Areas of operation are based on 1995 itineraries and are subject to change.

PRIMARY OF NAME OPERATION	REGISTRY	BUILT	YEAR		GROSS REGISTERED TONS	LENGTH AND WIDTH	AREAS
			FIRST IN COMPANY	PAX CAP*			
Carnival Cruise Lines							
Imagination	Panama	1995	1995	2,040	70,367	855/104	Caribbean
Fascination	Panama	1994	1994	2,040	70,367	855/104	Caribbean
Sensation	Panama	1993	1993	2,040	70,367	855/104	Caribbean
Ecstasy	Liberia	1991	1991	2,040	70,367	855/104	Caribbean
Fantasy	Liberia	1990	1990	2,044	70,367	855/104	Bahamas
Celebration	Liberia	1987	1987	1,486	47,262	738/92	Caribbean
Jubilee	Panama	1986	1986	1,486	47,262	738/92	Mexican Riviera
Holiday	Panama	1985	1985	1,452	46,052	727/92	Mexican Riviera
Tropicale	Liberia	1982	1982	1,022	36,674	660/85	Caribbean
Festivale	Bahamas	1961	1978	1,146	38,175	760/90	Caribbean
Total Carnival Ships Capacity.....				16,796			
Holland America Line							
Ryndam	Bahamas	1994	1994	1,266	55,451	720/101	Alaska, Caribbean
Maasdam	Bahamas	1993	1993	1,266	55,451	720/101	Europe, Caribbean
Statendam	Bahamas	1993	1993	1,266	55,451	720/101	Alaska, Caribbean
Westerdam	Bahamas	1986	1988	1,494	53,872	798/95	Canada, Caribbean
Noordam	Netherlands Antilles("N.A.")	1984	1984	1,214	33,930	704/89	Alaska, Caribbean
Nieuw Amsterdam	N.A.	1983	1983	1,214	33,930	704/89	Alaska, Caribbean
Rotterdam	N.A.	1959	1959	1,075	37,783	749/94	Alaska, Hawaii

Total HAL Ships Capacity.....	8,795
Windstar Cruises	
Wind Spirit	Bahamas 1988 1988 148 5,736 440/52 Caribbean, Mediterranean
Wind Song	Bahamas 1987 1987 148 5,703 440/52 South Pacific
Wind Star	Bahamas 1986 1986 148 5,703 440/52 Caribbean, Mediterranean
Total Windstar Ships Capacity.....	444
Total Capacity.....	26,035

* In accordance with industry practice passenger capacity is calculated based on two passengers per cabin even though some cabins can accommodate three or four passengers.

Cruise Ship Constructions

The Company is currently constructing five cruise ships to be operated under the Carnival name and two cruise ships to be operated under the Holland America Line name. The following table presents summary information concerning ships under construction:

VESSEL	EXPECTED DELIVERY	SHIPYARD	PAX CAP	TONS	LENGTH	APPROXIMATE COST
					AND WIDTH	
(000's)						
Carnival Cruise Lines						
Inspiration	February 1996	Masa-Yards	2,040	70,367	855/104	\$ 270,000
Carnival Destiny	September 1996	Fincantieri	2,640	101,000	886/116	400,000(1)
To Be Named	February 1998	Masa-Yards	2,040	70,367	855/104	300,000
To Be Named	November 1998	Masa-Yards	2,040	70,367	855/104	300,000
To Be Named	December 1998	Fincantieri	2,640	101,000	886/116	415,000(1)
Total Carnival Ships Capacity			11,400			1,685,000
Holland America Line						
Veendam	April 1996	Fincantieri	1,266	55,451	720/101	225,000(1)
To Be Named	September 1997	Fincantieri	1,320	62,000	780/106	235,000(1)
Total HAL Ships Capacity			2,586			460,000
Total			13,986			\$2,145,000

(1) Contracts denominated in a foreign currency and have been fixed into U.S. Dollars through the use of forward currency contracts.

Other Cruise Activities

The Company has a 50% equity interest in a joint venture company ("Seabourn") which in April 1992 acquired the cruise operations of K/S Seabourn Cruise Line. The Company also has a subordinated secured ten-year loan of \$15 million to Seabourn. During 1995, Seabourn operated two ultra-luxury ships, which have an aggregate capacity of 408 passengers and have itineraries in the Caribbean, the Baltic, the Mediterranean and the Far East. In January 1996, Seabourn entered into an agreement to acquire a third ship with a capacity of 204 which will begin operation during 1996.

Cruise Tariffs

Unless otherwise noted herein, brochure prices include round trip airfare from over 175 cities in the United States and Canada. If a passenger chooses not to have the Company provide air transportation, the ticket price is reduced. Brochure prices vary depending on size and location of cabin, the time of year that the voyage takes place, and when the booking is made. The cruise brochure price includes a wide variety of activities and facilities, such as a fully equipped casino, nightclubs, theatrical shows, movies, parties, a discotheque, a health club and swimming pools on each ship. The brochure price also includes numerous dining opportunities daily.

Brochure pricing information below is per person based on double occupancy:

AREA OF OPERATION	CRUISE LENGTH	PRICE RANGE
Carnival Cruise Lines		
Caribbean	3-day	\$ 559--1,179
	4-day	659--1,339
	7-day	1,399--2,439
Mexico	3-day	559--1,179
	4-day	659--1,339
	7-day	1,399--2,439
Holland America Line (1)		
Alaska	7-day	\$ 1,120--6,875
Caribbean	7-day	1,212--5,775
	10-day	2,032--5,940
Europe	10- to 12-day	3,240--13,345
Panama Canal	10- to 22-day	2,185--14,840
Windstar Cruises (1)		
Caribbean	7-day	\$ 2,995--3,195
Mediterranean	7- to 16-day	3,895--6,695
South Pacific	7-day	2,995--3,195

(1) Prices represent cruise only

Brochure prices are regularly discounted through the Company's early booking discount program and other promotions.

On-Board and Other Revenues

The Company derives revenues from certain on-board activities and services including casino gaming, liquor sales, gift shop sales, shore tours, photography and promotional advertising by merchants located in ports of call.

The casinos, which contain slot machines and gaming tables including blackjack, craps, roulette and stud poker are generally open only when the ships are at sea in international waters. The Company also earns revenue from the sale of alcoholic and other beverages. Certain onboard activities are managed by independent concessionaires from which the Company collects a percentage of revenues, while certain others are managed by the Company.

The Company receives additional revenue from the sale to its passengers of shore excursions at each ship's ports of call. On the Carnival Ships, such shore excursions are operated by independent tour operators and include bus and taxi sight-seeing excursions, local boat and beach parties, and nightclub and casino visits. On the HAL Ships, shore excursions are operated by Holland America Westours and independent parties.

In conjunction with its cruise vacations on the Carnival Ships, the Company sells pre- and post-cruise land packages. Such packages generally include one, two or three-night vacations at locations such as Walt Disney World in Orlando, Florida or resorts in the South Florida and the San Juan Puerto Rico areas.

In conjunction with its cruise vacations on the HAL Ships, HAL sells pre-cruise and post-cruise land packages which are more fully described below. (See "Item 1. Business - Tour Segment")

Passengers

The following table sets forth the aggregate number of passengers carried and percentage occupancy for the Company's ships for the periods indicated:

	FISCAL YEAR ENDED NOVEMBER 30,		
	1995	1994	1993
Number of Passengers	1,543,000	1,354,000	1,154,000
Occupancy Percentage*	105.0%	104.0%	105.3%

*In accordance with industry practice, total capacity is calculated based on two passengers per cabin even though some cabins can accommodate three or four passengers. Occupancy percentages in excess of 100% indicate that more than two passengers occupied some cabins.

The following table sets forth the actual occupancy percentage for all cruises on the Company's ships during each quarter for the fiscal years ended November 30, 1994 and November 30, 1995:

QUARTER ENDING	OCCUPANCY PERCENTAGE
February 28, 1994	100.2%
May 31, 1994	101.2
August 31, 1994	113.4
November 30, 1994	100.9
February 28, 1995	99.9
May 31, 1995	100.3
August 31, 1995	114.6
November 30, 1995	104.6

Sales and Marketing

The Company markets the Carnival Ships as the "Fun Ships " and uses the themes "Carnival's Got the Fun " and "The Most Popular Cruise Line in the World ", among others.

Carnival advertises nationally directly to consumers on network television and through extensive print media featuring its spokesperson, Kathie Lee Gifford. Carnival believes its advertising generates interest in cruise vacations generally and results in a higher degree of consumer awareness of the "Fun Ships " concept and the "Carnival " name. Substantially all of Carnival's cruise bookings are made through travel agents, which arrangement is encouraged as a matter of policy. In fiscal 1995, Carnival took reservations from about 29,000 of approximately 45,000 travel agencies in the United States and Canada. Travel agents receive a standard commission of 10% (15% in the State of Florida), plus the potential of an additional commission based on sales volume. Moreover, because cruise vacations are substantially all-inclusive, sales of Carnival cruise vacations yield a significantly higher commission to travel agents than selling air tickets and hotel rooms. During fiscal 1995, no one travel agency accounted for more than 2% of Carnival's revenues.

Carnival engages in substantial promotional efforts designed to motivate and educate retail travel agents about its "Fun Ships " cruise vacations. Carnival employs approximately 90 field sales representatives and 30 in-house service representatives to motivate independent travel agents and promote its cruises. Carnival believes it has the largest sales force in the industry.

To facilitate access and to simplify the reservation process, Carnival employs approximately 360 reservation agents to take bookings from independent travel agents. Carnival's fully-automated reservation system allows its reservation agents to respond quickly to book cabins on its ships. Carnival has a policy of pricing comparable cabins (based on size, location and length of voyage) on its various ships at the same rate ("common rating"). Such common rate includes round-trip airfare, which means that any passenger can fly from any one of over 140 cities in the United States and Canada to ports of embarkation for the same price. Through common rating, Carnival is able to offer customers a wider variety of voyages for the same price, which the Company believes improves occupancy on all its cruises. However, discounts from brochure prices may vary depending upon the ship, itinerary, time of year and demand for each cruise.

Carnival's cruises generally are substantially booked several months in advance of the sailing date. This lead time allows Carnival to adjust its prices, if necessary, in relation to demand for available cabins, as indicated by the level of advance bookings. Carnival's SuperSaver fares, introduced several years ago, are designed to encourage potential passengers to book cruise reservations earlier, which helps the Company to more effectively manage yields (pricing and occupancy). Carnival's payment terms require that a passenger pay approximately 15% of the cruise price within 7 days of the reservation date and the balance not later than 45 days before the sailing date for 3- and 4-day cruises and 60 days before the sailing date for 7-day cruises.

Carnival believes that its success is due in large part to its unique product positioning within the industry. Carnival markets the Carnival Ship cruises as vacation alternatives to land-based resorts and sight-seeing destinations. Carnival seeks to attract passengers from the broad vacation market, including those who have never been on a cruise ship before and who might not otherwise consider a cruise as a vacation alternative. Carnival's strategy has been to emphasize the cruise experience itself rather than

particular destinations, as well as the advantages of a prepaid, all-inclusive vacation package. Carnival markets the Carnival Ship cruises as the "Fun Ships " experience, which includes a wide variety of shipboard activities and entertainment, such as full-scale casinos and nightclubs, an atmosphere of pampered service and unlimited food.

The Company's products are positioned to offer contemporary, premium and luxury cruises. Luxury cruises typically will have per diems of \$300 or higher. Premium cruises typically last 7 to 14 days or more at per diems of \$250 or higher. Contemporary cruises typically are 7 days or shorter in length, are priced at per diems of \$200 or less, and feature a casual ambiance. The Company believes that the success and growth of the Carnival cruises is attributable to its longstanding efforts to promote contemporary cruise products.

The HAL and Windstar Ships offer premium and luxury cruises, respectively. The Company believes that the hallmarks of the HAL experience are beautiful ships and gracious attentive service. HAL communicates this difference as "A Tradition of Excellence ", a reference to its long standing reputation as a first class and grand cruise line.

Substantially all of HAL's bookings are made through travel agents, which arrangement HAL encourages as a matter of policy. In fiscal 1995, HAL took reservations from about 20,000 of approximately 45,000 travel agencies in the U.S. and Canada. Travel agents receive a standard commission of between 10% and 15%, depending on the specific cruise product sold, with the potential for override commissions based upon sales volume. During 1995, no one travel agency accounted for more than 1% of HAL's total revenue.

HAL has focused much of its sales effort at creating an excellent relationship with the travel agency community. This is related to the HAL marketing philosophy that travel agents have a large impact on the consumer cruise selection process and will recommend HAL more often because of its excellent reputation for service to both consumers and independent travel agents. HAL solicits continuous feedback from consumers and the independent travel agents making bookings with HAL to insure they are receiving excellent service.

HAL's marketing communication strategy is primarily composed of newspaper and magazine advertising, large scale brochure distribution and direct mail solicitations to past passengers (referred to as "alumni") and television. HAL engages in substantial promotional efforts designed to motivate and educate retail travel agents about its products. HAL employs approximately 50 field sales representatives, 15 teleaccount sales representatives and 15 sales and service representatives to support the field sales force. Carnival's approximately 90 field sales representatives also promote HAL products. To facilitate access to HAL and to simplify the reservation process for the HAL ships, HAL employs approximately 260 reservation agents to take bookings from travel agents. HAL's cruises generally are booked several months in advance of the sailing date. The Company also solicits current and former passengers of the Carnival Ships to take future cruises on the HAL and Windstar Ships.

Windstar Cruises has its own marketing and reservations staff. Field sales representatives for both HAL and Carnival act as field sales representatives for Windstar. Marketing efforts are primarily devoted to a) travel agent support and awareness, b) direct mail solicitation of past passengers, and c) distribution of brochures.

Windstar's marketing efforts feature the distinctive nature of its graceful, modern sail ships and the distinctive "casually elegant" experience on "intimate itineraries" (apart from the normal cruise experience). Windstar's philosophy is embodied in the phrase "180 degrees from ordinary".

Seasonality

The Company's revenue from the sale of passenger tickets for the Carnival Ships is moderately seasonal. Historically, demand for Carnival cruises has been greater during the periods from late December through April and late June through August. Demand traditionally is lower during the period from September through mid-December and during May. To allow for full availability during peak periods, drydocking maintenance is usually performed in September, October and early December. HAL cruise revenues are more seasonal than Carnival's cruise revenues. Demand for HAL cruises is strongest during the summer months when HAL ships operate in Alaska and Europe and HAL obtains higher prices for these summer products. Demand for HAL cruises is lower during the winter months when HAL ships sail in more competitive markets.

Competition

Cruise lines compete for consumer disposable leisure time dollars with other vacation alternatives such as land-based resort hotels and sight-seeing destinations, and public demand for such activities is influenced by general economic conditions.

Cruise ships operated by six other cruise lines offer year round itineraries year round which are similar to those offered by the Carnival Ships sailing from ports in Florida, California and Puerto Rico. Cruise ships operated by an additional ten other cruise lines offer similar itineraries from these ports on a seasonal basis. The HAL Ships are among those which seasonally offer similar itineraries from these ports. Ships operated by Royal Caribbean Cruise Line and Norwegian Cruise Line sail regularly from Miami on itineraries quite similar to those of the Carnival Ships. Ships operated by Royal Caribbean Cruise Line and Princess Cruises embark from Los Angeles to the west coast of Mexico. Cruise lines such as Norwegian Cruise Line, Royal Caribbean Cruise Line, Costa Cruise Lines, Cunard and Princess Cruises offer voyages from San Juan to the Caribbean.

In Alaska, cruise ships operated by ten other cruise lines offer itineraries similar to those offered by HAL. The largest of these cruise lines in Princess Cruises.

In the Caribbean, cruise ships operated by 16 different cruise lines offer itineraries similar to those offered by HAL. After Carnival, the largest of these cruise lines are Princess Cruises, Royal Caribbean Cruise Line, and Norwegian Cruise Line.

Governmental Regulation

The Ecstasy, Fantasy, Celebration and Tropicale are Liberian flagged ships, the Festivale is a Bahamian flagged ship, and the balance of the Carnival Ships are registered in Panama. The Ryndam, Maasdam, Statendam and Westerdam are registered in the Bahamas, while the balance of the HAL Ships are flagged in the Netherlands Antilles. The Windstar Ships are registered in the Bahamas. The ships are subject to inspection by the United States Coast Guard for compliance with the Convention for the Safety of Life at Sea and by the United States Public Health Service for sanitary standards. The Company is also regulated by the Federal Maritime Commission, which, among other things, certifies ships on the basis of the ability of the Company to meet obligations to passengers for refunds in case of non-performance. The Company believes it is in compliance with all material regulations applicable to its ships and has all licenses necessary to the conduct of its business. In connection with a significant portion of its Alaska cruise operations, HAL relies on a concession permit from the National Park Service to operate its cruise ships in Glacier Bay National Park, which is periodically renewed. There can be no assurance that the permits will continue to be renewed or that regulations relating to the renewal of such permits, including preference rights, will remain unchanged in the future.

The International Maritime Organization has adopted safety standards as part of the "Safety of Life at Sea" ("SOLAS") Convention, applicable generally to all passenger ships carrying 36 or more passengers. Generally, SOLAS imposes enhanced vessel structural requirements designed to improve passenger safety. The SOLAS requirements are phased in through the year 2010. However, certain stringent SOLAS fire safety requirements must be implemented by 1997. Only two of the Company's vessels, Carnival's Festivale, and HAL's Rotterdam are expected to be significantly affected by the SOLAS 1997 requirements. The decision regarding the additional SOLAS related investments for these two ships is expected to be made during 1996.

Public Law 89-777 administered by the Federal Maritime Commission ("FMC") requires most cruise line operators to establish financial responsibility for nonperformance of transportation. The FMC's regulations require that a cruise line demonstrate its financial responsibility through a guaranty, escrow arrangement, surety bond, insurance or self-insurance. Currently, the amount required must equal 110% of the cruise line's highest amount of customer deposits over a two-year period up to a maximum coverage level of \$15 million, subject to a sliding scale. The FMC has proposed elimination of the \$15 million ceiling and revising the existing sliding scale to require coverage for 110% of customer deposits up to \$25 million and additional coverage of either (i) 90% of amounts exceeding \$25 million or (ii) 75% of customer deposits in excess of \$25 million and less than \$50 million and 50% coverage of amounts in excess of \$50 million. The FMC is also considering elimination of the self-insurance provisions. The proposed new regulations are viewed favorably by the Company and are not expected to have a material effect on the Company. The FMC has received public comments regarding the proposed regulations and may take final action at any time.

From time to time, various other regulatory and legislative changes have been or may in the future be proposed that could have an effect on the cruise industry in general.

Financial Information

For financial information about the Company's cruise ship segment with respect to the three fiscal years ended November 30, 1995, see Note 10 "Segment Information" to the Company's Consolidated Financial Statements as of November 30, 1995 in Exhibit 13 incorporated by reference into this document.

C. Tour Segment

In addition to its cruise business, HAL markets sight-seeing tours separately and as a part of cruise/tour packages under the Holland America Westours name. Tour operations are based in Alaska, Washington State and western Canada. Since a substantial portion of Holland America Westours' business is derived from the sale of tour packages in Alaska during the summer tour season, tour operations are highly seasonal.

Holland America Westours

Holland America Line-Westours Inc. ("Holland America Westours") is a wholly-owned subsidiary of HAL. The group of subsidiaries which together comprise the tour operations perform three independent yet interrelated functions. During 1995, as part of an integrated travel program to destinations in Alaska and the Canadian Rockies, the tour service group offered 51 different tour programs varying in length from 7 to 19 days. The transportation group and hotel group support the tour service group by supplying facilities needed to conduct tours. Facilities include dayboats, motor coaches, rail cars and hotels.

Three luxury dayboats perform an important role in the integrated Alaska travel program offering tours to the glaciers and fjords of Alaska and the Yukon River. The Fairweather cruises the Lynn Canal in Southeast Alaska, the Yukon Queen cruises the Yukon River between Dawson City, Yukon Territory and Eagle, Alaska and the Ptarmigan operates on Portage Lake in Alaska. The three dayboats have a combined capacity of 489 passengers.

A fleet of over 290 motor coaches using the trade name Gray Line operate in Alaska, Washington and western Canada. These motor coaches are used for extended trips, city sight-seeing tours and charter hire. HAL conducts its tours both as part of a cruise/tour package and as individual sight-seeing products sold under the Gray Line name. In addition, HAL operates express Gray Line motor coach service between downtown Seattle and the Seattle-Tacoma International Airport.

Ten private domed rail cars, which are called "McKinley Explorers", run on the Alaska railroad between Anchorage and Fairbanks, stopping at Denali National Park.

In connection with its tour operations, HAL owns or leases motor coach maintenance shops in Seattle, and at Juneau, Fairbanks, Anchorage, Skagway and Ketchikan in Alaska. HAL also owns or leases service offices at Anchorage, Fairbanks, Juneau, Ketchikan and Skagway in Alaska, at Whitehorse in the Yukon Territory, in Seattle and at Vancouver in British Columbia. Certain real property facilities on federal land are used in HAL's tour operations pursuant to permits from the applicable federal agencies.

Westmark Hotels

HAL owns and/or operates 16 hotels in Alaska and the Canadian Yukon under the name Westmark Hotels. Four of the hotels are located in Canada's Yukon Territory and offer a combined total of 585 rooms. The remaining 12 hotels, all located throughout Alaska, provide a total of 1,649 rooms, bringing the total number of hotel rooms to 2,234.

The hotels play an important role in HAL's tour program during the summer months when they provide accommodations to the tour passengers. The hotels located in the larger metropolitan areas remain open during the entire year, acting during the winter season as centers for local community activities while continuing to accommodate the traveling public. HAL hotels include dining, lounge and conference or meeting room facilities. Certain hotels have gift shops and other tourist services on the premises.

The hotels are summarized in the following table:

HOTEL NAME	LOCATION	ROOMS	OPEN DURING 1995 SEASON
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Alaska Hotels:

Westmark Anchorage	Anchorage	198	year-round
Westmark Inn	Anchorage	90	seasonal
Westmark Inn	Fairbanks	173	seasonal
Westmark Fairbanks	Fairbanks	238	year-round
Westmark Juneau	Juneau	105	year-round
The Baranof	Juneau	193	year-round
Westmark Cape Fox	Ketchikan	72	year-round
Westmark Kodiak	Kodiak	81	year-round
Westmark Shee Atika	Sitka	101	year-round
Westmark Inn Skagway	Skagway	209	seasonal
Westmark Tok	Tok	92	seasonal
Westmark Valdez	Valdez	97	year-round

Canadian Hotels (Yukon Territory):

Westmark Inn	Beaver Creek	174	seasonal
Westmark Klondike Inn	Whitehorse	99	seasonal
Westmark Whitehorse	Whitehorse	181	year-round
Westmark Inn	Dawson	131	seasonal

Thirteen of the hotels are owned by a HAL subsidiary. The remaining three hotels, Westmark Anchorage, Westmark Cape Fox and Westmark Shee Atika are operated under arrangements involving third parties such as management agreements and leases.

For the hotels that operate year-round, the occupancy percentage for 1995 was 58.9%, and for the hotels that operate only during the summer months, the occupancy percentage for 1995 was 76.7%.

Seasonality

The Company's tour revenues are extremely seasonal with a large majority generated during the late spring and summer months in connection with the Alaska cruise season. Holland America Westours' tours are conducted in Washington, Alaska and the Canadian Rockies. The Alaska and Canadian Rockies tours coincide to a great extent with the Alaska cruise season, May through September. Washington tours are conducted year-round although demand is greatest during the summer months. During periods in which tour demand is low, HAL seeks to maximize its motor coach charter activity such as operating charter tours to ski resorts in Washington and Canada.

Sales and Marketing

HAL tours are marketed both separately and as part of cruise-tour packages. Although most HAL cruise-tours include a HAL cruise as the cruise segment, other cruise lines also market HAL tours as a part of their cruise tour packages and sight-seeing excursions. Tours sold separately are marketed through independent travel agents and also directly by HAL, utilizing sales desks in major hotels. General marketing for the hotels is done through various media in Alaska, Canada and the continental United States. Travel agents, particularly in Alaska, are solicited, and displays are used in airports in Seattle, Washington, Portland, Oregon and various Alaskan cities. Rates at Westmark Hotels are on the upper end of the scale for hotels in Alaska and the Canadian Yukon.

Concessions

Certain tours in Alaska are conducted on federal property requiring concession permits from the applicable federal agencies such as the National Park Service or the United States Forest Service.

Competition

Holland America Westours competes with independent tour operators and motor coach charter operators in Washington, Alaska and the Canadian Rockies. The primary competitors in Alaska are Princess Tours (which owns approximately 130 motor coaches and three hotels) and Alaska Sightseeing/Trav-Alaska (which owns approximately 43 motor coaches). The primary competitor in Washington is Gazelle (with approximately 18 motor coaches). The primary competitors in the Canadian Rockies are Tauck Tours, Princess Tours and Brewster Transportation.

Westmark Hotels compete with various hotels throughout Alaska, including the Super 8 national motel chain, many of which charge prices below those charged by HAL. Dining facilities in the hotels also compete with the many restaurants in the same geographic areas.

Government Regulation

HAL's motor coach operations are subject to regulation both at the

federal and state levels, including primarily the U.S. Department of Transportation, the Washington Utilities and Transportation Commission, the British Columbia Motor Carrier Commission and the Alaska Transportation Commission. Certain of HAL's tours involve federal properties and are subject to regulation by various federal agencies such as the National Park Service, the Federal Maritime Administration and the U.S. Forest Service.

In connection with the operation of its beverage facilities in the Westmark Hotels, HAL is required to comply with state, county and/or city ordinances regulating the sale and consumption of alcoholic beverages. Violations of these ordinances could result in fines, suspensions or revocation of such licenses and preclude the sale of any alcoholic beverages by the hotel involved.

In the operation of its hotels, HAL is required to comply with applicable building and fire codes. Changes in these codes have in the past and may in the future, require substantial capital expenditures to insure continuing compliance such as the installation of sprinkler systems.

Financial Information

For financial information about the Company's tour segment with respect to the three fiscal years ended November 30, 1995, see Note 10 "Segment Information" to the Company's Consolidated Financial Statements as of November 30, 1995 in Exhibit 13 incorporated by reference into this document.

D. Employees

The Company's Carnival operations have approximately 1,300 full-time and 250 part-time employees engaged in shoreside operations. Carnival also employs approximately 360 officers and approximately 7,200 crew and staff on the Carnival Ships.

The Company's HAL operations have approximately 2,900 employees engaged in shoreside, tour and hotel operations, of which approximately 1,500 employees hold part-time/seasonal positions. HAL also employs approximately 220 officers and approximately 3,300 crew and staff on the HAL Ships and Windstar Ships. Due to the seasonality of its Alaska and Canadian operations, HAL tends to increase its work force during the summer months, employing significant additional full-time and part-time personnel. HAL has entered into agreements with unions covering employees in certain of its hotels and certain of its tour and ship employees.

The Company considers its employee relations generally to be good.

E. Suppliers

The Company's largest purchases are for airfare, advertising, fuel, food and related items, hotel supplies and products related to passenger accommodation. Although the Company chooses to use a limited number of suppliers for most of its food and fuel purchases, most of the necessary supplies are available from numerous sources at competitive prices. The use of a limited number of suppliers enables the Company to obtain volume discounts.

F. Insurance

The Company maintains insurance covering legal liabilities related to crew, passengers and other third parties on the Carnival Ships and the HAL Ships in operation through The Standard Steamship Owners Protection & Indemnity Association (Bermuda) Limited (the "SSOPIA") and the Steamship Mutual Underwriting Association Ltd. (the "SMUAL"). The amount and terms of these insurances are governed by the rules of the foregoing associations.

The Company currently maintains insurance on the hull and machinery of each vessel in amounts equal to the approximate market value of each vessel. The Company maintains war risk insurance on each vessel which includes legal liability to crew and passengers including terrorist risks for which coverage would be excluded from SSOPIA or SMUAL. The coverage for hull and machinery and war risks is effected with international markets, including underwriters at Lloyds. The Company, as required by the FMC, maintains at all times two \$15 million performance bonds for the Carnival Ships, and the HAL and Windstar Ships, respectively, to cover passenger ticket liabilities in the event of a canceled or interrupted cruise. See "CRUISE SHIP SEGMENT - Government Regulation" for a discussion of changes to the performance bond requirements proposed by the FMC.

The Company maintains certain levels of self insurance for liabilities and hull and machinery through the use of substantial deductibles. Such deductibles may be increased in the future. The Company does not carry

coverage related to loss of earnings or revenues for its cruise operations.

The Company also maintains various insurance policies to protect the assets, earnings and liabilities arising from the operation of HAL Westours.

Item 2. Properties

The Company's cruise ships are described in Section B of Item 1 under the heading "Cruise Ship Segment". The properties associated with HAL's tour operations are described in Section C of Item 1 under the heading "Tour Segment".

Carnival's shoreside operations and corporate headquarters are located at 3655 N.W. 87th Avenue, Miami, Florida, and consists of approximately 231,000 square feet of office space which the Company purchased in December 1994. In order to provide space for the future growth of Carnival and to consolidate existing personnel, approximately 225,000 square feet of office space is being constructed next to the existing facility with an estimated completion date of July 1996. Carnival is also leasing approximately 60,000 square feet of office space at 5225 N.W. 87th Avenue, Miami, Florida until the new facility is completed.

HAL headquarters are at 300 Elliott Avenue West in Seattle, Washington in leased space in an office building. The lease is for approximately 120,000 square feet.

Item 3. Legal Proceedings

A purported class action suit was filed against the Company on September 19, 1995 and was subsequently dismissed by the court on jurisdictional grounds on December 15, 1995. The suit alleged that the Company had violated the Florida Deceptive and Unfair Trade Practices Act by overcharging passengers for port charges. The plaintiffs refiled their suit in the same court on December 27, 1995 and modified the complaint to add various federal law claims and a state fraud claim. The suit seeks declaratory relief to enjoin the Company from further alleged overcharges and seeks compensatory and punitive damages in an unspecified amount. The action is presently in its early stages and it is not possible at this time to determine the outcome of the litigation. Management of the Company intends to vigorously defend the lawsuit.

The United States Attorney for the District of Alaska has commenced an investigation to determine if a Holland America Line vessel discharged bilge water, alleged to have contained oil or oily mixtures, at various locations allegedly within United States territorial waters at various times during the summer and early fall of 1994. It is unknown whether any proceedings will be initiated and, if so, what violations will be alleged. To date, no penalties have been sought or imposed. Management does not believe that the amount of potential penalties will have a material impact on the Company.

During 1995, the Company received \$40 million in cash and other compensation from the settlement of litigation with Metra Oy, the former parent company of Wartsila Marine Industries ("Wartsila"), related to losses suffered in connection with the construction of three of the Company's cruise ships. Of the \$40 million, \$6.2 million was used to pay related legal fees, \$14.4 million was recorded as other income and \$19.4 million was used to reduce the Company's cost basis of certain ships. The Company is continuing to pursue claims in the bankruptcy proceedings in Finland to recover damages suffered in connection with the construction of the three ships.

The Company is routinely involved in liability and other claims typical of the cruise ship, hotel and tour businesses. After the application of deductibles, a substantial portion of these claims are fully covered by insurance. The Company is also involved from time to time in commercial, regulatory and employment related disputes and claims. In the opinion of management, such claims, if decided adversely, individually or in the aggregate, would not have a material adverse effect upon the Company's financial condition or results of operations.

Item 4. Submission of Matters to a Vote or Security Holders

None.

Executive Officers of the Registrant

Pursuant to General Instruction G(3), the information regarding executive officers of the Company called for by Item 401(b) of Regulation S-K is hereby included in Part 1 of this report.

The following table sets forth the name, age and title of each executive

officer. Titles listed relate to positions within Carnival Corporation unless otherwise noted.

NAME	AGE	POSITION
Micky Arison	46	Chairman of the Board and Chief Executive Officer
Gerald R. Cahill	44	Vice President--Finance
Robert H. Dickinson	53	President and Chief Operating Officer of Carnival and Director
Howard S. Frank	54	Vice-Chairman, Chief Financial Officer and Director
A. Kirk Lanterman	64	President and Chief Executive Officer of Holland America Line-Westours Inc. and Director
Lowell Zemnick	52	Vice President and Treasurer
Meshulam Zonis	62	Senior Vice President--Operations of Carnival and Director

Business Experience of Officers

Micky Arison, age 46, has been Chief Executive Officer since 1979 and Chairman of the Board since 1990. He was President from 1979 to May 1993 and has also been a director since June 1987. Prior to 1979, he served Carnival for successive two-year periods as sales agent, reservations manager and as Vice President in charge of passenger traffic. He is the son of Ted Arison, Carnival Corporation's founder. He served on the Board of Directors of Ensign Bank, FSB until August 30, 1990. On that date, the Office of Thrift Supervision appointed the Resolution Trust Corporation receiver of Ensign Bank.

Gerald R. Cahill, age 44, is a Certified Public Accountant and has been Vice President-Finance since September 1994. Mr. Cahill was the chief financial officer from 1988 to 1992 and the chief operating officer from 1992 to 1994 of Safecard Services, Inc. From 1979 to 1988 he held financial positions at Resorts International Inc. and, prior to that, spent six years with Price Waterhouse LLP.

Robert H. Dickinson, age 53, has been President and Chief Operating Officer of Carnival since May 1993. From 1979 to May 1993, he was Senior Vice President--Sales and Marketing of Carnival. He has also been a director since June 1987.

Howard S. Frank, age 54, has been Vice-Chairman of the Board since October 1993 and has been Chief Financial Officer and Chief Accounting Officer since July 1, 1989 and a Director since 1992. From July 1989 to October 1993 he was Senior Vice President-Finance. From July 1975 through June 1989, he was a partner with Price Waterhouse LLP.

A. Kirk Lanterman, age 64, is a Certified Public Accountant and has been President and Chief Executive Officer of Holland America Line-Westours Inc. since January 1989 and a Director since 1992. From 1983 to January 1989, he was President and Chief Operating Officer of Holland America Line-Westours Inc. From 1979 to 1983, he was President of Westours which merged in 1983 with Holland America Line.

Lowell Zemnick, age 52, is a Certified Public Accountant and has been Vice President since 1980 and Treasurer since September 1990. Mr. Zemnick was the chief financial officer of Carnival from 1980 to September 1990 and was the Chief Financial Officer of Carnival Corporation from May 1987 through June 1989.

Meshulam Zonis, age 62, has been Senior Vice President--Operations of Carnival since 1979. He has also been a director since June 1987. From 1974 through 1979, Mr. Zonis was Vice President--Operations of Carnival.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholders Matters

A. Market Information

The information required by Item 201(a) of Regulation S-K, market information, is shown in Exhibit 13 and is incorporated by reference into

this Annual Report on Form 10-K.

B. Holders

The information required by Item 201(b) of Regulation S-K, holders of common stock, is shown in Exhibit 13 and is incorporated by reference into this Annual Report on Form 10-K.

C. Dividends

Any dividend declared by the Board of Directors on the Company's Common Stock will be paid concurrently at the same rate on the Class A Common Stock and the Class B Common Stock. For its Class A Common Stock and Class B Common Stock (collectively, the "Common Stock"), the Company declared cash dividends of \$.07 per share in each of the first three quarters of fiscal 1994, \$.075 in the fourth quarter of fiscal 1994 and in the first three quarters of fiscal 1995, and \$.09 in the fourth quarter of fiscal 1995 and first quarter of fiscal 1996. Payment of future quarterly dividends on the Common Stock will depend, among other factors, upon the Company's earnings, financial condition and capital requirements and certain tax considerations of certain members of the Arison family and trusts for the benefit of Mr. Ted Arison's children (the "Principal Shareholders"), some of whom are required to include a portion of the Company's earnings in their taxable income, whether or not the earnings are distributed (see "D. Taxation of the Company"). The Company may also declare special dividends to all stockholders in the event that the Principal Shareholders are required to pay additional income taxes by reason of their ownership of the Common Stock, either because of an income tax audit of the Company or the Principal Shareholders or because of certain actions by the Company (such as a failure by the Company to maintain its investment in shipping assets at a certain level) that would trigger adverse tax consequences to the Principal Shareholders under the special tax rules applicable to them.

While no tax treaty currently exists between the Republic of Panama and the United States, under current law the Company believes that distributions to its shareholders are not subject to taxation under the laws of the Republic of Panama. Dividends paid by the Company will be taxable as ordinary income for United States Federal income tax purposes to the extent of the Company's current or accumulated earnings and profits, but generally will not qualify for any dividends-received deduction.

Certain loan documents entered into by certain of HAL's subsidiaries restrict the level of dividend payments by HAL's subsidiaries to HAL.

The payment and amount of any dividend is within the discretion of the Board of Directors, and it is possible that the amount of any dividend may vary from the levels discussed above. If the law regarding the taxation of the Company's income to the Principal Shareholders were to change so that the amount of tax payable by the Principal Shareholders were increased or reduced, the amount of dividends paid by the Company might be more or less than is currently contemplated.

D. Taxation of the Company

The following discussion summarizes the expected United States Federal income taxation of the Company's current operations. State and local taxes are not discussed. The discussion is based upon currently existing provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed regulations thereunder and current administrative rulings and court decisions. All of the foregoing are subject to change and any such change could affect the continuing validity of this discussion. In connection with the foregoing, investors should be aware that the Tax Reform Act of 1986 (hereinafter, the "1986 Tax Act") changed significantly the United States Federal income tax rules applicable to the Company and certain holders of its stock (including the Principal U.S. Shareholders). Although the relevant provisions of the 1986 Tax Act are discussed herein, they have not yet been the subject of extensive administrative or judicial interpretation.

United States

Carnival Corporation is a Panamanian corporation, and its material subsidiaries (other than subsidiaries engaged in the bus, hotel and tour business of Holland America Line) are Panamanian, Liberian, Netherlands Antilles, British Virgin Islands, and Bahamian corporations. Accordingly, the Company's income from sources outside of the United States ("foreign source income") generally is not subject to United States tax. Moreover, the Company anticipates that, under current law, all or virtually all of its income from sources within the United States ("United States Source Income") that constitutes Shipping Income (as defined below) will be exempt from United States corporate income taxation for as long as Carnival Corporation

and its subsidiaries meet the requirements of Section 883 of the Code. Section 883 of the Code provides that income of a foreign corporation derived from the international operation, or from the rental on a full or bareboat basis, of ships ("Shipping Income") is exempt from United States taxation if (1) the foreign country in which the foreign corporation is organized grants an equivalent exemption to citizens of the United States and to corporations organized in the United States (an "equivalent exemption jurisdiction") and (2) the foreign corporation is a controlled foreign corporation ("CFC") as defined in Section 957(a) of the Code (the "CFC Test"). The Company believes that substantially all of its United States Source Income other than Holland America Line's income from its bus, hotel and tour operations, currently qualifies as Shipping Income, and that Panama, the Netherlands Antilles, the British Virgin Islands, the Bahamas, and Liberia are equivalent exemption jurisdictions. (Holland America Line's income from its hotel and tour operations, is not Shipping Income, and, accordingly, is subject to United States corporate income tax). If, however, Panamanian, Netherlands Antilles, British Virgin Islands, Bahamian or Liberian law were to change adversely, the Company would consider taking appropriate steps (including reincorporating in another jurisdiction) so as to remain eligible for the exemption from United States Federal income tax provided by Section 883 of the Code.

A foreign corporation is a CFC when stock representing more than 50% of such corporation's voting power or equity value is owned (or considered as owned) on any day of its fiscal year by United States persons who each own (or are considered as owning) stock representing 10% or more of the corporation's voting power ("Ten Percent Shareholders"). Stock of the Company representing more than 50% of the total combined voting power of all classes of stock is owned by the Micky Arison 1994 "B" Trust (the "B Trust"), which is a "United States Person", and thus the Company meets the definition of a CFC. The B Trust is a U.S. trust whose primary beneficiary is Micky Arison, the Company's Chairman of the Board. Accordingly, at the corporate level, the Company expects that virtually all of its income (with the exception of its United States source income from the operation of transportation, hotel and tour business of HAL) will remain exempt from United States Income taxes. The B Trust has entered into an agreement with the Company that is designed to ensure, except under certain limited circumstances, that stock possessing more than 50% of the Company's voting power will be held by Ten Percent Shareholders until at least July 1, 1997. Because the Company is a CFC, a pro rata share of the shipping earnings of the Company, as well as certain other amounts, is includable in the taxable income of any "Ten Percent Shareholder", as defined above.

A substantial portion of the Company's income will, as discussed below, be treated as United States Source Income. If the Company were to fail to meet the requirements of Section 883 of the Code with respect to any of its United States Source Income (or if Section 883 of the Code were repealed), some or all of the Company's Shipping Income that is United States Source Income would become subject to a significant United States tax burden. Any such United States Source Income that is considered to be "effectively connected" with the conduct of a United States trade or business would be subject not only to general United States Federal corporate income tax, but also to a 30% "branch level" tax on effectively connected earnings and profits (generally, adjusted taxable income reduced by taxes and adjusted for the amount of the Company's earnings treated as reinvested in the Company's United States business). Any such United States Source Income that is not considered to be effectively connected with a United States trade or business will instead be subject to a 4% tax on United States source gross transportation income (or, possibly, to a 30% tax if any such income were considered to be 100% United States Source Income under the rules described below, which, as discussed below, the Company does not believe to be the case with respect to any significant portion of its Shipping Income). The Company believes that at least a significant portion of its United States Source Income would probably be considered to be effectively connected with a United States trade or business for this purpose.

Under amendments to the Code enacted as part of the 1986 Tax Act, the Company's United States Source Income will include 50% of all transportation income (including income derived from, or in connection with, the use or hiring, or leasing for use of a cruise ship, or the performance of services directly related to such use) attributable to transportation that begins or ends in the United States, and 100% of such transportation income with respect to transportation which begins and ends in the United States. The legislative history of these rules suggests that a cruise which begins and ends in United States ports, but which calls on one or more foreign ports (including ports in possessions of the United States), will be treated as transportation that begins or ends in the United States, rather than as transportation that begins and ends in the United States, thus resulting in no more (and, with respect to a cruise that calls on more than one foreign port, possibly less) than 50% United States Source Income. There are, however, no regulations or other authoritative interpretations of these new

rules, and, accordingly, the matter is not entirely free from doubt.

Under a provision of the Technical and Miscellaneous Revenue Act of 1988, Section 883 of the Code applies only to income derived from the international operation of ships. The legislative history of that provision indicates that Section 883 of the Code does not apply to Shipping Income that is treated as 100% United States Source Income under the source of income rules discussed in the preceding paragraph since it does not constitute income from the international operation of a ship because it results from transportation that is considered to begin and end in the United States; accordingly, any such income may well be subject to United States corporate tax unless another exception was applicable. As discussed in the preceding paragraph, although the matter is not entirely free from doubt, the Company does not believe that any significant portion of its Shipping Income from its current operations is 100% United States Source Income under the applicable provisions of the Code. Accordingly, the Company does not believe that the 1988 legislation significantly increases its United States corporate tax with respect to its current operations.

Other Jurisdictions

The Company anticipates that its income will not be subject to significant taxation under the laws of the Republic of Panama, Liberia, the Netherlands Antilles, the British Virgin Islands or the Bahamas.

Item 6. Selected Financial Data

The information required by Item 6, selected financial data for the five years ended November 30, 1995, is shown in Exhibit 13 and is incorporated by reference into this Annual Report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation, is shown in Exhibit 13 and is incorporated by reference into this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

The financial statements, together with the report thereon of Price Waterhouse LLP dated January 18, 1996, is shown in Exhibit 13 and is hereby incorporated by reference into this Annual Report on Form 10-K.

Item 9. Disagreements on Accounting and Financial Disclosure

None.

PART III

Items 10, 11, 12 and 13. Directors and Executive Officers of the Registrant, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, and Certain Relationships and Related Transactions

The information required by Items 10, 11, 12 and 13 is incorporated by reference to the Registrant's definitive Proxy Statement to be filed with the Commission not later than 120 days after the close of the fiscal year except that the information concerning the Registrant's executive officers called for by Item 401(b) of Regulation S-K has been included in Part I of this report.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1)-(2) Financial Statements and Schedules:

The financial statements shown in Exhibit 13 are hereby incorporated

herein by reference.

(3) Exhibits:

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report and such Exhibit Index is hereby incorporated herein by reference.

(b) No reports on Form 8-K were filed during the three months ended November 30, 1995.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, and the State of Florida on this 22nd day of January 1996.

CARNIVAL CORPORATION

By /s/ Micky Arison
Micky Arison
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Micky Arison Micky Arison	Chairman of the Board, Chief Executive Officer and Director	January 22, 1996
/s/ Howard S. Frank Howard S. Frank	Vice-Chairman, Chief Financial and Accounting Officer and Director	January 22, 1996
/s/Maks L. Birnbach Maks L. Birnbach	Director	January 21, 1996
/s/ Richard G. Capen Richard G. Capen, Jr.	Director	January 23, 1996
/s/ Robert H. Dickinson Robert H. Dickinson	Director	January 22, 1996
_____ Shari Arison Dorsman	Director	January__, 1996
/s/ James Dubin James Dubin	Director	January 22, 1996
/s/ A. Kirk Lanterman A. Kirk Lanterman	Director	January 22, 1996
/s/ Modesto Maidique Modesto Maidique	Director	January 23, 1996
_____ William S. Ruben	Director	January__, 1996
_____ Stuart Subotnick	Director	January__, 1996
/s/Sherwood M. Weiser Sherwood M. Weiser	Director	January 22, 1996
/s/ Meshulam Zonis Meshulam Zonis	Director	January 22, 1996
/s/Uzi Zucker Uzi Zucker	Director	January 22, 1996

/TABLE

INDEX TO EXHIBITS

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Exhibits

- 3.1-Form of Amended and Restated Articles of Incorporation of the Company.(1)
- 3.2-Form of By-laws of the Company.(2)
- 4.1-Revolving Credit Agreement dated July 1, 1993 between the Company and Citibank N.A. and certain banks named therein as Amended and Restated as of December 5, 1995.
- 4.2-Revolving Credit Agreement dated as of December 5, 1995 between the Company and Citibank N.A. and certain banks named therein.
- 4.3-Indenture entered into by the Registrant and First Trust National Association, as Trustee, relating to the 4-1/2% Convertible Subordinated Notes Due July 1, 1997 and the Form of Notes.(3)
- 4.4-Form of Indenture dated as of March 1, 1993 between Carnival Cruise Lines, Inc. and First Trust National Association, as Trustee, relating to the Debt Securities, including form of Debt Security.(4)
- 4.5-Second Amended and Restated Shareholder Agreement dated September 26, 1994 by and among Carnival Corporation, Ted Arison, TAMMS Investment Company, The Ted Arison Family Holding Trust No. 4, The Micky Arison "B" Trust, and T.A. Limited. (5)
- 4.6-Letter Agreement dated July 11, 1989 between the Company and the Ted Arison Irrevocable Trust.(6)
- 4.7-Agreement of the Company dated January 24, 1996 to furnish certain debt instruments to the Securities and Exchange Commission.
- 10.1-Carnival Cruise Lines, Inc. Stock Option Plan.(7)
- 10.2-Carnival Cruise Lines, Inc. Restricted Stock Plan.(8)
- 10.3-Carnival Cruise Lines, Inc. Retirement Plan.(9)
- 10.4-Carnival Cruise Lines, Inc. Non-Qualified Retirement Plan.(10)
- 10.5-Carnival Cruise Lines, Inc. Key Management Incentive Plan.(11)
- 10.6-1993 Outside Directors' Stock Option Plan.(12)
- 10.7-1993 Carnival Cruise Lines, Inc. Restricted Stock Plan.(13)
- 10.8-Holland America Line-Westours Inc. 1994-1996 Key Management Incentive Plan.
- 10.9-Amended and Restated Carnival Corporation 1992 Stock Option Plan.(14)
- 10.10-1994 Carnival Cruise Line Key Management Incentive Plan.(15)
- 10.11-Form of Deferred Compensation Agreement between the Company and each of Harvey Levinson, Meshulam Zonis and Robert H. Dickinson.(16)
- 10.12-Stock Compensation Agreement dated February 1, 1991, between the Company and Robert H. Dickinson.(17)
- 10.13-Consulting and Retirement Agreement between A. Kirk Lanterman and Holland America Line-Westours, Inc.(18)
- 10.14-Consulting Agreement/Registration Rights Agreement dated June 14, 1991, between the Company and Ted Arison.(19)
- 10.15-Indemnity Agreement between the Company and Ted Arison.(20)
- 10.16-First Amendment to Consulting Agreement/Registration Rights Agreement.(21)
- 10.17-Consulting Agreement dated July 31, 1992, between the Company and Arison Investments Ltd.(22)
- 10.18-Assignment and Assumption Agreement dated March 20, 1995 among Ted Arison, Cititrust (Jersey) Limited, Royal Bank of Scotland Trust Company (Jersey) Limited and the Company.
- 10.19-Shipbuilding Agreement dated January 12, 1993 between Futura Cruises, Inc. and Fincantieri - Cantieri Navali Italiani S.p.A.*(23)
- 10.20-Shipbuilding Agreement dated December 23, 1993 between Kvaerner Masa-Yards, Inc. and the Company.*(24)
- 10.21-Shipbuilding Agreement dated December 10, 1993 between Wind Surf Limited and Fincantieri-Cantieri Navali Italiani S.p.A.*(25)
- 10.22-Shipbuilding Agreement dated January 14, 1995 between Utopia Cruises, Inc. and Fincantieri-Cantieri Navali Italiani S.p.A.*(26)
- 10.23-Shipbuilding Agreement dated January 14, 1995 between Wind Surf Limited and Fincantieri-Cantieri Navali Italiani S.p.A.*(27)
- 10.24-Shipbuilding Agreement dated December 7, 1994 between Carnival Corporation and Kvaerner Masa-Yards, Inc.*(28)
- 10.25-Shipbuilding Agreement dated January 12, 1995 between Carnival Corporation and Kvaerner Masa-Yards, Inc.*(29)
- 10.26-Shipbuilding Agreement dated March 25, 1992 between Carnival Corporation and Kvaerner Masa-Yards, Inc.*(30)
- 10.27-Organization agreement dated February 25, 1994 between the Company and the principals of The Continental Companies.(31)
- 10.28-Stock Purchase Agreement between Carnival Corporation and CHC

International.(32)
10.29-Stock Purchase Agreement between Carnival Corporation, Sherwood Weiser and others.(33)
11.0-Statement regarding computation of per share earnings.
12.0-Ratio of Earnings to Fixed Charges
13.0-Portions of 1995 Annual Report incorporated by reference into 1995 Annual Report on Form 10-K
21-Subsidiaries of the Company.(34)
23.0-Consent of Price Waterhouse
27.0-Financial Data Schedule (for SEC use only)
28.1-Maks L. Birnbach Director's Agreement.(35)
28.2-William S. Ruben Director's Agreement.(36)
28.3-Stuart Subotnick Director's Agreement.(37)
28.4-Sherwood M. Weiser Director's Agreement.(38)
28.5-Uzi Zucker Director's Agreement.(39)

* Portions of documents omitted pursuant to an order for confidential treatment pursuant to Rule 24b-2 under the Securities Act of 1934, as amended.

Sequential
Numbering
System
Exhibits

(1)Incorporated by reference to Exhibit No. 4.1 to the registrant's Quarterly Report on Form 10-Q for the Quarter Ended February 28, 1995 (File No. 1-9610), filed with the Securities and Exchange Commission.

(2)Incorporated by reference to Exhibit No. 3.2 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(3)Incorporated by reference to Exhibit No. 4(a) and Exhibit No. 4(b) to the registrant's Report on Form 8-K as filed with the Securities and Exchange Commission on July 6, 1992.

(4)Incorporated by reference to Exhibit No. 4 on Form S-3 to the registrant's registration statement on Form S-3 (File No. 33-53136), filed with the Securities and Exchange Commission.

(5)Incorporated by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended August 31, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(6)Incorporated by reference to Exhibit No. 4.10 to the registrant's registration statement on Form S-1 (File No. 33-31795), filed with the Securities and Exchange Commission.

(7)Incorporated by reference to Exhibit No. 10.1 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(8)Incorporated by reference to Exhibit No. 10.2 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(9)Incorporated by reference to Exhibit No. 10.3 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1990 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(10)Incorporated by reference to Exhibit No. 10.4 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1990 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(11)Incorporated by reference to Exhibit No. 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1993 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(12)Incorporated by reference to Exhibit No. 10.6 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1993 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(13)Incorporated by reference to Exhibit No. 10.41 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1992 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(14) Incorporated by reference to Exhibit No. 10.29 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(15) Incorporated by reference to Exhibit No. 10.30 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(16) Incorporated by reference to Exhibit No. 10.17 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(17) Incorporated by reference to Exhibit No. 10.43 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1991 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(18) Incorporated by reference to Exhibit No. 10.28 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(19) Incorporated by reference to Exhibit No. 4.3 to post-effective amendment no. 1 on Form S-3 to the registrant's registration statement on Form S-1 (File No. 33-24747), filed with the Securities and Exchange Commission.

(20) Incorporated by reference to Exhibit No. 10.18 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(21) Incorporated by reference to Exhibit No. 10.40 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1992 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(22) Incorporated by reference to Exhibit No. 10.39 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1992 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(23) Incorporated by reference to Exhibit No. 10.42 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1992 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(24) Incorporated by reference to Exhibit No. 10.39 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1993 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(25) Incorporated by reference to Exhibit No. 10.40 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1993 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(26) Incorporated by reference to Exhibit No. 10.23 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(27) Incorporated by reference to Exhibit No. 10.24 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(28) Incorporated by reference to Exhibit No. 10.25 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(29) Incorporated by reference to Exhibit No. 10.26 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(30) Incorporated by reference to Exhibit No. 10.27 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(31) Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended February 28, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(32) Incorporated by reference to Exhibit No. 10.31 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(33) Incorporated by reference to Exhibit No. 10.32 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(34) Incorporated by reference to Exhibit No. 21 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1994 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(35) Incorporated by reference to Exhibit No. 28.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended November 30, 1990 (Commission File No. 1-9610), filed with the Securities and Exchange Commission.

(36) Incorporated by reference to Exhibit No. 28.2 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(37) Incorporated by reference to Exhibit No. 28.3 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(38) Incorporated by reference to Exhibit No. 28.4 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

(39) Incorporated by reference to Exhibit No. 28.5 to the registrant's registration statement on Form S-1 (File No. 33-14844), filed with the Securities and Exchange Commission.

REVOLVING CREDIT AGREEMENT
DATED AS OF JULY 1, 1993

AMENDED AND RESTATED
AS OF DECEMBER 5, 1995

By And Among

CARNIVAL CRUISE LINES, INC.
now known as
CARNIVAL CORPORATION,
as Borrower,

and

CITIBANK, N.A.,
as Agent,

CIBC, INC., COMMERZBANK A.G., ATLANTA AGENCY
AND ROYAL BANK OF CANADA,
as Managing Agents,

BARNETT BANK OF SOUTH FLORIDA, N.A., CREDIT LYONNAIS CAYMAN
ISLAND BRANCH, THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA AGENCY,
FIRST UNION NATIONAL BANK OF FLORIDA, THE FUJI BANK, LIMITED, NEW
YORK BRANCH, THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA
AGENCY, THE MITSUBISHI BANK, LIMITED - NEW YORK BRANCH,
NATIONSBANK OF FLORIDA, N.A., SAKURA BANK AND THE SUMITOMO BANK,
LIMITED, ATLANTA AGENCY,
as Co-Agents,

and

CITIBANK, N.A., BANCA DI ROMA - HOUSTON AGENCY, BANK OF HAWAII,
THE BANK OF NOVA SCOTIA, BARNETT BANK OF SOUTH FLORIDA, N.A.,
CIBC, INC., COMMERZBANK A.G., ATLANTA AGENCY, CREDIT LYONNAIS,
CAYMAN ISLAND BRANCH, THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA
AGENCY, FIRST UNION NATIONAL BANK OF FLORIDA, THE FUJI BANK,
LIMITED, NEW YORK BRANCH, THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA
AGENCY, LANDESBANK HOLSTEIN-SCHLESWIG GIROZENTRALE, THE MITSUBISHI BANK,
LIMITED - NEW YORK BRANCH, MORGAN GUARANTY TRUST COMPANY OF NEW YORK,
NATIONAL WESTMINSTER BANK PLC, NATIONSBANK OF FLORIDA, N.A., NORTHERN TRUST
COMPANY, ROYAL BANK
OF CANADA, SAKURA BANK, THE SANWA BANK LIMITED, ATLANTA AGENCY,
THE SUMITOMO BANK, LIMITED, ATLANTA AGENCY, SUNTRUST BANK,
MIAMI, N.A., UNITED STATES NATIONAL BANK OF OREGON AND THE YASUDA TRUST AND
BANKING COMPANY, LIMITED,
as Banks.

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AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

This Revolving Credit Agreement, dated as of July 1, 1993, amended and restated as of December 5, 1995, is made and entered into by and among CARNIVAL CRUISE LINES, INC. now known as CARNIVAL CORPORATION (the "Borrower"), a corporation organized and existing under the laws of The Republic of Panama ("Panama"), and CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America ("United States" or "U.S."), and each of the other banks or other institutions whose names may appear on the signature pages of this Agreement (each a "Bank" and, collectively, the "Banks") or, if applicable, in the Register for whom Citibank, N.A., subject to Article VII of this Agreement, acts as Agent, and subject to Section 7.11 of this Credit Agreement as hereby amended and restated, each of those certain Banks named in the cover page hereof acts as Managing Agent and each of those certain other Banks named in the cover page hereof acts as Co-Agent. Capitalized terms not otherwise herein defined shall have the respective meanings set forth below in Section 1.01.

PRELIMINARY STATEMENTS

(1) The Borrower, the Agent and the Lenders therein named have executed and delivered the Revolving Credit Agreement dated as of July 1, 1993 and Amendment No. 1 thereto dated as of June 15, 1994, and Advances have been made.

(2) The Borrower desires to borrow from the Lenders upon the terms and conditions set forth herein.

(3) The Lenders have agreed severally, but not jointly, each for the aggregate amount and in the percentage interest (as to each Lender, the "Percentage Interest") set forth opposite each Lender's name and signature, below, or if applicable, in any relevant amendment hereto, or, if applicable, in the Register, to provide credits upon the terms and conditions set forth herein.

(4) The Borrower has requested and the Agent and the Lenders have agreed, upon the terms and conditions of this Agreement, to extend the Termination Date from June 15, 1999 to December 5, 2000, to reallocate the Commitment among the Lenders, to add new banks as parties to this Agreement and to make certain other amendments to this Agreement. In connection with this Agreement as hereby amended and restated, inter alia, the outstanding Series A Notes of the Borrower will be exchanged for Series A Notes issued in the form of the Exhibit A-1 to this Agreement as amended and restated, reflecting the Commitment of the Lenders as herein provided, and a Series B Note in the form of Exhibit A-2 will be issued to each Lender first acceding to this Agreement on the date hereof.

(5) The outstanding principal balance of A Advances owing each Lender as of December 5, 1995, more particularly described in Schedule II hereto made a part hereof, shall be prepaid in full not later than the first Interest Payment Date of such A Advances falling after December 5, 1995.

(6) The Lenders have requested the Agent, and the Agent has agreed, to act on behalf of the Lenders in accordance with the terms and conditions set forth herein.

Now, therefore, the Borrower, the Lenders and the Agent hereby agree among themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. As used in this Agreement, each of the following terms shall have the respective meaning set forth below (such meanings, unless otherwise indicated, to apply to both the singular and plural forms of the terms defined):

"Advance" means an A Advance or a B Advance.

"A Advance" means an advance by a Lender to the Borrower as part of an A Borrowing and refers to a Base Rate Advance or a LIBOR Rate Advance, each of which shall be a "Type" of A Advance.

"A Borrowing" means a borrowing consisting of simultaneous A Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to vote ten percent (10%) or more of the securities having voting power for the election of directors of such Person, or otherwise to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent" shall mean Citibank, N.A., and any successor agent under this Agreement.

"Agreement" means this Agreement, as it may be amended, supplemented or otherwise modified from time to time.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance, and such Lender's Eurodollar Lending Office in the case of a LIBOR Rate Advance and, in the case of a B Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such B Advance.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"B Advance" means an advance by a Lender to the Borrower as part of a B Borrowing resulting from the auction bidding procedure described in Section 2.03.

"B Borrowing" means a borrowing consisting of simultaneous B Advances from each of the Lenders whose offer to make one or more B Advances as part of such borrowing has been accepted by the Borrower under the auction bidding procedure described in Section 2.03.

"B Reduction" has the meaning specified in Section 2.01.

"Base Rate" means, for any Interest Period or any other period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank, N.A., in New York, New York, from time to time, as its base rate;

(b) a rate equal to 1/2 of one percent per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average determined weekly on each Monday (or if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank, N.A., on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank, N.A., from three New York certificate of deposit dealers of recognized standing selected by Citibank, N.A., in either case adjusted to the nearest 1/4 of one percent, or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent; or

(c) a rate equal to 1/2 of one percent per annum above the then current Federal Funds Rate.

"Base Rate Advance" means an A Advance or a B Advance which bears interest at the Base Rate.

"Borrowing" means an A Borrowing or a B Borrowing.

"Business Day" means any day other than a Saturday, Sunday or any other day on which commercial banks are required or authorized by law to close in New York, New York, London, England or in the city where the Lending Office is located.

"Capital Expenditures" mean the aggregate of all expenditures (including that portion of leases which is capitalized on the consolidated balance sheet of the Borrower and its Subsidiaries (or on the balance sheet of any unconsolidated Subsidiary) and capitalized interest) by the Borrower and its Subsidiaries that, in conformity with GAAP, should be, has been or should have been included in the property, plant or equipment reflected in a consolidated

balance sheet of the Borrower and its Subsidiaries.

"Capital Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, either would be required to be classified and accounted for as a capital lease on a balance sheet of such Person or otherwise be disclosed as such in a note to such balance sheet, other than, in the case of the Borrower or a Subsidiary of the Borrower, any such lease under which the Borrower or such Subsidiary is the lessor.

"Closing Date" means the day, but not later than July 1, 1993, on which the respective parties hereto shall have executed and delivered this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Commitment" means the obligation of each Lender to lend the amounts set forth in Section 2.01 hereof, as such amounts may be reduced from time to time pursuant to this Agreement.

"Consolidated Cash Flow" means, in conformity with GAAP, net cash from operations, as shown in the consolidated statements of cash flows of the Borrower and its Subsidiaries excluding Specified Subsidiaries.

"Convert", "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of another Type pursuant to Section 2.02(e) or 2.05(b)(ii) (E) or (F).

"Default" means any event or condition that, with the giving of notice, the lapse of time or both, would become an Event of Default.

"Designated Bidder" means (i) an Eligible Assignee or (ii) a special purpose corporation which is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and that issues (or the parent of which issues) commercial paper rated at least "Prime-1" by Moody's Investors Services, Inc. or "A-1" by Standard & Poor's Corporation or a comparable rating from the successor or either of them, that, in either case, (x) is organized under the laws of the United States or any State thereof, (y) shall have become a party hereto pursuant to Section 7.10(d), (e), (f) and (z) is not otherwise a Lender.

"Designation Agreement" means a designation agreement entered into by a Lender (other than a Designated Bidder) and a Designated Bidder, and accepted by the Agent, in substantially the form of Exhibit D hereto.

"Dollars" and "\$" mean the lawful and freely transferable currency of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Drawdown Date" shall mean the date an Advance is to be made to the Borrower pursuant to this Agreement.

"Eligible Assignee" means (i) a commercial bank, savings and loan institution, insurance company or financial institution organized under the laws of the United States, or any State thereof, which bank has both assets in excess of One Billion Dollars (\$1,000,000,000) and combined capital and surplus in excess of One Hundred Million Dollars (\$100,000,000), or which insurance company or financial institution has total assets in excess of One Billion Dollars (\$1,000,000,000), (ii) a commercial bank organized under the laws of any other country which is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, which bank has a combined capital and surplus (or the equivalent thereof under the accounting principles applicable thereto) in excess of One Hundred Million Dollars (\$100,000,000), provided that such bank is acting through a branch or agency located in the United States, the Cayman Islands or the country in which it is organized or another country which is also a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, (iii) the central bank of any country which is a member of the OECD or (iv) a finance company, insurance company or other financial institution or a fund which is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business, has total assets in excess of Five Hundred Million Dollars (\$500,000,000), is doing business in the United States and is organized under the laws of the United States, or any State thereof, or under the laws of any

member country of the OECD.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means with respect to any Person, any trade or business (whether or not incorporated) which is a member of a group of which such Person is a member and which is under common control with such Person within the meaning of Section 414 of the Code, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Event of Default" means any of the events specified as such in Section 6.01 of this Agreement.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Payment Date" means (i) the last day of the calendar quarter in which the Closing Date occurs, and (ii) the last day of each successive and respective calendar quarter thereafter to and including the Termination Date, or such earlier date as the Commitment of the Lenders shall have been terminated, and the principal of and interest on each Advance shall have been paid, in full.

"GAAP" means at any time generally accepted United States accounting principles at such time.

"HAL" means HAL Antillen N.V., a Netherlands Antilles corporation.

"HAL Subsidiaries" mean the Subsidiaries of HAL.

"Incorporation Jurisdictions" mean the respective jurisdictions of incorporation or legal organization of the Borrower and each of its Subsidiaries.

"Indebtedness" means (a) any liability of any Person (i) for borrowed money, or under any reimbursement obligation related to a letter of credit or bid or performance bond facility, or (ii) evidenced by a bond, note, debenture or other evidence of indebtedness (including a purchase money obligation) representing extensions of credit or given in connection with the acquisition of any business, property, service or asset of any kind, including without limitation, any liability under any commodity, interest rate or currency exchange hedge or swap agreement (other than a trade payable or other current liability arising in the ordinary course of business) or (iii) for obligations with respect to (A) an operating lease, or (B) a lease of real or personal property that is or would be classified and accounted for as a Capital Lease; (b) any liability of others either for any lease, dividend or letter of credit, or for any obligation described in the preceding clause (a) that (i) the Person has guaranteed or that is otherwise its legal liability (whether contingent or otherwise or direct or indirect, but excluding endorsements of negotiable instruments for deposit or collection in the ordinary course of business) or (ii) is secured by any Lien on any property or asset owned or held by that Person, regardless whether the obligation secured thereby shall have been assumed by or is a personal liability of that Person; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b), above.

"Insufficiency" means, with respect to any Plan, the amount, if any, by which the present value of the vested benefits under such Plan exceeds the fair market value of the assets of such Plan allocable to such benefits.

"Interest Payment Date" means with respect to any Advance comprising part of the same Borrowing (1) the last day of each Interest Period, (2) the day any principal amount of such Borrowing matures and becomes due and payable, (3) the Termination Date, and (4) with respect to any A Advance, if the Interest Period is longer than three (3) months, the last day of the third month

following such Borrowing.

"Interest Period" means, (A) for each A Advance comprising part of the same A Borrowing, the period commencing on the date of such A Advance, or the date of the Conversion of any A Advance into such an A Advance and ending on the last day of the period selected by the Borrower or the Agent, as the case may be, pursuant to this Agreement and, thereafter, each respective and successive period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower or the Agent, as the case may be, subject to the provisions below. The duration of each such Interest Period shall be (y), in the case of a Base Rate Advance, shall be such period as the Agent shall notify the Borrower and (z), in the case of a LIBOR Rate Advance, one, two, three or six months, in each case selected by the Borrower or the Agent, as the case may be, pursuant to this Agreement and

(B) for each B Advance comprising part of the same B Borrowing, the interest period or interest periods specified in the related Notice of B Borrowing, or selected by the Agent, as the case may be, pursuant to this Agreement

provided, however, with respect to each Advance that:

(i) no Interest Period relating to any Advance shall commence on or end after the maturity date of such Advance;

(ii) Interest Periods commencing on the same date for A Advances comprising part of the same A Borrowing shall be of the same duration;

(iii) no Interest Period shall end after the Termination Date; and

(iv) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, in the case of any Interest Period for a LIBOR Rate Advance, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day.

"Kloster" means Kloster Cruise Limited, a corporation organized and existing under the laws of the Islands of Bermuda.

"Lenders" means the Banks listed on the signature pages hereof, each Eligible Assignee that shall become a party hereto pursuant to Section 7.10(a), (b) and (c) and, except when used in reference to an A Advance, an A Borrowing, a Series A Note, a Commitment, the Termination Date or a related term, each Designated Bidder.

"Lending Office" means the International Banking Facility of the Agent in New York City, or any other office or affiliate of the Agent hereafter selected and notified to the Borrower from time to time by the Agent.

"LIBOR Rate Advance" means an A Advance or a B Advance which bears interest at the LIBOR Rate.

"LIBOR Rate" means, for an Interest Period for each LIBOR Rate Advance comprising part of the same Borrowing, the rate determined by the Agent to be the rate of interest per annum equal to the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in United States Dollars are offered by the principal office of each of the Reference Lenders in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for a term equal to such Interest Period and in an amount substantially equal to such portion of the Loan. The LIBOR Rate for an Interest Period shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Lenders two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.05. If at any time the Agent shall determine that by reason of circumstances affecting the London interbank market (i) adequate and reasonable means do not exist for ascertaining the LIBOR Rate for the succeeding Interest Period or (ii) the making or continuance of any Loan at the LIBOR Rate has become impracticable as a result of a contingency occurring after the date of this Agreement which materially and adversely affects the London interbank market, the Agent shall so notify the Lenders and the Borrower. Failing the availability of the LIBOR Rate, the LIBOR Rate shall mean the Base Rate thereafter in effect from time to time until such time as a LIBOR Rate may be determined by reference to the London interbank market.

"Lien" means any lien, charge, easement, claim, mortgage, Option, pledge, right of first refusal, right of usufruct, security interest, servitude, transfer restriction or other encumbrance or any restriction or limitation of

any kind (including, without limitation, any adverse claim to title, conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

"Loan" means the Advances to the Borrower by each Lender provided for in Article II of this Agreement.

"Loan Documents" mean this Agreement and the Notes.

"Majority Lenders" means at any time Lenders holding at least 51% of the then aggregate unpaid principal amount of the Series A Notes held by Lenders, or, if no such principal amount is then outstanding, Lenders having at least 51% of the Commitments (provided that, for purposes hereof, neither the Borrower, nor any of its Affiliates, if a Lender, shall be included in (i) the Lenders holding such amount of the A Advances or having such amount of the Commitments or (ii) determining the aggregate unpaid principal amount of the A Advances or the total Commitments).

"March 30, 1990 Loan Agreement" means that certain Loan Agreement dated as of March 30, 1990 by and among the Borrower, Wind Surf Limited, Citibank, N.A. as Agent and the banks therein named, as the same may be amended, supplemented or otherwise modified from time to time.

"Moody's" has the meaning specified in Section 2.05(b)(ii)(B).

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which a Person or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding three plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means an employee benefit plan, other than a Multiemployer Plan, subject to Title IV of ERISA to which a Person or any ERISA Affiliate, and more than one employer other than such Person or ERISA Affiliate, is making or accruing an obligation to make contributions or, in the event that any such plan has been terminated, to which the Person or any ERISA Affiliate made or accrued an obligation to make contributions during any of the five plan years preceding the date of termination of such plan.

"Net Worth" means, at a particular date, all amounts which would, in accordance with GAAP, be included in shareholders' equity on a consolidated balance sheet of a company and its Subsidiaries as at such date.

"Note" means any of, and "Notes" mean all, the respective Series A Notes and the Series B Notes, as any such note may be replaced, amended, supplemented or otherwise modified from time to time.

"Notice of A Borrowing" has the meaning specified in Section 2.02(a).

"Notice of B Borrowing" has the meaning specified in Section 2.03(a).

"OECD" means the Organization for Economic Cooperation and Development.

"Obligations" mean all obligations, including but not limited to, all principal, interest, fees, expenses and other obligations set forth in Article II and Section 8.04 hereof, of every nature of the Borrower from time to time owed to the Agent, any of the Lenders, or all of them, under any of the Loan Documents.

"Option" means (1) any right to buy or sell specific property in exchange for an agreed upon sum, (2) any right to receive funds, the amount of which is determined by reference to the value of capital stock or the purchase price thereof, (3) any right of the type or kind referred to as a "phantom stock right," and (4) any other right commonly known or referred to as an "option."

"PBGC" means the Pension Benefit Guaranty Corporation, or any entity or entities succeeding to any or all its functions under ERISA.

"Percentage Interest" shall have the meaning set forth in Preliminary Statement (2) of this Agreement.

"Person" means any individual, corporation, partnership, business trust, joint venture, association, joint stock company, trust or other unincorporated organization, whether or not a legal entity, or any government or agency or political subdivision thereof.

"Plan" means, at any time, any employee pension benefit plan maintained by a Person, any of its Subsidiaries, or any ERISA Affiliate of such Person or its Subsidiaries, which employee pension benefit plan is covered by Title IV of ERISA or is subject to the minimum funding standards of the Code.

"Reference Lender" means any of and "Reference Lenders" means each of Citibank, N.A., National Westminster Bank Plc and The Bank of Nova Scotia.

"Register" shall have the meaning set forth in Section 7.10(g) of this Agreement.

"S & P" has the meaning specified in Section 2.05(b)(ii)(B).

"Senior Debt" has the meaning specified in Section 2.05(b)(ii)(B).

"Series A Note" means any of, and "Series A Notes" mean all, the respective Series A Notes of the Borrower, substantially in the form attached hereto as Exhibit A-1, to be issued to evidence the indebtedness of the Borrower, from time to time outstanding in respect of the A Advances, as any such Series A Note may be replaced, amended, supplemented or otherwise modified from time to time.

"Series B Note" means any of, and "Series B Notes" mean all, the respective Series B Notes of the Borrower, substantially in the form attached hereto as Exhibit A-2, to be issued to evidence the indebtedness of the Borrower from time to time outstanding in respect of the B Advances, as any such Series B Note may be replaced, amended, supplemented or otherwise modified from time to time.

"Solvent" means with respect to any Person on a particular date, that on such date (i) the fair market value of the assets of such Person is greater than the total amount of liabilities (including the present or expected value of contingent liabilities) of such Person, (ii) the present fair salable value of the assets of such Person is greater than the amount that will be required to pay the probable liabilities of such Person for its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, including contingent obligations, as they mature, (iv) such Person does not have unreasonably small capital and (v) such Person does not intend to or believe it will incur debts beyond its ability to pay as they mature.

"Specified Subsidiary" means any of Kloster and its Subsidiaries, and "Specified Subsidiaries" mean all of Kloster and its Subsidiaries.

"Subordinated Debt" has the meaning specified in Section 2.05(b)(ii)(B).

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity of which a majority of the voting power entitled to vote in the election of directors, managers or trustees thereof is at the time owned, directly or indirectly, by such Person or by one or more other Subsidiaries, or by such Person and one or more other Subsidiaries, or a combination thereof.

"Swaps Documents" mean the Swaps Agreement, the Swaps Guaranty and the Swaps Security Agreement as defined in the March 30, 1990 Loan Agreement.

"Tangible Net Worth" means for any Person at any time (a) the sum, to the extent shown on such Person's balance sheet, of (i) the amount of issued and outstanding share capital, but less the cost of treasury shares, plus (ii) the amount of surplus and retained earnings, less (b) intangible assets as determined in accordance with GAAP.

"Termination Date" means December 5, 2000 or the earlier date of termination of all the Commitments pursuant to Section 2.11 or 6.01 hereof.

"Termination Event" means (i) a "reportable event," as such term is described in Section 4043 of ERISA (other than a "reportable event" not subject to the provision for 30 day notice to the PBGC), or an event described in Section 4068(f) of ERISA, or (ii) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a "substantial employer," as such term is defined in Section 4001(a)(2) of ERISA, or the incurrence of liability by the Borrower or any ERISA Affiliate under Section 4064 of ERISA upon the termination of a Multiple Employer Plan, or (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041A of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, or (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Total Capital" means the sum of the Total Debt and Tangible Net Worth of the Borrower and its Subsidiaries excluding Specified Subsidiaries, but excluding therefrom any Indebtedness or amounts due or received under the Swaps Documents.

"Total Debt" means, at a particular date, the sum of (y) all amounts which would, in accordance with GAAP, constitute short term debt and long term debt of the Borrower and its Subsidiaries excluding Specified Subsidiaries as of such date and (z) the amount of any Indebtedness outstanding on such date and not included in the amounts specified in clause (y), singly or in the aggregate, in excess of Fifty Million Dollars (\$50,000,000), of any Person other than the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, which Indebtedness (i) has been and remains guaranteed on such date by the Borrower or any of its Subsidiaries excluding Specified Subsidiaries or is otherwise the legal liability of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries (whether contingent or otherwise or direct or indirect, but excluding endorsements of negotiable instruments for deposit or collection in the ordinary course of business), or (ii) is secured by any Lien on any property or asset owned or held by the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, regardless of whether the obligation secured thereby shall have been assumed or is a personal liability of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, provided, that the foregoing shall not be interpreted to include any Indebtedness under the Swaps Documents.

"Transaction" means the extension of credit contemplated by the Loan Documents.

"Type" shall mean, with respect to an Advance, a Base Rate Advance or a LIBOR Rate Advance.

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistently applied.

SECTION 1.03. Governing Language. All documents, notices and demands and financial statements to be delivered by any Person to the Agent or any Lender pursuant to this Agreement shall be in the English language.

SECTION 1.04. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding".

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The A Advances. Upon the terms and subject to the conditions set forth in this Agreement, each Lender agrees severally, but not jointly, to make A Advances to the Borrower from time to time on any Business Day during the period from the Closing Date until the Termination Date in an aggregate amount not to exceed at any time outstanding the amount set opposite such Lender's name on the signature pages hereof or, if applicable, the signature pages of any relevant amendment hereto or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Agent, as such amount may be reduced pursuant to Section 2.11 (such Lender's "Commitment"), provided that the aggregate amount of the Commitments of the Lenders shall be deemed used and reduced from time to time to the extent of the aggregate amount of the B Advances then outstanding and such deemed use and reduction of the aggregate amount of the Commitments shall be applied to the Lenders ratably according to their respective Commitments (such deemed use and reduction of the aggregate amount of the Commitments being a "B Reduction"). Each A Borrowing shall be in an aggregate amount not less than Twenty Million Dollars (\$20,000,000) and an integral multiple of One Million Dollars (\$1,000,000) if in excess thereof and shall consist of A Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may from time to time borrow, prepay pursuant to Section 2.06(a) and reborrow under this Section 2.01.

SECTION 2.02. Making the A Advances. (a) Each A Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day (on the first Business Day in the case of a Base Rate Advance) prior to the date of the proposed A Borrowing, by the Borrower to the Agent, which shall give to each Lender prompt notice thereof by telecopier, telex or cable. Each such Borrower's notice of an A Borrowing (a "Notice of A Borrowing") shall be by telecopier, telex or cable, confirmed immediately in writing, substantially in the form of Exhibit B-1 hereto, specifying therein the requested (i) Drawdown Date of such A Borrowing, (ii) Type of A Advances comprising such A Borrowing, (iii) aggregate amount of such A Borrowing, and (iv) in the case of an A Borrowing comprised of LIBOR Rate Advances, the initial Interest Period for each such A Advance. Each Lender shall, before 11:00 A.M.

(New York City time) on the date of such A Borrowing, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 8.02, in same day funds, such Lender's ratable portion of such A Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's aforesaid address.

(b) The total amount of each A Advance to be made available by each Lender shall never exceed the Commitment of such Lender, as adjusted by such Lender's B Reduction, and shall be proportionate always to such Lender's Percentage Interest set forth in the signature pages hereof or, if applicable, in the Register.

(c) Unless the Agent shall have received written notice from a Lender prior to the date of any A Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such A Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such A Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to A Advances comprising such A Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's A Advance as part of such A Borrowing for purposes of this Agreement.

(d) The Borrower shall repay the principal amount of each A Advance made by each Lender in accordance with the Series A Note payable to such Lender, provided that the aggregate principal amount of any A Advance outstanding on the Termination Date shall be paid on the Termination Date.

(e) The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Section 2.05, and so long as no Default or Event of Default has occurred and is continuing, Convert all A Advances of one Type comprising the same A Borrowing into Advances of another Type; provided, however, that any Conversion of any LIBOR Rate Advances into Advances of another Type shall be made on, and only on, the last day of an Interest Period for such LIBOR Rate Advances. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the A Advances to be Converted, and (iii) if such Conversion is into LIBOR Rate Advances, the duration of the Interest Period for each such A Advance.

SECTION 2.03. The B Advances. (a) Each Lender severally agrees that the Borrower may, in the manner set forth below, make B Borrowings under this Section 2.03 from time to time on any Business Day during the period from the Closing Date until the thirtieth day prior to the Termination Date; provided that, following the making of each B Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any B Reduction).

(i) The Borrower may request a B Borrowing under this Section 2.03 by delivering to the Agent, by telecopier, telex or cable, confirmed immediately in writing, a notice of a B Borrowing (a "Notice of B Borrowing"), substantially in the form of Exhibit B-2 hereto, specifying the Drawdown Date and aggregate amount of the proposed B Borrowing, the maturity date for repayment of each B Advance to be made as part of such B Borrowing (which maturity date may not be earlier than seven (7) days (thirty (30) days, in the case of floating interest rate borrowings) or later than one hundred eighty (180) days after the date of such B Borrowing or, in any event, later than the Termination Date), the Interest Payment Date or Dates relating thereto, and any other terms to be applicable to such B Borrowing, not later than 12:00 Noon in the case of floating interest rate borrowings, or 12:00 Noon in the case of fixed interest rate borrowings (New York City time) (A) at least one (1) Business Day prior to the date of the proposed B Borrowing, if the Borrower shall specify in the Notice of B Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum and (B) at least four (4) Business Days prior to the date of the proposed B Borrowing, if the Borrower shall instead specify in the Notice of B Borrowing the basis to be used by the Lenders in determining the rates of interest to be offered by them. The Agent shall in turn promptly notify each Lender of each request for a B Borrowing received by it from the Borrower by sending such Lender a copy of the related Notice of B Borrowing.

(ii) Each Lender may, if, in its sole discretion it elects to do so,

irrevocably offer to make one or more B Advances to the Borrower as part of such proposed B Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to the Borrower), before 9:30 A.M. (New York City time) (A) on the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (A) of paragraph (i) above and (B) three (3) Business Days before the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (B) of paragraph (i) above, of the minimum amount and maximum amount of each B Advance which such Lender would be willing to make as part of such proposed B Borrowing (which amounts may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such B Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 9:30 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any B Advance as part of such B Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any B Advance as part of such proposed B Borrowing or result in any liability to any party to this Agreement.

(iii) The Borrower shall, in turn, (A) before 11:00 A.M. (New York City time) on the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (A) of paragraph (i) above and (B) before 11:00 A.M. (New York City time) three (3) Business Days before the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (B) of paragraph (i) above, either:

(x) cancel such B Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in the Borrower's sole discretion, by giving notice to the Agent of the amount of each B Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent on behalf of such Lender for such B Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such B Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect.

(iv) If the Borrower notifies the Agent that such B Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent shall give prompt notice thereof to the Lenders and such B Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such B Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a B Advance as part of such B Borrowing, of the amount of each B Advance to be made by such Lender as part of such B Borrowing, and (C) each Lender that is to make a B Advance as part of such B Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. The Agent shall allocate the principal amount of each B Borrowing among the Lenders whose offers were accepted by the Borrower in ascending order based upon the rate of interest offered, from the lowest to the highest such interest rate offered by such Lenders. Each Lender that is to make a B Advance as part of such B Borrowing shall, before 12:00 noon (New York City time) on the date of such B Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 8.02 such Lender's portion of such B Borrowing, in same day funds. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the Agent's aforesaid address. Promptly after each B Borrowing the Agent will notify each Lender of the amount of the B Borrowing, the consequent B Reduction and the dates upon which such B Reduction commenced and will terminate.

(b) Each B Borrowing shall be in an aggregate amount of not less than Twenty Million Dollars (\$20,000,000) and an integral multiple of One Million dollars (\$1,000,000) if in excess thereof and, following the making of each B Borrowing, the Borrower shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay or prepay the principal of any B Borrowing pursuant to subsection (d) below, and reborrow under this Section 2.03, provided that a B Borrowing shall not be made within three (3) Business Days following the date of any other B Borrowing.

(d) The Borrower shall repay to the Agent for the account of each Lender which has made a B Advance, or each other holder of a Series B Note, on the maturity date of each B Advance (such maturity date being that specified by the Borrower for repayment of such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) above and provided in the Series B Note evidencing such B Advance), the then unpaid principal amount of such B Advance, provided that, the aggregate principal amount of any B Advance outstanding on the Termination Date shall be repaid on the Termination Date. Except as specified in Section 2.06(d) the Borrower shall have no right to prepay, in whole or in part, the principal amount of any B Advance unless, and then only on the terms, if any, specified by the Borrower for such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) above and set forth in the Series B Note evidencing such B Advance.

(e) The indebtedness of the Borrower resulting from each B Advance made to the Borrower as part of a B Borrowing shall be evidenced by the Series B Note of the Borrower payable to the Lender making such B Advance.

SECTION 2.04. General Provisions. (a) The Borrower shall have no right to borrow, and no Lender shall have any obligation to lend, any amount whatsoever on or after the Termination Date.

(b) The failure of any Lender to advance its Commitment in respect of any Advance shall not relieve it or any other Lender of the obligation to advance its Commitment, but no Lender or the Agent shall be responsible for the failure of any other Lender to advance its Commitment to the Borrower.

(c) Each Notice of A Borrowing sent, and each notice of acceptance of a B Borrowing given, by the Borrower shall be irrevocable and binding on the Borrower. If for any reason on the Drawdown Date for the Advance specified in a Notice of A Borrowing or Notice of B Borrowing, as the case may be, the Advance is not made as a result of any failure to fulfill on or before the Drawdown Date the applicable conditions precedent, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of such failure, including, without limitation, any loss, cost or expense incurred by reasons of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such borrowing.

SECTION 2.05. Interest and Default Interest. (a) The Borrower shall pay interest on the unpaid principal amount of each Advance from the Drawdown Date until the principal amount of the Advance is paid in full, payable on each Interest Payment Date for each such Advance. Notwithstanding the preceding sentence of this Section 2.05(a), all interest accrued on any Advance outstanding on the Termination Date shall be paid on the Termination Date.

(b) As long as any A Advance shall be outstanding, and payment of the principal thereof and interest thereon shall not be in default, interest on the A Advance shall be payable at an interest rate which shall be adjusted, in advance at the start of the first day of each Interest Period therefor, and which shall be determined as follows:

(i) with respect to each Base Rate Advance, the Borrower shall pay interest thereon at the rate of interest determined by the Agent to be the Base Rate for the relevant Interest Period as specified in the related Notice of Borrowing, provided that if the Borrower shall fail to elect an Interest Period in its Notice of Borrowing as herein provided or if an Event of Default has occurred and is continuing, the Agent shall elect the relevant Interest Period, which may be one (1) day;

(ii) with respect to each LIBOR Rate Advance, the Borrower shall pay interest in one or more tranches thereon at an interest rate equal to the sum of (y) the LIBOR Rate plus (z) the applicable margin for the relevant Interest Period, determined by the Agent and subject to periodic adjustment, as provided below in this Section 2.05(b)(ii) or, if the LIBOR Rate is unavailable for any such period, at the Base Rate:

(A) with respect to each Interest Period relating to a LIBOR Rate

Advance, the Borrower shall, by telex notice to be received by the Agent by 11 A.M. New York time on a Business Day at least three (3) Business Days prior to the commencement of each such successive period, elect an Interest Period of one, two, three or six months duration and one or more but no more than six tranches in total for all outstanding LIBOR Rate Advances, provided no tranche shall be in an amount less than Twenty Million Dollars (\$20,000,000); provided the Borrower shall select Interest Periods, and if necessary shall select as the final Interest Period for each LIBOR Rate Advance an Interest Period less than one month in duration, so that the maturity date of each Advance shall be the last day of the Interest Period for such Advance; provided that if the Borrower shall fail to elect an Interest Period as herein provided, the relevant Interest Period shall be three (3) months, provided further that so long as any Event of Default has occurred and is continuing, the Agent shall elect the relevant Interest Period, which may be less than one month;

(B) the interest payable on each LIBOR Rate Advance during each successive Interest Period shall be adjusted from time to time by the Agent as follows. Notice of such applicable interest rate shall be delivered by the Agent to the Borrower and the Lenders not later than the second Business Day of each Interest Period. The Borrower shall, not later than three (3) Business Days prior to the commencement of each such successive Interest Period, together with its notice pursuant to subparagraph (A) above, deliver to the Agent all then-current ratings, if any, of the Borrower's Senior Unsecured Debt and Unsecured Subordinated Debt ("Senior Debt" and "Subordinated Debt", respectively) given by Moody's Investors Service ("Moody's") and by Standard & Poor's Corporation ("S & P") during such Interest Period or an officer's certificate that no such ratings were issued. If the Agent determines that on the last Business Day of an Interest Period (or on the Business Day preceding the Drawdown Date, in the case of the initial LIBOR Rate Advance) the Borrower's Senior Debt was rated

(i) BB+ or below by S & P and Ba1 or below by Moody's, the applicable rate for the succeeding Interest Period shall be .6625% over the LIBOR Rate,

(ii) BBB- by S & P or Baa3 by Moody's, the applicable interest rate for the succeeding Interest Period shall be .4125% over the LIBOR Rate,

(iii) BBB by S & P or Baa2 by Moody's, the applicable interest rate for the succeeding Interest Period shall be .35% over the LIBOR Rate,

(iv) BBB+ by S & P or Baa1 by Moody's, the applicable interest rate for the succeeding Interest Period shall be .275% over the LIBOR Rate,

(v) A- by S & P or A3 by Moody's, the applicable interest rate for the succeeding interest period shall be .20% over the LIBOR Rate, and

(vi) at least A by S & P or A2 by Moody's, the applicable interest rate for the succeeding interest period shall be .18% over the LIBOR Rate.

In the event that S & P and Moody's provide different ratings for such Senior Debt, the Agent shall use the higher rating in determining the applicable interest rate. In the event the Borrower has no rated Senior Debt but the Borrower's Subordinated Debt has been rated, for purposes of determining the applicable interest rate, the Agent shall assume a Senior Debt rating equivalent to one subgrade higher than the actual Subordinated Debt rating given during such period. In the event that during any Interest Period the Agent shall not have received notification of ratings from the Borrower as aforesaid or if no such ratings exist during any Interest Period, the applicable interest rate for the succeeding Interest Period shall be one percent (1%) over the LIBOR Rate;

(C) each Reference Lender which is a Lender agrees to furnish to the Agent timely information for the purpose of determining the LIBOR Rate. If any one or more of the Reference Lenders shall not timely furnish such information to the Agent for the purpose of determining the interest rate, the Agent shall determine such interest rate on the basis of information timely furnished by the remaining Reference Lenders;

(D) the Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.05(b) and the applicable rate, if any, furnished by each Reference Lender for the purpose of determining the applicable LIBOR Rate hereunder;

(E) If, with respect to any LIBOR Rate Advances, the Majority Lenders notify the Agent that the LIBOR Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective LIBOR Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon

(1) each LIBOR Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(2) the obligation of the Lenders to make, or to Convert A Advances into, LIBOR Rate Advances shall be suspended until the Agent shall notify the Borrower and such Lenders that the circumstances causing such suspension no longer exist; and

(F) On the date on which the aggregate unpaid principal amount of A Advances comprising any A Borrowing shall be reduced, by payment or prepayment or otherwise, to less than Twenty Million Dollars (\$20,000,000), such A Advances shall, if they are Advances of a Type other than Base Rate Advances, automatically Convert into Base Rate Advances, and on and after such date the right of the Borrower to Convert such A Advances into Advances of a Type other than Base Rate Advances shall terminate; provided, however, that if and so long as each such A Advance shall be of the same Type and have the same Interest Period as A Advances comprising another A Borrowing or other A Borrowings, and the aggregate unpaid principal amount of all such A Advances shall equal or exceed Twenty Million Dollars (\$20,000,000), the Borrower shall have the right to continue all such A Advances as, or to Convert all such A Advances into, Advances of such Type having such Interest Period.

(c) As long as any B Advance shall be outstanding, and payment of the principal thereof and interest thereon shall not be in default, interest on the B Advance shall be paid at the rate of interest for such B Advance specified by the Lender making such advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) of Section 2.03 above, payable on the Interest Payment Date or Dates specified by the Borrower for such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) of Section 2.03 above, as provided in the Series B Note evidencing such B Advance. With respect to any LIBOR Rate Advance comprising part of a B Borrowing, the provisions of subsections (b)(ii)(A), (C) and (D) of Section 2.05 shall apply to the selection of any Interest Period not specified in the related Notice of B Borrowing given pursuant to Section 2.03, and further, the provisos of such subsection (b)(ii)(A), and subsection (b)(ii)(F) in its entirety, shall apply to each such B Borrowing.

(d) In the event that the Agent or any Lender does not receive on the due date any sum due under this Agreement or any of the other Loan Documents in accordance with the terms hereof or thereof, the Borrower shall pay to the Agent and such Lenders, as the case may be, on demand, interest on such sum, from and including the due date thereof to but not including the date of actual payment, at a rate per annum determined by the Agent from time to time to be the sum of (y) two and three-quarters per cent (2-3/4%) plus (z) the LIBOR Rate applicable for any such period or, if the LIBOR Rate is inapplicable or unavailable, for any such period, the Base Rate. Except as otherwise provided in the following subsection (e), any such interest which is not paid when due shall be compounded at the end of each Interest Period (both before and after any notice of demand) by the Agent on behalf of the Lenders under this Agreement.

(e) Notwithstanding any provision contained in any of the Loan Documents, no Lender nor the Agent shall ever be entitled to receive, collect, or apply, as interest on the Obligations, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, in the event any Lender or the Agent ever receives, collects, or applies as interest, any such excess, such amount which would be excessive interest shall be applied to the reduction of the Obligations then outstanding, and, if the Obligations then outstanding are paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the highest lawful rate, the Borrower and the Lender or the Agent, as the case may be, shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (ii) exclude any voluntary prepayments and the effects thereof, and (iii) spread the total amount of interest throughout the entire contemplated term of the Obligations so that the interest rate is uniform throughout the entire term of the Obligations.

SECTION 2.06. Prepayments. (a) The Borrower may, upon at least four (4) Business Days notice to the Agent and the Lenders received by 10:00 A.M. New York time, and subject always to the requirements of Section 8.04(b), prepay, pro rata, the outstanding amount of each A Advance, in whole or in part, together, in each case, with accrued interest to the date of such prepayment on

the amount prepaid, provided that no such partial prepayment shall be in a principal amount of less than Twenty Million Dollars (\$20,000,000) and integral multiples of One Million Dollars (\$1,000,000) if in excess thereof.

The outstanding principal balance of A Advances owing each Lender as of December 5, 1995 shall be prepaid in full not later than the first Interest Payment Date of such A Advances falling after December 5, 1995.

(b) The Borrower may not, except as permitted under subsection (d) of this Section 2.06, prepay any B Advance, except that the Borrower shall prepay such amounts when required pursuant to the provisions of this Agreement.

(c) If it shall become unlawful for any Lender to continue to fund or maintain any Advance or to perform its obligations hereunder, such Lender shall notify the Borrower and the Agent, and such Lender shall use all reasonable efforts to change its lending office so that it can perform its obligations hereunder; provided that such Lender shall not be obligated to change its lending office if in its sole reasonable judgment it would be disadvantageous to do so. If such Lender does not change its lending office because it determines in its sole reasonable judgment that it is disadvantageous to do so or because such change would not render such Advance lawful, then such Lender shall notify the Agent and the Borrower, and shall make an Advance, and the Borrower shall borrow such A Advance, at the Base Rate in an amount equal to the amount of the Advance currently outstanding and made by such Lender to the Borrower if in the sole reasonable judgment of such Lender such A Advance can lawfully be extended at the Base Rate. Simultaneously with making such A Advance at the Base Rate, the Advance then outstanding made available by such Lender to the Borrower shall be repaid by the Borrower. If any Lender makes a Base Rate Advance to the Borrower pursuant to subsection (c) of this Section 2.06, the Borrower may prepay such Advance, without penalty, at any time upon five (5) Business Days notice. If despite such Lender's compliance with the preceding provisions of this Section 2.06(c), or if the Borrower shall refuse to borrow an A Advance at the Base Rate as herein provided, and if it shall become unlawful for any Lender to fund or maintain any Advance or perform its obligations hereunder, upon demand by such Lender, the Borrower shall prepay in full the outstanding Advance made by such Lender, with accrued interest thereon and all other amounts payable by the Borrower hereunder, and upon such demand or any notice of prepayment the obligation of such Lender to make any Advance to the Borrower shall terminate.

(d) If at any time the Borrower shall, or may reasonably be expected to, be required to deduct and withhold, or indemnify any Lender with respect to, any Taxes (as defined in Section 2.09) (in each case, as evidenced by an opinion reasonably satisfactory in form and substance to the Agent and the Lenders from independent tax counsel reasonably satisfactory to the Agent and the Lenders) the Borrower may, upon at least four (4) Business Days notice to the Agent and the Lenders, prepay at any time, pro rata, the outstanding principal amount of each Advance, in whole or in part, together with accrued interest to the date of prepayment on the amount prepaid and all other amounts then payable to the Lenders by the Borrower; provided, that if such Taxes relate to payments to fewer than all the Lenders (the "Affected Lenders"), the Borrower may, upon at least four Business Days notice to the Agent and the Affected Lenders, prepay, in whole or in part, pro rata (except as set forth in the following provision), the outstanding principal amount of Advances made by the Affected Lenders, with accrued interest thereon and all other amounts payable to the Affected Lenders by the Borrower (without prepaying any portion of any Advance made by any Lender that is not any Affected Lender); provided further, that if the rate of Taxes with respect to any Affected Lender is higher than with respect to another Affected Lender, the Borrower may prepay any portion of the Advance made by the former Affected Lender without prepaying any portion of the Advance made by the latter Affected Lender. The Agent shall give prompt written notice to the Lenders of any prepayments made under this paragraph (d).

(e) Prepayments of any A Advance shall be applied against installments of outstanding principal in inverse order of maturity.

SECTION 2.07. Increased Costs; Additional Interest. (a) If on or after the Closing Date due to (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve or capital adequacy requirements, but not including a change related to Taxes or Excluded Taxes, as such terms are defined in Section 2.09 hereof) in, or in the interpretation of, any law or regulation, or (ii) the compliance by any Lender with any guideline or request (not including any guideline or request with respect to Taxes or Excluded Taxes, but including, with respect to reserve and capital adequacy requirements, those applicable laws, policies, guidelines and directives and interpretations in effect on the Closing Date) from any central bank or other governmental authority, whether or not having the force of law, there shall be any increase in the cost to, or reduction in the return on capital of any Lender in consequence of, any Lender of agreeing to make or making, funding or maintaining an Advance, then the Borrower shall from time to time, upon demand by such Lender, pay to the Lender additional amounts

sufficient to indemnify such Lender against such increased cost or reduction in the return on capital.

(b) If any Lender shall determine in good faith that reserves under Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time, are required to be maintained by it in respect of, or a portion of its costs of maintaining reserves under Regulation D is properly attributable to, one or more of its Advances, such Lender shall give notice to the Borrower, together with a certificate as described below in Section 2.07(c) and the Borrower shall pay to such Lender additional interest on the unpaid principal amount of each such Advance, payable on the same day or days on which interest is payable on such Advance, at an interest rate per annum equal at all times during each Interest Period for such Advance to the excess of (i) the rate obtained by dividing the LIBOR Rate for such Interest Period by a percentage equal to 100% minus the Reserve Percentage (defined in the next sentence), if any, applicable during such Interest Period over (ii) the LIBOR Rate for such Interest Period. The "Reserve Percentage" for any such period, with respect to any Advance, means the reserve percentage applicable thereto under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to (i) liabilities or assets consisting of or including eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time, and having a term equal to any such period, or (ii) any other category of liabilities which includes deposits by reference to which the interest rate on such Advance is determined and which have a term equal to any such period.

(c) A certificate as to the amount of any such increased cost, increased interest or reduced return under this Section 2.07, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error. Before making any demand under this Section 2.07, the Lender shall designate as to itself a different lending office if such designation would avoid the need for, or reduce the amount of such increased cost or interest, and will not, in the sole reasonable judgment of such Lender, be otherwise disadvantageous to it.

SECTION 2.08. Payments and Computations. (a) The Borrower shall make each payment hereunder and under any instrument delivered hereunder (except as otherwise provided in any such instrument) not later than 12:00 noon New York City time on the day when due in lawful and freely transferable United States Dollars to the Agent at the Agent's office at 399 Park Avenue, New York, New York 10043, for the account of the Lending Office in same day funds. The Agent shall promptly disburse to the Lenders funds of such type as it shall have received in the manner provided by this Agreement.

(b) The Borrower hereby authorizes the Agent and each Lender, if and to the extent payment is not made when due hereunder or under any instrument delivered hereunder, to charge from time to time against any or all of the Borrower's accounts with the Agent or such Lender, as the case may be, any amount so due. The Borrower further agrees that not later than 12:00 noon (New York City time) on each day on which a payment is due hereunder with respect to the Advance or under any Note, it will have in its account maintained with the Agent in New York City a credit balance at least equal to the total amount so due on such day.

(c) All computations of interest and fees shall be made by the Agent and the Lenders on the basis of a year of 360 days (365 or 366 with respect to Base Rate computations) for the actual number of days (including the first day but excluding the last day) occurring in the period for which such amount is payable.

(d) Whenever any payment to be made hereunder or under any instrument delivered hereunder shall be stated to be due, or whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, such payment shall be made, and the last day of such Interest Period shall occur, on the next succeeding Business Day, and any such extension of time shall in all cases be taken into account in the computation of payment of interest due hereunder or otherwise; provided, however, if such extension would extend the maturity date of any Advance or would cause such payment to be made, or the last day of any Interest Period relating to a LIBOR Rate Advance to occur, in a new calendar month, payment shall be made, and the last day of any such Interest Period shall occur, on the next preceding Business Day.

SECTION 2.09. Taxes. (a) Any and all payments made by the Borrower hereunder or under any instrument delivered hereunder shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, or withholdings, and all liabilities with respect thereto, excluding (i) taxes imposed on net income by, and other franchise taxes of, the United States or any political subdivision thereof (including, without

limitation, branch profits taxes imposed by the United States under Section 884(a) of the Code or any successor provision thereto, or similar taxes imposed by any political sub-division or taxing authority thereof or therein, including Puerto Rico), other than any such taxes that would not have been imposed but for the Borrower's incorporation or residence in the jurisdiction imposing the tax or the situs of any property securing the Notes in the jurisdiction imposing the tax, (ii) taxes imposed on net income by any other jurisdiction (other than solely by reason of the Borrower's incorporation or residence in such jurisdiction or the situs of any property securing the Notes in such jurisdiction), (iii) in the case of any payment to any entity not organized under the laws of the United States, any taxes imposed by the United States under Section 871 or 881 of the Code or any successor provision thereto or by means of withholding at the source, and (iv) in the case of any payment to the Agent or any Lender, taxes (including taxes imposed by means of withholding at the source) imposed by any jurisdiction other than the United States which would not have been imposed but for the failure of the Agent or such Lender (as the case may be) to execute and return to the Borrower any form of notification, certification, statement or other document which the Borrower shall have delivered to the Agent or such Lender (as the case may be) a reasonable period of time before such payment is due and which the Agent or such Lender (as the case may be) is able to execute and return to the Borrower in good faith without incurring any additional costs, risks or other disadvantages; provided, however, that clause (iii) shall not apply if such tax would not be imposed but for an amendment to or a change in any applicable law or regulation or in the interpretation thereof by any regulatory authority (including, without limitation, any change in an applicable tax treaty), which amendment or change is enacted, promulgated or otherwise comes into force after the Closing Date (a "Change of Law"), but only to the extent that such Lender or Agent, as the case may be, cannot, after notice from the Borrower, through reasonable efforts eliminate or reduce the amount of taxes payable (without additional costs (unless the Borrower agrees to bear such costs) or other disadvantages or risks (tax or otherwise) to such Lender or the Agent) by reason of such Change of Law (all such excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities are hereinafter referred to as "Excluded Taxes"; all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities are hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under such instrument, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.08) the Lender or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any instrument delivered hereunder, or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any instrument delivered hereunder excluding any such taxes, charges or similar levies which arise from the execution, delivery or registration of any instrument in accordance with Section 7.10 hereof (all such non-excluded taxes, charges or similar levies are hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify the Agent and each Lender for the full amount of Taxes and Other Taxes (plus any taxes imposed by any jurisdiction on amounts payable under this Section 2.09) paid by the Agent or such Lender, as the case may be, on any and all payments made hereunder or on any instrument delivered hereunder and any liability (including penalties, interest and expenses, which result from the failure of the Borrower to perform its obligations under the Loan Documents) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; provided, however, that the Agent or such Lender, as the case may be, will timely notify the Borrower of the assertion of liabilities for any such Taxes or Other Taxes and, provided that the Borrower is not in default hereunder, shall, at the Borrower's request and expense, contest any such asserted liability. This indemnification shall be made within thirty (30) days from the date the Agent or the Lender, as the case may be, makes written demand therefor with appropriate supporting documentation.

(d) Within thirty (30) days after the date of any payment by the Borrower of Taxes, the Borrower will deliver to the Agent and each Lender, the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment, then, at the reasonable request of the Agent, the Borrower will deliver to the Agent and each Lender a certificate from each appropriate taxing authority or any political subdivision thereof, or an opinion of counsel reasonably acceptable to the Agent and each Lender, in a form reasonably acceptable to the Agent and each Lender to the effect that there is a reasonable basis to conclude that such payment is exempt from or not

subject to Taxes; provided, however, that neither the Agent nor any other Lender shall request, and the Borrower shall not be required to furnish, any such opinions or certificates more frequently than annually.

(e) If the Borrower is required by law to make any deductions or withholding from any payment made by it to the Agent or a Lender hereunder with respect to Taxes and is further required by this Section 2.09 to pay and pays such Taxes, or otherwise reimburses or indemnifies the Agent or a Lender hereunder with respect to Taxes, and if such Lender or the Agent, as the case may be, in good faith but in its sole reasonable opinion, determines that it has received or been granted a credit against or relief or remission for, or repayment of, any tax paid or payable by it in respect of or calculated with reference to any Taxes paid, reimbursed or indemnified pursuant to this Section 2.09, then such Lender or the Agent shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as such Lender or the Agent, as the case may be, shall, in good faith but in its sole opinion, have determined to be attributable to such deduction or withholding, reimbursement or indemnification. Any payment made by such Lender or the Agent under this clause shall be conclusive evidence of the amount due to the Borrower hereunder and shall be accepted by and binding upon the Borrower in full and final settlement of its rights of reimbursement hereunder in respect of the relevant deduction or withholding. Nothing herein contained shall interfere with the right of any Lender or the Agent to arrange its tax affairs in whatever manner it thinks fit and, in particular, none of the Agent nor any Lenders shall be under any obligation to claim credit, relief, remission or repayment from or against its corporate profits or similar tax liability in respect of the amount of such deduction or withholding in priority to any other claims, reliefs, credits or deductions available to it, nor shall the Agent or any Lender be obliged to disclose any information relating to its tax affairs or any computations in respect hereof.

(f) Each Lender which is organized under the laws of a jurisdiction outside the United States agrees (i) to complete and deliver to the Borrower, on or before the first Drawdown Date (or, in the case of an assignment pursuant to Section 7.10 on or before the effective date of such assignment) and (so long as it remains eligible to do so) from time to time thereafter two duly executed copies of (A) Internal Revenue Service Form 1001 (certifying that it is entitled to benefits under an income tax treaty to which the United States is a party) or (B) Internal Revenue Service Form 4224 (certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States) or (C) Internal Revenue Service Form W-8 (certifying that it is a foreign person), together with a tax certificate, substantially in the form of Attachment III to Exhibit C hereto, as appropriate, and (ii) to complete and deliver to the Borrower from time to time, so long as it is eligible to do so, any successor or additional forms required in order to secure an exemption from, or reduction in the rate of, U.S. withholding tax. Each Lender represents that each such form delivered on or before the date hereof is, and covenants that each such form delivered after the date hereof shall be, true, correct, and complete with respect to all amounts payable to such Lender pursuant to this Agreement, and covenants that such form shall remain true, correct, and complete with respect to all amounts payable to such Lender pursuant to this Agreement unless and until such Lender notifies the Borrower otherwise in writing.

(g) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in subsections (a) through (d) of this Section 2.09, and the agreements and obligations of the Agent and the Lenders contained in subsections (e) and (f) of this Section 2.09, shall survive the payment in full of the Obligations and the expiry of the Loan Documents.

SECTION 2.10. Fees. (a) On each Fee Payment Date, the Borrower shall pay the Agent, solely for the account of each Lender, a non-refundable commitment fee (as to each Lender, its "Commitment Fee") of .05% per annum of each such Lender's respective Commitment, payable from the Closing Date, in arrears, on the average daily undrawn portion of the Commitment, subject to adjustment as herein provided. The applicable percentage rate per annum (the "Rate") used to calculate the Commitment Fee shall be adjusted from time to time by the Agent as follows. Notice of the Rate as adjusted shall be delivered by the Agent to the Lenders and the Borrower not later than the fifth Business Day of each calendar quarter. If the Agent determines that on the last Business Day of a calendar quarter, the Borrower had Senior Debt rated

(i) BBB- or below by S & P or Baa3 or below by Moody's, the Rate for the succeeding quarter shall be .125%,

(ii) BBB by S & P or Baa2 by Moody's, the Rate for the succeeding quarter shall be .05%,

(iii) BBB+ by S & P or Baa1 by Moody's, the Rate for the succeeding quarter

shall be .05%, and

(iv) at least A- by S & P or A3 by Moody's, the Rate for the succeeding quarter shall be .02%.

In the event that S & P and Moody's provide different ratings for such Senior Debt, the Agent shall use the higher rating in determining the Rate. In the event the Borrower has no rated Senior Debt but the Borrower's Subordinated Debt has been rated, for purposes of determining the Rate the Agent shall assume a Senior Debt rating equivalent to one subgrade higher than the actual Subordinated Debt rating given during such period. In the event that the Agent shall not have received ratings from the Borrower pursuant to Sections 2.05(b)(ii)(B) or 5.01(c)(vi) or if no such ratings exist during any quarter, the Rate for the succeeding quarter will be .25%. Notwithstanding anything to the contrary contained in this Agreement or in any other agreement, each Lender's Commitment Fee shall be solely for the account of such Lender. Notwithstanding the foregoing terms of this Section 2.10(a), effective upon the Borrower's payment in full of all Commitment Fees accrued to and including December 5, 1995, this Section 2.10(a) shall be null and void.

(b) On each Fee Payment Date, the Borrower shall pay the Agent, solely for the account of each Lender, a non-refundable facility fee (as to each Lender, its "Facility Fee"), of .08% per annum of each such Lender's respective Commitment (such Commitment, irrespective whether drawn or undrawn, but subject to reduction by a notice of termination of Commitments delivered by the Borrower pursuant to Section 2.11 hereof, as to each Lender, the "Facility"), payable from the Closing Date, in arrears, on the average amount of the Facility, subject to adjustment as herein provided. The applicable percentage rate per annum (the "Facility Rate") used to calculate the Facility Fee shall be adjusted from time to time by the Agent as follows. Notice of the Facility Rate as adjusted shall be delivered by the Agent to the Lenders and the Borrower not later than the fifth Business Day of each calendar quarter. If the Agent determines that on the last Business Day of a calendar quarter the Borrower had Senior Debt rated

(i) BBB- or below by S & P or Baa3 or below by Moody's, the Facility Rate for the succeeding quarter shall be .1875%,

(ii) BBB by S & P or Baa2 by Moody's, the Facility Rate for the succeeding quarter shall be .15%,

(iii) BBB+ by S & P or Baa1 by Moody's, the Facility Rate for the succeeding quarter shall be .125%, and

(iv) A- by S & P or A3 by Moody's, the Facility Rate for the succeeding quarter shall be .08%, and

(v) at least A by S & P or A2 by Moody's, the Facility Rate for the succeeding quarter shall be .07%.

In the event that S & P and Moody's provide different ratings for such Senior Debt, the Agent shall use the higher rating in determining the Facility Rate. In the event the Borrower has no rated Senior Debt but the Borrower's Subordinated Debt has been rated, for purposes of determining the Facility Rate, the Agent shall assume a Senior Debt rating equivalent to one subgrade higher than the actual Subordinated Debt rating given during such period. In the event the Agent shall not have received ratings from the Borrower pursuant to Section 2.05(b)(ii)(B) or 5.01(c)(vi) or if no such ratings exist during any such quarter, the Facility Rate for the succeeding quarter will be .375%. Notwithstanding anything to the contrary contained in this Agreement or any other agreement, each Lender's Facility Fee shall be solely for the account of such Lender.

(c) The Borrower shall pay the Agent for its own account on the earlier of the Closing Date or the Drawdown Date, and not later than the anniversary of such date of each year thereafter so long as any Commitment or amount payable by the Borrower hereunder remains outstanding, an annual administration fee in an amount mutually agreed between them.

(d) The Borrower shall pay on the earlier of the Closing Date or the Drawdown Date to each Lender for its own account the participation fee (the "Participation Fee") specified in the Invitation to Offer of Citibank, N.A. dated May 26, 1993.

SECTION 2.11. Borrower's Termination of Commitments. So long as no Event of Default has occurred and is continuing, the Borrower may by notice delivered to the Agent terminate the Commitment of the Lenders, ratably, in any amount not less than Twenty Million Dollars (\$20,000,000) and integral multiples of One Million Dollars (\$1,000,000) if in excess thereof, provided that no such termination shall be effective until four (4) Business Days following receipt by the Agent of such notice. Each notice of termination given pursuant to this

Section 2.11 shall be irrevocable and binding when given and shall permanently reduce the Commitment of each Lender ratably in accordance with its Percentage Interest. No amount of the Commitment for which a notice of termination has been given by the Borrower shall be available for borrowing under this Agreement. The Agent shall give each Lender prompt notice of each notice of termination of Commitment received from the Borrower.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Initial Advances. The obligation of each Lender (other than the Designated Bidders) to make its initial Advance is subject to the condition precedent that the Agent shall have received on or before the Drawdown Date of the initial Borrowing the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Lender:

(a) The Series A Notes and the Series B Notes payable to the Lenders, respectively.

(b) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(c) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(d) A favorable opinion of Alan R. Twaits, general counsel of the Borrower, and of Messrs. Tapia, Linares y Alfaro, special Panamanian counsel to the Borrower, substantially in the form of Exhibits E-1 and E-2, respectively, hereto and as to such other matters as any Lender through the Agent may reasonably request. The Borrower hereby instructs each such counsel to deliver its opinion to the Agent and the Lenders.

(e) A favorable opinion of Messrs. Haight, Gardner, Poor & Havens, special New York counsel to the Agent and the Lenders, as to such matters as any Lender through the Agent may reasonably request.

(f) A letter from the Process Agent, referred to and defined in Section 8.07 of this Agreement, in which it agrees to act as Process Agent for the Borrower and to deliver forthwith to the Borrower all process received by it as such Process Agent.

(g) Evidence of payment by the Borrower of all applicable documentary stamp taxes (if any) payable in connection with the authorization, execution and delivery of each of the Loan Documents, and the performance of the transactions hereby or thereby contemplated, or an opinion of counsel that no such taxes are payable.

(h) (x) An irrevocable notice, effective on or before the Closing Date, from the Borrower and Wind Surf Limited reducing the Commitment (as therein defined) to an aggregate of \$200,000 (Two Hundred Thousand Dollars) pursuant to the terms of that certain letter agreement dated May 25, 1993 respecting the Consent and Amendment No. 2 to the March 30, 1990 Loan Agreement, and (y) an irrevocable notice, effective on or before the Closing Date, from the Borrower terminating the Commitment (as therein defined) pursuant to the terms of Section 2.11 of the U.S.\$300,000,000 Revolving Credit Agreement dated as of August 19, 1992 by and among the Borrower, the Agent and the banks named therein, and repayment in full prior to the Closing Date of all notes issued thereunder.

SECTION 3.02. Conditions Precedent to Each A Borrowing. The obligation of each Lender to make an A Advance on the occasion of each A Borrowing (including the initial A Borrowing) shall be subject to the further conditions precedent that on the Drawdown Date of such A Borrowing (a) the following statements shall be true, and the Agent shall have received for the account of such Lender a certificate signed by a duly authorized officer of the Borrower, dated the date of such A Borrowing, stating that (and each of the giving of the applicable Notice of A Borrowing and the acceptance by the Borrower of the proceeds of such A Borrowing shall constitute a representation and warranty by the Borrower that on the date of such A Borrowing such statements are true):

(i) The representations and warranties contained in Section 4.01 are correct on and as of the date of such A Borrowing, before and after giving effect to such A Borrowing and to the application of the proceeds

therefrom, as though made on and as of such date, and

(ii) No Default or Event of Default has occurred and is continuing, or would result from such A Borrowing or from the application of the proceeds therefrom;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender (other than the Designated Bidders) through the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to Each B Borrowing. The obligation of each Lender which is to make a B Advance on the occasion of a B Borrowing (including the initial B Borrowing) to make such B Advance as part of such B Borrowing is subject to the conditions precedent that (i) the Agent shall have received the written confirmatory Notice of B Borrowing with respect thereto and (ii) on the Drawdown Date of such B Borrowing the following statements shall be true (and each of the giving of the applicable Notice of B Borrowing and the acceptance by the Borrower of the proceeds of such B Borrowing shall constitute representation and warranty by the Borrower that on the date of such B Borrowing such statements are true):

(a) The representations and warranties contained in Section 4.01 are correct on and as of the date of such B Borrowing, before and after giving effect to such B Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(b) No Default or Event of Default has occurred and is continuing, or would result from such B Borrowing or from the application of the proceeds therefrom, and

(c) No event has occurred and no circumstance exists as a result of which the information concerning the Borrower that has been provided to the Agent and each Lender by the Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.04. Additional Conditions to Each Borrowing. The obligation of the Lenders to make each Advance shall be subject to the further conditions precedent that on the Drawdown Date of such Advance:

(a) the Borrower shall have paid or caused to be paid when due (i) to the Agent, and the Agent shall have received, the Commitment Fee and the Facility Fee payable to each Lender, and the Participation Fee payable to each Lender, and (ii) to the Agent its annual administration fee;

(b) no material adverse change shall have occurred since November 30, 1994, in the business, operations, properties, prospects or condition (financial or otherwise) of the Borrower or its Subsidiaries excluding Specified Subsidiaries;

(c) all corporate or other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by the Loan Documents and the Transaction shall be satisfactory in form and substance to each of the Lenders (other than the Designated Bidders) and the Agent and their counsel; and

(d) the Agent and each Lender (other than the Designated Bidders) shall have received such other approvals, opinions, or documents as they may reasonably request.

SECTION 3.05. Conditions Precedent to Initial Advances to be Made on or After December 5, 1995. The obligation of each Lender (other than the Designated Bidders) to make its initial Advance on or after December 5, 1995 is subject to the condition precedent that the Agent shall have received on or before the Drawdown Date of such initial Borrowing made on or before December 5, 1995 the following, each dated such day, in form and substance satisfactory to the Agent in sufficient copies for each Lender:

(a) The outstanding Series A Notes dated prior to December 5, 1995 payable to the Lenders, respectively, exchanged for Series A Notes payable to the Lenders, respectively, reflecting the Commitment, severally and in the aggregate, as the case may be, provided by this Agreement as amended and restated and a Series B Note issued to each Lender then first acceding to this Agreement.

(b) Certified copies of the resolutions of the Board of Directors of the Borrower ratifying this Agreement and the Notes to be issued, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement as amended and restated and the Notes to be issued, and evidence, dated as of a recent date, of the

good standing of the Borrower.

(c) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement as amended and restated and the Notes to be issued and the other documents to be delivered hereunder.

(d) A favorable opinion of Arnaldo Perez, acting general counsel of the Borrower, and of Messrs. Tapia, Linares y Alfaro, special Panamanian counsel to the Borrower, substantially in the form of Exhibits E-1 and E-2 to this Agreement, respectively, hereto, referring however to this Agreement as amended and restated the Notes issued in respect of such initial Borrowing on or after December 5, 1995, and as to such other matters as any Lender through the Agent may reasonably request.

(e) A favorable opinion of Messrs. Haight, Gardner, Poor & Havens, special New York counsel to the Agent and the Lenders, as to such matters as any Lender through the Agent may reasonably request.

(f) A letter from the Process Agent, referred to and defined in Section 8.07, in which it confirms its agreement to act as Process Agent for the Borrower and to deliver forthwith to the Borrower all process received by it as such Process Agent.

(g) Evidence of the good standing of the Borrower in the Republic of Panama, dated as of a recent date.

The Borrower hereby authorizes each Lender, in its discretion, to add to each Series B Note held by such Lender a legend to the effect that, "This Promissory Note is one of the Series B Notes referred to in, and is subject to the terms and provisions and entitled to the benefits of, the Credit Agreement dated as of July 1, 1993, as amended and restated as of December 5, 1995, by and among the Borrower, the Lender, the Agent and the other Lenders named therein." The Borrower agrees upon the request of any Lender to exchange such Lender's outstanding Series B Note for a new Series B Note issued by the Borrower containing the foregoing legend. Following receipt of any such request of a Lender, the Borrower will deliver such newly-issued Series B Note to the Agent for forwarding to such Lender in exchange for the outstanding Series B Note held by such Lender, which shall thereupon be returned to the Borrower.

Upon the execution and delivery of this Agreement as amended and restated, the Agent shall supplement Schedule I hereto by adding thereto as to each Lender first becoming a party to this Agreement as of such date, the name, address and other information required in Schedule I in respect of each Lender's Domestic Lending Office and Eurodollar Lending Office.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Due Existence; Compliance. The Borrower is a corporation duly incorporated, validly existing and in good standing, under the laws of Panama and has all requisite corporate power and authority under such laws to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted, and to execute, deliver and perform its obligations under the Loan Documents, to which it is, or will be, a party. Each of the Borrower and its Subsidiaries excluding Specified Subsidiaries is duly qualified or licensed to do business as a foreign corporation and is in good standing, where applicable, in all jurisdictions in which it owns or leases property (including vessels), or proposes to own or lease property (including vessels), or in which the conduct of its business, and the conduct of its business upon consummation of the Transaction, requires it to so qualify or be licensed, except to the extent that the failure to so qualify or be in good standing would have no material adverse effect on the business, operations, properties, prospects or condition (financial or otherwise) of the Borrower and its Subsidiaries excluding Specified Subsidiaries or the ability of any such Person to perform its obligations under any of the Loan Documents to which it is or may be a party. Each of the Borrower and its Subsidiaries excluding Specified Subsidiaries is in compliance in all material respects with all applicable laws, rules, regulations and orders.

(b) Corporate Authorities; No Conflicts. The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents to which it is or will be, a party are within its corporate powers and have been duly authorized by all necessary corporate and stockholder approvals and (i) do not contravene its charter or by-laws or any law, rule,

regulation, judgment, order or decree applicable to or binding on the Borrower or its Subsidiaries excluding Specified Subsidiaries and (ii) do not contravene, and will not result in the creation of any Lien under, any provision of any contract, indenture, mortgage or agreement to which any of the Borrower or its Subsidiaries excluding Specified Subsidiaries is a party, or by which it or any of its properties are bound.

(c) Government Approvals and Authorizations. No authorization or approval (including exchange control approval) or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by or enforcement against the Borrower of the Loan Documents (except such as have been duly obtained or made and remain in full force and effect).

(d) Legal, Valid and Binding. Each of the Loan Documents is, or upon delivery will be, the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization or similar laws generally affecting creditors' rights as well as the award by courts of relief in lieu of specific performance of contractual provisions).

(e) Financial Information. Each of the consolidated annual audited balance sheet of the Borrower as at November 30, 1992, and the consolidated quarterly unaudited balance sheet of the Borrower as at February 28, 1993, and the related statements of operations and statements of cash flows of the Borrower and its Subsidiaries for the fiscal year or fiscal quarter then ended, as the case may be, copies of which have been furnished heretofore by the Borrower to the Agent, fairly present the consolidated financial condition of the Borrower and its Subsidiaries as at such date and the results of the operations of the Borrower and its Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied (subject, in the case of the February 28, 1993 statements to normal year-end audit adjustments). Since November 30, 1992, there has been no material adverse change in the business, operations, properties or condition (financial or otherwise) of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries.

(f) Litigation. There is not pending nor, to the knowledge of the Borrower upon due inquiry and investigation, threatened any action or proceeding affecting any of the Borrower or its Subsidiaries, by or before any court, governmental agency or arbitrator, which reasonably could be expected (i) to materially adversely affect the assets, business, properties, prospects, operations or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, or (ii) to prohibit, limit in any way or materially adversely affect the consummation of the Transaction contemplated by the Loan Documents, including, without limitation, the ability of the Borrower or its Subsidiaries to perform its obligations under this Agreement or any Note.

(g) Immunities. Neither the Borrower nor any of its Subsidiaries, nor the property of any of them, has any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of the jurisdiction of its organization.

(h) No Taxes. There is no tax, levy, impost, deduction, charge or withholding or similar item imposed (i) by Panama or the States of Florida or New York, or by any political subdivision of any of the foregoing, on or by virtue of the execution and delivery of these representations and warranties, the execution or delivery or enforcement of this Agreement or any Note or any other document to be furnished hereunder or thereunder, provided with respect to Florida that each Note is executed outside Florida and, subsequent to its execution outside Florida, that it is not brought into Florida at any time, or (ii) by Panama or the States of Florida or New York, or by any political subdivision of any of the foregoing, on any payment to be made by the Borrower pursuant to this Agreement or any Note, other than taxes on or measured by net income imposed by any such jurisdiction in which the Lender has its situs of organization or a fixed place of business.

(i) No Filing. To ensure the legality, validity, enforceability or admissibility in evidence of this Agreement or any Note in each of Panama and the States of Florida and New York, it is not necessary that this Agreement or any Note, or any other document related to any thereof, be filed or recorded with any court or other authority in such jurisdiction, or that any stamp or similar tax be paid on or with respect to this Agreement or any Note except to the extent provided in (h) above.

(j) No Defaults. There does not exist (i) any event of default, or any event that with notice or lapse of time or both would constitute an

event of default, under any agreement to which any of the Borrower or any of its Subsidiaries is a party or by which any of them may be bound, or to which any of their properties or assets may be subject, which default would have a material adverse effect on the Borrower and its Subsidiaries taken as a whole, or would materially adversely affect their ability to perform their respective obligations under this Agreement or any Note, or (ii) any event which is or would result in a Default or Event of Default.

(k) Margin Regulations. No part of the proceeds of the Loan will be used for any purpose that violates the provisions of any of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors. None of the Borrower nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, within the meaning of Regulations G, T, U and X issued by the Board of Governors of the Federal Reserve System.

(l) Investment Company Act. The Borrower is not an "investment company" or a company "controlled" by an "investment company" (as each of such terms is defined or used in the Investment Company Act of 1940, as amended).

(m) Taxes Paid. (i) Each of the Borrower and its Subsidiaries excluding Specified Subsidiaries (A) has filed or caused to be filed, or has timely requested an extension to file or has received from the relevant governmental authorities an extension to file, all material tax returns which are required to have been filed, and (B) has paid all taxes shown to be due and payable on said returns or extension requests or on any material assessments made against it or any of its properties, and all other material taxes, fees or other charges imposed on it or any of its properties by any governmental authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which appropriate reserves in conformity with GAAP have been provided on its books); and (ii) no material tax liens have been filed and no material claims are being asserted with respect to any such taxes, fees or other charges other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which appropriate reserves in accordance with GAAP have been provided on its books; provided, however, that the representations and warranties made in subdivisions (i)(A) and (i)(B) of this paragraph (m) with respect to HAL and the HAL Subsidiaries acquired on or about January 17, 1989 are limited to tax returns required to be filed with respect to the period from January 1, 1989 through the date hereof.

(n) Disclosure. No representation, warranty or statement made or document or financial statement provided by the Borrower or any Affiliate or Subsidiary thereof, in or pursuant to this Agreement or any Note, or in any other document furnished in connection therewith, is untrue or incomplete in any material respect or contains any misrepresentation of a material fact or omits to state any material fact necessary to make any such statement herein or therein not misleading.

(o) Good Title. The Borrower has good title to its properties and assets, except for (i) as permitted under this Agreement, existing or future Liens, security interests, mortgages, conditional sales arrangements and other encumbrances either securing Indebtedness or other liabilities of the Borrower or any of its Subsidiaries, or which the Borrower in its reasonable business judgment has determined would not be reasonably expected to materially interfere with the business or operations of the Borrower and its Subsidiaries as conducted from time to time, and (ii) minor irregularities therein which do not materially adversely affect their value or utility.

(p) ERISA. (i) No Insufficiency or Termination Event has occurred or is reasonably expected to occur, and no "accumulated funding deficiency" exists and no "variance" from the "minimum funding standard" has been granted (each such term as defined in Part III, Subtitle B, of Title I of ERISA) with respect to any Plan (other than any Multiemployer Plan or Plan that has been terminated and all the liabilities of which have been satisfied in full prior to March 30, 1990) in which the Borrower or any of its Subsidiaries excluding Specified Subsidiaries is a participant.

(ii) None of the Borrower nor any ERISA Affiliate excluding Specified Subsidiaries has incurred, or is reasonably expected to incur, any Withdrawal Liability to any Multiemployer Plan.

(iii) None of the Borrower nor any ERISA Affiliate excluding Specified Subsidiaries has received any notification that any Multiemployer Plan in which it is a participant is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is

reasonably expected to be in reorganization or to be terminated within the meaning of Title IV of ERISA.

(q) Tangible Net Worth. As of February 28, 1993 (subject to normal year-end audit adjustments with respect to the consolidated quarterly unaudited balance sheet of the Borrower as of such date) the Tangible Net Worth of the Borrower was not less than One Billion One Hundred Seventy Million Dollars (\$1,170,000,000).

(r) Solvency. The Borrower is, and on each date a Lender advances funds to it in respect of the Loan will be, Solvent.

ARTICLE V

COVENANTS OF THE BORROWER.

SECTION 5.01. Affirmative Covenants. So long as an Advance or any other Obligation shall remain unpaid or any Lender shall have any Commitment under this Agreement, the Borrower shall, unless the Agent on behalf of the Lenders shall otherwise consent in writing in accordance with Section 7.04, comply with each of the following affirmative covenants:

(a) Compliance with Laws. The Borrower shall comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders, and to pay when due all taxes, assessments and governmental charges imposed upon it or upon its property, except to the extent contested in good faith by appropriate proceedings and for which adequate reserves in conformity with GAAP have been provided.

(b) Use of Proceeds. The Borrower shall use all proceeds of the Notes for such general corporate purposes as may be permitted under applicable law, including support for its commercial paper programs, if any, except that subject to receipt by the Agent from the Borrower of written notice, the Borrower may use proceeds of the Notes up to the Dollar amount specified in the Borrower's said notice to the Agent solely to satisfy the Borrower's payment obligations as described in such notice, provided that neither the Agent nor any Bank shall have any responsibility as to the use of such proceeds.

(c) Financial Information; Defaults.

(i) The Borrower shall promptly inform the Agent of any event which is or may become a default or breach of the Borrower's obligations under the Loan Documents or result in a Default or Event of Default, or any event which materially adversely affects its ability fully to perform any of its obligations under any Loan Document, or any event of default which has occurred and is continuing under any material agreement to which the Borrower or any of its Subsidiaries is a party;

(ii) As soon as the same become available, but in any event within 120 days after the end of each of its fiscal years, the Borrower shall deliver to the Agent on behalf of the Lenders (A) audited consolidated financial statements of (1) the Borrower and (2) Kloster, if required other than by the Agent or the Lenders and (B) unaudited consolidated financial statements of Kloster if audited financial statements are not so required. All such audited consolidated financial statements of the Borrower shall set forth, in comparative form the corresponding figures for the preceding fiscal year (excluding, as to any Subsidiary acquired after the Closing Date, corresponding information for the period preceding its acquisition); all such audited consolidated financial statements shall be accompanied by an opinion thereon of independent certified public accountants of recognized national standing acceptable to the Agent, which opinion shall state that said financial statements fairly present the consolidated financial condition and results of operations of each of (1) the Borrower and (2) Kloster, if required other than by the Agent or the Lenders, as at the end of, and for, such fiscal year;

(iii) As soon as the same become available and in any event within 75 days after the end of each fiscal quarter of each of its fiscal years, the Borrower shall deliver to the Agent on behalf of the Lenders (A) unaudited consolidated statements of income, retained earnings and cash flow of (1) the Borrower, and (2) Kloster, in each case for each such quarterly period and for the period from the beginning of its then current fiscal year to the end of such period, and (B) related unaudited consolidated balance sheets of

(1) the Borrower and (2) Kloster, in each case as at the end of each such quarterly period. Delivery of the Borrower's quarterly financial statements containing information required to be filed with the Securities and Exchange Commission on Form 10-Q (as in effect on the Closing Date) shall satisfy the requirements of the first sentence of this Section 5.01(c)(iii) insofar as they relate to the Borrower on a consolidated basis, provided however that such requirements shall not be satisfied if the Borrower makes no such filings or if there is a material change after the Closing Date in the form or substance of financial disclosures and financial information required to be set forth in Form 10-Q. All such unaudited consolidated financial statements shall be accompanied by a certificate of a senior financial officer of the Borrower, which certificate shall state that such financial statements fairly present the consolidated financial condition and results of the operations of each of (1) the Borrower and (2) Kloster, as at the end of, and for, such period (subject to normal year end audit adjustments) in accordance with GAAP, consistently applied;

- (iv) Together with the financial statements to be delivered to the Agent on behalf of the Lenders from time to time pursuant to clauses (ii) and (iii) of this Section 5.01(c), the Borrower shall deliver to the Agent a certificate of a senior financial officer of the Borrower, which certificate shall (A) state that the consolidated financial condition and operations of the Borrower and its Subsidiaries are such as to be in compliance with all of the provisions of Sections 5.01(d) and (k) and 5.02(a) and (j) of this Agreement, (B) set forth in reasonable detail the computations necessary to determine whether the provisions of Sections 5.01(d) and (k) and 5.02(a) and (j) have been complied with, and (C) state that no Default or Event of Default has occurred and is continuing;
- (v) As soon as the same become available, but in any event not later than January 15th of each calendar year beginning January 1994, the Borrower shall deliver to the Agent a five (5) year cash flow projection and the related income statement and a balance sheet for the Borrower;
- (vi) Promptly upon their becoming available, the Borrower shall deliver to the Agent copies of all registration statements and periodic reports which each of the Borrower and Kloster shall have filed with the Securities and Exchange Commission or any national securities exchange or market and any ratings (and changes thereto) of its debt by Standard & Poor's Corporation and Moody's Investors Service;
- (vii) Promptly upon the mailing thereof to its shareholders, the Borrower shall deliver to the Agent copies of all financial statements and reports so mailed;
- (viii) As soon as reasonably possible, the Borrower shall deliver to the Agent copies of all reports and notices which it or any of its Subsidiaries files under ERISA with the Internal Revenue Service, the PBGC, the U.S. Department of Labor or the sponsor of a Multiemployer Plan, or which it or any of its Subsidiaries receives from the PBGC or the sponsor of a Multiemployer Plan related to (a) any Termination Event and (b) with respect to a Multiemployer Plan, (x) any Withdrawal Liability, (y) any actual or expected reorganization (within the meaning of Title IV of ERISA), or (z) any termination of a Multiemployer Plan (within the meaning of Title IV of ERISA);
- (ix) From time to time on request, the Borrower shall furnish the Agent and any of the Lenders with such information and documents, and provide access to the books, records and agreements of the Borrower, or any Subsidiary or Affiliate of the Borrower, as the Agent or any of the Lenders may reasonably require. All certificates, materials and documents to be furnished by the Borrower under this Section 5.01(c) shall be provided to the Agent in such number of copies as the Agent may reasonably request and shall be furnished promptly by the Agent to the Lenders; and
- (x) Notwithstanding the other terms of this Section 5.01(c), the Borrower shall have no obligation to provide the materials and information required by this Section 5.01(c) respecting Kloster

or any other Specified Subsidiary in the event such Person is not a Subsidiary of the Borrower.

(d) Financial Covenants. The Borrower shall ensure that:

(i) the ratio of its Total Debt to Total Capital, tested quarterly, shall be at all times less than sixty percent (60%) during the period through November 29, 1993, fifty-five percent (55%) during the period November 30, 1993 through November 29, 1994 and fifty percent (50%) commencing November 30, 1994 and at all times thereafter;

(ii) at the end of each fiscal quarter, the amount of its Consolidated Cash Flow shall be, as at the end of each of the four fiscal quarters immediately preceding covenant testing, at least 125% of the sum of (i) the aggregate amount of (x) dividend payments, (y) scheduled principal loan repayments and (z) scheduled Capital Lease payments made, in respect of the Borrower, on a consolidated basis excluding the Specified Subsidiaries, in the four fiscal quarters immediately preceding covenant testing;

(iii) at the end of each month, the sum of the unencumbered cash plus the current value of short term investments (in conformity with GAAP) of the Borrower and its Subsidiaries excluding Specified Subsidiaries shall equal at least Fifty Million Dollars (\$50,000,000);

(iv) the Tangible Net Worth of the Borrower and its Subsidiaries excluding Specified Subsidiaries shall exceed, on a fiscal quarterly basis, the sum of (A) Eight Hundred Thirty-Five Million Dollars (\$835,000,000) and (B) fifty percent (50%) of cumulative consolidated net income (excluding any losses) of the Borrower and its Subsidiaries excluding Specified Subsidiaries beginning December 1, 1992.

(e) Corporate Existence, Mergers. The Borrower shall preserve and maintain in full force and effect its corporate existence and rights and those of its Subsidiaries, and not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person or permit any of its Subsidiaries to do so, except that (v) any Subsidiary of the Borrower other than a Specified Subsidiary may merge or consolidate with or into the Borrower if the surviving entity is the Borrower, or transfer assets to, or acquire assets of the Borrower so long as such assets do not constitute all or substantially all of the assets of the Borrower, (w) any Subsidiary of the Borrower other than a Specified Subsidiary may merge or consolidate with or into, or transfer assets to, or acquire assets of, any other Subsidiary of the Borrower other than a Specified Subsidiary, (x) the Borrower and its Subsidiaries may acquire all or substantially all of the assets of any Person if the surviving entity is the Borrower or such Subsidiary, as the case may be, (y) any Specified Subsidiary may merge or consolidate with or into, or transfer assets to, the Borrower or any of its Subsidiaries, provided that the Borrower or such Subsidiary other than a Specified Subsidiary is the surviving entity and (z) the Borrower may cause the change of its jurisdiction by way of merger or otherwise, upon consent of the Majority Lenders, which consent shall not unreasonably be denied; provided, further, SCC (as therein defined) may be dissolved by appropriate proceedings as set forth in the March 30, 1990 Loan Agreement. Notwithstanding the foregoing, neither Windstar Sail Cruises Ltd., Carnival's Crystal Palace Hotel Corporation Limited nor any of their respective Subsidiaries shall (y) acquire any of the assets of the Borrower or any of its other Subsidiaries or (z) merge or consolidate with or into the Borrower or any of its other Subsidiaries unless the resulting entity is the Borrower or one of the Borrower's Subsidiaries other than Windstar Sail Cruises Ltd. or any of its Subsidiaries or Carnival's Crystal Palace Hotel Corporation Limited or any of its Subsidiaries.

(f) Insurance. The Borrower shall, and shall cause each of its Subsidiaries to, insure and keep insured, with financially sound and reputable insurers, so much of its properties, in such amounts and against such risks, as to all the foregoing, in each case, reasonably satisfactory to the Lenders and as are usually and customarily insured by companies engaged in a similar business with respect to properties of a similar character (other than with respect to the Vessels referred to in the March 30, 1990 Loan Agreement which shall be insured as therein provided).

(g) [Reserved.]

(h) [Reserved.]

(i) The Borrower's Stock. The Borrower shall ensure that at all times the number of the issued and outstanding shares of its capital stock at least sufficient to elect a majority of the Borrower's board of directors shall be beneficially owned, directly or indirectly, by Mr. Ted Arison or the members of his immediate family, free and clear of Liens in favor of any other Person.

(j) [Reserved.]

(k) Solvency. The Borrower shall procure that it is and shall be at all times Solvent.

(l) [Reserved.]

(m) Further Assurances. The Borrower shall, from time to time upon the request of any Lender, accept for cancellation any Note or Notes held by and payable to such Lender, and thereupon the Borrower shall execute and deliver to such Lender, payable to it and its registered assigns, a substitute Note or Notes in like form and total aggregate amount as the canceled Note or Notes, but in any denomination not smaller than Ten Million Dollars (\$10,000,000) or such lesser amount as such Lender may request (but not less than Five Million Dollars (\$5,000,000)) as shall constitute the outstanding principal of all outstanding Notes held by such Lender. The Borrower shall do all things necessary to maintain each of the Loan Documents as legal, valid and binding obligations, enforceable in accordance with their respective terms by the Agent and the Lenders. The Borrower shall take such other actions and deliver such instruments as may be necessary or advisable, in the opinion of the Agent on behalf of the Lenders to protect the rights and remedies of the Agent and the Lenders under the Loan Documents.

SECTION 5.02. Negative Covenants. So long as any Advance or any other Obligation shall remain unpaid or any Lender shall have any Commitment, the Borrower shall not, unless the Agent on behalf of the Lenders shall otherwise consent in writing in accordance with Section 7.04:

(a) Sale of Assets. Unless permitted by Section 5.01(e), during any fiscal year, sell or otherwise dispose of, or permit any of its Subsidiaries to sell or dispose of, in one or more transactions, assets with a book value in excess of Two Hundred Fifty Million Dollars (\$250,000,000) (but excluding any sale or disposition of any or all of the assets or capital stock of Kloster, Windstar Sail Cruises Ltd. or Carnival's Crystal Palace Hotel Corporation Limited or any of their respective Subsidiaries).

(b) [Reserved.]

(c) [Reserved.]

(d) [Reserved.]

(e) Limitation on Payment Restrictions Affecting Subsidiaries. Create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than those contained in or permitted by or through any other provision of this Agreement or the other Loan Documents or the March 30, 1990 Loan Agreement, including those contained in documents existing on the Closing Date evidencing Indebtedness permitted by any of the foregoing) on the ability of any Subsidiary to (i) pay dividends or make any other distributions on such Subsidiary's capital stock or pay any Indebtedness owed to the Borrower or any of its Subsidiaries, (ii) make loans or advances to the Borrower or any of its Subsidiaries, or (iii) transfer any of its property or assets to the Borrower or any of its Subsidiaries.

(f) Transactions with Officers, Directors and Shareholders. Enter or permit any of its Subsidiaries to enter into any transaction or agreement, including but not limited to any lease, Capital Lease, purchase or sale of real property, purchase of goods or services, with any Subsidiary, Affiliate or any officer, or director of the Borrower or of any such Subsidiary or Affiliate, or any record or known beneficial owner of equity securities of any such Subsidiary, any known record or beneficial owner of equity securities of any such Affiliate or the Borrower, or any record or beneficial owner of at least five percent (5%) of the equity securities of the Borrower, except on terms that are no less favorable to the Borrower or the relevant Subsidiary than those that could have been obtained in a comparable transaction by the Borrower or such Subsidiary with an unrelated Person and except between Subsidiaries which are consolidated for financial reporting purposes with the Borrower.

(g) Compliance with ERISA. Become party to any prohibited transaction, reportable event, accumulated funding deficiency or plan termination, all within the meaning of ERISA and the Code with respect to any Plan as to which there is an Insufficiency, nor permit any Subsidiary to do so (except with respect to a Multiemployer Plan if the foregoing shall result from the act or omission of a Person party to such Multiemployer Plan other than the Borrower or its Subsidiary).

(h) Investment Company. Be or become an investment company subject to the registration requirements of the Investment Company Act of 1940, as amended, or permit any Subsidiary to do so.

(i) [Reserved.]

(j) Liens. Create or incur, or suffer to be created or incurred or come to exist, any Lien in respect of Indebtedness on any vessel or other of its properties or assets of any kind, real or personal, tangible or intangible, included in the Borrower's consolidated balance sheet excluding Specified Subsidiaries in accordance with GAAP, nor shall the Borrower permit any of its Subsidiaries excluding Specified Subsidiaries to do any of the foregoing. Solely for purposes of the preceding sentence the term "Lien" shall not include (i) Liens with respect to Indebtedness under the Swaps Documents and (ii) other Liens in respect of Indebtedness up to an amount not greater than

40% (during its fiscal years 1993 and 1994) and
35% (after its fiscal year 1994)

of the amount of total assets of the Borrower as shown on its consolidated balance sheet excluding Specified Subsidiaries (but excluding the value of any intangible assets) for the relevant period.

(k) [Reserved.]

(l) Organizational Documents. Amend its articles of incorporation (or similar charter documents) or by-laws (except for such amendments as shall not adversely affect the rights and remedies of the Agent or any Lender).

ARTICLE VI

DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any Facility Fee or Commitment Fee, or any installment of principal of an Advance, when due, or shall fail to pay any interest on any such Advance or fee within two (2) days after such interest shall become due; or

(b) Any representation or warranty made by or on behalf of the Borrower under or in connection with this Agreement or any of the other Loan Documents shall prove to have been incorrect in any material respect when made; or

(c) The Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Loan Documents on its part to be performed or observed and, in each case, any such failure shall remain unremedied for ten (10) days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) The Borrower or any of its Subsidiaries excluding Specified Subsidiaries shall fail to pay any amount or amounts due in respect of Indebtedness in the aggregate amount in excess of Twenty Million Dollars (\$20,000,000) (but excluding Indebtedness resulting from the Advances) of the Borrower or such Subsidiary when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other default under one or more agreements or instruments relating to Indebtedness in the aggregate amount in excess of Twenty Million Dollars (\$20,000,000) (but excluding Indebtedness resulting from the Advances) of the Borrower or such Subsidiary, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior

to the stated maturity thereof; or

(e)(1) The Borrower or any of its Subsidiaries excluding Specified Subsidiaries shall (A) generally not pay its debts as such debts become due, (B) threaten to stop making payments generally, (C) admit in writing its inability to pay its debts generally, (D) make a general assignment for the benefit of creditors, (E) not be Solvent or (F) be unable to pay its debts;

(2) Any proceeding shall be instituted in any jurisdiction by or against the Borrower or any of its Subsidiaries excluding Specified Subsidiaries (A) seeking to adjudicate it a bankrupt or insolvent, (B) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (C) seeking the entry of an administration order, an order for relief, or the appointment of a receiver, trustee, or other similar official, for it or for any substantial part of its property, provided, that, in the case of any such proceeding instituted against but not by the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, such proceeding shall remain undismissed or unstayed for a period of forty-five (45) days or any of the relief sought in such proceeding (including, without limitation, the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or any substantial part of its property) shall be granted; or

(3) (A) The Borrower or any of its Subsidiaries excluding Specified Subsidiaries shall take any corporate action to authorize any of the actions set forth above in subparagraph (e)(2) of this Section 6.01, or (B) any director, or if one or more directors are elected and acting, any two directors of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, or any Person owning directly, or indirectly, shares of capital stock of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries in a number sufficient to elect a majority of directors of the Borrower or any of its Subsidiaries, shall take any preparatory or other steps to convene a meeting of any kind of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, or any meeting is convened or any other preparatory steps are taken, for the purposes of considering or passing any resolution or taking any corporate action to authorize any of the actions set forth above in subparagraph (e)(2) of this Section 6.01; or

(f) One or more judgments or orders for the payment of money, singly or in the aggregate, in excess of an amount equal to Ten Million Dollars (\$10,000,000) shall be rendered against the Borrower or any of its Subsidiaries excluding Specified Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall have elapsed any period of ten (10) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not have been in effect; or

(g) An extraordinary event shall occur, or a material adverse change affecting the business or operations of the Borrower shall occur, which situation or change gives reasonable grounds to conclude that the Borrower will not, or will be unable to, perform or observe in the normal course its obligations under this Agreement or the Loan Documents; or

(h) Micky Arison or Ted Arison (or, in the event of his death, a member of his immediate family or another Person acceptable to the Lenders) shall cease to own, directly or indirectly, shares of capital stock of the Borrower entitled to elect directors, in a number of shares at least sufficient to elect a majority of directors of the Borrower; or

(i) Any material provision of any of the Loan Documents after delivery thereof shall for any reason cease to be valid and binding on the parties thereto (other than the Lenders and the Agent), or any party thereto (other than a Lender or the Agent) shall so state in writing;

then, and in any such event, the Agent on direction of the Majority Lenders (i) shall, by notice to the Borrower, declare the Commitment to be terminated, whereupon the same shall forthwith terminate, and (ii) shall, by notice to the Borrower, declare each Advance and the Notes, and all interest thereon and all other amounts payable under this Agreement, to be forthwith due and payable (except that no notice shall be required upon the occurrence of an Event of Default described in paragraph (e) of this Section 6.01) whereupon each Advance, each Note, all such interest and all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

RELATION OF LENDERS; ASSIGNMENTS, DESIGNATIONS
AND PARTICIPATIONS

SECTION 7.01. Lenders and Agent. The general administration of this Agreement and the Loan Documents shall be by the Agent, and each Lender hereby authorizes and directs the Agent to take such action (including without limitation retaining lawyers, accountants, surveyors or other experts) or forbear from taking such action as in the Agent's reasonable opinion may be necessary or desirable for the administration hereof (subject to any direction of the Majority Lenders and to the other requirements of Section 7.04 hereof). The Agent shall inform each Lender, and each Lender shall inform the Agent, of the occurrence of any Event of Default promptly after obtaining knowledge thereof; however, unless it has actual knowledge of an Event of Default, each of the Agent and the Lenders may assume that no Event of Default has occurred.

SECTION 7.02. Pro Rata Sharing. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the A Advances made by it (other than pursuant to Section 2.06(c), 2.07 or 2.09) in excess of its ratable share of payments on account of the A Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the A Advances made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Any Lender so purchasing a participation from another Lender pursuant to this Section 7.02 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 7.03. Setoff. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and any Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

SECTION 7.04. Approvals. Upon any occasion requiring or permitting an approval of any amendment or modification or any consent, waiver, declaring an Event of Default or taking any action thereafter, or any other action on the part of the Agent or the Lenders under any of the Loan Documents, (1) action may (but shall not be required to) be taken by the Agent for and on the behalf or for the benefit of all Lenders, provided (A) that no other direction of the Majority Lenders shall have been previously received by the Agent, and (B) that the Agent shall have received consent of the Majority Lenders to enter into any written amendment or modification of the provisions of any of the Loan Documents, or to consent in writing to any material departure from the terms of any Loan Documents by the Borrower or any other party thereto or (2) action shall be taken by the Agent upon the direction of the Majority Lenders, and any such action shall be binding on all Lenders; provided further, however, that unless all of the Lenders (other than the Designated Bidders) agree in writing thereto, no amendment, modification, waiver, consent or other action with respect to this Agreement or any of the Series A Notes shall be effective which (a) increases the Commitment or increases the Percentage Interest of any of the Lenders, (b) reduces any commission, fee, the principal or interest owing to any Lender in respect of the Series A Notes hereunder or the method of calculation of any thereof, (c) extends the Termination Date or the date on which any sum in respect of the Series A Notes is due hereunder, (d) releases any collateral, guaranty or other security, (e) amends the provisions of this Section 7.04 or the definition of Majority Lenders, or (f) waives any condition for Borrowing set forth in Article III.

SECTION 7.05. Exculpation. The Agent shall not be liable or answerable for anything whatsoever in connection with any of the Loan Documents or other instrument or agreement required hereunder or thereunder, including responsibility in respect of the execution, delivery, construction or enforcement of any of the Loan Documents or any such other instrument or agreement, or for any action taken or not taken by the Agent in any case involving exercise of any power or authority conferred upon the Agent under any thereof, except for its wilful misconduct or gross negligence, and the Agent shall have no duties or obligations other than as provided herein and therein. The Agent shall be entitled to rely on any opinion of counsel (including counsel for the Borrower or any of its Subsidiaries) in relation to any of the Loan Documents or any other instrument or agreement required hereunder or thereunder and upon writings, statements and communications received from the Borrower or any of its Subsidiaries (including any representation made in or in connection with any Loan Document), or from any other party to any of the Loan Documents or any documents referred to therein or any other Person, firm or corporation reasonably believed by it to be authentic, and the Agent shall not be required to investigate the truth or accuracy of any writing or representation, nor shall the Agent be liable for any action it has taken or omitted in good faith on such reliance.

SECTION 7.06. Indemnification. Each Lender (other than any Designated Bidder) agrees to indemnify the Agent, except to the extent reimbursed by the Borrower and except in the case of any suit by any Lender against the Agent resulting in a final judgment against the Agent, ratably according to the aggregate principal amount of the Series A Notes then held by it (or if no Series A Notes are outstanding or if any such Series A Notes are held by Persons which are not Lenders, ratably according to the amount of its Commitment) against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (except to the extent the foregoing results from the Agent's gross negligence or wilful misconduct) which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of (y) any of the Loan Documents or any other instrument or agreement contemplated hereunder or thereunder or (z) any action taken or omitted by the Agent under any of the Loan Documents or such other instrument or agreement.

SECTION 7.07. Agent as Lender. The Agent shall, in its individual capacity, have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not an agent; the term "Lenders" shall include the Agent in its individual capacity to the extent of its Percentage Interest. The Agent and its Subsidiaries and Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Borrower and its Subsidiaries and Affiliates, as if it were not the Agent.

SECTION 7.08. Notice of Transfer; Resignation; Successor Agent. (a) The Agent may deem and treat a Lender party to this Agreement as the owner of such Lender's interest in any Loan and any other instrument or agreement contemplated hereunder or thereunder for all purposes hereof unless and until a written notice of the assignment or transfer thereof, executed by such Lender and otherwise in compliance with the requirements of Section 7.10 hereof, shall have been received and accepted by the Agent. The Agent shall resign if directed by the Majority Lenders for any reason. The Agent may not resign at any time, except that, upon written notice to the Lenders and the Borrower, the Agent may resign if in its judgement there exist or may occur reasons related to conflict of interest, a change in, or violation of, law or regulation or interpretation thereof, or such other occurrence that may prevent or impede the Agent in discharging its duties hereunder faithfully and effectively in accordance with their terms.

(b) Any successor Agent shall be appointed by the Majority Lenders and shall be a bank or trust company reasonably satisfactory to the Borrower (so long as no Event of Default shall have occurred and be continuing) and the Majority Lenders. If no successor Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lender's removal of the Agent, then such retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 7.09. Credit Decision; Not Trustee. Each Lender represents

that it has made, and agrees that it shall continue to make, its own independent investigation of the financial condition and affairs of the Borrower and its Subsidiaries, and its own appraisal of the creditworthiness of the Borrower and its Affiliates and Subsidiaries in connection with the making and performance of this Agreement. The Agent has and shall have no duty or responsibility whatsoever on the date hereof or, except as otherwise expressly provided in this Agreement at any time hereafter, to provide any Lender with any credit or other information. Nothing herein shall (nor shall it be construed so as to) constitute the Agent a trustee for the Borrower or its Subsidiaries or impose on it any duties or obligations other than those for which express provision is made in this Agreement or under the other Loan Documents.

SECTION 7.10. Assignments, Designations and Participation. (a) Each Lender (other than the Designated Bidders) may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes held by it); provided, however, that (i) each such assignment shall be of constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make B Advances, B Advances owing to it or Series B Notes), (ii) unless the Borrower shall otherwise agree with the assigning Lender, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) that is not to a then existing Lender hereunder, or to a Designated Bidder designated by a then existing Bank hereunder shall in no event be less than Ten Million Dollars (\$10,000,000) or such lesser amount as shall constitute all of such assigning Bank's Commitment and the outstanding principal of Notes payable to it, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,000; provided further, however, that each such assignment that is not to a then existing Lender hereunder, or to a Designated Bidder designated by a then existing Bank hereunder (x) shall be subject to the consent of the Borrower, which consent shall not unreasonably be denied and which consent shall be deemed given unless the Borrower gives the assigning Lender and the Agent written notice of and a reasonable basis for its denial not later than five (5) Business Days following (i) telex, telecopy or cable notice given to the Borrower by the assigning Lender or the Agent of the name of the proposed transferee, the amount of Commitment to be assigned and such information as the Borrower may reasonably request for purposes of making an informed judgment, and, if the proposed transferee is organized under the laws of a jurisdiction outside the United States, (ii) transmission to the Borrower by telecopy of any one of the following documents, properly completed and executed by the proposed transferee: Internal Revenue Service Form 1001 (or any successor form), certifying that the proposed transferee is entitled to benefits under an income tax treaty which will exempt from United States Federal income tax the income receivable by the proposed transferee pursuant to this Agreement, or Internal Revenue Service Form 4224 (or any successor form), certifying that the income receivable by the proposed transferee pursuant to this Agreement will be effectively connected with the conduct of a trade or business in the United States, or Internal Revenue Service Form W-8 (or any successor form) certifying that it is a foreign person together with a tax certificate, substantially in the form of Attachment III to the Assignment and Acceptance, as appropriate. Any consent to assignment untimely or unreasonably denied by the Borrower shall be void and of no effect, and shall not preclude or bar any assignment otherwise permitted by this Section 7.10(a). Any assignment or purported assignment not in compliance with this Section shall be void and of no effect. Without regard to any of the other terms of this Agreement or of any other agreement, any Lender may assign, as collateral or otherwise, any of its rights (including, without limitation, rights to payments of principal and/or interest on the Notes) under this Agreement to any Federal Reserve Bank of the United States without notice to or consent of the Borrower, the Agent or any other Person. In case of any assignment pursuant to this Section 7.10(a), the assignee shall not be entitled to receive the portion (if any) of any amount otherwise payable under Section 2.07 or 2.09 hereof which exceeds the amount which would have been payable under Section 2.07 or 2.09 (as the case may be) to the assignor with respect to the rights and obligation so assigned. In the case of a transfer of any Note from the accounting records of the office of a Lender where such Note was originally recorded to the accounting records of any other office of such Lender, or a change in the location of the Lending Office from that designated as of the Closing Date, such Lender or the Agent, as the case may be, shall not be entitled to receive the portion (if any) of any amount otherwise payable under Section 2.07 or 2.09 hereof which exceeds the amount which would have been payable under Section 2.07 or 2.09 (as the case may be) to such Lender or the Agent, as the case may be, if such transfer or change had not been made. In the case of a change in location, from the Closing Date, of the Lending Office, unless the Borrower shall consent to such change, the Borrower shall not be required to remit to the Agent pursuant to Section 2.07 or 2.09 hereof any amount that exceeds the amount which would have been payable under Section 2.07

or 2.09 (as the case may be) if such change in location had not occurred. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, and delivery of the tax forms and other documents referred to in Section 2.09 hereof, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance and subject to the foregoing, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any of the Borrower or its Subsidiaries or the performance or observance by any of the Borrower or its Subsidiaries of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to herein Sections 4.01(e) and 5.01(c), and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto and has attached thereto the forms referred to in paragraph 3(vii) thereof, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register (including the transfer of Notes to such Eligible Assignee by the assigning Lender) and (iii) give prompt notice and an execution counterpart thereof to the Borrower. Within five (5) Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note or new Notes, as the case may be, of the same Series to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and a new Series B Note in substantially the form of Exhibit A-2 hereto, as the case may be, and if the assigning Lender has retained a Commitment hereunder, a new Series A Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Series A Note or Series A Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Series A Note or Series A Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 hereto.

(d) In addition each Lender (other than the Designated Bidders) may designate one or more banks or other entities to have a right to make B Advances as a Lender pursuant to Section 2.03; provided, however, that (i) no such Lender shall be entitled to make more than two such designations with respect to any particular B Borrowing, (ii) each such Lender making one or more of such designations shall retain the right to make B Advances as a Lender pursuant to Section 2.03, (iii) each such designation shall be to a Designated Bidder and (iv) the parties to each such designation shall execute and deliver to the Agent, for its acceptance and recording in the Register, a Designation Agreement. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Designation Agreement, the designee thereunder shall be a party hereto with a right to make B Advances as a Lender pursuant to Section 2.03 and the obligations related thereto.

(e) By executing and delivering a Designation Agreement, the Lender

making the designation thereunder and its designee thereunder confirm and agree with each other and the other parties hereto as follows: (i) such Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any of the Borrower or its Subsidiaries or the performance or observance by any of the Borrower or its Subsidiaries of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such designee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and 5.01(c) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into the Designation Agreement; (iv) such designee will, independently and without reliance upon the Agent, such designating Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such designee confirms that it is a Designated Bidder; (vi) such designee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such designee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(f) Upon its receipt of a Designation Agreement executed by a designating Lender and a designee representing that it is a Designated Bidder, the Agent shall, if such Designation Agreement has been completed and is substantially in the form of Exhibit D hereto, (i) accept such Designation Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five (5) Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent a new Series B Note to the order of such Designated Bidder in substantially the form of Exhibit A-2 hereto.

(g) The Agent shall maintain at its address referred to in Section 8.02 of this Agreement a register for the recordation of the names and addresses of the Lenders and, with respect to Lenders other than Designated Bidders, the Commitment of, and principal amount of the Advance owing and each Note payable to, each Lender from time to time and a copy of each Assignment and Acceptance and Designation Agreement delivered to and accepted by it (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice and each shall be entitled to make copies thereof at its expense.

(h) Each Lender and the Agent may grant participations to one or more banks or other entities in or to all or any part of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advance owing to it); provided, however, that, notwithstanding the grant of any such participation by any Lender, such participation, and the right to grant such a participation, shall be expressly subject to the following conditions and limitations: (i) such Lender's obligations under this Agreement (including without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note and Advance for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) such Lender shall continue to be able to agree to any modification or amendment of this Agreement or any waiver hereunder without the consent, approval or vote of any such participant or group of participants, other than modifications, amendments, and waivers which (a) postpone the Termination Date or any date fixed for any payment of, or reduce any payment of, principal of or interest on such Lender's Advance or any fees or other amounts payable under this Agreement, or (b) increase the amount of such Lender's Commitment, or (c) change the interest rate payable under this Agreement, or (d) release all or substantially all of any collateral or guaranty, provided that if a Lender agrees to any modification or waiver relating to items (a) through (d), the Borrower, the Agent and each other Lender may conclusively assume that such Lender duly received any necessary consent of each of its participants and (vi) except as contemplated by the immediately preceding clause (v), no participant shall be deemed to be or to have any of the rights or obligations of a "Lender" hereunder.

(i) Any Lender may, in connection with any assignment, designation or participation or proposed assignment, designation or participation pursuant to this Section 7.10, disclose to the assignee, Designated Bidder or participant, or proposed assignee, designated bidder or participant, any information relating to the Borrower or its Subsidiaries furnished to such Lender by or on behalf of the Borrower, provided that the Person receiving such information undertakes not to disclose it to a third party except pursuant to, and subject to the conditions provided in, this Section 7.10.

SECTION 7.11 Managing Agent; Co-Agent. Each of the Managing Agent and Co-Agent shall have no duties, responsibilities, rights or liabilities as Managing Agent or Co-Agent, as the case may be, under this Agreement or any of the other Loan Documents and, other than as a Lender, shall not be liable or answerable for anything whatsoever in connection with any of the Loan Documents or other instrument or agreement required hereunder or thereunder, including responsibility in respect of the execution, delivery, construction or enforcement of any of the Loan Documents or any such other instrument or agreement, or for any action taken or not taken by any Person with respect thereto. Each of the Managing Agent and Co-Agent has and shall have no duty or responsibility whatsoever on the date hereof or at any time hereafter, to provide any Bank with any credit or other information. Nothing herein shall (nor shall it be construed so as to) constitute the Managing Agent or Co-Agent a trustee for the Borrower or its Subsidiaries or impose on it any duties or obligations whatsoever under this Agreement, the other Loan Documents, or otherwise.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments. No amendment, supplement or modification to this Agreement shall be enforceable against the Borrower unless the same shall be in writing and signed by the Borrower. No amendment or waiver of any provision of this Agreement or any instrument delivered hereunder, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent and, to the extent required by Section 7.04 hereof, the Majority Lenders or each Lender, as the case may be, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 8.02. Notices. All notices, demands and other communications provided for hereunder shall be in writing (including telegraphic communication) and mailed, telexed, telecopied or telegraphed or delivered, if to the Borrower at its address set forth below its signature herein written; and if to a Lender other than the Agent, at its address set forth below its signature herein written; or, as to each party, at such other address as shall be designated by such party in a notice to the other parties hereto. All such notices and communications shall, when mailed, telexed, telecopied, or telegraphed, be effective upon the earliest of (i) actual receipt, (ii) seven days from the date when deposited in the mails, or (iii) when (on a Business Day and during normal business hours at the addressee's address) transmitted by telecopy or telex or delivered to the telegraph company, respectively, except that notices and communications to the Agent or any Lender pursuant to Article II hereof shall not be effective until received by the Agent or such Lender.

SECTION 8.03. No Waiver; Remedies. Regardless of any fact known or investigation undertaken by the Agent or any Lender, no failure on the part of the Agent or any Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses, Fees and Indemnities. (a) The Borrower agrees to pay on demand (i) in connection with the preparation, execution, and delivery of this Agreement and the instruments and other documents to be delivered hereunder, (y) the reasonable fees and out-of-pocket expenses of Messrs. Haight, Gardner, Poor & Havens, as special counsel for the Agent and the Lenders (and any local counsel retained by such firm) with respect to the closing of the Transaction and (z) all other costs and expenses of the Lenders and the Agent (other than any other legal fees and related expenses incurred by them) and (ii) after the Closing Date, all costs and expenses in connection with the administration of this Agreement and the other instruments and documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of any counsel for the Agent or the Lenders in connection with advice given the Agent or the Lenders, from time to time, as to their rights and responsibilities under this Agreement and such instruments and documents. The Borrower shall not be liable to any Lender in respect of any costs or expenses incurred in connection with any assignment or grant of participation under Section 7.10 hereof. The Borrower further agrees

to pay on demand all losses, costs and expenses, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement of this Agreement and the instruments and other documents delivered hereunder, including, without limitation, losses, costs and expenses sustained as a result of a Default by the Borrower in the performance of its obligations contained in this Agreement or any instrument or document delivered hereunder.

(b) If, for any reason, including maturity or demand of the Loan under Article VI, or prepayment of the Loan, in whole or in part, the Agent or any of the Lenders receives payment of principal of or interest an Advance on any day other than the last day of the Interest Period for such Advance permitted under this Loan Agreement the Borrower shall pay to the Agent on behalf of the Lenders on demand any amounts required to compensate the Lenders for any breakage costs (including cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds in respect of such payment) and any additional losses, costs or expenses which any Lender may incur as a result of such payment, provided that the Lender shall have delivered to the Agent and the Borrower, as the case may be, a certificate as to the amount of such breakage costs, additional losses, costs or expenses, which certificate shall be binding, absent manifest error, except that the failure of the Lender to provide such certificate shall in no way relieve the Borrower of its obligations under this Section 8.04(b).

(c) The Borrower agrees to indemnify and hold harmless each of the Lenders and the Agent, and its and their respective Affiliates, directors, officers, employees, agents, representatives, counsel and advisors (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel and the costs of investigation and defense thereof) which may be incurred by or asserted or awarded against any Indemnified Party, in each case based upon, arising out of or in connection with or by reason of, the Transaction, including, without limitation, any act or failure to act by the Agent where such act or failure to act was taken pursuant to the Borrower's request or any transaction contemplated by this Agreement or any Loan Document, whether or not any Advance hereunder is made, except to the extent that such claim, damage, loss, liability or expense results from the gross negligence or willful misconduct of such Indemnified Party. The indemnities of this Agreement shall survive the termination of this Agreement and the other Loan Documents.

SECTION 8.05. [Reserved.]

SECTION 8.06. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under any instrument delivered hereunder in United States Dollars into another currency, the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent or the Lender, as the case may be, could purchase United States Dollars with such other currency on the Business Day preceding that on which final judgment is given.

(b) The obligation of the Borrower in respect of any sum due from it to the Agent or any Lender hereunder or under such instrument shall, notwithstanding any judgment in a currency other than United States Dollars, be discharged only to the extent that on the Business Day following receipt by the Agent or such Lender of any sum adjudged to be so due in such other currency the Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase United States Dollars with such other currency; if the United States Dollars so purchased are less than the sum originally due to the Agent or such Lender, as the case may be, in United States Dollars, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Agent or such Lender, as the case may be, against such loss, and if the United States Dollars so purchased exceed the sum originally due to the Agent or such Lender in United States Dollars, the Agent or such Lender shall remit such excess to the Borrower.

SECTION 8.07. Consent to Jurisdiction; Waiver of Immunities. (a) The Borrower hereby irrevocably submits to the jurisdiction of any New York State court sitting in New York County and to the jurisdiction of the United States District Court for the Southern District of New York in any action or proceeding arising out of or relating to this Agreement or the Notes, and the Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Borrower hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Borrower hereby irrevocably appoints C T Corporation System (the "Process Agent"), with an office on the date hereof at 1633 Broadway, New York, New York 10019, United States, as its agent to receive on behalf of itself and its property service of copies of the summons and complaint and any other process which may be served in any such action or proceeding. Such service may be made by mailing or delivering a copy of such process to the Borrower in care of the Process Agent (or any successor thereto, as the case may be) at such

Process Agent's above address (or the address of any successor thereto, as the case may be), and the Borrower hereby irrevocably authorizes and directs the Process Agent (and any successor thereto) to accept such service on its behalf. The Borrower shall appoint a successor agent for service of process should the agency of C T Corporation System terminate for any reason, and further shall at all times maintain an agent for service of process in New York, New York, so long as there shall be outstanding any Obligations under the Loan Documents. The Borrower shall give notice to the Agent of any appointment of successor agents for service of process, and shall obtain from each successor agent a letter of acceptance of appointment and promptly deliver the same to the Agent. As an alternative method of service, the Borrower also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to it at its address specified in Section 8.02 hereof. Without waiver of its rights of appeal permitted by relevant law, the Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Nothing in this Section 8.07 shall affect the right of the Agent or any Lender to serve legal process in any other manner permitted by law, or affect the right of the Agent or any Lender to bring any action or proceeding against the Borrower or their respective properties in the courts of any other jurisdiction.

(c) To the extent that the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the Notes.

SECTION 8.08. Binding Effect; Merger; Severability; GOVERNING LAW.

(a) This Agreement shall become effective when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Bank that such Bank has executed it and thereafter this Agreement shall be binding upon, and shall inure to the benefit of the Borrower, the Agent and each Lender, and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein. Each Lender may, to the extent permitted under this Agreement, assign to any other financial institution all or any part of, or any interest in, the Lender's rights and benefits hereunder and under any instrument delivered hereunder, and to the extent of such assignment such assignee shall have the same rights and benefits against the Borrower as it would have had if it were the Lender hereunder.

(b) The Loan Documents, together with all attachments and exhibits to each of them and all other documents referenced herein and therein, and delivered hereunder and thereunder and pursuant hereto and thereto, constitute the entire agreement among the parties with respect to the subject matter hereof and thereof, and supersede all prior and contemporaneous written and oral understandings and agreements related thereto among the parties.

(c) If any word, phrase, sentence, paragraph, provision or section of the Loan Documents shall be held, declared, pronounced or rendered invalid, void, unenforceable or inoperative for any reason by any court of competent jurisdiction, governmental authority, statute, or otherwise, such holding, declaration, pronouncement or rendering shall not adversely affect any other word, phrase, sentence, paragraph, provision or section of the Loan Documents, which shall otherwise remain in full force and effect and be enforced in accordance with their respective terms.

(d) This Agreement has been delivered in New York, New York. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND BE CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

SECTION 8.09. Counterparts. This Agreement may be executed in as many counterparts as may be deemed necessary or convenient and by each party hereto on separate counterparts, each of which, when so executed, shall be deemed as original, but all such counterparts shall constitute but one and the same agreement.

SECTION 8.10. WAIVER OF JURY TRIAL. BY ITS SIGNATURE BELOW WRITTEN EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE LOAN DOCUMENTS HEREIN DESCRIBED OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CITIBANK, N.A., as Agent

CARNIVAL CORPORATION
(formerly
CARNIVAL CRUISE LINES, INC.)

By: _____

Title:
Address: 399 Park Avenue
Shipping Department
8th Floor
New York, NY 10043

Telephone: (212) 559-5604
Telex: 425 727
Answerback: NY
Telecopy: (212) 793-3588

By: _____

Title:
Address: 3655 N.W. 87th Avenue
Miami, Florida 33178-2198
Attention: Chairman and
Chief Executive Officer

Telephone: (305) 599-2600
Telex: 519206
Answerback: CARNOP
Telecopy: (305) 471-4700

as Managing Agent

as Co-Agent

By: _____

Title:
Address:

Telephone:
Telex:
Answerback:
Telecopy:

By: _____

Title:
Address:

Telephone:
Telex:
Answerback:
Telecopy:

REVOLVING CREDIT AGREEMENT

DATED AS OF DECEMBER 5, 1995

By And Among

CARNIVAL CORPORATION,
as Borrower,

and

CITIBANK, N.A.,
as Agent,

CIBC, INC., COMMERZBANK A.G., ATLANTA AGENCY, AND ROYAL
BANK OF CANADA,
as Managing Agents,

BARNETT BANK OF SOUTH FLORIDA, N.A., CREDIT LYONNAIS CAYMAN
ISLAND BRANCH, THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA AGENCY,
FIRST UNION NATIONAL BANK OF FLORIDA, THE FUJI BANK, LIMITED, NEW
YORK BRANCH, THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA
AGENCY, THE MITSUBISHI BANK, LIMITED - NEW YORK BRANCH,
NATIONSBANK OF FLORIDA, N.A., SAKURA BANK AND THE SUMITOMO BANK,
LIMITED, ATLANTA AGENCY,
as Co-Agents,

and

CITIBANK, N.A., BANCA DI ROMA - HOUSTON AGENCY, BANK OF HAWAII,
THE BANK OF NOVA SCOTIA, BARNETT BANK OF SOUTH FLORIDA, N.A.,
CIBC, INC., COMMERZBANK A.G., ATLANTA AGENCY, CREDIT LYONNAIS,
CAYMAN ISLAND BRANCH, THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA
AGENCY, FIRST UNION NATIONAL BANK OF FLORIDA, THE FUJI BANK,
LIMITED, NEW YORK BRANCH, THE INDUSTRIAL BANK OF JAPAN, LIMITED,
ATLANTA AGENCY, LANDESBANK HOLSTEIN-SCHLESWIG GIROZENTRALE,
THE MITSUBISHI BANK, LIMITED - NEW YORK BRANCH, MORGAN GUARANTY
TRUST COMPANY OF NEW YORK, NATIONAL WESTMINSTER BANK PLC,
NATIONSBANK OF FLORIDA, N.A., NORTHERN TRUST COMPANY, ROYAL
BANK OF CANADA, SAKURA BANK, THE SANWA BANK LIMITED, ATLANTA
AGENCY, THE SUMITOMO BANK, LIMITED, ATLANTA AGENCY, SUNTRUST
BANK, MIAMI, N.A., UNITED STATES NATIONAL BANK OF OREGON AND
THE YASUDA TRUST AND BANKING COMPANY, LIMITED,
as Banks.

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REVOLVING CREDIT AGREEMENT

This Revolving Credit Agreement, dated as of December 5, 1995, is made and entered into by and among CARNIVAL CORPORATION (the "Borrower"), a corporation organized and existing under the laws of The Republic of Panama ("Panama"), and CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America ("United States" or "U.S."), and each of the other banks or other institutions whose names may appear on the signature pages of this Agreement (each a "Bank" and, collectively, the "Banks") or, if applicable, in the Register for whom Citibank, N.A., subject to Article VII of this Agreement, acts as Agent, and, subject to Section 7.11 of this Agreement, each of those certain Banks named in the cover page hereof acts as Managing Agent and each of those certain other Banks named in the cover page hereof acts as Co-Agent. Capitalized terms not otherwise herein defined shall have the respective meanings set forth below in Section 1.01.

PRELIMINARY STATEMENTS

(1) The Borrower desires to borrow from the Lenders upon the terms and conditions set forth herein.

(2) The Lenders have agreed severally, but not jointly, each for the aggregate amount and in the percentage interest (as to each Lender, the "Percentage Interest") set forth opposite each Lender's name and signature, below, or, if applicable, in any relevant amendment hereto, or, if applicable, in the Register, to provide credits upon the terms and conditions set forth herein.

(3) The Lenders have requested the Agent, and the Agent has agreed, to act on behalf of the Lenders in accordance with the terms and conditions set forth herein.

Now, therefore, the Borrower, the Lenders and the Agent hereby agree among themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. As used in this Agreement, each of the following terms shall have the respective meaning set forth below (such meanings, unless otherwise indicated, to apply to both the singular and plural forms of the terms defined):

"Advance" means an A Advance or a B Advance.

"A Advance" means an advance by a Lender to the Borrower as part of an A Borrowing and refers to a Base Rate Advance or a LIBOR Rate Advance, each of which shall be a "Type" of A Advance.

"A Borrowing" means a borrowing consisting of simultaneous A Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to vote ten percent (10%) or more of the securities having voting power for the election of directors of such Person, or otherwise to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent" shall mean Citibank, N.A., and any successor agent under this Agreement.

"Agreement" means this Agreement, as it may be amended, supplemented or otherwise modified from time to time.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance, and such Lender's Eurodollar Lending Office in the case of a LIBOR Rate Advance and, in the case of a B Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such B Advance.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"B Advance" means an advance by a Lender to the Borrower as part of a B Borrowing resulting from the auction bidding procedure described in Section 2.03.

"B Borrowing" means a borrowing consisting of simultaneous B Advances from each of the Lenders whose offer to make one or more B Advances as part of such borrowing has been accepted by the Borrower under the auction bidding procedure described in Section 2.03.

"B Reduction" has the meaning specified in Section 2.01.

"Base Rate" means, for any Interest Period or any other period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank, N.A., in New York, New York, from time to time, as its base rate;

(b) a rate equal to 1/2 of one percent per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average determined weekly on each Monday (or if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank, N.A., on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank, N.A., from three New York certificate of deposit dealers of recognized standing selected by Citibank, N.A., in either case adjusted to the nearest 1/4 of one percent, or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent; or

(c) a rate equal to 1/2 of one percent per annum above the then current Federal Funds Rate.

"Base Rate Advance" means an A Advance, B Advance or Term Loan which bears interest at the Base Rate.

"Borrowing" means an A Borrowing or a B Borrowing.

"Business Day" means any day other than a Saturday, Sunday or any other day on which commercial banks are required or authorized by law to close in New York, New York, London, England or in the city where the Lending Office is located.

"Capital Expenditures" mean the aggregate of all expenditures (including that portion of leases which is capitalized on the consolidated balance sheet of the Borrower and its Subsidiaries (or on the balance sheet of any unconsolidated Subsidiary) and capitalized interest) by the Borrower and its Subsidiaries that, in conformity with GAAP, should be, has been or should have been included in the property, plant or equipment reflected in a consolidated balance sheet of the Borrower and its Subsidiaries.

"Capital Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, either would be required to be classified and accounted for as a capital lease on a balance sheet of such Person or otherwise be disclosed as such in a note to such balance sheet, other than, in the case of the Borrower or a Subsidiary of the Borrower, any such lease under which the Borrower or such Subsidiary is the lessor.

"Closing Date" means the day, but not later than December 5, 1995, on which the respective parties hereto shall have executed and delivered this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Commitment" means the obligation of each Lender to lend the amounts set forth in Section 2.01 hereof, as such amounts may be reduced from time to time pursuant to this Agreement.

"Consolidated Cash Flow" means, in conformity with GAAP, net cash from operations, as shown in the consolidated statements of cash flows of the Borrower and its Subsidiaries excluding Specified Subsidiaries.

"Convert", "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of another Type pursuant to Section 2.02(e) or 2.05(b)(ii) (E) or (F).

"Default" means any event or condition that, with the giving of notice, the lapse of time or both, would become an Event of Default.

"Designated Bidder" means (i) an Eligible Assignee or (ii) a special purpose corporation which is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and that issues (or the parent of which issues) commercial paper rated at least "Prime-1" by Moody's Investors Services, Inc. or "A-1" by Standard & Poor's Corporation or a comparable rating from the successor or either of them, that, in either case, (x) is organized under the laws of the United States or any State thereof, (y) shall have become a party hereto pursuant to Section 7.10(d), (e), (f) and (z) is not otherwise a Lender.

"Designation Agreement" means a designation agreement entered into by a Lender (other than a Designated Bidder) and a Designated Bidder, and accepted by the Agent, in substantially the form of Exhibit D hereto.

"Dollars" and "\$" mean the lawful and freely transferable currency of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Drawdown Date" shall mean the date an Advance is to be made to the Borrower pursuant to this Agreement.

"Eligible Assignee" means (i) a commercial bank, savings and loan institution, insurance company or financial institution organized under the laws of the United States, or any State thereof, which bank has both assets in excess of One Billion Dollars (\$1,000,000,000) and combined capital and surplus in excess of One Hundred Million Dollars (\$100,000,000), or which insurance company or financial institution has total assets in excess of One Billion Dollars (\$1,000,000,000), (ii) a commercial bank organized under the laws of any other country which is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, which bank has a combined capital and surplus (or the equivalent thereof under the accounting principles applicable thereto) in excess of One Hundred Million Dollars (\$100,000,000), provided that such bank is acting through a branch or agency located in the United States, the Cayman Islands or the country in which it is organized or another country which is also a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, (iii) the central bank of any country which is a member of the OECD, (iv) a finance company, insurance company or other financial institution or a fund which is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business, has total assets in excess of Five Hundred Million Dollars (\$500,000,000), is doing business in the United States and is organized under the laws of the United States, or any State thereof, or under the laws of any member country of the OECD, or (v) any other financial institution acceptable to the Agent and designated by the Borrower pursuant to Section 2.11(b).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means with respect to any Person, any trade or business (whether or not incorporated) which is a member of a group of which such Person is a member and which is under common control with such Person within the meaning of Section 414 of the Code, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Event of Default" means any of the events specified as such in Section 6.01 of this Agreement.

"Federal Funds Rate" means, for any period, a fluctuating interest

rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Payment Date" means (i) the last day of each March, June, September and December from and after the Closing Date, (ii) the Termination Date, and (iii) the Term Loan Maturity Date or such earlier date as the Commitment of the Lenders shall have been terminated, and the principal of and interest on each Advance shall have been paid, in full.

"GAAP" means at any time generally accepted United States accounting principles at such time.

"HAL" means HAL Antillen N.V., a Netherlands Antilles corporation.

"HAL Subsidiaries" mean the Subsidiaries of HAL.

"Incorporation Jurisdictions" mean the respective jurisdictions of incorporation or legal organization of the Borrower and each of its Subsidiaries.

"Indebtedness" means (a) any liability of any Person (i) for borrowed money, or under any reimbursement obligation related to a letter of credit or bid or performance bond facility, or (ii) evidenced by a bond, note, debenture or other evidence of indebtedness (including a purchase money obligation) representing extensions of credit or given in connection with the acquisition of any business, property, service or asset of any kind, including without limitation, any liability under any commodity, interest rate or currency exchange hedge or swap agreement (other than a trade payable or other current liability arising in the ordinary course of business) or (iii) for obligations with respect to (A) an operating lease, or (B) a lease of real or personal property that is or would be classified and accounted for as a Capital Lease; (b) any liability of others either for any lease, dividend or letter of credit, or for any obligation described in the preceding clause (a) that (i) the Person has guaranteed or that is otherwise its legal liability (whether contingent or otherwise or direct or indirect, but excluding endorsements of negotiable instruments for deposit or collection in the ordinary course of business) or (ii) is secured by any Lien on any property or asset owned or held by that Person, regardless whether the obligation secured thereby shall have been assumed by or is a personal liability of that Person; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b), above.

"Insufficiency" means, with respect to any Plan, the amount, if any, by which the present value of the vested benefits under such Plan exceeds the fair market value of the assets of such Plan allocable to such benefits.

"Interest Payment Date" means with respect to any Advance comprising part of the same Borrowing (1) the last day of each Interest Period, (2) the day any principal amount of such Borrowing matures and becomes due and payable, (3) the Termination Date, (4) the Term Loan Maturity Date, and (5) with respect to any A Advance or Term Loan, if the Interest Period is longer than three (3) months, the last day of the third month following such Borrowing or the Termination Date, as the case may be.

"Interest Period" means, (A) for each A Advance comprising part of the same A Borrowing, the period commencing on the date of such A Advance, or the date of the Conversion of any A Advance into such an A Advance and ending on the last day of the period selected by the Borrower or the Agent, as the case may be, pursuant to this Agreement and, thereafter, each respective and successive period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower or the Agent, as the case may be, subject to the provisions below. The duration of each such Interest Period shall be (y), in the case of a Base Rate Advance, shall be such period as the Agent shall notify the Borrower and (z), in the case of a LIBOR Rate Advance, one, two, three or six months, in each case selected by the Borrower or the Agent, as the case may be, pursuant to this Agreement and

(B) for each B Advance comprising part of the same B Borrowing, the interest period or interest periods specified in the related Notice of B Borrowing, or selected by the Agent, as the case may be, pursuant to this Agreement

provided, however, with respect to each Advance that:

(i) no Interest Period relating to any Advance shall commence on or

end after the maturity date of such Advance;

(ii) Interest Periods commencing on the same date for A Advances comprising part of the same A Borrowing shall be of the same duration;

(iii) no Interest Period shall end after the Termination Date; and

(iv) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, in the case of any Interest Period for a LIBOR Rate Advance, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day.

"Kloster" means Kloster Cruise Limited, a corporation organized and existing under the laws of the Islands of Bermuda.

"Lenders" means the Banks listed on the signature pages hereof, each Eligible Assignee that shall become a party hereto pursuant to Section 7.10(a), (b) and (c) and, except when used in reference to an A Advance, an A Borrowing, a Series A Note, a Commitment, the Termination Date or a related term, each Designated Bidder.

"Lending Office" means the International Banking Facility of the Agent in New York City, or any other office or affiliate of the Agent hereafter selected and notified to the Borrower from time to time by the Agent.

"LIBOR Rate Advance" means an A Advance, B Advance or Term Loan which bears interest at the LIBOR Rate.

"LIBOR Rate" means, for an Interest Period for each LIBOR Rate Advance comprising part of the same Borrowing, the rate determined by the Agent to be the rate of interest per annum equal to the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in United States Dollars are offered by the principal office of each of the Reference Lenders in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for a term equal to such Interest Period and in an amount substantially equal to such portion of the Loan. The LIBOR Rate for an Interest Period shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Lenders two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.05. If at any time the Agent shall determine that by reason of circumstances affecting the London interbank market (i) adequate and reasonable means do not exist for ascertaining the LIBOR Rate for the succeeding Interest Period or (ii) the making or continuance of any Loan at the LIBOR Rate has become impracticable as a result of a contingency occurring after the date of this Agreement which materially and adversely affects the London interbank market, the Agent shall so notify the Lenders and the Borrower. Failing the availability of the LIBOR Rate, the LIBOR Rate shall mean the Base Rate thereafter in effect from time to time until such time as a LIBOR Rate may be determined by reference to the London interbank market.

"Lien" means any lien, charge, easement, claim, mortgage, Option, pledge, right of first refusal, right of usufruct, security interest, servitude, transfer restriction or other encumbrance or any restriction or limitation of any kind (including, without limitation, any adverse claim to title, conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

"Loan" means the Advances to the Borrower by each Lender provided for in Article II of this Agreement, including any such amounts converted to Term Loans pursuant to Section 2.12.

"Loan Documents" mean this Agreement and the Notes.

"Majority Lenders" means at any time Lenders holding at least 51% of the then aggregate unpaid principal amount of the Series A Notes or Term Notes held by Lenders, or, if no such principal amount is then outstanding, Lenders having at least 51% of the Commitments (provided that, for purposes hereof, neither the Borrower, nor any of its Affiliates, if a Lender, shall be included in (i) the Lenders holding such amount of the A Advances or Term Notes or having such amount of the Commitments or (ii) determining the aggregate unpaid principal amount of the A Advances or Term Notes or the total Commitments).

"March 30, 1990 Loan Agreement" means that certain Loan Agreement dated as of March 30, 1990 by and among the Borrower, Wind Surf Limited, Citibank, N.A. as Agent and the banks therein named, as the same may be amended, supplemented or otherwise modified from time to time.

"Moody's" has the meaning specified in Section 2.05(b)(ii)(B).

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which a Person or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding three plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means an employee benefit plan, other than a Multiemployer Plan, subject to Title IV of ERISA to which a Person or any ERISA Affiliate, and more than one employer other than such Person or ERISA Affiliate, is making or accruing an obligation to make contributions or, in the event that any such plan has been terminated, to which the Person or any ERISA Affiliate made or accrued an obligation to make contributions during any of the five plan years preceding the date of termination of such plan.

"Net Worth" means, at a particular date, all amounts which would, in accordance with GAAP, be included in shareholders' equity on a consolidated balance sheet of a company and its Subsidiaries as at such date.

"Note" means any of, and "Notes" mean all, the respective Series A Notes, the Series B Notes, and Term Notes, as any such note may be replaced, amended, supplemented or otherwise modified from time to time.

"Notice of A Borrowing" has the meaning specified in Section 2.02(a).

"Notice of B Borrowing" has the meaning specified in Section 2.03(a).

"Notice of Term Loan Conversion" has the meaning specified in Section 2.12.

"Notice of Term Loan Rollover" has the meaning specified in Section 2.12.

"OECD" means the Organization for Economic Cooperation and Development.

"Obligations" mean all obligations, including but not limited to, all principal, interest, fees, expenses and other obligations set forth in Article II and Section 8.04 hereof, of every nature of the Borrower from time to time owed to the Agent, any of the Lenders, or all of them, under any of the Loan Documents.

"Option" means (1) any right to buy or sell specific property in exchange for an agreed upon sum, (2) any right to receive funds, the amount of which is determined by reference to the value of capital stock or the purchase price thereof, (3) any right of the type or kind referred to as a "phantom stock right," and (4) any other right commonly known or referred to as an "option."

"PBGC" means the Pension Benefit Guaranty Corporation, or any entity or entities succeeding to any or all its functions under ERISA.

"Percentage Interest" shall have the meaning set forth in Preliminary Statement (2) of this Agreement.

"Person" means any individual, corporation, partnership, business trust, joint venture, association, joint stock company, trust or other unincorporated organization, whether or not a legal entity, or any government or agency or political subdivision thereof.

"Plan" means, at any time, any employee pension benefit plan maintained by a Person, any of its Subsidiaries, or any ERISA Affiliate of such Person or its Subsidiaries, which employee pension benefit plan is covered by Title IV of ERISA or is subject to the minimum funding standards of the Code.

"Reference Lender" means any of and "Reference Lenders" means each of Citibank, N.A., National Westminster Bank Plc and The Bank of Nova Scotia.

"Register" shall have the meaning set forth in Section 7.10(g) of this Agreement.

"S & P" has the meaning specified in Section 2.05(b)(ii)(B).

"Senior Debt" has the meaning specified in Section 2.05(b)(ii)(B).

"Series A Note" means any of, and "Series A Notes" mean all, the respective Series A Notes of the Borrower, substantially in the form attached hereto as Exhibit A-1, to be issued to evidence the indebtedness of the Borrower, from time to time outstanding in respect of the A Advances, as any such Series A Note may be replaced, amended, supplemented or otherwise modified from time to time.

"Series B Note" means any of, and "Series B Notes" mean all, the respective Series B Notes of the Borrower, substantially in the form attached hereto as Exhibit A-2, to be issued to evidence the indebtedness of the Borrower from time to time outstanding in respect of the B Advances, as any such Series B Note may be replaced, amended, supplemented or otherwise modified from time to time.

"Solvent" means with respect to any Person on a particular date, that on such date (i) the fair market value of the assets of such Person is greater than the total amount of liabilities (including the present or expected value of contingent liabilities) of such Person, (ii) the present fair salable value of the assets of such Person is greater than the amount that will be required to pay the probable liabilities of such Person for its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, including contingent obligations, as they mature, (iv) such Person does not have unreasonably small capital and (v) such Person does not intend to or believe it will incur debts beyond its ability to pay as they mature.

"Specified Subsidiary" means any of Kloster and its Subsidiaries, and "Specified Subsidiaries" mean all of Kloster and its Subsidiaries.

"Subordinated Debt" has the meaning specified in Section 2.05(b)(ii)(B).

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity of which a majority of the voting power entitled to vote in the election of directors, managers or trustees thereof is at the time owned, directly or indirectly, by such Person or by one or more other Subsidiaries, or by such Person and one or more other Subsidiaries, or a combination thereof.

"Swaps Documents" mean the Swaps Agreement, the Swaps Guaranty and the Swaps Security Agreement as defined in the March 30, 1990 Loan Agreement.

"Tangible Net Worth" means for any Person at any time (a) the sum, to the extent shown on such Person's balance sheet, of (i) the amount of issued and outstanding share capital, but less the cost of treasury shares, plus (ii) the amount of surplus and retained earnings, less (b) intangible assets as determined in accordance with GAAP.

"Term Loan" means any of, and "Term Loans" mean all, the Advances converted to term loans on the Termination Date pursuant to Section 2.12.

"Term Loan Maturity Date" means the date, not later than the anniversary of the Termination Date then in effect, specified as the Term Loan Maturity Date by the Borrower pursuant to Section 2.12 or such earlier date all Term Loans become due and payable pursuant to Section 6.01.

"Term Note" means any of, and "Term Notes" mean all, the respective Term Notes of the Borrower, substantially in the form attached hereto as Exhibit A-3, to be issued to evidence the indebtedness of the Borrower from time to time outstanding in respect of the Advances, which pursuant to Section 2.12, have been converted to Term Loans, as such Term Notes may be replaced, amended, supplemented or otherwise modified from time to time.

"Termination Date" means December 3, 1996 or any such extended termination date as provided in Section 2.11(b), or the earlier date of termination of all the Commitments pursuant to Section 2.11(a) or 6.01 hereof.

"Termination Event" means (i) a "reportable event," as such term is described in Section 4043 of ERISA (other than a "reportable event" not subject to the provision for 30 day notice to the PBGC), or an event described in Section 4068(f) of ERISA, or (ii) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a "substantial employer," as such term is defined in Section 4001(a)(2) of ERISA, or the incurrence of liability by the Borrower or any ERISA Affiliate under Section 4064 of ERISA upon the termination of a Multiple Employer Plan, or (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041A of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, or (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Total Capital" means the sum of the Total Debt and Tangible Net Worth of the Borrower and its Subsidiaries excluding Specified Subsidiaries, but excluding therefrom any Indebtedness or amounts due or received under the Swaps Documents.

"Total Debt" means, at a particular date, the sum of (y) all amounts

which would, in accordance with GAAP, constitute short term debt and long term debt of the Borrower and its Subsidiaries excluding Specified Subsidiaries as of such date and (z) the amount of any Indebtedness outstanding on such date and not included in the amounts specified in clause (y), singly or in the aggregate, in excess of Fifty Million Dollars (\$50,000,000), of any Person other than the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, which Indebtedness (i) has been and remains guaranteed on such date by the Borrower or any of its Subsidiaries excluding Specified Subsidiaries or is otherwise the legal liability of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries (whether contingent or otherwise or direct or indirect, but excluding endorsements of negotiable instruments for deposit or collection in the ordinary course of business), or (ii) is secured by any Lien on any property or asset owned or held by the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, regardless of whether the obligation secured thereby shall have been assumed or is a personal liability of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, provided, that the foregoing shall not be interpreted to include any Indebtedness under the Swaps Documents.

"Transaction" means the extension of credit contemplated by the Loan Documents.

"Type" shall mean, with respect to an Advance, a Base Rate Advance or a LIBOR Rate Advance.

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistently applied.

SECTION 1.03. Governing Language. All documents, notices and demands and financial statements to be delivered by any Person to the Agent or any Lender pursuant to this Agreement shall be in the English language.

SECTION 1.04. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding".

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The A Advances. Upon the terms and subject to the conditions set forth in this Agreement, each Lender agrees severally, but not jointly, to make A Advances to the Borrower from time to time on any Business Day during the period from the Closing Date until the Termination Date in an aggregate amount not to exceed at any time outstanding the amount set opposite such Lender's name on the signature pages hereof or, if applicable, the signature pages of any relevant amendment hereto or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Agent, as such amount may be reduced pursuant to Section 2.11 (such Lender's "Commitment"), provided that the aggregate amount of the Commitments of the Lenders shall be deemed used and reduced from time to time to the extent of the aggregate amount of the B Advances then outstanding and such deemed use and reduction of the aggregate amount of the Commitments shall be applied to the Lenders ratably according to their respective Commitments (such deemed use and reduction of the aggregate amount of the Commitments being a "B Reduction"). Each A Borrowing shall be in an aggregate amount not less than Twenty Million Dollars (\$20,000,000) and an integral multiple of One Million Dollars (\$1,000,000) if in excess thereof and shall consist of A Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may from time to time borrow, prepay pursuant to Section 2.06(a) and reborrow under this Section 2.01.

SECTION 2.02. Making the A Advances. (a) Each A Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day (on the first Business Day in the case of a Base Rate Advance) prior to the date of the proposed A Borrowing, by the Borrower to the Agent, which shall give to each Lender prompt notice thereof by telecopier, telex or cable. Each such Borrower's notice of an A Borrowing (a "Notice of A Borrowing") shall be by telecopier, telex or cable, confirmed immediately in writing, substantially in the form of Exhibit B-1 hereto, specifying therein the requested (i) Drawdown Date of such A Borrowing, (ii) Type of A Advances comprising such A Borrowing, (iii) aggregate amount of such A Borrowing, and (iv) in the case of an A Borrowing comprised of LIBOR Rate Advances, the initial Interest Period for each such A Advance. Each Lender shall, before 11:00 A.M. (New York City time) on the date of such A Borrowing, make available for the account of its Applicable Lending Office to the Agent at its address referred

to in Section 8.02, in same day funds, such Lender's ratable portion of such A Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's aforesaid address.

(b) The total amount of each A Advance to be made available by each Lender shall never exceed the Commitment of such Lender, as adjusted by such Lender's B Reduction, and shall be proportionate always to such Lender's Percentage Interest set forth in the signature pages hereof or, if applicable, in the Register.

(c) Unless the Agent shall have received written notice from a Lender prior to the date of any A Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such A Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such A Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to A Advances comprising such A Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's A Advance as part of such A Borrowing for purposes of this Agreement.

(d) The Borrower shall repay the principal amount of each A Advance made by each Lender in accordance with the Series A Note payable to such Lender, provided that the aggregate principal amount of any A Advance outstanding on the Termination Date shall be paid on the Termination Date, except as otherwise provided with respect to any such outstanding principal amounts converted, pursuant to Section 2.12 hereof, to Term Loans, which shall be repaid as provided in the Term Notes on the Term Loan Maturity Date.

(e) The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Section 2.05, and so long as no Default or Event of Default has occurred and is continuing, Convert all A Advances of one Type comprising the same A Borrowing into Advances of another Type; provided, however, that any Conversion of any LIBOR Rate Advances into Advances of another Type shall be made on, and only on, the last day of an Interest Period for such LIBOR Rate Advances. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the A Advances to be Converted, and (iii) if such Conversion is into LIBOR Rate Advances, the duration of the Interest Period for each such A Advance.

SECTION 2.03. The B Advances. (a) Each Lender severally agrees that the Borrower may, in the manner set forth below, make B Borrowings under this Section 2.03 from time to time on any Business Day during the period from the Closing Date until the thirtieth day prior to the Termination Date; provided that, following the making of each B Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any B Reduction).

(i) The Borrower may request a B Borrowing under this Section 2.03 by delivering to the Agent, by telecopier, telex or cable, confirmed immediately in writing, a notice of a B Borrowing (a "Notice of B Borrowing"), substantially in the form of Exhibit B-2 hereto, specifying the Drawdown Date and aggregate amount of the proposed B Borrowing, the maturity date for repayment of each B Advance to be made as part of such B Borrowing (which maturity date may not be earlier than seven (7) days (thirty (30) days, in the case of floating interest rate borrowings) or later than one hundred eighty (180) days after the date of such B Borrowing or, in any event, later than the Termination Date), the Interest Payment Date or Dates relating thereto, and any other terms to be applicable to such B Borrowing, not later than 12:00 Noon in the case of floating interest rate borrowings, or 12:00 Noon in the case of fixed interest rate borrowings (New York City time) (A) at least one (1) Business Day prior to the date of the proposed B Borrowing, if the Borrower shall specify in the Notice of B Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum and (B) at least four (4) Business Days prior to the date of the proposed B Borrowing, if the Borrower shall instead specify in the Notice of B Borrowing the basis to be used by the Lenders in determining the rates of interest to be offered by them. The Agent shall in turn promptly notify each Lender of each request for a B Borrowing received by it from the Borrower by sending such Lender a copy of the related Notice of B Borrowing.

(ii) Each Lender may, if, in its sole discretion it elects to do so, irrevocably offer to make one or more B Advances to the Borrower as part of such proposed B Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to the Borrower), before 9:30 A.M. (New York City time) (A) on the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (A) of paragraph (i) above and (B) three (3) Business Days before the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (B) of paragraph (i) above, of the minimum amount and maximum amount of each B Advance which such Lender would be willing to make as part of such proposed B Borrowing (which amounts may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such B Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 9:30 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any B Advance as part of such B Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any B Advance as part of such proposed B Borrowing or result in any liability to any party to this Agreement.

(iii) The Borrower shall, in turn, (A) before 11:00 A.M. (New York City time) on the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (A) of paragraph (i) above and (B) before 11:00 A.M. (New York City time) three (3) Business Days before the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (B) of paragraph (i) above, either:

(x) cancel such B Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in the Borrower's sole discretion, by giving notice to the Agent of the amount of each B Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent on behalf of such Lender for such B Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such B Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect.

(iv) If the Borrower notifies the Agent that such B Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent shall give prompt notice thereof to the Lenders and such B Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such B Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a B Advance as part of such B Borrowing, of the amount of each B Advance to be made by such Lender as part of such B Borrowing, and (C) each Lender that is to make a B Advance as part of such B Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. The Agent shall allocate the principal amount of each B Borrowing among the Lenders whose offers were accepted by the Borrower in ascending order based upon the rate of interest offered, from the lowest to the highest such interest rate offered by such Lenders. Each Lender that is to make a B Advance as part of such B Borrowing shall, before 12:00 noon (New York City time) on the date of such B Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 8.02 such Lender's portion of such B Borrowing, in same day funds. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the Agent's aforesaid address. Promptly after each B Borrowing the Agent will notify each Lender of the amount of the B Borrowing, the consequent B Reduction and the dates upon which such B

Reduction commenced and will terminate.

(b) Each B Borrowing shall be in an aggregate amount of not less than Twenty Million Dollars (\$20,000,000) and an integral multiple of One Million dollars (\$1,000,000) if in excess thereof and, following the making of each B Borrowing, the Borrower shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay or prepay the principal of any B Borrowing pursuant to subsection (d) below, and reborrow under this Section 2.03, provided that a B Borrowing shall not be made within three (3) Business Days following the date of any other B Borrowing.

(d) The Borrower shall repay to the Agent for the account of each Lender which has made a B Advance, or each other holder of a Series B Note, on the maturity date of each B Advance (such maturity date being that specified by the Borrower for repayment of such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) above and provided in the Series B Note evidencing such B Advance), the then unpaid principal amount of such B Advance, provided that, the aggregate principal amount of any B Advance outstanding on the Termination Date shall be repaid on the Termination Date, except as otherwise provided with respect to any such outstanding principal amounts converted, pursuant to Section 2.12 hereof, to Term Loans, which shall be repaid as provided in the Term Notes on the Term Loan Maturity Date. Except as specified in Section 2.06(d) the Borrower shall have no right to prepay, in whole or in part, the principal amount of any B Advance unless, and then only on the terms, if any, specified by the Borrower for such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) above and set forth in the Series B Note evidencing such B Advance.

(e) The indebtedness of the Borrower resulting from each B Advance made to the Borrower as part of a B Borrowing shall be evidenced by the Series B Note of the Borrower payable to the Lender making such B Advance.

SECTION 2.04. General Provisions. (a) The Borrower shall have no right to borrow, and no Lender shall have any obligation to lend, any amount whatsoever on or after the Termination Date.

(b) The failure of any Lender to advance its Commitment in respect of any Advance shall not relieve it or any other Lender of the obligation to advance its Commitment, but no Lender or the Agent shall be responsible for the failure of any other Lender to advance its Commitment to the Borrower.

(c) Each Notice of A Borrowing, Notice of Term Loan Conversion and Notice of Term Loan Rollover sent, and each notice of acceptance of a B Borrowing given, by the Borrower shall be irrevocable and binding on the Borrower. If for any reason on the Drawdown Date for the Advance specified in a Notice of A Borrowing or Notice of B Borrowing, or on the Termination Date in respect of a Term Loan, as the case may be, the Advance or Term Loan is not made as a result of any failure to fulfill on or before the Drawdown Date or the Termination Date, as the case may be, the applicable conditions precedent, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of such failure, including, without limitation, any loss, cost or expense incurred by reasons of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance or the Term Loan to be made by such Lender as part of such borrowing.

SECTION 2.05. Interest and Default Interest. (a) The Borrower shall pay interest on the unpaid principal amount of each Advance from the Drawdown Date until the principal amount of the Advance is paid in full, payable on each Interest Payment Date for each such Advance. The Borrower shall pay interest on the unpaid principal amount of each Term Loan from the Termination Date until the principal amount of each such Term Loan is paid in full, payable on each Interest Payment Date for each such Term Loan. Notwithstanding the two preceding sentences of this Section 2.05(a), (i) all interest accrued on any Advance outstanding on the Termination Date shall be paid on the Termination Date, and (ii) all interest accrued on any Term Loan outstanding on the Term Loan Maturity Date shall be paid on the Term Loan Maturity Date.

(b) As long as any A Advance or Term Loan, as the case may be, shall be outstanding, and payment of the principal thereof and interest thereon shall not be in default, interest on the A Advance or Term Loan, as the case may be, shall be payable at an interest rate which shall be adjusted, in advance at the start of the first day of each Interest Period therefor, and which shall be determined as follows:

(i) with respect to each Base Rate Advance, the Borrower shall pay interest thereon at the rate of interest determined by the Agent to be the Base Rate for the relevant Interest Period as specified in the related Notice of Borrowing, Notice of Term Loan Conversion or Notice of Term Loan

Rollover, as the case may be, provided that if the Borrower shall fail to elect an Interest Period in its Notice of A Borrowing, Notice of Term Loan Conversion or Notice of Term Loan Rollover, as the case may be, as herein provided or if an Event of Default has occurred and is continuing, the Agent shall elect the relevant Interest Period, which may be one (1) day;

(ii) with respect to each LIBOR Rate Advance, the Borrower shall pay interest in one or more tranches thereon at an interest rate equal to the sum of (y) the LIBOR Rate plus (z) the applicable margin for the relevant Interest Period, determined by the Agent and subject to periodic adjustment, as provided below in this Section 2.05(b)(ii) or, if the LIBOR Rate is unavailable for any such period, at the Base Rate:

(A) with respect to each Interest Period relating to a LIBOR Rate Advance, the Borrower shall, by telex notice to be received by the Agent by 11 A.M. New York time on a Business Day at least three (3) Business Days prior to the commencement of each such successive period, elect an Interest Period of one, two, three or six months duration and one or more but no more than six tranches in total for all outstanding LIBOR Rate Advances, provided no tranche shall be in an amount less than Twenty Million Dollars (\$20,000,000); provided the Borrower shall select Interest Periods, and if necessary shall select as the final Interest Period for each LIBOR Rate Advance an Interest Period less than one month in duration, so that the maturity date of each Advance shall be the last day of the Interest Period for such Advance; provided that if the Borrower shall fail to elect an Interest Period as herein provided, the relevant Interest Period shall be three (3) months, provided further that so long as any Event of Default has occurred and is continuing, the Agent shall elect the relevant Interest Period, which may be less than one month;

(B) the interest payable on each LIBOR Rate Advance during each successive Interest Period shall be adjusted from time to time by the Agent as follows. Notice of such applicable interest rate shall be delivered by the Agent to the Borrower and the Lenders not later than the second Business Day of each Interest Period. The Borrower shall, not later than three (3) Business Days prior to the commencement of each such successive Interest Period, together with its notice pursuant to subparagraph (A) above, deliver to the Agent all then-current ratings, if any, of the Borrower's Senior Unsecured Debt and Unsecured Subordinated Debt ("Senior Debt" and "Subordinated Debt", respectively) given by Moody's Investors Service ("Moody's") and by Standard & Poor's Corporation ("S & P") during such Interest Period or an officer's certificate that no such ratings were issued. If the Agent determines that on the last Business Day of an Interest Period (or on the Business Day preceding the Drawdown Date, in the case of the initial LIBOR Rate Advance) the Borrower's Senior Debt was rated

(i) A- or below by S & P or A3 or below by Moody's, the applicable interest rate for the succeeding interest period shall be .22% over the LIBOR Rate, and

(ii) at least A by S&P or A2 by Moody's, the applicable interest rate for the succeeding interest period shall be .195% over the LIBOR Rate.

In the event that S & P and Moody's provide different ratings for such Senior Debt, the Agent shall use the higher rating in determining the applicable interest rate. In the event the Borrower has no rated Senior Debt but the Borrower's Subordinated Debt has been rated, for purposes of determining the applicable interest rate, the Agent shall assume a Senior Debt rating equivalent to one subgrade higher than the actual Subordinated Debt rating given during such period. In the event that during any Interest Period the Agent shall not have received notification of ratings from the Borrower as aforesaid or if no such ratings exist during any Interest Period, the applicable interest rate for the succeeding Interest Period shall be one percent (1%) over the LIBOR Rate;

(C) each Reference Lender which is a Lender agrees to furnish to the Agent timely information for the purpose of determining the LIBOR Rate. If any one or more of the Reference Lenders shall not timely furnish such information to the Agent for the purpose of determining the interest rate, the Agent shall determine such interest rate on the basis of information timely furnished by the remaining Reference Lenders;

(D) the Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.05(b) and the applicable rate, if any, furnished by each Reference Lender for the purpose of determining the applicable LIBOR Rate hereunder;

(E) If, with respect to any LIBOR Rate Advances, the Majority Lenders notify the Agent that the LIBOR Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of

making, funding or maintaining their respective LIBOR Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon

(1) each LIBOR Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(2) the obligation of the Lenders to make, or to Convert A Advances into, LIBOR Rate Advances shall be suspended until the Agent shall notify the Borrower and such Lenders that the circumstances causing such suspension no longer exist; and

(F) On the date on which the aggregate unpaid principal amount of A Advances comprising any A Borrowing shall be reduced, by payment or prepayment or otherwise, to less than Twenty Million Dollars (\$20,000,000), such A Advances shall, if they are Advances of a Type other than Base Rate Advances, automatically Convert into Base Rate Advances, and on and after such date the right of the Borrower to Convert such A Advances into Advances of a Type other than Base Rate Advances shall terminate; provided, however, that if and so long as each such A Advance shall be of the same Type and have the same Interest Period as A Advances comprising another A Borrowing or other A Borrowings, and the aggregate unpaid principal amount of all such A Advances shall equal or exceed Twenty Million Dollars (\$20,000,000), the Borrower shall have the right to continue all such A Advances as, or to Convert all such A Advances into, Advances of such Type having such Interest Period.

(c) As long as any B Advance shall be outstanding, and payment of the principal thereof and interest thereon shall not be in default, interest on the B Advance shall be paid at the rate of interest for such B Advance specified by the Lender making such advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) of Section 2.03 above, payable on the Interest Payment Date or Dates specified by the Borrower for such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) of Section 2.03 above, as provided in the Series B Note evidencing such B Advance. With respect to any LIBOR Rate Advance comprising part of a B Borrowing, the provisions of subsections (b)(ii)(A), (C) and (D) of Section 2.05 shall apply to the selection of any Interest Period not specified in the related Notice of B Borrowing given pursuant to Section 2.03, and further, the provisos of such subsection (b)(ii)(A), and subsection (b)(ii)(F) in its entirety, shall apply to each such B Borrowing.

(d) In the event that the Agent or any Lender does not receive on the due date any sum due under this Agreement or any of the other Loan Documents in accordance with the terms hereof or thereof, the Borrower shall pay to the Agent and such Lenders, as the case may be, on demand, interest on such sum, from and including the due date thereof to but not including the date of actual payment, at a rate per annum determined by the Agent from time to time to be the sum of (y) two and three-quarters per cent (2-3/4%) plus (z) the LIBOR Rate applicable for any such period or, if the LIBOR Rate is inapplicable or unavailable, for any such period, the Base Rate. Except as otherwise provided in the following subsection (e), any such interest which is not paid when due shall be compounded at the end of each Interest Period (both before and after any notice of demand) by the Agent on behalf of the Lenders under this Agreement.

(e) Notwithstanding any provision contained in any of the Loan Documents, no Lender nor the Agent shall ever be entitled to receive, collect, or apply, as interest on the Obligations, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, in the event any Lender or the Agent ever receives, collects, or applies as interest, any such excess, such amount which would be excessive interest shall be applied to the reduction of the Obligations then outstanding, and, if the Obligations then outstanding are paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the highest lawful rate, the Borrower and the Lender or the Agent, as the case may be, shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (ii) exclude any voluntary prepayments and the effects thereof, and (iii) spread the total amount of interest throughout the entire contemplated term of the Obligations so that the interest rate is uniform throughout the entire term of the Obligations.

SECTION 2.06. Prepayments. (a) The Borrower may, upon at least four (4) Business Days notice to the Agent and the Lenders received by 10:00 A.M. New York time, and subject always to the requirements of Section 8.04(b), prepay, pro rata, the outstanding amount of each A Advance including outstanding amounts under Term Notes, in whole or in part, together, in each case, with accrued interest to the date of such prepayment on the amount prepaid, provided that no such partial prepayment shall be in a principal amount of less than Twenty Million Dollars (\$20,000,000) and integral multiples of One Million Dollars

(\$1,000,000) if in excess thereof.

(b) The Borrower may not, except as permitted under subsection (d) of this Section 2.06, prepay any B Advance, except that the Borrower shall prepay such amounts when required pursuant to the provisions of this Agreement.

(c) If it shall become unlawful for any Lender to continue to fund or maintain any Advance or to perform its obligations hereunder, such Lender shall notify the Borrower and the Agent, and such Lender shall use all reasonable efforts to change its lending office so that it can perform its obligations hereunder; provided that such Lender shall not be obligated to change its lending office if in its sole reasonable judgment it would be disadvantageous to do so. If such Lender does not change its lending office because it determines in its sole reasonable judgment that it is disadvantageous to do so or because such change would not render such Advance lawful, then such Lender shall notify the Agent and the Borrower, and shall make an Advance, and the Borrower shall borrow such A Advance, at the Base Rate in an amount equal to the amount of the Advance currently outstanding and made by such Lender to the Borrower if in the sole reasonable judgment of such Lender such A Advance can lawfully be extended at the Base Rate. Simultaneously with making such A Advance at the Base Rate, the Advance then outstanding made available by such Lender to the Borrower shall be repaid by the Borrower. If any Lender makes a Base Rate Advance to the Borrower pursuant to subsection (c) of this Section 2.06, the Borrower may prepay such Advance, without penalty, at any time upon five (5) Business Days notice. If despite such Lender's compliance with the preceding provisions of this Section 2.06(c), or if the Borrower shall refuse to borrow an A Advance at the Base Rate as herein provided, and if it shall become unlawful for any Lender to fund or maintain any Advance or perform its obligations hereunder, upon demand by such Lender, the Borrower shall prepay in full the outstanding Advance made by such Lender, with accrued interest thereon and all other amounts payable by the Borrower hereunder, and upon such demand or any notice of prepayment the obligation of such Lender to make any Advance to the Borrower shall terminate.

(d) If at any time the Borrower shall, or may reasonably be expected to, be required to deduct and withhold, or indemnify any Lender with respect to, any Taxes (as defined in Section 2.09) (in each case, as evidenced by an opinion reasonably satisfactory in form and substance to the Agent and the Lenders from independent tax counsel reasonably satisfactory to the Agent and the Lenders) the Borrower may, upon at least four (4) Business Days notice to the Agent and the Lenders, prepay at any time, pro rata, the outstanding principal amount of each Advance, in whole or in part, together with accrued interest to the date of prepayment on the amount prepaid and all other amounts then payable to the Lenders by the Borrower; provided, that if such Taxes relate to payments to fewer than all the Lenders (the "Affected Lenders"), the Borrower may, upon at least four Business Days notice to the Agent and the Affected Lenders, prepay, in whole or in part, pro rata (except as set forth in the following provision), the outstanding principal amount of Advances made by the Affected Lenders, with accrued interest thereon and all other amounts payable to the Affected Lenders by the Borrower (without prepaying any portion of any Advance made by any Lender that is not any Affected Lender); provided further, that if the rate of Taxes with respect to any Affected Lender is higher than with respect to another Affected Lender, the Borrower may prepay any portion of the Advance made by the former Affected Lender without prepaying any portion of the Advance made by the latter Affected Lender. The Agent shall give prompt written notice to the Lenders of any prepayments made under this paragraph (d).

(e) Prepayments of any A Advance shall be applied against installments of outstanding principal in inverse order of maturity.

SECTION 2.07. Increased Costs; Additional Interest. (a) If on or after the Closing Date due to (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve or capital adequacy requirements, but not including a change related to Taxes or Excluded Taxes, as such terms are defined in Section 2.09 hereof) in, or in the interpretation of, any law or regulation, or (ii) the compliance by any Lender with any guideline or request (not including any guideline or request with respect to Taxes or Excluded Taxes, but including, with respect to reserve and capital adequacy requirements, those applicable laws, policies, guidelines and directives and interpretations in effect on the Closing Date) from any central bank or other governmental authority, whether or not having the force of law, there shall be any increase in the cost to, or reduction in the return on capital of any Lender in consequence of, any Lender of agreeing to make or making, funding or maintaining an Advance, then the Borrower shall from time to time, upon demand by such Lender, pay to the Lender additional amounts sufficient to indemnify such Lender against such increased cost or reduction in the return on capital.

(b) If any Lender shall determine in good faith that reserves under Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time, are required to be maintained by it in respect of, or

a portion of its costs of maintaining reserves under Regulation D is properly attributable to, one or more of its Advances, such Lender shall give notice to the Borrower, together with a certificate as described below in Section 2.07(c) and the Borrower shall pay to such Lender additional interest on the unpaid principal amount of each such Advance, payable on the same day or days on which interest is payable on such Advance, at an interest rate per annum equal at all times during each Interest Period for such Advance to the excess of (i) the rate obtained by dividing the LIBOR Rate for such Interest Period by a percentage equal to 100% minus the Reserve Percentage (defined in the next sentence), if any, applicable during such Interest Period over (ii) the LIBOR Rate for such Interest Period. The "Reserve Percentage" for any such period, with respect to any Advance, means the reserve percentage applicable thereto under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to (i) liabilities or assets consisting of or including eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time, and having a term equal to any such period, or (ii) any other category of liabilities which includes deposits by reference to which the interest rate on such Advance is determined and which have a term equal to any such period.

(c) A certificate as to the amount of any such increased cost, increased interest or reduced return under this Section 2.07, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error. Before making any demand under this Section 2.07, the Lender shall designate as to itself a different lending office if such designation would avoid the need for, or reduce the amount of such increased cost or interest, and will not, in the sole reasonable judgment of such Lender, be otherwise disadvantageous to it.

SECTION 2.08. Payments and Computations. (a) The Borrower shall make each payment hereunder and under any instrument delivered hereunder (except as otherwise provided in any such instrument) not later than 12:00 noon New York City time on the day when due in lawful and freely transferable United States Dollars to the Agent at the Agent's office at 399 Park Avenue, New York, New York 10043, for the account of the Lending Office in same day funds. The Agent shall promptly disburse to the Lenders funds of such type as it shall have received in the manner provided by this Agreement.

(b) The Borrower hereby authorizes the Agent and each Lender, if and to the extent payment is not made when due hereunder or under any instrument delivered hereunder, to charge from time to time against any or all of the Borrower's accounts with the Agent or such Lender, as the case may be, any amount so due. The Borrower further agrees that not later than 12:00 noon (New York City time) on each day on which a payment is due hereunder with respect to the Advance or under any Note, it will have in its account maintained with the Agent in New York City a credit balance at least equal to the total amount so due on such day.

(c) All computations of interest and fees shall be made by the Agent and the Lenders on the basis of a year of 360 days (365 or 366 with respect to Base Rate computations) for the actual number of days (including the first day but excluding the last day) occurring in the period for which such amount is payable.

(d) Whenever any payment to be made hereunder or under any instrument delivered hereunder shall be stated to be due, or whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, such payment shall be made, and the last day of such Interest Period shall occur, on the next succeeding Business Day, and any such extension of time shall in all cases be taken into account in the computation of payment of interest due hereunder or otherwise; provided, however, if such extension would extend the maturity date of any Advance or would cause such payment to be made, or the last day of any Interest Period relating to a LIBOR Rate Advance to occur, in a new calendar month, payment shall be made, and the last day of any such Interest Period shall occur, on the next preceding Business Day.

SECTION 2.09. Taxes. (a) Any and all payments made by the Borrower hereunder or under any instrument delivered hereunder shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, or withholdings, and all liabilities with respect thereto, excluding (i) taxes imposed on net income by, and other franchise taxes of, the United States or any political subdivision thereof (including, without limitation, branch profits taxes imposed by the United States under Section 884(a) of the Code or any successor provision thereto, or similar taxes imposed by any political sub-division or taxing authority thereof or therein, including Puerto Rico), other than any such taxes that would not have been imposed but for the Borrower's incorporation or residence in the jurisdiction imposing the tax or the situs of any property securing the Notes in the jurisdiction imposing the

tax, (ii) taxes imposed on net income by any other jurisdiction (other than solely by reason of the Borrower's incorporation or residence in such jurisdiction or the situs of any property securing the Notes in such jurisdiction), (iii) in the case of any payment to any entity not organized under the laws of the United States, any taxes imposed by the United States under Section 871 or 881 of the Code or any successor provision thereto or by means of withholding at the source, and (iv) in the case of any payment to the Agent or any Lender, taxes (including taxes imposed by means of withholding at the source) imposed by any jurisdiction other than the United States which would not have been imposed but for the failure of the Agent or such Lender (as the case may be) to execute and return to the Borrower any form of notification, certification, statement or other document which the Borrower shall have delivered to the Agent or such Lender (as the case may be) a reasonable period of time before such payment is due and which the Agent or such Lender (as the case may be) is able to execute and return to the Borrower in good faith without incurring any additional costs, risks or other disadvantages; provided, however, that clause (iii) shall not apply if such tax would not be imposed but for an amendment to or a change in any applicable law or regulation or in the interpretation thereof by any regulatory authority (including, without limitation, any change in an applicable tax treaty), which amendment or change is enacted, promulgated or otherwise comes into force after the Closing Date (a "Change of Law"), but only to the extent that such Lender or Agent, as the case may be, cannot, after notice from the Borrower, through reasonable efforts eliminate or reduce the amount of taxes payable (without additional costs (unless the Borrower agrees to bear such costs) or other disadvantages or risks (tax or otherwise) to such Lender or the Agent) by reason of such Change of Law (all such excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities are hereinafter referred to as "Excluded Taxes"; all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities are hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under such instrument, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.08) the Lender or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any instrument delivered hereunder, or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any instrument delivered hereunder excluding any such taxes, charges or similar levies which arise from the execution, delivery or registration of any instrument in accordance with Section 7.10 hereof (all such non-excluded taxes, charges or similar levies are hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify the Agent and each Lender for the full amount of Taxes and Other Taxes (plus any taxes imposed by any jurisdiction on amounts payable under this Section 2.09) paid by the Agent or such Lender, as the case may be, on any and all payments made hereunder or on any instrument delivered hereunder and any liability (including penalties, interest and expenses, which result from the failure of the Borrower to perform its obligations under the Loan Documents) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; provided, however, that the Agent or such Lender, as the case may be, will timely notify the Borrower of the assertion of liabilities for any such Taxes or Other Taxes and, provided that the Borrower is not in default hereunder, shall, at the Borrower's request and expense, contest any such asserted liability. This indemnification shall be made within thirty (30) days from the date the Agent or the Lender, as the case may be, makes written demand therefor with appropriate supporting documentation.

(d) Within thirty (30) days after the date of any payment by the Borrower of Taxes, the Borrower will deliver to the Agent and each Lender, the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment, then, at the reasonable request of the Agent, the Borrower will deliver to the Agent and each Lender a certificate from each appropriate taxing authority or any political subdivision thereof, or an opinion of counsel reasonably acceptable to the Agent and each Lender, in a form reasonably acceptable to the Agent and each Lender to the effect that there is a reasonable basis to conclude that such payment is exempt from or not subject to Taxes; provided, however, that neither the Agent nor any other Lender shall request, and the Borrower shall not be required to furnish, any such opinions or certificates more frequently than annually.

(e) If the Borrower is required by law to make any deductions or withholding from any payment made by it to the Agent or a Lender hereunder with

respect to Taxes and is further required by this Section 2.09 to pay and pays such Taxes, or otherwise reimburses or indemnifies the Agent or a Lender hereunder with respect to Taxes, and if such Lender or the Agent, as the case may be, in good faith but in its sole reasonable opinion, determines that it has received or been granted a credit against or relief or remission for, or repayment of, any tax paid or payable by it in respect of or calculated with reference to any Taxes paid, reimbursed or indemnified pursuant to this Section 2.09, then such Lender or the Agent shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as such Lender or the Agent, as the case may be, shall, in good faith but in its sole opinion, have determined to be attributable to such deduction or withholding, reimbursement or indemnification. Any payment made by such Lender or the Agent under this clause shall be conclusive evidence of the amount due to the Borrower hereunder and shall be accepted by and binding upon the Borrower in full and final settlement of its rights of reimbursement hereunder in respect of the relevant deduction or withholding. Nothing herein contained shall interfere with the right of any Lender or the Agent to arrange its tax affairs in whatever manner it thinks fit and, in particular, none of the Agent nor any Lenders shall be under any obligation to claim credit, relief, remission or repayment from or against its corporate profits or similar tax liability in respect of the amount of such deduction or withholding in priority to any other claims, reliefs, credits or deductions available to it, nor shall the Agent or any Lender be obliged to disclose any information relating to its tax affairs or any computations in respect hereof.

(f) Each Lender which is organized under the laws of a jurisdiction outside the United States agrees (i) to complete and deliver to the Borrower, on or before the first Drawdown Date (or, in the case of an assignment pursuant to Section 7.10 on or before the effective date of such assignment) and (so long as it remains eligible to do so) from time to time thereafter two duly executed copies of (A) Internal Revenue Service Form 1001 (certifying that it is entitled to benefits under an income tax treaty to which the United States is a party) or (B) Internal Revenue Service Form 4224 (certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States) or (C) Internal Revenue Service Form W-8 (certifying that it is a foreign person), together with a tax certificate, substantially in the form of Attachment III to Exhibit C hereto, as appropriate, and (ii) to complete and deliver to the Borrower from time to time, so long as it is eligible to do so, any successor or additional forms required in order to secure an exemption from, or reduction in the rate of, U.S. withholding tax. Each Lender represents that each such form delivered on or before the date hereof is, and covenants that each such form delivered after the date hereof shall be, true, correct, and complete with respect to all amounts payable to such Lender pursuant to this Agreement, and covenants that such form shall remain true, correct, and complete with respect to all amounts payable to such Lender pursuant to this Agreement unless and until such Lender notifies the Borrower otherwise in writing.

(g) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in subsections (a) through (d) of this Section 2.09, and the agreements and obligations of the Agent and the Lenders contained in subsections (e) and (f) of this Section 2.09, shall survive the payment in full of the Obligations and the expiry of the Loan Documents.

SECTION 2.10. Fees. (a) [Reserved.]

(b) On each Fee Payment Date, the Borrower shall pay the Agent, solely for the account of each Lender, a non-refundable facility fee (as to each Lender, its "Facility Fee"), of .06% per annum of each such Lender's respective Commitment (such Commitment, irrespective whether drawn or undrawn, but subject to reduction by a notice of termination of Commitments delivered by the Borrower pursuant to Section 2.11 hereof, as to each Lender, the "Facility"), payable from the Closing Date, in arrears, on the average amount of the Facility, subject to adjustment as herein provided. The applicable percentage rate per annum (the "Facility Rate") used to calculate the Facility Fee shall be adjusted from time to time by the Agent as follows. Notice of the Facility Rate as adjusted shall be delivered by the Agent to the Lenders and the Borrower not later than the fifth Business Day of each calendar quarter. If the Agent determines that on the last Business Day of a calendar quarter the Borrower had Senior Debt rated

(i) A- or below by S & P or A3 or below by Moody's, the Facility Rate for the succeeding quarter shall be .06%, and

(ii) at least A by S & P or A2 by Moody's, the Facility Rate for the succeeding quarter shall be .055%.

In the event that S & P and Moody's provide different ratings for such Senior Debt, the Agent shall use the higher rating in determining the Facility Rate.

In the event the Borrower has no rated Senior Debt but the Borrower's Subordinated Debt has been rated, for purposes of determining the Facility Rate, the Agent shall assume a Senior Debt rating equivalent to one subgrade higher than the actual Subordinated Debt rating given during such period. In the event the Agent shall not have received ratings from the Borrower pursuant to Section 2.05(b)(ii)(B) or 5.01(c)(vi) or if no such ratings exist during any such quarter, the Facility Rate for the succeeding quarter will be .375%. Notwithstanding anything to the contrary contained in this Agreement or any other agreement, each Lender's Facility Fee shall be solely for the account of such Lender.

(c) The Borrower shall pay the Agent for its own account on the earlier of the Closing Date or the Drawdown Date, and not later than the anniversary of such date of each year thereafter so long as any Commitment or amount payable by the Borrower hereunder remains outstanding, an annual administration fee in an amount mutually agreed between them.

SECTION 2.11. Borrower's Termination of Commitments; Extension of Termination Date. (a) So long as no Event of Default has occurred and is continuing, the Borrower may by notice delivered to the Agent terminate the Commitment of the Lenders, ratably, in any amount not less than Twenty Million Dollars (\$20,000,000) and integral multiples of One Million Dollars (\$1,000,000) if in excess thereof, provided that no such termination shall be effective until four (4) Business Days following receipt by the Agent of such notice. Each notice of termination given pursuant to this Section 2.11(a) shall be irrevocable and binding when given and shall permanently reduce the Commitment of each Lender ratably in accordance with its Percentage Interest. No amount of the Commitment for which a notice of termination has been given by the Borrower shall be available for borrowing under this Agreement. The Agent shall give each Lender prompt notice of each notice of termination of Commitment received from the Borrower.

(b) So long as no Default or Event of Default has occurred and is continuing, and provided the Borrower has not exercised any of its rights under Section 2.12 hereof or issued any Term Note, the Borrower may by notice delivered to the Agent no fewer than forty-five (45), and no more than sixty (60), days prior to the Termination Date then in effect, request that such Termination Date be extended to a date falling three hundred sixty-four (364) days after the Termination Date (the "Extended Termination Date") with respect to all or a pro rata portion of the Commitments of all Lenders. The Agent shall notify the Lenders of any such request promptly upon receipt from the Borrower. Each Lender shall, no fewer than twenty-nine (29), and no more than forty-five (45), days prior to the Termination Date then in effect, notify the Borrower and the Agent in writing, of its election to approve or not approve the extension requested in such extension request (the failure of any Lender to respond being deemed a negative response). Notwithstanding any provision of this Agreement to the contrary, any notice by any Lender of its approval to extend the Termination Date shall be revocable by such Lender in its sole and absolute discretion at any time on or prior to the date (the "Last Response Date") which is twenty-nine (29) days prior to the Termination Date then in effect. If, by the Last Response Date, Lenders constituting the Majority Lenders shall not have irrevocably approved the extension of the Termination Date requested in such extension request, the Termination Date shall not be extended pursuant to such extension request. If, by the Last Response Date, Lenders (the "Consenting Lenders") constituting the Majority Lenders shall have irrevocably approved the extension of the Termination Date requested in the Borrower's extension request, the Termination Date (with respect to the Consenting Lenders and with respect to such percentage of their respective Commitments as to which the Borrower requested an extension) shall automatically and without any further action by any Person be extended (effective upon the Termination Date then in effect) for the period specified in such extension request to the Extended Termination Date and with respect to such percentage of the Commitments as to which the Borrower requested an extension. The Commitment of any Lender which has not irrevocably consented to such extension by the Last Response Date (an "Objecting Lender"), and any percentage of the Commitments of Consenting Lenders as to which the Borrower did not request an extension, shall expire on the Termination Date in effect on the date of such extension request (such Termination Date, the "Commitment Expiration Date"), and on the Commitment Expiration Date all outstanding Advances of the Objecting Lenders, together with interest thereon and, in the case of any Objecting Lender, any fees and other amounts accrued hereunder for the account of such Objecting Lender, shall be paid in full by the Borrower. Notwithstanding the extension of Commitments of the Consenting Lenders to the Extended Termination Date, all outstanding Advances of such Consenting Lenders made prior to the Commitment Expiration Date shall be paid in full on such date together with interest thereon, by the Borrower for the account of such Consenting Lenders. The Agent shall promptly notify (y) the Lenders and the Borrower of any extension of the Termination Date pursuant to this Section 2.11(b) and (z) the Borrowers and any other Lender of any Lender which becomes an Objecting Lender. In the event that by the Last Response Date the Agent receives from Consenting Lenders constituting the Majority Lenders approval of the extension request but in an amount less than the amount

requested by the Borrower, the Borrower shall have the opportunity to designate to the Agent one or more financial institutions willing to become a party to this Agreement as a consenting lender as herein provided on the Termination Date in a principal amount up to any such deficit, provided however that each such financial institution must be acceptable to the Agent in its sole discretion, such acceptance not to be unreasonably denied or withheld. Each Objecting Lender shall cooperate with the Agent in assigning all of its rights and obligations hereunder to a Consenting Lender or such other financial institution willing to become a Consenting Lender as provided herein in Sections 2.11(b) and 7.10. The decision of Agent as to the apportionment of Commitments among Consenting Lenders on the Termination Date shall be final, provided that any assignment of the Objecting Lenders' rights and obligations hereunder pursuant to this Section 2.11(b) shall be apportioned by the Agent, first, pro rata among willing Consenting Lenders, if any, and thereafter to such other financial institution designated by the Borrower and acceptable to the Agent.

SECTION 2.12. Conversion to Term Loan. So long as the Borrower shall have fulfilled all the conditions set forth in this Section 2.12, and so long as no Default or Event of Default has occurred and is continuing, on the Termination Date the Borrower shall have the option, exercisable upon delivery to the Agent, on or before three (3) Business Days prior to the Termination Date, of a notice (a "Notice of Term Loan Conversion") in the form of Exhibit F, to convert the outstanding principal balance of each Note due on the Termination Date to a Term Loan on the terms and conditions set forth below:

(i) Term Notes. The Term Loan of each Lender to the Borrower shall be evidenced by a Term Note executed by the Borrower which shall (A) be dated as of the Termination Date, (B) be in an amount equal to the unpaid principal balance of the Loan of such Lender as of such date, (C) bear interest at a rate selected in accordance with this Section 2.12, (D) be payable to such Lender, at the Lending Office of the Agent, (E) be in renewal and extension of such Lender's Series A and/or Series B Note and (F) be in the form of Exhibit A-3 attached hereto with blanks approximately completed in conformity herewith. The Borrower shall specify in its Notice of Term Loan Conversion the Term Loan Maturity Date of the Term Loans, which shall be a day falling no later than the anniversary of the Termination Date. The Borrower electing to convert one or more Advances to Term Loans shall deliver to the Agent a Term Note for each such Term Loan contemporaneously with the delivery of the Notice of Term Loan Conversion provided for in this Section 2.12, which Term Note shall be delivered by the Agent to the relevant Lender in exchange for the related Series A and/or Series B Note, which shall be delivered to the Agent and forwarded to the Borrower.

(ii) Principal and Interest Payments on Term Notes. Interest on the Term Notes shall be payable in accordance with Section 2.05. The unpaid principal amount of the Term Notes and all accrued but unpaid interest thereon, shall be payable on the Term Loan Maturity Date.

(iii) Interest Options. The Borrower shall have the option of having all or any portion of the Term Loans bear interest at the Base Rate or the LIBOR Rate (each, an "Interest Option").

(A) At Time of Borrowing. The Borrower shall, in its Notice of Term Loan Conversion, give the Agent notice of the initial Interest Option and Interest Period (subject to the provisions of the definition of such term) selected with respect to each Advance of the Borrower to be converted into a Term Loan on the Termination Date.

(B) At Expiration of Interest Periods. Prior to the end of each Interest Period the Borrower in respect of a Term Loan shall give written notice (a "Notice of Term Loan Rollover") to the Agent of the Interest Option which shall be applicable to such Term Loan upon the expiration of such Interest Period. Such Notice of Term Loan Rollover shall be given to the Agent (y) in the case of a LIBOR Rate selection, as provided in Section 2.05(b)(ii)(A), and (z) in the case of a Base Rate selection, by telex notice to be received by the Agent not later than 11:00 A.M. New York time on a Business Day that is at least two (2) Business Days prior to the termination of such Interest Period. Such Term Loan Rollover Notice shall also specify the length of the succeeding Interest Period (subject to the provisions of the definition of such term), selected by the Borrower with respect to each Term Loan. Each Notice of Term Loan Rollover shall be irrevocable and effective upon notification thereof to the Agent. If the required Notice of Term Loan Rollover shall not have been timely received by the Agent in accordance with this paragraph, the Borrower shall be deemed to have converted such Loan into a Base Rate Advance on the last day of the applicable Interest Period and the Agent shall promptly notify the Borrower of such conversion.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Initial Advances. The obligation of each Lender (other than the Designated Bidders) to make its initial Advance is subject to the condition precedent that the Agent shall have received on or before the Drawdown Date of the initial Borrowing the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Lender:

(a) The Series A Notes and the Series B Notes payable to the Lenders, respectively.

(b) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes, and evidence, dated as of a recent date, of the good standing of the Borrower in Panama.

(c) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(d) A favorable opinion of Arnaldo Perez, acting general counsel of the Borrower, and of Messrs. Tapia, Linares y Alfaro, special Panamanian counsel to the Borrower, substantially in the form of Exhibits E-1 and E-2, respectively, hereto and as to such other matters as any Lender through the Agent may reasonably request. The Borrower hereby instructs each such counsel to deliver its opinion to the Agent and the Lenders.

(e) A favorable opinion of Messrs. Haight, Gardner, Poor & Havens, special New York counsel to the Agent and the Lenders, as to such matters as any Lender through the Agent may reasonably request.

(f) A letter from the Process Agent, referred to and defined in Section 8.07 of this Agreement, in which it agrees to act as Process Agent for the Borrower and to deliver forthwith to the Borrower all process received by it as such Process Agent.

(g) Evidence of payment by the Borrower of all applicable documentary stamp taxes (if any) payable in connection with the authorization, execution and delivery of each of the Loan Documents, and the performance of the transactions hereby or thereby contemplated, or an opinion of counsel that no such taxes are payable.

SECTION 3.02. Conditions Precedent to Each A Borrowing. The obligation of each Lender to make an A Advance on the occasion of each A Borrowing (including the initial A Borrowing) shall be subject to the further conditions precedent that on the Drawdown Date of such A Borrowing (a) the following statements shall be true, and the Agent shall have received for the account of such Lender a certificate signed by a duly authorized officer of the Borrower, dated the date of such A Borrowing, stating that (and each of the giving of the applicable Notice of A Borrowing and the acceptance by the Borrower of the proceeds of such A Borrowing shall constitute a representation and warranty by the Borrower that on the date of such A Borrowing such statements are true):

(i) The representations and warranties contained in Section 4.01 are correct on and as of the date of such A Borrowing, before and after giving effect to such A Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) No Default or Event of Default has occurred and is continuing, or would result from such A Borrowing or from the application of the proceeds therefrom;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender (other than the Designated Bidders) through the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to Each B Borrowing. The obligation of each Lender which is to make a B Advance on the occasion of a B Borrowing (including the initial B Borrowing) to make such B Advance as part of such B Borrowing is subject to the conditions precedent that (i) the Agent shall have received the written confirmatory Notice of B Borrowing with respect thereto and (ii) on the Drawdown Date of such B Borrowing the following statements shall be true (and each of the giving of the applicable Notice of B Borrowing and the acceptance by the Borrower of the proceeds of such B Borrowing

shall constitute representation and warranty by the Borrower that on the date of such B Borrowing such statements are true):

(a) The representations and warranties contained in Section 4.01 are correct on and as of the date of such B Borrowing, before and after giving effect to such B Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(b) No Default or Event of Default has occurred and is continuing, or would result from such B Borrowing or from the application of the proceeds therefrom, and

(c) No event has occurred and no circumstance exists as a result of which the information concerning the Borrower that has been provided to the Agent and each Lender by the Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.04. Additional Conditions to Each Borrowing. The obligation of the Lenders to make each Advance shall be subject to the further conditions precedent that on the Drawdown Date of such Advance:

(a) the Borrower shall have paid or caused to be paid when due (i) to the Agent, and the Agent shall have received, the Facility Fee payable to each Lender, and (ii) to the Agent its annual administration fee;

(b) no material adverse change shall have occurred since November 30, 1994, in the business, operations, properties, prospects or condition (financial or otherwise) of the Borrower or its Subsidiaries excluding Specified Subsidiaries;

(c) all corporate or other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by the Loan Documents and the Transaction shall be satisfactory in form and substance to each of the Lenders (other than the Designated Bidders) and the Agent and their counsel; and

(d) the Agent and each Lender (other than the Designated Bidders) shall have received such other approvals, opinions, or documents as they may reasonably request.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Due Existence; Compliance. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of Panama and has all requisite corporate power and authority under such laws to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted, and to execute, deliver and perform its obligations under the Loan Documents, to which it is, or will be, a party. Each of the Borrower and its Subsidiaries excluding Specified Subsidiaries is duly qualified or licensed to do business as a foreign corporation and is in good standing, where applicable, in all jurisdictions in which it owns or leases property (including vessels), or proposes to own or lease property (including vessels), or in which the conduct of its business, and the conduct of its business upon consummation of the Transaction, requires it to so qualify or be licensed, except to the extent that the failure to so qualify or be in good standing would have no material adverse effect on the business, operations, properties, prospects or condition (financial or otherwise) of the Borrower and its Subsidiaries excluding Specified Subsidiaries or the ability of any such Person to perform its obligations under any of the Loan Documents to which it is or may be a party. Each of the Borrower and its Subsidiaries excluding Specified Subsidiaries is in compliance in all material respects with all applicable laws, rules, regulations and orders.

(b) Corporate Authorities; No Conflicts. The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents to which it is or will be, a party are within its corporate powers and have been duly authorized by all necessary corporate and stockholder approvals and (i) do not contravene its charter or by-laws or any law, rule, regulation, judgment, order or decree applicable to or binding on the Borrower or its Subsidiaries excluding Specified Subsidiaries and (ii) do not contravene, and will not result in the creation of any Lien under, any provision of any contract, indenture, mortgage or agreement to which any

of the Borrower or its Subsidiaries excluding Specified Subsidiaries is a party, or by which it or any of its properties are bound.

(c) Government Approvals and Authorizations. No authorization or approval (including exchange control approval) or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by or enforcement against the Borrower of the Loan Documents (except such as have been duly obtained or made and remain in full force and effect).

(d) Legal, Valid and Binding. Each of the Loan Documents is, or upon delivery will be, the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization or similar laws generally affecting creditors' rights as well as the award by courts of relief in lieu of specific performance of contractual provisions).

(e) Financial Information. Each of the consolidated annual audited balance sheet of the Borrower as at November 30, 1994, and the consolidated quarterly unaudited balance sheet of the Borrower as at August 31, 1995, and the related statements of operations and statements of cash flows of the Borrower and its Subsidiaries for the fiscal year or fiscal quarter then ended, as the case may be, copies of which have been furnished heretofore by the Borrower to the Agent, fairly present the consolidated financial condition of the Borrower and its Subsidiaries as at such date and the results of the operations of the Borrower and its Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied (subject, in the case of the August 31, 1995 statements to normal year-end audit adjustments). Since November 30, 1994, there has been no material adverse change in the business, operations, properties or condition (financial or otherwise) of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries.

(f) Litigation. There is not pending nor, to the knowledge of the Borrower upon due inquiry and investigation, threatened any action or proceeding affecting any of the Borrower or its Subsidiaries, by or before any court, governmental agency or arbitrator, which reasonably could be expected (i) to materially adversely affect the assets, business, properties, prospects, operations or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, or (ii) to prohibit, limit in any way or materially adversely affect the consummation of the Transaction contemplated by the Loan Documents, including, without limitation, the ability of the Borrower or its Subsidiaries to perform its obligations under this Agreement or any Note.

(g) Immunities. Neither the Borrower nor any of its Subsidiaries, nor the property of any of them, has any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of the jurisdiction of its organization.

(h) No Taxes. There is no tax, levy, impost, deduction, charge or withholding or similar item imposed (i) by Panama or the States of Florida or New York, or by any political subdivision of any of the foregoing, on or by virtue of the execution and delivery of these representations and warranties, the execution or delivery or enforcement of this Agreement or any Note or any other document to be furnished hereunder or thereunder, provided with respect to Florida that each Note is executed outside Florida and, subsequent to its execution outside Florida, that it is not brought into Florida at any time, or (ii) by Panama or the States of Florida or New York, or by any political subdivision of any of the foregoing, on any payment to be made by the Borrower pursuant to this Agreement or any Note, other than taxes on or measured by net income imposed by any such jurisdiction in which the Lender has its situs of organization or a fixed place of business.

(i) No Filing. To ensure the legality, validity, enforceability or admissibility in evidence of this Agreement or any Note in each of Panama and the States of Florida and New York, it is not necessary that this Agreement or any Note, or any other document related to any thereof, be filed or recorded with any court or other authority in such jurisdiction, or that any stamp or similar tax be paid on or with respect to this Agreement or any Note except to the extent provided in (h) above.

(j) No Defaults. There does not exist (i) any event of default, or any event that with notice or lapse of time or both would constitute an event of default, under any agreement to which any of the Borrower or any of its Subsidiaries is a party or by which any of them may be bound, or to which any of their properties or assets may be subject, which default would have a material adverse effect on the Borrower and its Subsidiaries taken

as a whole, or would materially adversely affect their ability to perform their respective obligations under this Agreement or any Note, or (ii) any event which is or would result in a Default or Event of Default.

(k) Margin Regulations. No part of the proceeds of the Loan will be used for any purpose that violates the provisions of any of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors. None of the Borrower nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, within the meaning of Regulations G, T, U and X issued by the Board of Governors of the Federal Reserve System.

(l) Investment Company Act. The Borrower is not an "investment company" or a company "controlled" by an "investment company" (as each of such terms is defined or used in the Investment Company Act of 1940, as amended).

(m) Taxes Paid. (i) Each of the Borrower and its Subsidiaries excluding Specified Subsidiaries (A) has filed or caused to be filed, or has timely requested an extension to file or has received from the relevant governmental authorities an extension to file, all material tax returns which are required to have been filed, and (B) has paid all taxes shown to be due and payable on said returns or extension requests or on any material assessments made against it or any of its properties, and all other material taxes, fees or other charges imposed on it or any of its properties by any governmental authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which appropriate reserves in conformity with GAAP have been provided on its books); and (ii) no material tax liens have been filed and no material claims are being asserted with respect to any such taxes, fees or other charges other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which appropriate reserves in accordance with GAAP have been provided on its books; provided, however, that the representations and warranties made in subdivisions (i)(A) and (i)(B) of this paragraph (m) with respect to HAL and the HAL Subsidiaries acquired on or about January 17, 1989 are limited to tax returns required to be filed with respect to the period from January 1, 1989 through the date hereof.

(n) Disclosure. No representation, warranty or statement made or document or financial statement provided by the Borrower or any Affiliate or Subsidiary thereof, in or pursuant to this Agreement or any Note, or in any other document furnished in connection therewith, is untrue or incomplete in any material respect or contains any misrepresentation of a material fact or omits to state any material fact necessary to make any such statement herein or therein not misleading.

(o) Good Title. The Borrower has good title to its properties and assets, except for (i) as permitted under this Agreement, existing or future Liens, security interests, mortgages, conditional sales arrangements and other encumbrances either securing Indebtedness or other liabilities of the Borrower or any of its Subsidiaries, or which the Borrower in its reasonable business judgment has determined would not be reasonably expected to materially interfere with the business or operations of the Borrower and its Subsidiaries as conducted from time to time, and (ii) minor irregularities therein which do not materially adversely affect their value or utility.

(p) ERISA. (i) No Insufficiency or Termination Event has occurred or is reasonably expected to occur, and no "accumulated funding deficiency" exists and no "variance" from the "minimum funding standard" has been granted (each such term as defined in Part III, Subtitle B, of Title I of ERISA) with respect to any Plan (other than any Multiemployer Plan or Plan that has been terminated and all the liabilities of which have been satisfied in full prior to March 30, 1990) in which the Borrower or any of its Subsidiaries excluding Specified Subsidiaries is a participant.

(ii) None of the Borrower nor any ERISA Affiliate excluding Specified Subsidiaries has incurred, or is reasonably expected to incur, any Withdrawal Liability to any Multiemployer Plan.

(iii) None of the Borrower nor any ERISA Affiliate excluding Specified Subsidiaries has received any notification that any Multiemployer Plan in which it is a participant is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated within the meaning of Title IV of ERISA.

(q) Tangible Net Worth. As of August 31, 1995 (subject to normal

year-end audit adjustments with respect to the consolidated quarterly unaudited balance sheet of the Borrower as of such date) the Tangible Net Worth of the Borrower was not less than Two Billion Dollars (\$2,000,000,000).

(r) Solvency. The Borrower is, and on each date a Lender advances funds to it in respect of the Loan will be, Solvent.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as an Advance or any other Obligation shall remain unpaid or any Lender shall have any Commitment under this Agreement, the Borrower shall, unless the Agent on behalf of the Lenders shall otherwise consent in writing in accordance with Section 7.04, comply with each of the following affirmative covenants:

(a) Compliance with Laws. The Borrower shall comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders, and to pay when due all taxes, assessments and governmental charges imposed upon it or upon its property, except to the extent contested in good faith by appropriate proceedings and for which adequate reserves in conformity with GAAP have been provided.

(b) Use of Proceeds. The Borrower shall use all proceeds of the Notes for such general corporate purposes as may be permitted under applicable law, including support for its commercial paper programs, if any, except that subject to receipt by the Agent from the Borrower of written notice, the Borrower may use proceeds of the Notes up to the Dollar amount specified in the Borrower's said notice to the Agent solely to satisfy the Borrower's payment obligations as described in such notice, provided that neither the Agent nor any Bank shall have any responsibility as to the use of such proceeds.

(c) Financial Information; Defaults.

(i) The Borrower shall promptly inform the Agent of any event which is or may become a default or breach of the Borrower's obligations under the Loan Documents or result in a Default or Event of Default, or any event which materially adversely affects its ability fully to perform any of its obligations under any Loan Document, or any event of default which has occurred and is continuing under any material agreement to which the Borrower or any of its Subsidiaries is a party;

(ii) As soon as the same become available, but in any event within 120 days after the end of each of its fiscal years, the Borrower shall deliver to the Agent on behalf of the Lenders (A) audited consolidated financial statements of (1) the Borrower and (2) Kloster, if required other than by the Agent or the Lenders and (B) unaudited consolidated financial statements of Kloster if audited financial statements are not so required. All such audited consolidated financial statements of the Borrower shall set forth, in comparative form the corresponding figures for the preceding fiscal year (excluding, as to any Subsidiary acquired after the Closing Date, corresponding information for the period preceding its acquisition); all such audited consolidated financial statements shall be accompanied by an opinion thereon of independent certified public accountants of recognized national standing acceptable to the Agent, which opinion shall state that said financial statements fairly present the consolidated financial condition and results of operations of each of (1) the Borrower and (2) Kloster, if required other than by the Agent or the Lenders, as at the end of, and for, such fiscal year;

(iii) As soon as the same become available and in any event within 75 days after the end of each fiscal quarter of each of its fiscal years, the Borrower shall deliver to the Agent on behalf of the Lenders (A) unaudited consolidated statements of income, retained earnings and cash flow of (1) the Borrower and (2) Kloster, in each case for each such quarterly period and for the period from the beginning of its then current fiscal year to the end of such period, and (B) related unaudited consolidated balance sheets of (1) the Borrower and (2) Kloster, in each case as at the end of each such quarterly period. Delivery of the Borrower's quarterly financial statements containing information required to be filed with the Securities and

Exchange Commission on Form 10-Q (as in effect on the Closing Date) shall satisfy the requirements of the first sentence of this Section 5.01(c)(iii) insofar as they relate to the Borrower on a consolidated basis, provided however that such requirements shall not be satisfied if the Borrower makes no such filings or if there is a material change after the Closing Date in the form or substance of financial disclosures and financial information required to be set forth in Form 10-Q. All such unaudited consolidated financial statements shall be accompanied by a certificate of a senior financial officer of the Borrower, which certificate shall state that such financial statements fairly present the consolidated financial condition and results of the operations of each of (1) the Borrower and (2) Kloster, as at the end of, and for, such period (subject to normal year end audit adjustments) in accordance with GAAP, consistently applied;

- (iv) Together with the financial statements to be delivered to the Agent on behalf of the Lenders from time to time pursuant to clauses (ii) and (iii) of this Section 5.01(c), the Borrower shall deliver to the Agent a certificate of a senior financial officer of the Borrower, which certificate shall (A) state that the consolidated financial condition and operations of the Borrower and its Subsidiaries are such as to be in compliance with all of the provisions of Sections 5.01(d) and (k) and 5.02(a) and (j) of this Agreement, (B) set forth in reasonable detail the computations necessary to determine whether the provisions of Sections 5.01(d) and (k) and 5.02(a) and (j) have been complied with, and (C) state that no Default or Event of Default has occurred and is continuing;
- (v) As soon as the same become available, but in any event not later than January 15th of each calendar year beginning January 1994, the Borrower shall deliver to the Agent a five (5) year cash flow projection and the related income statement and a balance sheet for the Borrower;
- (vi) Promptly upon their becoming available, the Borrower shall deliver to the Agent copies of all registration statements and periodic reports which each of the Borrower and Kloster shall have filed with the Securities and Exchange Commission or any national securities exchange or market and any ratings (and changes thereto) of its debt by Standard & Poor's Corporation and Moody's Investors Service;
- (vii) Promptly upon the mailing thereof to its shareholders, the Borrower shall deliver to the Agent copies of all financial statements and reports so mailed;
- (viii) As soon as reasonably possible, the Borrower shall deliver to the Agent copies of all reports and notices which it or any of its Subsidiaries files under ERISA with the Internal Revenue Service, the PBGC, the U.S. Department of Labor or the sponsor of a Multiemployer Plan, or which it or any of its Subsidiaries receives from the PBGC or the sponsor of a Multiemployer Plan related to (a) any Termination Event and (b) with respect to a Multiemployer Plan, (x) any Withdrawal Liability, (y) any actual or expected reorganization (within the meaning of Title IV of ERISA), or (z) any termination of a Multiemployer Plan (within the meaning of Title IV of ERISA);
- (ix) From time to time on request, the Borrower shall furnish the Agent and any of the Lenders with such information and documents, and provide access to the books, records and agreements of the Borrower, or any Subsidiary or Affiliate of the Borrower, as the Agent or any of the Lenders may reasonably require. All certificates, materials and documents to be furnished by the Borrower under this Section 5.01(c) shall be provided to the Agent in such number of copies as the Agent may reasonably request and shall be furnished promptly by the Agent to the Lenders; and
- (x) Notwithstanding the other terms of this Section 5.01(c), the Borrower shall have no obligation to provide the materials and information required by this Section 5.01(c) respecting Kloster or any other Specified Subsidiary in the event such Person is not a Subsidiary of the Borrower.

(d) Financial Covenants. The Borrower shall ensure that:

- (i) the ratio of its Total Debt to Total Capital, tested quarterly, shall be at all times less than fifty percent (50%);
- (ii) at the end of each fiscal quarter, the amount of its Consolidated Cash Flow shall be, as at the end of each of the four fiscal quarters immediately preceding covenant testing, at least 125% of the sum of (i) the aggregate amount of (x) dividend payments, (y) scheduled principal loan repayments and (z) scheduled Capital Lease payments made, in respect of the Borrower, on a consolidated basis excluding the Specified Subsidiaries, in the four fiscal quarters immediately preceding covenant testing;
- (iii) at the end of each month, the sum of the unencumbered cash plus the current value of short term investments (in conformity with GAAP) of the Borrower and its Subsidiaries excluding Specified Subsidiaries shall equal at least Fifty Million Dollars (\$50,000,000);
- (iv) the Tangible Net Worth of the Borrower and its Subsidiaries excluding Specified Subsidiaries shall exceed, on a fiscal quarterly basis, the sum of (A) Eight Hundred Thirty-Five Million Dollars (\$835,000,000) and (B) fifty percent (50%) of cumulative consolidated net income (excluding any losses) of the Borrower and its Subsidiaries excluding Specified Subsidiaries beginning December 1, 1992.

(e) Corporate Existence, Mergers. The Borrower shall preserve and maintain in full force and effect its corporate existence and rights and those of its Subsidiaries, and not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person or permit any of its Subsidiaries to do so, except that (v) any Subsidiary of the Borrower other than a Specified Subsidiary may merge or consolidate with or into the Borrower if the surviving entity is the Borrower, or transfer assets to, or acquire assets of the Borrower so long as such assets do not constitute all or substantially all of the assets of the Borrower, (w) any Subsidiary of the Borrower other than a Specified Subsidiary may merge or consolidate with or into, or transfer assets to, or acquire assets of, any other Subsidiary of the Borrower other than a Specified Subsidiary, (x) the Borrower and its Subsidiaries may acquire all or substantially all of the assets of any Person if the surviving entity is the Borrower or such Subsidiary, as the case may be, (y) any Specified Subsidiary may merge or consolidate with or into, or transfer assets to, the Borrower or any of its Subsidiaries, provided that the Borrower or such Subsidiary other than a Specified Subsidiary is the surviving entity and (z) the Borrower may cause the change of its jurisdiction by way of merger or otherwise, upon consent of the Majority Lenders, which consent shall not unreasonably be denied; provided, further, SCC Swedish Cruiseship Consortium K.B. may be dissolved by appropriate proceedings. Notwithstanding the foregoing, neither Windstar Sail Cruises Ltd., Carnival's Crystal Palace Hotel Corporation Limited nor any of their respective Subsidiaries shall (y) acquire any of the assets of the Borrower or any of its other Subsidiaries or (z) merge or consolidate with or into the Borrower or any of its other Subsidiaries unless the resulting entity is the Borrower or one of the Borrower's Subsidiaries other than Windstar Sail Cruises Ltd. or any of its Subsidiaries or Carnival's Crystal Palace Hotel Corporation Limited or any of its Subsidiaries.

(f) Insurance. The Borrower shall, and shall cause each of its Subsidiaries to, insure and keep insured, with financially sound and reputable insurers, so much of its properties, in such amounts and against such risks, as to all the foregoing, in each case, reasonably satisfactory to the Lenders and as are usually and customarily insured by companies engaged in a similar business with respect to properties of a similar character.

(g) [Reserved.]

(h) [Reserved.]

(i) The Borrower's Stock. The Borrower shall ensure that at all times the number of the issued and outstanding shares of its capital stock at least sufficient to elect a majority of the Borrower's board of directors shall be beneficially owned, directly or indirectly, by Mr. Ted Arison or the members of his immediate family, free and clear of Liens in favor of any other Person.

(j) [Reserved.]

(k) Solvency. The Borrower shall procure that it is and shall be at all times Solvent.

(l) [Reserved.]

(m) Further Assurances. The Borrower shall, from time to time upon the request of any Lender, accept for cancellation any Note or Notes held by and payable to such Lender, and thereupon the Borrower shall execute and deliver to such Lender, payable to it and its registered assigns, a substitute Note or Notes in like form and total aggregate amount as the canceled Note or Notes, but in any denomination not smaller than Ten Million Dollars (\$10,000,000) or such lesser amount as such Lender may request (but not less than Five Million Dollars (\$5,000,000)) as shall constitute the outstanding principal of all outstanding Notes held by such Lender. The Borrower shall do all things necessary to maintain each of the Loan Documents as legal, valid and binding obligations, enforceable in accordance with their respective terms by the Agent and the Lenders. The Borrower shall take such other actions and deliver such instruments as may be necessary or advisable, in the opinion of the Agent on behalf of the Lenders to protect the rights and remedies of the Agent and the Lenders under the Loan Documents.

SECTION 5.02. Negative Covenants. So long as any Advance or any other Obligation shall remain unpaid or any Lender shall have any Commitment, the Borrower shall not, unless the Agent on behalf of the Lenders shall otherwise consent in writing in accordance with Section 7.04:

(a) Sale of Assets. Unless permitted by Section 5.01(e), during any fiscal year, sell or otherwise dispose of, or permit any of its Subsidiaries to sell or dispose of, in one or more transactions, assets with a book value in excess of Two Hundred Fifty Million Dollars (\$250,000,000) (but excluding any sale or disposition of any or all of the assets or capital stock of Kloster, Windstar Sail Cruises Ltd. or Carnival's Crystal Palace Hotel Corporation Limited or any of their respective Subsidiaries).

(b) [Reserved.]

(c) [Reserved.]

(d) [Reserved.]

(e) Limitation on Payment Restrictions Affecting Subsidiaries. Create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than those contained in or permitted by or through any other provision of this Agreement or the other Loan Documents, including those contained in documents existing on the Closing Date evidencing Indebtedness permitted by any of the foregoing) on the ability of any Subsidiary to (i) pay dividends or make any other distributions on such Subsidiary's capital stock or pay any Indebtedness owed to the Borrower or any of its Subsidiaries, (ii) make loans or advances to the Borrower or any of its Subsidiaries, or (iii) transfer any of its property or assets to the Borrower or any of its Subsidiaries.

(f) Transactions with Officers, Directors and Shareholders. Enter or permit any of its Subsidiaries to enter into any transaction or agreement, including but not limited to any lease, Capital Lease, purchase or sale of real property, purchase of goods or services, with any Subsidiary, Affiliate or any officer, or director of the Borrower or of any such Subsidiary or Affiliate, or any record or known beneficial owner of equity securities of any such Subsidiary, any known record or beneficial owner of equity securities of any such Affiliate or the Borrower, or any record or beneficial owner of at least five percent (5%) of the equity securities of the Borrower, except on terms that are no less favorable to the Borrower or the relevant Subsidiary than those that could have been obtained in a comparable transaction by the Borrower or such Subsidiary with an unrelated Person and except between Subsidiaries which are consolidated for financial reporting purposes with the Borrower.

(g) Compliance with ERISA. Become party to any prohibited transaction, reportable event, accumulated funding deficiency or plan termination, all within the meaning of ERISA and the Code with respect to any Plan as to which there is an Insufficiency, nor permit any Subsidiary to do so (except with respect to a Multiemployer Plan if the foregoing shall result from the act or omission of a Person party to such Multiemployer Plan other than the Borrower or its Subsidiary).

(h) Investment Company. Be or become an investment company subject

to the registration requirements of the Investment Company Act of 1940, as amended, or permit any Subsidiary to do so.

(i) [Reserved.]

(j) Liens. Create or incur, or suffer to be created or incurred or come to exist, any Lien in respect of Indebtedness on any vessel or other of its properties or assets of any kind, real or personal, tangible or intangible, included in the Borrower's consolidated balance sheet excluding Specified Subsidiaries in accordance with GAAP, nor shall the Borrower permit any of its Subsidiaries excluding Specified Subsidiaries to do any of the foregoing. Solely for purposes of the preceding sentence the term "Lien" shall not include (i) Liens with respect to Indebtedness under the Swaps Documents and (ii) other Liens in respect of Indebtedness up to an amount not greater than

40% (during its fiscal year 1994) and
35% (after its fiscal year 1994)

of the amount of total assets of the Borrower as shown on its consolidated balance sheet excluding Specified Subsidiaries (but excluding the value of any intangible assets) for the relevant period.

(k) [Reserved.]

(l) Organizational Documents. Amend its articles of incorporation (or similar charter documents) or by-laws (except for such amendments as shall not adversely affect the rights and remedies of the Agent or any Lender).

ARTICLE VI

DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any Facility Fee, or any installment of principal of a Note, when due, or shall fail to pay any interest on any such Note or fee within two (2) days after such interest shall become due; or

(b) Any representation or warranty made by or on behalf of the Borrower under or in connection with this Agreement or any of the other Loan Documents shall prove to have been incorrect in any material respect when made; or

(c) The Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Loan Documents on its part to be performed or observed and, in each case, any such failure shall remain unremedied for ten (10) days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) The Borrower or any of its Subsidiaries excluding Specified Subsidiaries shall fail to pay any amount or amounts due in respect of Indebtedness in the aggregate amount in excess of Twenty Million Dollars (\$20,000,000) (but excluding Indebtedness resulting from the Notes) of the Borrower or such Subsidiary when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other default under one or more agreements or instruments relating to Indebtedness in the aggregate amount in excess of Twenty Million Dollars (\$20,000,000) (but excluding Indebtedness resulting from the Notes) of the Borrower or such Subsidiary, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(e)(1) The Borrower or any of its Subsidiaries excluding Specified Subsidiaries shall (A) generally not pay its debts as such debts become due, (B) threaten to stop making payments generally, (C) admit in writing its inability to pay its debts generally, (D) make a general assignment for the benefit of creditors, (E) not be Solvent or (F) be unable to pay its debts;

(2) Any proceeding shall be instituted in any jurisdiction by or against the Borrower or any of its Subsidiaries excluding Specified Subsidiaries (A) seeking to adjudicate it a bankrupt or insolvent, (B) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (C) seeking the entry of an administration order, an order for relief, or the appointment of a receiver, trustee, or other similar official, for it or for any substantial part of its property, provided, that, in the case of any such proceeding instituted against but not by the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, such proceeding shall remain undismissed or unstayed for a period of forty-five (45) days or any of the relief sought in such proceeding (including, without limitation, the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or any substantial part of its property) shall be granted; or

(3) (A) The Borrower or any of its Subsidiaries excluding Specified Subsidiaries shall take any corporate action to authorize any of the actions set forth above in subparagraph (e)(2) of this Section 6.01, or (B) any director, or if one or more directors are elected and acting, any two directors of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, or any Person owning directly, or indirectly, shares of capital stock of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries in a number sufficient to elect a majority of directors of the Borrower or any of its Subsidiaries, shall take any preparatory or other steps to convene a meeting of any kind of the Borrower or any of its Subsidiaries excluding Specified Subsidiaries, or any meeting is convened or any other preparatory steps are taken, for the purposes of considering or passing any resolution or taking any corporate action to authorize any of the actions set forth above in subparagraph (e)(2) of this Section 6.01; or

(f) One or more judgments or orders for the payment of money, singly or in the aggregate, in excess of an amount equal to Ten Million Dollars (\$10,000,000) shall be rendered against the Borrower or any of its Subsidiaries excluding Specified Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall have elapsed any period of ten (10) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not have been in effect; or

(g) An extraordinary event shall occur, or a material adverse change affecting the business or operations of the Borrower shall occur, which situation or change gives reasonable grounds to conclude that the Borrower will not, or will be unable to, perform or observe in the normal course its obligations under this Agreement or the Loan Documents; or

(h) Micky Arison or Ted Arison (or, in the event of his death, a member of his immediate family or another Person acceptable to the Lenders) shall cease to own, directly or indirectly, shares of capital stock of the Borrower entitled to elect directors, in a number of shares at least sufficient to elect a majority of directors of the Borrower; or

(i) Any material provision of any of the Loan Documents after delivery thereof shall for any reason cease to be valid and binding on the parties thereto (other than the Lenders and the Agent), or any party thereto (other than a Lender or the Agent) shall so state in writing;

then, and in any such event, the Agent on direction of the Majority Lenders (i) shall, by notice to the Borrower, declare the Commitment to be terminated, whereupon the same shall forthwith terminate, and (ii) shall, by notice to the Borrower, declare each Advance and the Notes, and all interest thereon and all other amounts payable under this Agreement, to be forthwith due and payable (except that no notice shall be required upon the occurrence of an Event of Default described in paragraph (e) of this Section 6.01) whereupon each Advance, each Note, all such interest and all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

RELATION OF LENDERS; ASSIGNMENTS, DESIGNATIONS AND PARTICIPATIONS

SECTION 7.01. Lenders and Agent. The general administration of this Agreement and the Loan Documents shall be by the Agent, and each Lender hereby authorizes and directs the Agent to take such action (including without

limitation retaining lawyers, accountants, surveyors or other experts) or forbear from taking such action as in the Agent's reasonable opinion may be necessary or desirable for the administration hereof (subject to any direction of the Majority Lenders and to the other requirements of Section 7.04 hereof). The Agent shall inform each Lender, and each Lender shall inform the Agent, of the occurrence of any Event of Default promptly after obtaining knowledge thereof; however, unless it has actual knowledge of an Event of Default, each of the Agent and the Lenders may assume that no Event of Default has occurred.

SECTION 7.02. Pro Rata Sharing. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the A Advances and Term Loan made by it (other than pursuant to Section 2.06(c), 2.07 or 2.09) in excess of its ratable share of payments on account of the A Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the A Advances and Term Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Any Lender so purchasing a participation from another Lender pursuant to this Section 7.02 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 7.03. Setoff. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and any Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

SECTION 7.04. Approvals. Upon any occasion requiring or permitting an approval of any amendment or modification or any consent, waiver, declaring an Event of Default or taking any action thereafter, or any other action on the part of the Agent or the Lenders under any of the Loan Documents, (1) action may (but shall not be required to) be taken by the Agent for and on the behalf or for the benefit of all Lenders, provided (A) that no other direction of the Majority Lenders shall have been previously received by the Agent, and (B) that the Agent shall have received consent of the Majority Lenders to enter into any written amendment or modification of the provisions of any of the Loan Documents, or to consent in writing to any material departure from the terms of any Loan Documents by the Borrower or any other party thereto or (2) action shall be taken by the Agent upon the direction of the Majority Lenders, and any such action shall be binding on all Lenders; provided further, however, that unless all of the Lenders (other than the Designated Bidders) agree in writing thereto, no amendment, modification, waiver, consent or other action with respect to this Agreement or any of the Series A Notes shall be effective which (a) increases the Commitment or increases the Percentage Interest of any of the Lenders, (b) reduces any commission, fee, the principal or interest owing to any Lender in respect of the Series A Notes hereunder or the method of calculation of any thereof, (c) extends the Termination Date or the date on which any sum in respect of the Series A Notes is due hereunder, (d) releases any collateral, guaranty or other security, (e) amends the provisions of this Section 7.04 or the definition of Majority Lenders, or (f) waives any condition for Borrowing set forth in Article III. It is understood and agreed that from and after the conversion of Advances to Term Loans on the Termination Date, such Lenders as have no outstanding claims under any Note shall have no rights under this Section 7.04.

SECTION 7.05. Exculpation. The Agent shall not be liable or answerable for anything whatsoever in connection with any of the Loan Documents or other instrument or agreement required hereunder or thereunder, including responsibility in respect of the execution, delivery, construction or

enforcement of any of the Loan Documents or any such other instrument or agreement, or for any action taken or not taken by the Agent in any case involving exercise of any power or authority conferred upon the Agent under any thereof, except for its wilful misconduct or gross negligence, and the Agent shall have no duties or obligations other than as provided herein and therein. The Agent shall be entitled to rely on any opinion of counsel (including counsel for the Borrower or any of its Subsidiaries) in relation to any of the Loan Documents or any other instrument or agreement required hereunder or thereunder and upon writings, statements and communications received from the Borrower or any of its Subsidiaries (including any representation made in or in connection with any Loan Document), or from any other party to any of the Loan Documents or any documents referred to therein or any other Person, firm or corporation reasonably believed by it to be authentic, and the Agent shall not be required to investigate the truth or accuracy of any writing or representation, nor shall the Agent be liable for any action it has taken or omitted in good faith on such reliance.

SECTION 7.06. Indemnification. Each Lender (other than any Designated Bidder) agrees to indemnify the Agent, except to the extent reimbursed by the Borrower and except in the case of any suit by any Lender against the Agent resulting in a final judgment against the Agent, ratably according to the aggregate principal amount of the Series A Notes or Term Notes then held by it (or if no Series A Notes or Term Notes are outstanding or if any such Series A Notes or Term Notes are held by Persons which are not Lenders, ratably according to the amount of its Commitment) against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (except to the extent the foregoing results from the Agent's gross negligence or wilful misconduct) which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of (y) any of the Loan Documents or any other instrument or agreement contemplated hereunder or thereunder or (z) any action taken or omitted by the Agent under any of the Loan Documents or such other instrument or agreement.

SECTION 7.07. Agent as Lender. The Agent shall, in its individual capacity, have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not an agent; the term "Lenders" shall include the Agent in its individual capacity to the extent of its Percentage Interest. The Agent and its Subsidiaries and Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Borrower and its Subsidiaries and Affiliates, as if it were not the Agent.

SECTION 7.08. Notice of Transfer; Resignation; Successor Agent. (a) The Agent may deem and treat a Lender party to this Agreement as the owner of such Lender's interest in any Loan and any other instrument or agreement contemplated hereunder or thereunder for all purposes hereof unless and until a written notice of the assignment or transfer thereof, executed by such Lender and otherwise in compliance with the requirements of Section 7.10 hereof, shall have been received and accepted by the Agent. The Agent shall resign if directed by the Majority Lenders for any reason. The Agent may not resign at any time, except that, upon written notice to the Lenders and the Borrower, the Agent may resign if in its judgement there exist or may occur reasons related to conflict of interest, a change in, or violation of, law or regulation or interpretation thereof, or such other occurrence that may prevent or impede the Agent in discharging its duties hereunder faithfully and effectively in accordance with their terms.

(b) Any successor Agent shall be appointed by the Majority Lenders and shall be a bank or trust company reasonably satisfactory to the Borrower (so long as no Event of Default shall have occurred and be continuing) and the Majority Lenders. If no successor Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lender's removal of the Agent, then such retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 7.09. Credit Decision; Not Trustee. Each Lender represents that it has made, and agrees that it shall continue to make, its own independent investigation of the financial condition and affairs of the Borrower and its Subsidiaries, and its own appraisal of the creditworthiness of the Borrower and its Affiliates and Subsidiaries in connection with the making and performance

of this Agreement. The Agent has and shall have no duty or responsibility whatsoever on the date hereof or, except as otherwise expressly provided in this Agreement at any time hereafter, to provide any Lender with any credit or other information. Nothing herein shall (nor shall it be construed so as to) constitute the Agent a trustee for the Borrower or its Subsidiaries or impose on it any duties or obligations other than those for which express provision is made in this Agreement or under the other Loan Documents.

SECTION 7.10. Assignments, Designations and Participation. (a) Each Lender (other than the Designated Bidders) may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes held by it); provided, however, that (i) each such assignment shall be of constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make B Advances, B Advances owing to it or Series B Notes), (ii) unless the Borrower shall otherwise agree with the assigning Lender, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) that is not to a then existing Lender hereunder, or to a Designated Bidder designated by a then existing Bank hereunder shall in no event be less than Ten Million Dollars (\$10,000,000) or such lesser amount as shall constitute all of such assigning Bank's Commitment and the outstanding principal of Notes payable to it, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,000; provided further, however, that each such assignment that is not to a then existing Lender hereunder, or to a Designated Bidder designated by a then existing Bank hereunder (x) shall be subject to the consent of the Borrower, which consent shall not unreasonably be denied and which consent shall be deemed given unless the Borrower gives the assigning Lender and the Agent written notice of and a reasonable basis for its denial not later than five (5) Business Days following (i) telex, telecopy or cable notice given to the Borrower by the assigning Lender or the Agent of the name of the proposed transferee, the amount of Commitment to be assigned and such information as the Borrower may reasonably request for purposes of making an informed judgment, and, if the proposed transferee is organized under the laws of a jurisdiction outside the United States, (ii) transmission to the Borrower by telecopy of any one of the following documents, properly completed and executed by the proposed transferee: Internal Revenue Service Form 1001 (or any successor form), certifying that the proposed transferee is entitled to benefits under an income tax treaty which will exempt from United States Federal income tax the income receivable by the proposed transferee pursuant to this Agreement, or Internal Revenue Service Form 4224 (or any successor form), certifying that the income receivable by the proposed transferee pursuant to this Agreement will be effectively connected with the conduct of a trade or business in the United States, or Internal Revenue Service Form W-8 (or any successor form) certifying that it is a foreign person together with a tax certificate, substantially in the form of Attachment III to the Assignment and Acceptance, as appropriate. Any consent to assignment untimely or unreasonably denied by the Borrower shall be void and of no effect, and shall not preclude or bar any assignment otherwise permitted by this Section 7.10(a). Any assignment or purported assignment not in compliance with this Section shall be void and of no effect. Without regard to any of the other terms of this Agreement or of any other agreement, any Lender may assign, as collateral or otherwise, any of its rights (including, without limitation, rights to payments of principal and/or interest on the Notes) under this Agreement to any Federal Reserve Bank of the United States without notice to or consent of the Borrower, the Agent or any other Person. In case of any assignment pursuant to this Section 7.10(a), the assignee shall not be entitled to receive the portion (if any) of any amount otherwise payable under Section 2.07 or 2.09 hereof which exceeds the amount which would have been payable under Section 2.07 or 2.09 (as the case may be) to the assignor with respect to the rights and obligation so assigned. In the case of a transfer of any Note from the accounting records of the office of a Lender where such Note was originally recorded to the accounting records of any other office of such Lender, or a change in the location of the Lending Office from that designated as of the Closing Date, such Lender or the Agent, as the case may be, shall not be entitled to receive the portion (if any) of any amount otherwise payable under Section 2.07 or 2.09 hereof which exceeds the amount which would have been payable under Section 2.07 or 2.09 (as the case may be) to such Lender or the Agent, as the case may be, if such transfer or change had not been made. In the case of a change in location, from the Closing Date, of the Lending Office, unless the Borrower shall consent to such change, the Borrower shall not be required to remit to the Agent pursuant to Section 2.07 or 2.09 hereof any amount that exceeds the amount which would have been payable under Section 2.07 or 2.09 (as the case may be) if such change in location had not occurred. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, and delivery of the tax forms

and other documents referred to in Section 2.09 hereof, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance and subject to the foregoing, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any of the Borrower or its Subsidiaries or the performance or observance by any of the Borrower or its Subsidiaries of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to herein Sections 4.01(e) and 5.01(c), and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto and has attached thereto the forms referred to in paragraph 3(vii) thereof, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register (including the transfer of Notes to such Eligible Assignee by the assigning Lender) and (iii) give prompt notice and an execution counterpart thereof to the Borrower. Within five (5) Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note or new Notes, as the case may be, of the same Series or type to the order of such Eligible Assignee in an amount, if on or before the Termination Date, equal to the Commitment assumed by it pursuant to such Assignment and Acceptance, and a new Series B Note in substantially the form of Exhibit A-2 hereto, as the case may be, and if the assigning Lender has retained a Commitment hereunder, a new Series A Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Series A Note or Series A Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Series A Note or Series A Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 hereto. After the Termination Date, a new Term Note or Term Notes, substantially in the form of Exhibit A-3 hereto, shall be delivered as aforesaid in connection with the Assignment and Acceptance in lieu of Series A or Series B Notes.

(d) In addition each Lender (other than the Designated Bidders) may designate one or more banks or other entities to have a right to make B Advances as a Lender pursuant to Section 2.03; provided, however, that (i) no such Lender shall be entitled to make more than two such designations with respect to any particular B Borrowing, (ii) each such Lender making one or more of such designations shall retain the right to make B Advances as a Lender pursuant to Section 2.03, (iii) each such designation shall be to a Designated Bidder and (iv) the parties to each such designation shall execute and deliver to the Agent, for its acceptance and recording in the Register, a Designation Agreement. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Designation Agreement, the designee thereunder shall be a party hereto with a right to make B Advances as a Lender pursuant to Section 2.03 and the obligations related thereto.

(e) By executing and delivering a Designation Agreement, the Lender making the designation thereunder and its designee thereunder confirm and agree with each other and the other parties hereto as follows: (i) such Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any of the Borrower or its Subsidiaries or the performance or observance by any of the Borrower or its Subsidiaries of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such designee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and 5.01(c) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into the Designation Agreement; (iv) such designee will, independently and without reliance upon the Agent, such designating Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such designee confirms that it is a Designated Bidder; (vi) such designee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such designee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(f) Upon its receipt of a Designation Agreement executed by a designating Lender and a designee representing that it is a Designated Bidder, the Agent shall, if such Designation Agreement has been completed and is substantially in the form of Exhibit D hereto, (i) accept such Designation Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five (5) Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent a new Series B Note to the order of such Designated Bidder in substantially the form of Exhibit A-2 hereto.

(g) The Agent shall maintain at its address referred to in Section 8.02 of this Agreement a register for the recordation of the names and addresses of the Lenders and, with respect to Lenders other than Designated Bidders, the Commitment of, and principal amount of the Advance owing and each Note payable to, each Lender from time to time and a copy of each Assignment and Acceptance and Designation Agreement delivered to and accepted by it (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice and each shall be entitled to make copies thereof at its expense.

(h) Each Lender and the Agent may grant participations to one or more banks or other entities in or to all or any part of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advance owing to it); provided, however, that, notwithstanding the grant of any such participation by any Lender, such participation, and the right to grant such a participation, shall be expressly subject to the following conditions and limitations: (i) such Lender's obligations under this Agreement (including without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note and Advance for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) such Lender shall continue to be able to agree to any modification or amendment of this Agreement or any waiver hereunder without the consent, approval or vote of any such participant or group of participants, other than modifications, amendments, and waivers which (a) postpone the Termination Date, the Term Loan Maturity Date or any date fixed for any payment of, or reduce any payment of, principal of or interest on such Lender's Advance or any fees or other amounts payable under this Agreement, or (b) increase the amount of such Lender's Commitment, or (c) change the interest rate payable under this Agreement, or (d) release all or substantially all of any collateral or guaranty, provided that if a Lender agrees to any modification or waiver relating to items (a) through (d), the Borrower, the Agent and each other Lender may conclusively assume that such Lender duly received any necessary consent of each of its participants and (vi) except as contemplated by the immediately preceding clause (v), no participant shall be deemed to be or to have any of the rights or obligations of a "Lender" hereunder.

(i) Any Lender may, in connection with any assignment, designation or participation or proposed assignment, designation or participation pursuant to this Section 7.10, disclose to the assignee, Designated Bidder or participant, or proposed assignee, designated bidder or participant, any information relating to the Borrower or its Subsidiaries furnished to such Lender by or on behalf of the Borrower, provided that the Person receiving such information undertakes not to disclose it to a third party except pursuant to, and subject to the conditions provided in, this Section 7.10.

SECTION 7.11. Managing Agent; Co-Agent. Each of the Managing Agent and Co-Agent shall have no duties, responsibilities, rights or liabilities as Managing Agent or Co-Agent, as the case may be, under this Agreement or any of the other Loan Documents and, other than as a Lender, shall not be liable or answerable for anything whatsoever in connection with any of the Loan Documents or other instrument or agreement required hereunder or thereunder, including responsibility in respect of the execution, delivery, construction or enforcement of any of the Loan Documents or any such other instrument or agreement, or for any action taken or not taken by any Person with respect thereto. Each of the Managing Agent and Co-Agent has and shall have no duty or responsibility whatsoever on the date hereof or at any time hereafter, to provide any Bank with any credit or other information. Nothing herein shall (nor shall it be construed so as to) constitute the Managing Agent or Co-Agent a trustee for the Borrower or its Subsidiaries or impose on it any duties or obligations whatsoever under this Agreement, the other Loan Documents, or otherwise.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments. No amendment, supplement or modification to this Agreement shall be enforceable against the Borrower unless the same shall be in writing and signed by the Borrower. No amendment or waiver of any provision of this Agreement or any instrument delivered hereunder, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent and, to the extent required by Section 7.04 hereof, the Majority Lenders or each Lender, as the case may be, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 8.02. Notices. All notices, demands and other communications provided for hereunder shall be in writing (including telegraphic communication) and mailed, telexed, telecopied or telegraphed or delivered, if to the Borrower at its address set forth below its signature herein written; and if to a Lender other than the Agent, at its address set forth below its signature herein written; or, as to each party, at such other address as shall be designated by such party in a notice to the other parties hereto. All such notices and communications shall, when mailed, telexed, telecopied, or telegraphed, be effective upon the earliest of (i) actual receipt, (ii) seven days from the date when deposited in the mails, or (iii) when (on a Business Day and during normal business hours at the addressee's address) transmitted by telecopy or telex or delivered to the telegraph company, respectively, except that notices and communications to the Agent or any Lender pursuant to Article II hereof shall not be effective until received by the Agent or such Lender.

SECTION 8.03. No Waiver; Remedies. Regardless of any fact known or investigation undertaken by the Agent or any Lender, no failure on the part of the Agent or any Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses, Fees and Indemnities. (a) The Borrower agrees to pay on demand (i) in connection with the preparation, execution, and delivery of this Agreement and the instruments and other documents to be delivered hereunder, (y) the reasonable fees and out-of-pocket expenses of Messrs. Haight, Gardner, Poor & Havens, as special counsel for the Agent and the Lenders (and any local counsel retained by such firm) with respect to the closing of the Transaction and (z) all other costs and expenses of the Lenders and the Agent (other than any other legal fees and related expenses incurred by them) and (ii) after the Closing Date, all costs and expenses in connection with the administration of this Agreement and the other instruments and documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of any counsel for the Agent or the Lenders in connection with advice given the Agent or the Lenders, from time to time, as to their rights and responsibilities under this Agreement and such instruments and documents. The Borrower shall not be liable to any Lender in respect of any costs or expenses incurred in connection with any assignment or grant of participation under Section 7.10 hereof. The Borrower further agrees

to pay on demand all losses, costs and expenses, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement of this Agreement and the instruments and other documents delivered hereunder, including, without limitation, losses, costs and expenses sustained as a result of a Default by the Borrower in the performance of its obligations contained in this Agreement or any instrument or document delivered hereunder.

(b) If, for any reason, including maturity or demand of the Loan under Article VI, or prepayment of the Loan, in whole or in part, the Agent or any of the Lenders receives payment of principal of or interest on the Loan, or any part thereof, on any day other than the last day of the Interest Period for the Loan, or any part thereof, permitted under this Loan Agreement the Borrower shall pay to the Agent on behalf of the Lenders on demand any amounts required to compensate the Lenders for any breakage costs (including cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds in respect of such payment) and any additional losses, costs or expenses which any Lender may incur as a result of such payment, provided that the Lender shall have delivered to the Agent and the Borrower, as the case may be, a certificate as to the amount of such breakage costs, additional losses, costs or expenses, which certificate shall be binding, absent manifest error, except that the failure of the Lender to provide such certificate shall in no way relieve the Borrower of its obligations under this Section 8.04(b).

(c) The Borrower agrees to indemnify and hold harmless each of the Lenders and the Agent, and its and their respective Affiliates, directors, officers, employees, agents, representatives, counsel and advisors (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel and the costs of investigation and defense thereof) which may be incurred by or asserted or awarded against any Indemnified Party, in each case based upon, arising out of or in connection with or by reason of, the Transaction, including, without limitation, any act or failure to act by the Agent where such act or failure to act was taken pursuant to the Borrower's request or any transaction contemplated by this Agreement or any Loan Document, whether or not any Advance hereunder is made, except to the extent that such claim, damage, loss, liability or expense results from the gross negligence or willful misconduct of such Indemnified Party. The indemnities of this Agreement shall survive the termination of this Agreement and the other Loan Documents.

SECTION 8.05. [Reserved.]

SECTION 8.06. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under any instrument delivered hereunder in United States Dollars into another currency, the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent or the Lender, as the case may be, could purchase United States Dollars with such other currency on the Business Day preceding that on which final judgment is given.

(b) The obligation of the Borrower in respect of any sum due from it to the Agent or any Lender hereunder or under such instrument shall, notwithstanding any judgment in a currency other than United States Dollars, be discharged only to the extent that on the Business Day following receipt by the Agent or such Lender of any sum adjudged to be so due in such other currency the Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase United States Dollars with such other currency; if the United States Dollars so purchased are less than the sum originally due to the Agent or such Lender, as the case may be, in United States Dollars, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Agent or such Lender, as the case may be, against such loss, and if the United States Dollars so purchased exceed the sum originally due to the Agent or such Lender in United States Dollars, the Agent or such Lender shall remit such excess to the Borrower.

SECTION 8.07. Consent to Jurisdiction; Waiver of Immunities. (a) The Borrower hereby irrevocably submits to the jurisdiction of any New York State court sitting in New York County and to the jurisdiction of the United States District Court for the Southern District of New York in any action or proceeding arising out of or relating to this Agreement or the Notes, and the Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Borrower hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Borrower hereby irrevocably appoints C T Corporation System (the "Process Agent"), with an office on the date hereof at 1633 Broadway, New York, New York 10019, United States, as its agent to receive on behalf of itself and its property service of copies of the summons and complaint and any other process which may be served in any such action or proceeding. Such service may be made by mailing or delivering a copy of such process to the Borrower in care of the Process Agent (or any successor thereto, as the case may be) at such

Process Agent's above address (or the address of any successor thereto, as the case may be), and the Borrower hereby irrevocably authorizes and directs the Process Agent (and any successor thereto) to accept such service on its behalf. The Borrower shall appoint a successor agent for service of process should the agency of C T Corporation System terminate for any reason, and further shall at all times maintain an agent for service of process in New York, New York, so long as there shall be outstanding any Obligations under the Loan Documents. The Borrower shall give notice to the Agent of any appointment of successor agents for service of process, and shall obtain from each successor agent a letter of acceptance of appointment and promptly deliver the same to the Agent. As an alternative method of service, the Borrower also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to it at its address specified in Section 8.02 hereof. Without waiver of its rights of appeal permitted by relevant law, the Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Nothing in this Section 8.07 shall affect the right of the Agent or any Lender to serve legal process in any other manner permitted by law, or affect the right of the Agent or any Lender to bring any action or proceeding against the Borrower or their respective properties in the courts of any other jurisdiction.

(c) To the extent that the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the Notes.

SECTION 8.08. Binding Effect; Merger; Severability; GOVERNING LAW.

(a) This Agreement shall become effective when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Bank that such Bank has executed it and thereafter this Agreement shall be binding upon, and shall inure to the benefit of the Borrower, the Agent and each Lender, and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein. Each Lender may, to the extent permitted under this Agreement, assign to any other financial institution all or any part of, or any interest in, the Lender's rights and benefits hereunder and under any instrument delivered hereunder, and to the extent of such assignment such assignee shall have the same rights and benefits against the Borrower as it would have had if it were the Lender hereunder.

(b) The Loan Documents, together with all attachments and exhibits to each of them and all other documents referenced herein and therein, and delivered hereunder and thereunder and pursuant hereto and thereto, constitute the entire agreement among the parties with respect to the subject matter hereof and thereof, and supersede all prior and contemporaneous written and oral understandings and agreements related thereto among the parties.

(c) If any word, phrase, sentence, paragraph, provision or section of the Loan Documents shall be held, declared, pronounced or rendered invalid, void, unenforceable or inoperative for any reason by any court of competent jurisdiction, governmental authority, statute, or otherwise, such holding, declaration, pronouncement or rendering shall not adversely affect any other word, phrase, sentence, paragraph, provision or section of the Loan Documents, which shall otherwise remain in full force and effect and be enforced in accordance with their respective terms.

(d) This Agreement has been delivered in New York, New York. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND BE CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

SECTION 8.09. Counterparts. This Agreement may be executed in as many counterparts as may be deemed necessary or convenient and by each party hereto on separate counterparts, each of which, when so executed, shall be deemed as original, but all such counterparts shall constitute but one and the same agreement.

SECTION 8.10. WAIVER OF JURY TRIAL. BY ITS SIGNATURE BELOW WRITTEN EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE LOAN DOCUMENTS HEREIN DESCRIBED OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CITIBANK, N.A.,
as Agent

CARNIVAL CORPORATION,
as Borrower

By: _____

By: _____

Title:
Address: 399 Park Avenue
Shipping Department
8th Floor

Title:
Address: 3655 N.W. 87th Avenue
Miami, Florida 33178-2428
Attention: Chairman and Chief Executive

Officer

New York, NY 10043 Telephone: (305) 599-2600
Telephone: (212) 559-3842 Telex: 519206
Telex: 425 727 Answerback: CARNOP
Answerback: NY AAB Telecopy: (305) 471-4700
Telecopy: (212) 793-3588

as Managing Agent

as Co-Agent

By: _____

By: _____

Title:
Address:

Title:
Address:

Telephone:
Telex:
Answerback:
Telecopy:

Telephone:
Telex:
Answerback:
Telecopy:

January 24, 1996

Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, DC 20549

RE: Carnival Corporation
Commission File No. 1-9610

Gentlemen:

Pursuant to Item 601 (b) (4) (iii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, Carnival Corporation (the "Company") hereby agrees to furnish copies of certain long-term debt instruments to the Securities and Exchange Commission upon the request of the Commission, and, in accordance with such regulation, such instruments are not being filed as part of the Annual Report on Form 10-K of the Company for its fiscal year ended November 30, 1995.

Very truly yours,

CARNIVAL CORPORATION

Arnaldo Perez
General Counsel

OBJECTIVE

The Holland America Line - Westours, Inc. ("HALW") Key Management Incentive Plan (the "Plan") is designed to focus managerial attention on the objective of maximizing the profitability of the Holland America Line group of companies. The Plan provides a framework within which the participants share in the Net Income (as defined below) achieved from applicable business operations on a fiscal year basis.

PLAN ADMINISTRATION

The Plan Administrator is the President and Chief Executive Officer of HALW (the "Plan Administrator"). The Plan Administrator may, in his or her discretion, delegate administrative functions regarding the Plan to the HALW Vice President-Human Resources and/or the HALW Chief Financial Officer. The Plan Administrator shall have sole discretion in resolving any questions regarding the administration or terms of the Plan not addressed in this document as well as in resolving any ambiguities that may exist in this document.

PLAN YEAR

The "Plan Year" is the fiscal year for HAL Antillen N.V., being specifically the 12-month period ending November 30 of each year.

PARTICIPATION

Key Management positions participate in the Plan based on their level of responsibility and to the degree the position can impact the Plan's objectives. Each participant is awarded a specific number of shares (the "Shares") except that no participant shall be awarded in excess of 100 Shares. Decisions regarding whether or not an individual will participate in the Plan, the number of Shares awarded to individual participants, and the aggregate number of Shares awarded to individual participants, and the aggregate number of Shares in a Plan Year are determined by the Plan Administrator. The Shares of each participant will be communicated to the participant during the first ninety (90) days of each Plan Year. Such decisions may be revised during a Plan Year by the Plan Administrator due to major changes in position responsibilities occurring during the Plan Year.

Only persons who are employed by HAL Antillen N.V. or one of its direct or indirect subsidiaries on the first day of a Plan Year are eligible to participate in the Plan, except that persons who commence employment following the beginning of the Plan Year may, with the approval of the Plan Administrator, be allowed to participate in the Plan. Such late-entry participants will be awarded Shares pro-rated to the time of their entry into the Plan, subject to the approval of the Plan Administrator.

In order to actually receive an Incentive Award (as defined below) under the Plan, a participant must be employed by HAL Antillen N.V. or one of its direct or indirect subsidiaries on the last day of the Plan Year. The only exception to this requirement is for participants whose employment is terminated prior to the last day of the Plan Year as the result of death, disability or retirement ("Early Termination Employees").

NET INCOME

The basis for determining the total amount payable under the Plan is the consolidated net income generated within each Plan Year by HAL Antillen N.V. and its direct and indirect subsidiaries including Holland America Line-Westours Inc., Westmark Hotels, Inc., Gray Line of Seattle, Gray Line of Alaska, the Windstar Companies and other corporations or entities as to which HAL Antillen N.V. has a direct or indirect ownership interest, either existing or established during the Plan Year, as such net income is specified in the annual audited consolidated financial statements for HAL Antillen N.V., prepared in accordance with generally accepted accounting principles consistently applied (the "Net Income").

METHOD OF CALCULATING INCENTIVE AWARDS

Each participant will be awarded a specific number of Shares within the Plan for each Plan Year. Each participant will receive the aggregate dollar value of his or her Shares (the "Incentive Award"). The dollar value of a single Share will either be fixed or variable depending on the participant's position, as determined by the Plan Administrator. Participants with a fixed Share value will receive \$50.00/Share for each \$1,000,000 of Net Income during the Plan Year

(pro rated for increments of less than \$1,000,000). The fixed Share value is subject to adjustment by the Plan Administrator at any time prior to the commencement of the Plan Year to which such adjustment relates.

Participants with a variable Share value will have their Incentive Awards determined by dividing the actual number of variable Shares outstanding at the end of the Plan Year into the balance of the Incentive Pool (as defined below) after subtracting the aggregate value of the outstanding Shares as to participants with a fixed Share value.

The total Plan incentive award pool for each Plan Year shall equal three and two tenths percent (3.2%) of Net Income for the Plan Year (the "Incentive Pool") provided, however, that percentage may, as to either the 1995 and 1996 Plan Years, be changed by the Plan Administrator at any time prior to the commencement of the applicable Plan Year.

The Plan Administrator has authority to reduce Incentive Awards to Early Termination Employees based upon the actual number of days during the Plan Year in which the person was employed by HAL Antillen N. V. or one of its direct or indirect subsidiaries.

PAYMENT OF INCENTIVE AWARDS

Incentive Awards are paid on a date determined by the Plan Administrator which is within seventy-five (75) days following the conclusion of each Plan Year. At the discretion of the Plan Administrator, advance partial payment of Incentive Awards may be made based on anticipated Net Income. At the discretion of the Plan Administrator, special arrangements may be made for earlier payments to Early Termination Employees.

Cash awards are subject to partial payment in CCL Stock (as defined below) on the terms described below under Senior Management Common Stock Award.

SENIOR MANAGEMENT COMMON STOCK AWARD

A predetermined portion of the Incentive Award shall be made to specified participants in the form of CCL Class A shares of common stock ("CCL Stock") based on the following table:

Share Level	Fixed/Variable	Amount of Incentive Award in CCL Stock
All Levels	Fixed	30%
20 or more	Variable	25%
10-19.99	Variable	20%
Less than 10	Variable	-0-

Notwithstanding the foregoing, no portion of the Incentive Award payable to the Plan Administrator, in his/her capacity as a participant, shall be made in CCL Stock. The actual number of shares of CCL Stock to be received by each participant referred to in the foregoing table shall be determined by dividing the amount of the participant's Incentive Award to be received in CCL Stock (as above provided) by the average closing price for CCL Stock for the last ten (10) trading days of the Plan Year, as quoted on the national stock exchange on which the CCL Stock is traded. Fractional shares of CCL Stock will not be issued.

The value of CCL Stock received by Plan participants will be reported to governmental taxing authorities, and taxes shall be withheld in respect of such CCL Stock, in accordance with the requirements of applicable law. CCL Stock issued will be subject to a restriction on sale commencing from date of issuance and continuing until, but not including, the first trading day in the second January following the end of the Plan Year in respect of which the CCL Stock was issued (e.g., CCL stock issued in respect of the Plan Year ending November 30, 1994 would be subject to a restriction on sale that would not end until the first trading day in January, 1996). Holders will be eligible to receive dividends during the restriction period.

DURATION OF PLAN

The Plan will be effective for the fiscal years 1994, 1995 and 1996. It is the intent of HALW to make a decision on whether or not to renew the Plan for an additional year in August of each year in order to effect a 2-year planning horizon (e.g., decision by August 1995 as to whether or not to extend the Plan to 1997).

PURCHASE FOR INVESTMENT

Whether or not the shares of CCL Stock covered by the Plan have been registered under the Securities Act of 1933, as amended, each person acquiring shares of

CCL Stock under the Plan may be required by CCL to give a representation in writing that such person is acquiring such shares for investment and not with a view to, or for sale in connection with, the distribution of any part thereof. CCL will endorse any necessary legend referring to the foregoing restriction upon the certificate or certificates representing any shares of CCL Stock issued or transferred to the Plan participants upon the grant of any shares CCL Stock under the Plan.

AMENDMENT OF PLAN

Any amendment to the Plan shall comply with all applicable laws and applicable stock exchange listing requirements.

GOVERNMENTAL AND OTHER REGULATIONS

The Plan and the CCL Stock awards under the Plan shall be subject to all applicable federal and state laws, rules and regulations and such approvals by any governmental or regulatory agency or national securities exchange, as may be required. CCL shall not be required to issue or deliver any certificates or shares of CCL stock prior to the completion of any registration or qualification of such shares under any federal or state law, or any ruling or regulations of any governmental body or national securities exchange which CCL shall, in its sole discretion, determine to be necessary or advisable.

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT, dated as of _____, among Ted Arison ("Arison"), Cititrust (Jersey) Limited, as Trustee for the Ted Arison 1994 Cash Trust (the "Cash Trust"), Royal Bank of Scotland Trust Company (Jersey) Limited as Trustee for each of The Ted Arison 1992 Irrevocable Trust for Micky, The Ted Arison 1992 Irrevocable Trust for Shari and The Ted Arison 1992 Irrevocable Trust for Lin No. 2 (collectively the "Irrevocable Trusts" and, together with the Cash Trust, the "Transferees"), and Carnival Corporation, a Panamanian corporation (the "Company").

WHEREAS, on June 14, 1991, the Company and Arison entered into the Consulting Agreement/Registration Rights Agreement, dated as of such date (the "Registration Agreement"), as amended by the First Amendment to Consulting Agreement/Registration Rights Agreement, dated as of July 31, 1992, in order to, among other things, provide Arison with certain registration rights with respect to 64,797,737 shares (the "Shares") of the Company's Class A Common Stock, par value \$.01 per share, owned by Arison as of such date;

WHEREAS, subsequent to June 14, 1991, Arison transferred certain of the Shares to other members of the Arison Family, certain Trusts for the benefit of members of the Arison Family, including the Transferees, and certain other related parties;

WHEREAS, Arison wishes to assign to the Transferees the rights granted to him pursuant to the Registration Agreement with respect to the Shares currently held by the Transferees (the "Transferee Shares") and the Transferees desire to acquire such rights and are willing to perform the duties of Arison under the Agreement with respect to the Transferee Shares; and

WHEREAS, the Company wishes to consent to such assignment and assumption.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

- i. Assignment. Arison hereby irrevocably assigns to each Transferee all of Arison's rights under the Registration Agreement with respect to the Transferee Shares owned by such Transferee on the date hereof.
- ii. Assumption. Each Transferee hereby accepts such assignment and assumes and covenants to perform all of the obligations of Arison under the Registration Agreement with respect to the Transferee Shares owned by such Transferee on the date hereof.
- iii. Consent. The Company hereby consents to the assignment and assumption set forth herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Ted Arison

THE TED ARISON 1992 IRREVOCABLE TRUST FOR MICKY

By: Royal Bank of Scotland Trust Company
(Jersey) Limited, as Trustee

By: _____

Name:

Title:

THE TED ARISON 1992 IRREVOCABLE TRUST FOR SHARI

By: Royal Bank of Scotland Trust Company
(Jersey) Limited, as Trustee

By: _____

Name:

Title:

THE TED ARISON 1992 IRREVOCABLE TRUST FOR LIN
NO.2

By: Royal Bank of Scotland Trust Company
(Jersey) Limited, as Trustee

By: _____

Name:
Title:

THE TED ARISON 1994 CASH TRUST

By: Cititrust (Jersey) Limited, as Trustee

By: _____

Name:

Title:

CARNIVAL CORPORATION

By:

Name: Howard S. Frank

CARNIVAL CORPORATION
 STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS
 (In thousands, except per share data)

November 30,	For the Years Ended	
	1995	1994
Net income	\$451,091	\$381,765
Adjustments to net income for the purpose of computing fully diluted earnings per share:		
Interest reduction from assumed conversion of 4.5% Convertible Debentures	5,538	5,538
Adjusted net income	\$456,629	\$387,303
Weighted average shares outstanding	284,220	282,744
Adjustments to weighted average shares outstanding for the purpose of computing fully diluted earnings per share:		
Additional shares issuable upon conversion of 4.5% Convertible Debentures	6,618	6,618
Adjusted weighted average shares outstanding	290,838	289,362
Earnings per share:		
Primary	\$1.59	\$1.35
Fully Diluted*	\$1.57	\$1.34

* This exhibit is provided to comply with SEC regulations. In accordance with Accounting Principles Board Opinion No. 15, the Company does not present fully diluted EPS in its financial statements because the convertible debentures are anti-dilutive or result in a less than 3% dilution for the periods presented.

CARNIVAL CORPORATION
 RATIO OF EARNINGS TO FIXED CHARGES
 (In thousands, except ratios)

	FOR THE YEARS ENDED NOVEMBER 30,				
	1995	1994	1993	1992	1991
Income from continuing operations	\$451,091	\$381,765	\$318,170	\$281,773	\$253,824
Income tax expense	9,374	10,053	5,497	9,008	8,995
Income from continuing operations before income taxes	\$460,465	\$391,818	\$323,667	\$290,781	\$262,819
Fixed Charges:					
Interest expense	\$ 63,080	\$ 51,378	\$ 34,325	\$ 53,792	\$65,428
Interest portion of rental expense(1)	1,645	2,575	2,894	3,567	3,300
Fixed charges associated with discontinued operations	0	928	1,451	1,265	7,349
Capitalized interest	18,762	21,888	24,609	21,682	28,215
Total fixed charges	\$ 83,487	\$ 76,769	\$ 63,279	\$ 80,306	\$104,292
Earnings before fixed charges	\$525,190	\$446,699	\$362,337	\$349,405	\$338,896
Ratio of earnings to fixed charges	6.3 x	5.8 x	5.7 x	4.4 x	3.2 x

(1) Represents one-third of rental expense, which Company management believes to be representative of the interest portion of rental expense.

CARNIVAL CORPORATION
 CONSOLIDATED BALANCE SHEETS
 (in thousands)

ASSETS	NOVEMBER 30,	
	1995	1994
CURRENT ASSETS		
Cash and cash equivalents	\$ 53,365	\$ 54,105
Short-term investments	50,395	70,115
Accounts receivable, net	33,080	20,789
Consumable inventories, at average cost	48,820	45,122
Prepaid expenses and other	70,718	50,318
Total current assets	256,378	240,449
PROPERTY AND EQUIPMENT, net	3,414,823	3,071,431
OTHER ASSETS		
Goodwill, less accumulated amortization of \$48,292 and \$41,310	226,571	233,553
Long-term notes receivable	78,907	76,876
Investments in affiliates and other assets	128,808	47,514
	\$4,105,487	\$3,669,823
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 72,752	\$ 84,644
Accounts payable	90,237	86,750
Accrued liabilities	113,483	114,868
Customer deposits	292,606	257,505
Dividends payable	25,632	21,190
Total current liabilities	594,710	564,957
LONG-TERM DEBT	1,035,031	1,046,904
CONVERTIBLE NOTES	115,000	115,000
OTHER LONG-TERM LIABILITIES	15,873	14,028
COMMITMENTS AND CONTINGENCIES (Note 9)		
SHAREHOLDERS' EQUITY		
Class A Common Stock; \$.01 par value; one vote per share; 399,500 shares authorized; 229,839 and 227,575 shares issued and outstanding	2,298	2,276
Class B Common Stock; \$.01 par value; five votes per share; 100,500 shares authorized; 54,957 shares issued and outstanding	550	550
Paid-in-capital	594,811	544,947
Retained earnings	1,752,140	1,390,589
Less - other	(4,926)	(9,428)
Total shareholders' equity	2,344,873	1,928,934
	\$4,105,487	\$3,669,823

The accompanying notes are an integral part of these consolidated financial statements.

CARNIVAL CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per share data)

	YEARS ENDED NOVEMBER 30,		
	1995	1994	1993
REVENUES	\$1,998,150	\$1,806,016	\$1,556,919
COSTS AND EXPENSES:			
Operating expenses	1,131,113	1,028,475	907,925
Selling and administrative	248,566	223,272	207,995
Depreciation and amortization	128,433	110,595	93,333
	1,508,112	1,362,342	1,209,253
OPERATING INCOME	490,038	443,674	347,666
OTHER INCOME (EXPENSE):			
Interest income	14,403	8,668	11,527
Interest expense, net of capitalized interest	(63,080)	(51,378)	(34,325)
Other income (expense)	19,104	(9,146)	(1,201)
Income tax expense	(9,374)	(10,053)	(5,497)
	(38,947)	(61,909)	(29,496)

NET INCOME \$ 451,091 \$ 381,765 \$ 318,170

EARNINGS PER SHARE \$1.59 \$1.35 \$1.13

The accompanying notes are an integral part of these consolidated financial statements.

CARNIVAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	YEARS ENDED NOVEMBER 30,		
	1995	1994	1993
OPERATING ACTIVITIES:			
Net income	\$ 451,091	\$ 381,765	\$318,170
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	128,433	110,595	93,333
Other	7,681	2,754	7,608
Changes in operating assets and liabilities:			
Increase in receivables	(12,655)	(2,872)	(1,548)
Increase in inventory	(3,698)	(7,877)	(5,627)
Increase in prepaid and other	(20,849)	(1,995)	(16,203)
Increase in accounts payable	3,487	5,376	9,901
(Decrease) increase in accrued liabilities	(1,385)	20,038	24,911
Increase in customer deposits	35,101	29,352	49,208
Net cash provided from operation	587,206	537,136	479,753
INVESTING ACTIVITIES:			
Decrease in short-term investments	19,720	15,249	22,371
Additions to property and equipment, net	(483,901)	(594,789)	(712,826)
Proceeds from Metra Oy settlement applied to basis of ship	19,426		
Increase in other non-current assets	(83,325)	(5,649)	(14,713)
Proceeds from sale of discontinued operation		20,000	
Net cash used for investing activities	(528,080)	(565,189)	(705,168)
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	49,032	2,297	1,360
Principal payments of long-term debt	(406,600)	(414,381)	(483,174)
Repayment of debt of discontinued operation		(25,000)	
Dividends paid	(85,098)	(79,072)	(79,027)
Proceeds from long-term debt	382,800	538,071	731,485
Net cash (used for) provided from financing activities	(59,866)	21,915	170,644
Net decrease in cash and cash equivalents	(740)	(6,138)	(54,771)
Cash and cash equivalents at beginning of year	54,105	60,243	115,014
Cash and cash equivalents at end of year	\$ 53,365	\$ 54,105	\$ 60,243
Supplemental disclosures:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$ 62,868	\$ 48,501	\$33,419

The accompanying notes are an integral part of these consolidated financial statements.

CARNIVAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

Carnival Corporation and subsidiaries (the "Company") operate three separate cruise lines under the names Carnival Cruise Lines, Holland America Line and Windstar Cruises and a tour business, Holland America Westours. Additionally, the Company has an investment in another cruise operation discussed below.

Under the Carnival Cruise Lines name, the Company operates ten cruise ships primarily serving the Caribbean and the Mexican Riviera. Holland America Line operates seven cruise ships serving primarily the Caribbean and Alaska and Windstar Cruises operates three luxury, sail-powered vessels which call on more exotic locations inaccessible to larger ships. The Company has a 50% interest in K/S Seabourn Cruise Line ("Seabourn") after the Company's investment in a \$10 million convertible note receivable was converted into additional shares of capital stock of Seabourn on December 1, 1995. Prior to that date, the Company owned 25% of Seabourn. Seabourn operates two luxury vessels. Holland America Westours markets sight-seeing tours both separately and as a part of Holland America Line cruise/tour packages. Holland America Westours also operates sixteen hotels in Alaska and the Canadian Yukon, three luxury day boats offering tours to the glaciers of Alaska and the Yukon River, over 290 motor coaches used for sight-seeing and charters in the states of Washington and Alaska and in the Canadian Rockies and ten private domed rail cars which are run on the Alaska Railroad between Anchorage and Fairbanks. The Company markets its services primarily in North America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of Financial Statements

The accompanying financial statements present the consolidated balance sheets, statements of operations and cash flows of the Company. Preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. All material intercompany transactions and accounts have been eliminated in consolidation. Certain amounts in prior periods have been reclassified to conform with current years presentation.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents includes investments with original maturities of three months or less and are stated at cost which approximates market.

The Company adopted Statement of Financial Accounting Standards No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt and Equity Securities", effective November 30, 1994.

At November 30, 1995, short-term investments are primarily comprised of marketable debt securities, including U.S. Government and corporate debt securities. These investments are categorized as available for sale and, in accordance with SFAS 115, are stated at their fair value. Unrealized holding gains and losses are included as a component of shareholders' equity until realized.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	YEARS
Vessels	25-30
Buildings	10-40
Equipment	2-20
Leasehold improvements	shorter of the term of lease or related asset life

Assets and related obligations for equipment under capital leases are initially recorded at an amount equal to the present value of the future minimum lease payments using interest rates implicit within the leases. Equipment under

capital leases is amortized over the life of the lease or the estimated useful life of the asset, whichever is shorter.

The Company reviews long-lived assets, identifiable intangibles and goodwill and reserves for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable.

The Company capitalizes interest on vessels and other capital projects during the construction period. Interest is capitalized using rates equivalent to the average borrowing rate of the Company's long-term debt.

Costs associated with drydocking are capitalized and charged to expense over the lesser of 12 months or the period to the next scheduled drydocking.

Goodwill

Goodwill of \$275 million resulting from the acquisition of HAL Antillen, N.V. ("HAL"), the parent company of Holland America Line, Windstar Cruises and Holland America Westours, is being amortized using the straight-line method over 40 years.

Investment in Affiliates

The Company accounts for investments based on its ability to exercise significant influence over financial and operating policies of the investee and/or its relative ownership interest. The Company consolidates affiliates in which it has control or an ownership interest of greater than 50%. For affiliates where significant influence exists and/or where the level of ownership is between 20% and 50%, the investment is accounted for using the equity method. When the Company does not have significant influence, the level of ownership interest is less than 20% or for investments where the ability to exercise control or significant influence is temporary, the cost method of accounting is followed.

Revenue Recognition

Customer cruise deposits, which represent unearned revenue, are included in the balance sheet when received and are recognized as cruise revenue upon completion of voyages with durations of 10 days or less and on a pro rata basis, computed using the number of days completed during the reporting period, for voyages in excess of 10 days. Revenues from tour and related services are recognized at the time the service is performed.

Advertising Expense

Effective December 1, 1994, the Company adopted Statement of Position 93-7, "Reporting on Advertising Costs", the effect of which was immaterial. This statement was issued by the American Institute of Certified Public Accountants and requires the Company to prospectively capitalize and amortize direct-response advertising to better match revenues with expenses. The Company continues to expense other advertising costs as incurred. Advertising expense totalled \$98 million in 1995, \$85 million in 1994 and \$79 million in 1993.

Financial Instruments

The Company's financial instruments include forward foreign currency contracts and interest rate swap transactions held for purposes other than trading. These contracts are entered into to hedge the impact of foreign currency and interest rate fluctuations. Changes in the market value and any discounts or premiums on forward foreign currency contracts which hedge exposures of firm commitments related to the construction of cruise ships are recorded when the related foreign currency payments are made with any resulting gain or loss included in the cost of the vessel. Changes in market value of forward agreements entered into to hedge estimated foreign currency transactions are recognized into income currently. Discounts and premiums related to forward agreements entered into to hedge estimated foreign currency transactions are amortized to income over the life of the agreement. Gains and losses on interest rate swap transactions designated as hedges are recorded as reductions or increases in interest expense over the life of the swap agreement.

Income Taxes

Companies are exempt from U.S. corporate income tax on U.S. source income from international passenger cruise operations if (i) their countries of incorporation exempt shipping operations of U.S. persons from income tax (the "Incorporation Test"), and (ii) they meet the "CFC Test". The Company and its

subsidiaries involved in the cruise ship operations meet the Incorporation Test because they are incorporated in countries which provide the required exemption to U.S. persons involved in shipping operations. A company meets the CFC Test if it is a controlled foreign corporation ("CFC"). A CFC is defined by the Internal Revenue Code as a foreign corporation more than 50% of whose stock by voting power or value is owned or considered as owned by U.S. persons, each of whom owns or is considered to own 10% or more of the corporation's voting power ("10% U.S. Shareholders"). During 1994, all of the outstanding shares of Class B Common Stock of the Company were transferred to The Micky Arison 1994 "B" Trust (the "B Trust"), a U.S. trust whose primary beneficiary is Micky Arison, the Company's Chairman of the Board. Stock of the Company representing more than 50% of the total combined voting power of all classes of stock is owned by the B Trust, which is a "United States Person", and thus, the Company meets the definition of a CFC. Accordingly, the Company believes that virtually all of its income (with the exception of its United States source income from the operation of transportation, hotel and tour businesses of HAL) is exempt from United States Federal Income taxes. The B Trust has entered into an agreement with the Company that is designed to ensure, except under certain limited circumstances, that stock possessing more than 50% of the Company's voting power will be held by ten percent shareholders until at least July 1, 1997. If the Company or the subsidiaries involved in the cruise ship operations were to cease to meet the CFC Test, and no other basis for exemption were available, much of their income would become subject to taxation by the United States at higher than normal corporate tax rates. Because the Company is a CFC, a pro rata share of the passenger cruise operation earnings of the Company is includable in the taxable income of any "10% U.S. Shareholder", as defined above.

Earnings Per Share and Stock Split

Earnings per share computations are based on the weighted average number of shares of Class A and B Common Stock and common equivalent shares (related to stock options), outstanding during each of the years. Total shares used in the computation were 284.2 million, 282.7 million and 282.5 million for fiscal 1995, 1994 and 1993, respectively.

On December 14, 1994, a two-for-one stock split was effected whereby one additional share of Class A Common Stock, par value \$.01, was issued for each share outstanding to shareholders of record on November 30, 1994. All share and per share data appearing in the consolidated financial statements and notes thereto have been retroactively adjusted for this stock split.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	November 30,	
	1995	1994
	(in thousands)	
Vessels	\$3,467,731	\$3,147,026
Vessels under construction	289,661	207,128
	3,757,392	3,354,154
Land, buildings and improvements	132,183	95,294
Transportation and other equipment	174,903	152,649
Total property and equipment	4,064,478	3,602,097
Less-accumulated depreciation and amortization	(649,655)	(530,666)
	\$3,414,823	\$3,071,431

Interest costs associated with the construction of vessels and buildings are capitalized during the construction period and amounted to \$18.8 million in 1995, \$21.9 million in 1994 and \$24.6 million in 1993.

NOTE 4 - INVESTMENT IN AFFILIATES AND OTHER ASSETS

During 1994, the Company acquired a 50% interest in CHC International, Inc. ("CHC"), a newly created hotel and casino management company. Principals of The Continental Companies (the "TCC Principals") own the remainder of CHC and are responsible for day-to-day operations. One of the TCC Principals is a member of the Company's board of directors. CHC began operating a casino riverboat in U.S. waters in December 1994 which required the Company to divest itself of slightly more than half of its 50% interest in order to comply with The Jones Act. The Jones Act prohibits the operation of vessels exclusively in U.S. waters by any company that is 25% or more owned by non-U.S. entities. Accordingly, the Company sold a 25.1% interest in CHC to the TCC Principals in exchange for \$16 million of 6% notes receivable (the "TCC Notes"). The TCC

Notes contain a put option which the TCC Principals can exercise, requiring the Company to repurchase 25.1% of CHC in exchange for the full principal and interest due under the TCC Notes. If not exercised, the option expires in November 1996 unless extended by the Company to November 1998. As of November 30, 1995, the carrying value of the Company's CHC investment, including the TCC Notes, is approximately \$26 million, which the Company carries at cost since it is anticipated to be a temporary investment. Since inception, the Company's intention has been to spin-off 90% of its CHC investment to shareholders. At November 30, 1995, there were no significant amounts owed to or from CHC. Further, CHC pays a license fee amounting to 1% of CHC's gross revenues, as adjusted, not to be less than \$100,000 per year, for the use of the "Carnival" name. Such fees amounted to approximately \$.3 and \$.1 million in fiscal years ended November 30, 1995 and 1994, respectively.

As of November 30, 1995, the Company had a 25% interest in the operation of Seabourn. On December 1, 1995, a \$10 million convertible note receivable was converted into an additional 25% interest. The Company's investment in the \$10 million note is classified as a long-term note receivable in the accompanying financial statements.

In October 1995, the Company purchased \$101 million face amount of 13% Senior Secured Notes Due 2003 of a competitor, Kloster Cruise Limited ("Kloster"), for approximately \$81 million (See Note 7).

NOTE 5 - LONG-TERM DEBT AND CONVERTIBLE NOTES

Long-term debt consists of the following:

	November 30,	
	1995	1994
	(in thousands)	
Mortgages and other loans payable bearing interest at rates ranging from 8% to 9.9%, secured by vessels, maturing through 1999	\$ 208,078	\$ 287,642
Unsecured Revolving Credit Facility Due 2000	185,000	238,000
Unsecured 5.75% Notes Due March 15, 1998	200,000	200,000
Unsecured 6.15% Notes Due October 1, 2003	124,946	124,939
Unsecured 7.20% Debentures Due October 1, 2023	124,867	124,862
Unsecured 7.7% Notes Due July 15, 2004	99,902	99,890
Unsecured 7.05% Notes Due May 15, 2005	99,811	
Other loans payable	65,179	56,215
	1,107,783	1,131,548
Less portion due within one year	(72,752)	(84,644)
	\$1,035,031	\$1,046,904

Property and equipment with a net book value of \$881 million at November 30, 1995 is pledged as collateral against the mortgage indebtedness.

In December 1995, the Company amended the terms of its \$750 million unsecured revolving credit facility (the "\$750 Million Revolver") primarily to extend the termination date to December 5, 2000, and to eliminate the commitment fee. The borrowing rate on the \$750 Million Revolver is a maximum of LIBOR plus .20% and the facility fee is .08%. Concurrently with the amendment of the \$750 Million Revolver, the Company entered into a new \$250 million unsecured revolving credit facility with the same syndicate of banks (the "\$250 Million Revolver"). Unless extended by the lenders, the \$250 Million Revolver will terminate on December 3, 1996. At the option of the Company, any borrowings under the \$250 Million Revolver outstanding on the termination date may be converted by the Company into a one year term loan. Borrowings under the \$250 Million Revolver will accrue interest at a maximum of LIBOR plus .22% and the facility fee is .06%. As of November 30, 1995, the Company had \$565 million available for borrowing under the \$750 Million Revolver.

The Company has an interest rate swap agreement which converts the fixed rate unsecured 5.75% Notes due March 15, 1998 (the "\$200 Million Notes") to a LIBOR based floating rate loan (see Note 7).

A subsidiary of the Company has a \$25 million revolving line of credit for short-term working capital purposes. The loan bears interest at the lessor of LIBOR plus 50 basis points or prime. As of November 30, 1995, there was no balance outstanding under this line of credit.

As of November 30, 1995, the scheduled annual maturities of the Company's long-term debt are summarized as follows (in thousands):

1996	\$	72,752
1997		64,788
1998		257,897
1999		47,396
2000		185,117
Thereafter		479,833
		\$1,107,783

In July 1992, the Company issued \$115 million of 4-1/2% Convertible Subordinated Notes Due July 1, 1997 (the "Convertible Notes"). The Convertible Notes are convertible into 57.55 shares of the Company's Class A Common Stock per \$1,000 of notes. As of November 30, 1995 the Convertible Notes are convertible into a total of approximately 6.6 million shares of Class A Common Stock. The Convertible Notes are redeemable in whole or in part at the Company's option on or after July 3, 1996.

NOTE 6 - SHAREHOLDERS' EQUITY

The following represents an analysis of the changes in shareholders' equity for the three years ended November 30, 1995:

	COMMON STOCK		PAID-IN CAPITAL	RETAINED EARNINGS	OTHER	TOTAL
	\$.01 PAR VALUE CLASS A	CLASS B				
			(in thousands)			
Balance, November 30, 1992	\$2,272	\$ 550	\$538,211	\$850,193	\$(6,381)	\$1,384,845
Net income for the year				318,170		318,170
Cash dividends				(79,040)		(79,040)
Issuance of stock to employees under stock plans	2		2,983		(1,625)	1,360
Vested portion of common stock under restricted stock plan					1,871	1,871
Balance, November 30, 1993	2,274	550	541,194	1,089,323	(6,135)	1,627,206
Net income for the year				381,765		381,765
Cash dividends				(80,499)		(80,499)
Changes in securities valuation allowance					(3,313)	(3,313)
Issuance of stock to employees under stock plans	2		3,753		(1,458)	2,297
Vested portion of common stock under restricted stock plan					1,478	1,478
Balance, November 30, 1994	2,276	550	544,947	1,390,589	(9,428)	1,928,934
Net income for the year				451,091		451,091
Cash dividends				(89,540)		(89,540)
Issuance of common stock	21		46,488			46,509
Changes in securities valuation allowance					2,424	2,424
Issuance of stock to employees under stock plans	1		3,376			3,377
Vested portion of common stock under restricted stock plan					2,078	2,078
Balance, November 30, 1995	\$2,298	\$550	\$594,811	\$1,752,140	\$(4,926)	\$2,344,873

Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to five votes, except (i) for the election of directors, and (ii) as otherwise provided by law. Annually, the holders of Class A Common Stock, voting as a separate class, are entitled to elect 25% of the directors to be elected. The holders of Class B Common Stock, voting as a separate class, are entitled to elect 75% of the directors to be elected, so long as the number of shares of Class B Common Stock is at least 12-1/2% of the number of outstanding shares of both classes of Common Stock. If the number of outstanding shares of Class B Common Stock falls below 12-1/2%, directors that would have been elected by a separate vote of that class will instead be elected by the holders of both classes of Common Stock, with holders of Class A Common Stock having one vote per share and holders of Class B Common Stock having five votes per share. At the option of the holder of record, each share of Class B Common Stock is convertible at any time into one share of Class A Common Stock.

At November 30, 1995 there were approximately 14.4 million shares of Class

A Common Stock reserved for conversion of convertible debt, exercise of stock options, and for issuance of shares under the employee stock purchase plan and restricted stock plans.

During 1995, the Company declared quarterly cash dividends aggregating \$.315 per share. In October 1995, the Board of Directors increased the quarterly dividends from \$.075 per share to \$.09 per share.

NOTE 7 - FINANCIAL INSTRUMENTS

The Company estimates the fair market value of financial instruments through the use of public market prices, quotes from financial institutions, and other available information. Considerable judgement is required in interpreting data to develop estimates of market value and, accordingly, amounts are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Short-term Investments

Short-term investments, classified as available for sale at November 30, 1995 and 1994, consisted of the following debt securities (in thousands):

Value	Cost	Gross Unrealized Losses	Gains	Fair
November 30, 1995:				
U. S. Government securities	\$38,991	\$(1,244)	\$ 114	\$37,861
Mortgage backed securities	10,676	(464)	0	10,212
Corporate securities	2,322	0	0	2,322
	\$51,989	\$(1,708)	\$ 114	\$50,395
November 30, 1994:				
U. S. Government securities	\$45,308	\$(2,236)	\$ 0	\$43,072
Mortgage backed securities	23,883	(1,108)	31	22,806
Corporate securities	4,237	0	0	4,237
	\$73,428	\$(3,344)	\$ 31	\$70,115

The contractual maturities of short-term investments at November 30, 1995 and 1994 were as follows (in thousands):

Value	1995		1994	
	Cost	Fair Value	Cost	Fair
Due within one year	\$27,581	\$27,497	\$ 8,553	\$8,461
Due after one year through five years	11,732	11,154	36,992	35,702
Due after five years through 10 years	2,000	1,532	4,000	3,144
Mortgage backed securities	10,676	10,212	23,883	22,808
	\$51,989	\$50,395	\$73,428	\$70,115

Gross realized losses from the sale of short-term investments were \$0 and \$1.1 million during fiscal years ended November 30, 1995 and 1994, respectively, and were charged against earnings. Proceeds from the sale of short-term investments for the years ended November 30, 1995 and 1994 were approximately \$20 million and \$124 million, respectively. For the purpose of determining gross realized gains and losses, the cost of short-term investments sold is based upon specific identification.

Long-term Notes Receivable

The Company's long-term notes receivable are comprised primarily of \$47.5 million of notes receivable from the sale in August 1994 of Carnival's Crystal Palace, a resort and casino located in the Bahamas, \$15 million of 9% notes due from Seabourn and a \$10 million 7.5% convertible note due from Seabourn which was converted into common stock in December 1995. The Company has received an offer from the issuer of the Crystal Palace notes to repurchase the notes from the Company at a substantial discount. Management is continuing discussions with issuer regarding the possible sale of the notes. The Company believes the fair value of the \$15 million 9% notes due from Seabourn approximates cost based

on current market interest rates. The Company believes it is not practicable to estimate the fair value of the \$10 million convertible notes due to the lack of information related to the value of Seabourn's common stock.

Investments in Affiliates and Other Assets

The 13% Kloster bonds are classified as available for sale and, accordingly, are carried at fair value. The fair value was determined based on recent market prices, however, there is limited trading activity in these bonds. Gross unrealized holding gains at November 30, 1995 amounted to approximately \$.8 million (See Note 4). Interest on the bonds due November 1, 1995 was not paid when due, however, on December 1, 1995 all amounts due were paid in full.

Long-term Debt and Convertible Notes

The fair value of the Company's long-term debt was approximately \$1.123 billion and \$1.074 billion at November 30, 1995 and 1994, respectively, which is approximately \$15 million more and \$58 million less than the carrying value at November 30, 1995 and 1994, respectively. The fair value of the long-term debt is slightly more than the carrying amount due to the Company's issuance of fixed rate debt obligations at interest rates above market rates at November 30, 1995. The fair value of the Company's long-term debt is estimated based on the quoted market price for the same or similar issues or on the applicable year end rates offered to the Company for debt of similar terms and maturity. At November 30, 1995 and 1994, the carrying amount of the Convertible Notes was approximately \$53 million and \$33 million, respectively less than the fair value primarily due to increases in the price of the Company's Class A Common Stock.

Foreign Currency and Interest Rate Swap Agreements

The Company enters into forward foreign currency contracts to reduce its exposures relating to changes in foreign currency rates. These instruments are subject to gain or loss from changes in foreign currency rates; however, any realized gain or loss would generally be offset by gains or losses on the actual foreign currency transaction. The Company also enters into interest rate swap agreements to adjust the relationship between the amount of the Company's fixed and floating rate debt. Certain exposures to credit losses related to counterparty nonperformance exist; however, the Company does not anticipate nonperformance by the counterparties as they are primarily large, well established financial institutions. The fair values of the Company's forward and swap hedging instruments discussed below are based on prices quoted by financial institutions for these or similar instruments, adjusted for maturity differences.

Several of the Company's contracts for the construction of cruise vessels are stated in foreign currencies. The Company entered into forward foreign currency contracts to fix the price of the vessels into U.S. dollars (see Note 9). As of November 30, 1995 and 1994, these forward contracts were in a gain position of approximately \$42 million and \$32 million, respectively. At the expiration of the forwards, which coincides with the payments related to vessels under construction, any gains or losses will be included in the cost of the vessel. In addition, the Company prices some products in Canadian dollars and entered into foreign currency contracts totaling approximately U.S. \$104 million to reduce the impact of changes in exchange rates. The Company also has some expenses in foreign currencies and entered into foreign currency contracts totaling approximately \$15 million to reduce the impact of changes in exchange rates. As of November 30, 1995, there were no significant gains or losses related to the Canadian currency transactions or other currency transactions entered into to hedge estimated expenses.

The Company has hedged the interest rate on the \$200 Million Notes through the utilization of interest rate swap agreements (See Note 5). As of November 30, 1995, the interest rate swaps were in an unrealized loss position of approximately \$.7 million. These swap agreements effectively convert the \$200 Million Notes into a floating rate facility.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Company utilizes Carnival Air Lines, an airline owned by a trust, the primary beneficiary of which is the Company's Chairman of the Board, to transport a limited number of the Company's cruise passengers. During the fiscal years ended November 30, 1995, 1994 and 1993 approximately \$3 million, \$4 million, and \$8 million, respectively, has been paid to the airline for transportation services. The Company also receives a license fee for the use of the "Carnival" name. Approximately \$.4 million has been received by the Company for license fees during each of fiscal years ended November 30, 1995, 1994. The Company also receives license fees from CHC (See Note 4).

A director of the Company is employed by an investment banking firm. The

investment banking firm assisted the Company in connection with issuances of notes and Class A Common Stock to the public during the fiscal years ended November 30, 1995, 1994 and 1993. In addition, the investment banking firm has provided other services for the Company during those years. The Company paid the investment banking firm approximately \$300,000 in each of fiscal years ended November 30, 1995, 1994 and 1993.

A director of the Company is a partner in a legal firm. The legal firm acted as the Company's primary outside counsel and provided services to the Company in connection with various litigation, corporate and other matters during fiscal years ended November 30, 1995, 1994 and 1993. The Company paid the legal firm \$6.2 million, \$1.3 million and \$.7 million in fiscal years ended November 30, 1995, 1994 and 1993, respectively.

The Company has a six-year consulting agreement with a corporation affiliated with the Company's founder to provide services related to the construction of cruise ships. The consulting agreement expires in November 1996. Under the consulting agreement, the Company paid a fee of \$500,000 per year plus travel expenses. The Company's founder also has certain demand and piggy back registration rights with respect to shares of Class A Common Stock beneficially owned by him.

The owner of a travel agency located in Seattle, Washington is the wife of the Chief Executive Officer of HAL and a director of the Company. The travel agency sells cruises and other similar products, including the Company's products, and receives as commission based on the amount of sales generated. During the years ended November 30, 1995, 1994 and 1993, the travel agency generated revenues for the Company of approximately \$5 million, \$6 million, and \$4 million, respectively and received commissions from the Company related to such revenues of approximately \$.8 million, \$1 million and \$.6 million, respectively.

Pursuant to an agreement between the Company and certain irrevocable trusts, the beneficiaries of which are the children of the Company's founder and certain others, the Company has granted to the trusts certain registration rights with respect to 14,277,028 shares of Class A Common Stock held for investment by the trusts. The Company has agreed to prepare and file with the SEC a registration statement and pay all expenses relating to such registration, except for fees and disbursements of counsel for the trusts, selling costs, underwriting discounts and applicable filing fees.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Capital Expenditures

The following table provides a description of ships currently under contract for construction (in millions, except berth data):

Ship Name	Operating Unit	Expected Delivery Date	Contract Denomination	Number of Lower Berths	Estimated Total Cost
Inspiration	Carnival Cruise Lines	2/96	U. S. Dollar	2,040	\$ 270
Veendam	Holland America Lines	4/96	Lire	1,266	225
Carnival Destiny	Carnival Cruise Lines	9/96	Lire	2,640	400
To Be Named	Holland America Line	9/97	Lire	1,320	235
To Be Named	Carnival Cruise Lines	2/98	U. S. Dollar	2,040	300
To Be Named	Carnival Cruise Lines	11/98	U. S. Dollar	2,040	300
To Be Named	Carnival Cruise Lines	12/98	Lire	2,640	415
				13,986	\$2,145

Contracts denominated in foreign currencies have been fixed into U.S. Dollars through the utilization of forward currency contracts (see Note 7). In connection with the vessels under contract for construction described above, the Company has paid \$290 million through November 30, 1995, anticipates paying \$674 million in fiscal 1996 and approximately \$1.2 billion beyond fiscal 1996.

Litigation

A purported class action suit was filed against the Company on September 19, 1995 and was subsequently dismissed by the court on jurisdictional grounds on December 15, 1995. The suit alleged that the Company had violated the Florida Deceptive and Unfair Trade Practices Act by overcharging passengers for port charges. The plaintiffs refiled their suit in the same court on December 27, 1995 and modified the complaint to add various federal law claims and a state fraud claim. The suit seeks declaratory relief to enjoin the Company from further alleged overcharges and seeks compensatory damages in an unspecified

amount. The action is presently in its early stages and it is not possible at this time to determine the outcome of the litigation. Management of the Company intends to vigorously defend the lawsuit.

During 1995, the Company received \$40 million in cash and other consideration from the settlement of litigation with Metra Oy, the former parent company of Wartsila Marine Industries Incorporated ("Wartsila"), related to losses suffered in connection with the construction of three of the Company's cruise ships. These losses were the result of higher construction costs and lost profits due to late delivery of the cruise ships. Of the \$40 million, \$6.2 million was used to pay related legal fees, \$14.4 million was recorded as other income and \$19.4 million was used to reduce the Company's cost basis of certain ships. The Company is continuing to pursue claims in bankruptcy proceedings in Finland to recover damages suffered in connection with the construction of the three ships.

In the normal course of business, various other claims and lawsuits have been filed or are pending against the Company. The majority of these claims and lawsuits are covered by insurance. Management believes the outcome of any such suits which are not covered by insurance would not have a material adverse effect on the Company's financial condition or results of operations.

Operating Leases

In 1989, the Company entered into a lease for 230,000 square feet of office space located in Miami, Florida to serve as Carnival Cruise Lines headquarters and operations center. In December 1994, the Company purchased the building and an adjacent parcel of land under a purchase option for approximately \$23 million. The Company has commenced construction of a second building on the parcel of land at an estimated cost of \$35 million. The Company leases other facilities, transportation and other equipment under operating leases. Rental expense for all operating leases for the years ended November 30, 1995, 1994 and 1993 was approximately \$4.9 million, \$7.7 million and \$8.7 million, respectively. As of November 30, 1995, minimum annual rentals for all operating leases, with initial or remaining terms in excess of one year, were as follows (in thousands):

1996	\$ 6,296
1997	5,487
1998	4,364
1999	2,451
2000	2,437
Thereafter	6,041
	\$27,076

NOTE 10 - SEGMENT INFORMATION

The Company's cruise segment currently operates seventeen passenger cruise ships and three luxury sailing vessels. Cruise revenues are comprised of sales of tickets and other revenues from on-board activities. A tour business operated by HAL, consisting of sixteen hotels, three luxury day-boats, over 290 motor coaches and ten private domed rail cars comprise the assets that generate revenue for the tour segment. Intersegment revenues represent tour revenues generated when tour services are rendered in conjunction with a cruise. Segment information for the three years ended November 30, 1995 is as follows:

	YEARS ENDED NOVEMBER 30,		
	1995	1994	1993
	(in thousands)		
REVENUES			
Cruise	\$1,800,775	\$1,623,069	\$1,381,473
Tour	241,909	227,613	214,382
Intersegment revenues	(44,534)	(44,666)	(38,936)
	\$1,998,150	\$1,806,016	\$1,556,919
GROSS OPERATING PROFIT			
Cruise	\$ 810,736	\$ 726,808	\$ 598,642
Tour	56,301	50,733	50,352
	\$ 867,037	\$ 777,541	\$ 648,994
DEPRECIATION AND AMORTIZATION			
Cruise	\$ 120,304	\$ 101,146	\$ 84,228
Tour	8,129	9,449	9,105
	\$ 128,433	\$ 110,595	\$ 93,333
OPERATING INCOME			
Cruise	\$ 465,870	\$ 425,590	\$ 333,392
Tour	24,168	18,084	14,274

	\$ 490,038	\$ 443,674	\$ 347,666
IDENTIFIABLE ASSETS			
Cruise	\$3,967,174	\$3,531,727	\$2,995,221
Tour	138,313	138,096	134,146
Discontinued resort and casino			89,553
	\$4,105,487	\$3,669,823	\$3,218,920
CAPITAL EXPENDITURES			
Cruise	\$ 456,920	\$ 587,249	\$ 705,196
Tour	8,747	9,963	10,281
	\$ 465,667	\$ 597,212	\$ 715,477

NOTE 11 - EMPLOYEE BENEFIT PLANS

Stock Option Plans

The Company has stock option plans, applicable to Class A Common Stock, for certain key employees. The plans are administered by a committee of three directors of the Company (the "Committee") who determine the employees and directors eligible to participate, the number of shares for which options are to be granted and the amounts that any employee or director may exercise within a specified year or years. The maximum number of shares available to be granted as of November 30, 1995 and 1994 was 1,774,000 and 723,600, respectively. Under the terms of the plans, the option price per share is established by the Committee as an amount between 50% and 100% of the fair market value of the shares of Class A Common Stock on the date the option is granted. Since 1991, all options granted have been for 100% of the fair market value of the shares on the date of grant. Options may extend for such periods as may be determined by the Committee but only for so long as the optionee remains an employee of the Company. The status of options in the plans was as follows:

	Price Per Share	Years Ended November 30, Number of Shares		
		1995	1994	1993
Unexercised Options-				
Beginning of Year	\$3.88 - \$23.88	2,433,236	730,526	730,598
Options Granted	\$19.78 - \$23.44	1,564,000	1,764,000	72,000
Options Exercised	\$3.88 - \$22.16	(90,100)	(61,290)	(56,472)
Options Canceled	\$22.16 - \$22.50	(1,432,400)		(15,600)
Unexercised Options-				
End of Year	\$3.88 - \$23.88	2,474,736	2,433,236	730,526

Upon the adoption of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", the Company intends to retain the intrinsic value method of accounting for stock based compensation which it currently uses.

Restricted Stock Plans

The Company has restricted stock plans under which certain key employees are granted restricted shares of the Company's Class A Common Stock. Shares are awarded in the name of each of the participants, who have all the rights of other Class A stockholders, subject to certain restriction and forfeiture provisions. Unearned compensation is recorded at the date of award based on the market value of the shares on the date of grant. Unearned compensation is amortized to expense over the vesting period. As of November 30, 1995 there have been 1,896,032 shares issued under the plans of which 340,322 remain to be vested.

Defined Contribution Plans

HAL has two defined contribution plans available to substantially all U.S. and Canadian employees. HAL contributes to these plans based on employee contributions and salary levels. Total expense relating to these plans in fiscal year ended November 30, 1995, 1994 and 1993 was approximately \$2.4 million, \$2.1 million and \$2.2 million, respectively.

Defined Benefit Pension Plans

The Company adopted two pension plans (qualified and non-qualified) effective January 1, 1989 which together cover all full-time employees of Carnival Corporation working in the United States, excluding HAL employees. Employees will vest in the pension plans 100% after five years of service, will be eligible to receive benefits at age 65 and, upon completion of 15 years of service, become eligible to receive benefits at age 55. The benefits are based

on years of service and the employee's highest average compensation over five consecutive years during the last ten years of employment. Carnival Corporation's funding policy for the qualified plan is to annually contribute at least the minimum amount required under the applicable labor regulations. The weighted average discount rate, 7.5% in 1995, 8.5% in 1994 and 7.5% in 1993, and a 5.0% rate of increase in future compensation levels were used in determining the projected benefit obligation. The expected long-term rate of return on assets was 8.5%.

Pension costs for the qualified and non-qualified defined benefit plans were approximately \$1.6 million, \$2.0 million and \$1.5 million for the years ended November 30, 1995, 1994 and 1993, respectively.

The funded status of the plans at November 30, 1995 and 1994 is:

	Qualified (in thousands)		Non-Qualified (in thousands)	
	1995	1994	1995	1994
Accumulated benefit obligation:				
Vested	\$4,082	\$2,796	\$4,832	\$3,089
Non-vested	346	285	153	102
	\$4,428	\$3,081	\$4,985	\$3,191
Projected benefit obligation	\$6,933	\$4,606	\$6,886	\$4,801
Plan assets	(4,821)	(3,745)		
Unfunded accumulated benefits	2,112	861	6,886	4,801
Unrecognized prior service cost	(406)	(491)	(317)	(460)
Unrecognized gains and (losses)	(1,885)	(493)	(1,048)	309
Accrued (prepaid) pension obligation	\$ (179)	\$ (123)	\$5,521	\$4,650

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Carnival Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of Carnival Corporation and its subsidiaries at November 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Miami, Florida
January 18, 1996

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Carnival Corporation and its subsidiaries (the "Company") earn revenues primarily from (i) the sale of passenger tickets, which include accommodations, meals, most shipboard activities and in many cases airfare, and (ii) the sale of goods and services on board its cruise ships, such as casino gaming, liquor sales, gift shop sales and other related services. The Company also derives revenues from the tour operations of HAL Antillen N.V ("HAL").

For selected segment information related to the Company's revenues, gross operating profit, operating income and other financial information, see Note 10 in the accompanying financial statements. The following table presents operations data expressed as a percentage of total revenues and selected statistical information for the periods indicated:

	YEARS ENDED NOVEMBER 30,		
	1995	1994	1993
REVENUES	100%	100%	100%
COSTS AND EXPENSES:			
Operating expenses	57	57	58
Selling and administrative	12	12	14
Depreciation and amortization	6	6	6
OPERATING INCOME	25	25	22
OTHER INCOME (EXPENSE)	(2)	(4)	(2)
INCOME FROM CONTINUING OPERATIONS	23%	21%	20%
SELECTED STATISTICAL INFORMATION:			
Passengers carried	1,543,000	1,354,000	1,154,000
Passenger cruise days	9,201,000	8,102,000	7,003,000
Occupancy percentage	105.0%	104.0%	105.3%

GENERAL

The growth in the Company's revenues during the last three fiscal years has primarily been a function of the expansion of its fleet capacity.

Fixed costs, including depreciation, fuel, insurance and crew costs represent more than one-third of the Company's operating expenses and do not significantly change in relation to changes in passenger loads and aggregate passenger ticket revenue.

The Company's different businesses experience varying degrees of seasonality. The Company's revenue from the sale of passenger tickets for Carnival Cruise Lines ("Carnival") ships is moderately seasonal. Historically, demand for Carnival cruises has been greater during the periods from late December through April and late June through August. HAL cruise revenues are more seasonal than Carnival's cruise revenues. Demand for HAL cruises is strongest during the summer months when HAL ships operate in Alaska and Europe and HAL obtains higher pricing for these summer products. Demand for HAL cruises is lower during the winter months when HAL ships sail in more competitive markets. The Company's tour revenues are extremely seasonal with a large majority of tour revenues generated during the late spring and summer months in conjunction with the Alaska cruise season.

Fiscal Year Ended November 30, 1995 Compared
To Fiscal Year Ended November 30, 1994

Revenues

The increase in total revenues of \$192.1 million from 1994 to 1995 was comprised primarily of a \$177.7 million, or 10.9%, increase in cruise revenues for the period. The increase in cruise revenues was primarily the result of a 12.5% increase in capacity for the period resulting from the addition of Carnival's cruise ship Fascination in July 1994, HAL's Ryndam in October 1994, and Carnival's Imagination in July 1995, partially offset by the discontinuation of the FiestaMarina division in September 1994. Also affecting cruise revenues were lower gross passenger per diems. The gross passenger per diems decreased primarily due to a reduction in the percentage of passengers electing the Company's air program. When a passenger elects to purchase his/her own air transportation, rather than use the Company's air program, both the Company's cruise revenues and operating expenses decrease by approximately the same amount. Occupancy rates increased by approximately 1%. Also affecting cruise revenues in 1995 and 1994 were lost revenues caused by the incidents described under "Nonoperating Income (Expense)" below.

Average capacity is expected to increase approximately 12.6% during fiscal 1996 as a result of the delivery of the Imagination in June 1995, the Inspiration in February 1996, the Veendam in April 1996 and the Carnival Destiny in September 1996, net of a reduction in capacity due to the charter of Carnival's Festivale in April 1996.

Revenues from the Company's tour operations increased \$14.3 million, or 6.3%, to \$241.9 million in 1995 from \$227.6 million in 1994. The increase was primarily the result of an increase in the tour and transportation revenues generated by the company's tour business and Gray Line of Alaska tour and motorcoach operations.

Costs and Expenses

Operating expenses increased \$102.6 million, or 10.0%, from 1994 to 1995. Cruise operating costs increased by \$93.8 million, or 10.5%, to \$990.0 million in 1995 from \$896.3 million in 1994, primarily due to additional costs associated with the increased capacity in 1995. Tour operating expenses increased \$8.7 million, or 4.9%, from 1994 to 1995 primarily due to an increase in tour passengers.

Selling and administrative costs increased \$25.3 million, or 11.3%, primarily due to a 14.6% increase in advertising expenses and an increase in payroll and related costs during 1995 as compared with the same period of 1994.

Depreciation and amortization increased by \$17.8 million, or 16.1%, to \$128.4 million in the 1995 from \$110.6 million in 1994 primarily due to the addition of the Ryndam, the Fascination and the Imagination.

Nonoperating Income (Expense)

Total nonoperating expense (net of nonoperating income) decreased to \$38.9 million for 1995 from \$61.9 million in 1994. Interest income increased \$5.7 million primarily due to the recognition of interest income on notes received from the sale of Carnival's Crystal Palace Hotel and Casino and higher investment balances. Interest expense increased to \$81.9 million in 1995 from \$73.2 million in 1994 primarily as a result of increased average debt levels and higher interest rates on variable rate debt. The increased debt levels were the result of expenditures made in connection with the ongoing construction and delivery of new cruise ships. Capitalized interest decreased to \$18.8 million in 1995 from \$21.9 million in 1994 due to lower levels of investments in vessels under construction.

Other income increased to \$19.1 million in 1995 primarily as a result of a \$14.4 million gain from the settlement of litigation with Metra Oy and a gain from the sale of the Company's entire interest in Epirotiki Cruise Line. These gains were partially offset by the loss from the Celebration incident discussed below and certain other non-related, non-recurring items.

In June 1995, a fire, which was quickly extinguished, broke out in the engine control room on Carnival's Celebration. There were no injuries to passengers or crew, however, there was damage to one of the vessel's electrical control panels. The time necessary to complete repairs to the Celebration as a result of this incident caused the cancellation of four one week cruises. Costs associated with repairs to the ship, passenger handling and various other expenses, net of estimated insurance recoveries, amounted to \$3.0 million and were included in other expenses. In addition, the Company estimates the loss of revenue, net of related variable expenses, from the Celebration being out of service reduced operating income and net income by an additional \$7.3 million in 1995.

Other expenses of \$9.1 million in 1994 were primarily the result of two events. In September 1994, the Company discontinued its FiestaMarina division because of lower than expected passenger occupancy levels which resulted in a charge of \$3.2 million to other expenses. In August 1994, HAL's Nieuw Amsterdam ran aground in Alaska resulting in the cancellation of three one-week cruises. Costs associated with repairs to the ship, passenger handling and various other expenses, net of estimated insurance recoveries, amounted to \$6.4 million and were included in other expenses. In addition, the Company estimates the loss of revenue, net of related variable expenses, from the Nieuw Amsterdam being out of service during that three-week period, reduced operating income and net income by an additional \$4.5 million in 1994.

Fiscal Year Ended November 30, 1994 Compared
To Fiscal Year Ended November 30, 1993

Revenues

The increase in total revenues of \$249.1 million from 1993 to 1994 was comprised of a \$241.6 million, or 17.5%, increase in cruise revenues and an increase of \$7.5 million, or 4.3%, in tour revenues for the period. The

increase in cruise revenues was primarily the result of a 17.2% increase in capacity for the period. This capacity increase resulted from additional capacity provided by Carnival's Superliner Sensation and Fascination which entered service in November 1993 and July 1994, respectively, and Holland America Line's Maasdam and Ryndam which entered service in December 1993 and October 1994, respectively. Also affecting cruise revenues were slightly higher yields, slightly lower occupancies and lost revenues related to the grounding of the Nieuw Amsterdam which resulted in the cancellation of three one-week cruises in August 1994. See Nonoperating Income (Expense) below.

Revenues from the Company's tour operations increased to \$227.6 million in 1994 from \$214.4 million in 1993 primarily due to an increase in the number of tour passengers.

Costs and Expenses

Operating expenses increased \$120.6 million, or 13.3%, from 1993 to 1994. Cruise operating costs increased by \$113.4 million, or 14.5%, to \$896.3 million in 1994 from \$782.8 million in 1993. Cruise operating costs increased primarily due to costs associated with the increased capacity in 1994.

Selling and administrative expenses increased \$15.3 million, or 7.3%, from 1993 to 1994. These increases were attributable to additional advertising and other costs associated primarily with the increase in capacity.

Depreciation and amortization increased by \$17.3 million, or 18.5%, to \$110.6 million in 1994 from \$93.3 million in 1993. Depreciation and amortization increased primarily due to the additional capacity discussed above. Also, the depreciable lives of four of the Carnival ships built in the 1980's were extended from 20 or 25 years to 30 years to conform to industry standards. This resulted in a reduction of depreciation of approximately \$4 million during 1994.

Nonoperating Income (Expense)

Total nonoperating expense (net of nonoperating income) increased to \$61.9 million in 1994 from \$29.5 million in 1993. Interest income decreased to \$8.7 million in 1994 from \$11.5 million in 1993 due to a lower level of investments in 1994. Interest expense increased to \$73.3 million in 1994 from \$58.9 million in 1993 as a result of increased debt levels. Both the lower investment levels and higher debt levels were the result of expenditures made in connection with the ongoing construction and delivery of cruise ships. Capitalized interest decreased to \$21.9 million in 1994 from \$24.6 million in 1993.

Other expenses increased to \$9.1 million in 1994 because of two events which occurred during 1994 which are discussed in the nonoperating income (expense) section for the fiscal year ended November 30, 1995 compared to fiscal year ended November 30, 1994 above.

Income tax expense increased to \$10.1 million in 1994 primarily as a result of taxes, approximately \$3 million, on a dividend paid by the tour company, a U.S. Company, to its parent company, a foreign shipping company.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The Company's business provided \$587.2 million of net cash from operations during the year ended November 30, 1995, an increase of 9.3% compared to the corresponding period in 1994. The increase between periods was primarily the result of an increase in net income.

During fiscal 1995 the Company made cash expenditures of approximately \$484 million on capital projects, of which \$432 million was spent in connection with its ongoing shipbuilding program and \$34 million was spent on the purchase and expansion of the Company's existing corporate headquarters and operations facility located in Miami, Florida. The remainder was spent on vessel refurbishments, tour assets and other equipment. Amounts expended on the shipbuilding program included a final payment upon delivery of the Imagination in June 1995.

In October 1995, the Company purchased \$101 million face amount of 13% Senior Secured Notes Due 2003 of Kloster Cruise Limited for \$81 million (then "Kloster Bonds"). The investment presented an opportunity to acquire a company that appeared to be on the verge of failing and which, upon restructuring, could develop into a viable operation. Subsequently, the Company was not able to reach an agreement to acquire Kloster's common stock. Although Kloster is currently not in default with respect to its interest and principal payment obligations under the Kloster Bonds, there is no assurance that Kloster will continue to satisfy such obligations. The Company continues to hold these

bonds. See Note 7 in the accompanying financial statements for additional information regarding the Kloster Bonds.

In April 1995, the Company received \$47 million of net proceeds from the sale of 2.1 million shares of Class A Common Stock by the Company pursuant to the underwriters exercise of an over-allotment option in a secondary offering by certain shareholders of the Company. Also during fiscal 1995, the Company issued \$100 million of 7.05% Notes Due May 15, 2005 and received approximately \$99.2 million in cash proceeds net of underwriting fees and other costs and borrowed \$269 million under its \$750 million revolving credit facility due 2000(the "\$750 Million Revolver").

The Company made scheduled principal payments totaling approximately \$79.6 million under various individual vessel mortgage loans and repaid \$322 million of the outstanding balance on the \$750 Million Revolver during fiscal 1995.

Future Commitments

The Company has contracts for the delivery of seven new vessels over the next three and one half years. The Company will pay approximately \$674 million during fiscal 1996 relating to the construction and delivery of the new cruise ships and approximately \$1.2 billion beyond fiscal 1996. See Note 9 in the accompanying financial statements for more information related to commitments for the construction of cruise ships. In addition, the Company has \$1.2 billion of long-term debt and convertible notes of which \$73 million is due during fiscal 1996. See Note 5 in the accompanying financial statements for more information regarding the Company's debt.

Funding Sources

Cash from operations is expected to be the Company's principal source of capital to fund its debt service requirements and ship construction costs. In addition, the Company may fund a portion of the construction cost of new ships from borrowings under the \$750 Million Revolver, \$250 Million Revolver discussed below and/or through the issuance of long-term debt in the public or private markets. One of the Company's subsidiaries also has a \$25 million line of credit. The Company had \$565 million available for borrowing under the \$750 Million Revolver as of November 30, 1995.

In December 1995, the Company entered into a short-term \$250 million revolving credit facility to be used for general corporate purposes (then "\$250 Million Revolver"). As of January 23, 1996, the Company had not made any borrowings under the \$250 Million Revolver. See Note 5 in the accompanying financial statements for additional information regarding the \$250 Million Revolver.

To the extent that the Company should require or choose to fund future capital commitments from sources other than operating cash or from borrowings under the \$750 Million Revolver or the \$250 Million Revolver, the Company believes that it will be able to secure such financing from banks or through the offering of debt and/or equity securities in the public or private markets. In this regard, the Company has filed two Registration Statements on Form S-3 (the "Shelf Registration") relating to a shelf offering of up to \$500 million aggregate principal amount of debt or equity securities. Through November 1995, the Company had issued \$230 million of debt securities under the Shelf Registration. A balance of \$270 million aggregate principal amount of debt or equity securities remains available for issuance under the Shelf Registration.

SELECTED FINANCIAL DATA

The selected financial data presented below for the fiscal years ended November 30, 1991 through 1995 and as of the end of each such fiscal year are derived from the financial statements of the Company and should be read in conjunction with such financial statements and the related notes.

	1995	FISCAL YEAR ENDED NOVEMBER 30,			1991
		1994	1993	1992	
		(in thousands, except per share)			
INCOME STATEMENT DATA:					
Total revenues	\$1,998,150	\$1,806,016	\$1,556,919	\$1,473,614	\$1,404,704
Operating income	\$ 490,038	\$ 443,674	\$ 347,666	\$ 324,896	\$ 315,905
Income from continuing operations	\$ 451,091	\$ 381,765	\$ 318,170	\$ 281,773	\$ 253,824
Net income	\$ 451,091	\$ 381,765	\$ 318,170	\$ 276,584	\$ 84,988

Earnings per share (1):

Income from continuing operations	\$1.59	\$1.35	\$1.13	\$1.00	\$.93
Net income	\$1.59	\$1.35	\$1.13	\$.98	\$.31
Dividends declared per share	\$.315	\$.285	\$.280	\$.280	\$.245
Passenger cruise days	9,201	8,102	7,003	6,766	6,365
Percent of total capacity(2)	105.0%	104.0%	105.3%	105.3%	105.7%

	1995	1994	AS OF NOVEMBER 30, 1993	1992	1991
	(in thousands)				
BALANCE SHEET DATA:					
Total assets	\$4,105,487	\$3,669,823	\$3,218,920	\$2,645,607	\$2,650,252
Long-term debt and convertible notes	\$1,150,031	\$1,161,904	\$1,031,221	\$ 776,600	\$ 921,689
Total shareholders' equity	\$2,344,873	\$1,928,934	\$1,627,206	\$1,384,845	\$1,171,129

(1) All earnings per share amounts have been adjusted to reflect a two-for-one stock split effective November 30, 1994.

(2) In accordance with cruise industry practice, total capacity is calculated based upon two passengers per cabin even though some cabins can accommodate three or four passengers. The percentages in excess of 100% indicate that more than two passengers occupied some cabins.

MARKET PRICE FOR CAPITAL STOCK

The following table sets forth for the periods indicated the high and low market prices for the Class A Common Stock on the New York Stock Exchange restated to reflect the two-for-one stock split effective November 30, 1994:

	SALES PRICE	
	HIGH	LOW
Fiscal Year ended November 30, 1994:		
First Quarter	\$26.125	\$23.000
Second Quarter	\$25.438	\$21.000
Third Quarter	\$24.063	\$21.750
Fourth Quarter	\$23.125	\$20.563
Fiscal Year ended November 30, 1995:		
First Quarter	\$23.750	\$19.125
Second Quarter	\$26.625	\$22.125
Third Quarter	\$24.250	\$20.375
Fourth Quarter	\$27.125	\$20.625

As of January 17, 1996, there were approximately 3,445 holders of record of the Company's Class A Common Stock. All of the issued and outstanding shares of Class B Common Stock are held by The Micky Arison 1994 "B" Trust, a United States Trust, whose primary beneficiary is Micky Arison. While no tax treaty currently exists between the Republic of Panama and the United States, under current law, the Company believes that distributions to its shareholders are not subject to taxation under the laws of the Republic of Panama.

SELECTED QUARTERLY FINANCIAL DATA (unaudited)

Quarterly financial results for the year ended November 30, 1995 are as follows:

	FOR THE QUARTER			
	FIRST	SECOND	THIRD	FOURTH
	(in thousands, except per share data)			
Total revenue	\$419,820	\$452,826	\$672,598	\$452,906
Operating income	\$ 76,912	\$ 96,268	\$224,120	\$ 92,738
Net income	\$ 67,552	\$ 89,769	\$209,542	\$ 84,228
Earnings per share	\$.24	\$.32	\$.74	\$.30

Quarterly financial results for the year ended November 30, 1994 are as follows:

	FIRST	FOR THE QUARTER		FOURTH
		SECOND	THIRD	
	(in thousands, except per share data)			
Total revenue	\$385,256	\$409,400	\$600,796	\$410,564
Operating income	\$ 72,013	\$ 85,780	\$204,927	\$ 80,954
Net income	\$ 65,051	\$ 77,886	\$168,776	\$ 70,052
Earnings per share	\$.23	\$.28	\$.60	\$.25

Consent of Independent Certified Public Accountants

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Forms S-3 (No. 33-50947, No. 33-53136 and No.33-48756) and the Registrations Statements on Forms S-8 (No. 33-53099, 33-51195, 33-45288, 33-45287 and 33-26898) of Carnival Corporation of our report dated January 18, 1996 appearing in the Annual Report to Shareholders for the year ended November 30, 1995 which is incorporated in this Annual Report on Form 10-K.

PRICE WATERHOUSE LLP
January 18, 1996

YEAR

	NOV-30-1995	
	NOV-30-1995	
		53,365
		50,395
		33,080
		0
		48,820
	256,378	
		4,064,478
		649,655
	4,105,487	
594,710		
		1,150,031
		2,848
	0	
		0
		2,342,025
4,105,487		
		0
	1,998,150	
		0
		1,131,113
		0
		0
	81,842	
		460,465
		9,374
451,091		
		0
		0
		0
		451,091
		1.59
		1.57

