

SETTLEMENT AGREEMENT AND RELEASE
OF ALL CLAIMS SUBJECT TO LEGISLATIVE ACTION

INTRODUCTION

This Agreement, effective this 11th day of April, 2010, is made by and on among the following entities: (i) the State of Alaska (State); (ii) Alaska Cruise Association (ACA), and (iii) each of the nine cruise lines that are members of the Alaska Cruise Association (Member Lines). Collectively, the State, ACA, and Member Lines are referred to in this Agreement as the “Parties.”

WHEREAS, a dispute has arisen between the Parties regarding the Commercial Passenger Vessel Excise Tax, which resulted in ACA filing a complaint against the State in the United States District Court For the District of Alaska, case No. 3:09-cv-00015-TMB (Action); and

WHEREAS, each of the Parties believes it is in its interest to settle this dispute through enactment of legislation with specified terms, and through dismissal of ACA’s Action with prejudice and without costs as to any party;

THEREFORE, for good and valuable consideration, which consideration is described in paragraphs 1-2 below, the sufficiency and validity of which is hereby acknowledged, the Parties agree as follows:

SETTLEMENT CONDITIONS

1. The Governor has submitted a proposed bill (Bill), which is being considered in the current session of the Alaska Legislature as House Bill 422 and Senate Bill 311, that would amend the \$46.00 excise tax set forth in AS 43.52.200 and .210 by (a) reducing the rate of excise tax to \$34.50; and (b) further reducing the excise tax on any passenger by the total amount of taxes imposed on that passenger (offset not to exceed \$17.25) by municipalities that did not, by

December 17, 2007, elect to receive funds under AS 43.52.200-.295. The Parties support the Bill and advocate its passage.

2. ACA agrees that if the Bill or another bill with the tax reductions described in the preceding paragraph passes both houses of the Alaska Legislature during 2010 and is signed into law by the Governor without material amendment, ACA will dismiss its Action with prejudice, each party to bear its own costs and attorney fees. The State agrees to such dismissal under such terms and circumstances. Within two weeks of the Governor signing the Bill into law, the State and ACA will take all action necessary under Fed. R. Civ. P. 41 to achieve such dismissal with prejudice. Upon dismissal of the Action the Parties will become forever released and discharged from any and all existing claims, whether known or unknown, arising out of or related in any way to the matters alleged in the Action, Case No. 3:09-cv-00015-TMB.

3. The Parties agree that if the Bill is enacted and signed into law as set forth in paragraph 2, but the Bill is enacted into law with the inclusion of additional obligations imposed on the Member Lines, the terms and conditions specified in paragraph 2 shall become inoperative and shall have no effect.

ADDITIONAL TERMS

4. The Parties agree that regardless of whether or not the Action is dismissed as described in paragraphs 1 and 2, above, nothing in this Agreement or any action taken or statement made by the Parties in advocating passage of the Bill both prior to and after execution of the agreement, shall be admissible in any proceeding to prove the validity or invalidity of any claim or defense asserted by either party. In particular, the Parties agree that their respective positions regarding any reduction or offset to the tax imposed by AS 43.52.210 shall not be used (a) against ACA to suggest that it concedes the \$46.00 excise tax need only

be reduced or (b) against the State to suggest that it concedes the \$46.00 excise tax is excessive or (c) in any other way.

5. Each Member Line acknowledges and agrees that if the Legislature enacts the Bill or another bill with an immediate effective date, so that the tax reductions described in the Bill become effective after it has collected the passenger excise tax, but prior to its obligation to remit the tax to the Department of Revenue pursuant to 15 AAC 52.210, the Member Line will refund to each passenger the difference between the amount of tax collected under the existing tax rate and the newly effective tax rate. The Parties agree to work together in good faith to implement this section so that passengers are encouraged to spend this refund while visiting one of Alaska's communities.

6. Each Member Line agrees that the reduction in costs accomplished by the Bill will assist in making Alaska a more attractive destination for Member Lines and thereby further the mutual goal of increasing future ship deployments to Alaska. Each Member Line, as well as the State, will work to achieve that mutual goal, subject to economic conditions and each Member Line's overall market strategy.

7. The terms of this Agreement are contractual and not a mere recital. This agreement may be executed by the Parties in counterparts, each of which shall constitute an original for all purposes. The Parties agree that a facsimile or electronic image signature shall be binding for all purposes.

8. The signature of each person below is an acknowledgment that the person signing: (a) has carefully read this Agreement, (b) understands the terms of the Agreement, (c) has authority to bind the party to this Agreement, and (d) voluntarily accepts the Agreement for the purpose of making a full and final compromise and settlement of all claims arising from the matters alleged in the Action.

State of Alaska

Alaska Cruise Association

Daniel S. Sullivan
Attorney General

John Binkley
ACA President

Alaska Cruise Association Member Lines:

Carnival Corporation
d/b/a Carnival Cruise Lines
By: _____
Its: _____

Royal Caribbean Cruises Ltd.
d/b/a Royal Caribbean
International
By: _____
Its: _____

Holland America Line Inc.
By: _____
Its: _____

Princess Cruise Lines, Ltd.
By: _____
Its: _____

Norwegian Cruise Line
By: _____
Its: _____

Crystal Cruises
By: _____
Its: _____

Regent Seven Seas Cruises
By: _____
Its: _____

Silversea Cruises
By: _____
Its: _____

Celebrity Cruise Inc. d/b/a
Celebrity Cruises
By: _____
Its: _____