

Economic Eye On Cuba

[SEC 10Q Filing By Carnival Corporation For Potential Impact By Libertad Act Lawsuits](#)

August 27, 2019

United States Securities And Exchange Commission (SEC)

Washington DC

Form 10Q

For the quarterly period ended May 31, 2019

Carnival Corporation

Miami, Florida

Page 11

NOTE 4 - Contingencies

Litigation

“On May 2, 2019, two lawsuits were filed against Carnival Corporation in the U.S. District Court for the Southern District of Florida under Title III of the Cuban Liberty and Democratic Solidarity Act, also known as the Helms-Burton Act. The complaint filed by Havana Docks Corporation alleges it holds an interest in the Havana Cruise Port Terminal and the complaint filed by Javier Garcia-Bengochea alleges that he holds an interest in the Port of Santiago, Cuba, both of which were expropriated by the Cuban Government.

The complaints further allege that Carnival Cruise Line “trafficked” in those properties by embarking and disembarking passengers at these facilities. The plaintiffs seek all available statutory remedies, including the value of the

expropriated property, plus interest, treble damages, attorneys' fees and costs. We believe we have meritorious defenses to the claims and we intend to vigorously defend against them. We do not believe that it is likely that the outcome of these matters will be material, but litigation is inherently unpredictable and there can be no assurances that the final outcome of the case might not be material to our operating results or financial condition.

Additionally, in the normal course of our business, various claims and lawsuits have been filed or are pending against us. Most of these claims and lawsuits, or any settlement of claims and lawsuits, are covered by insurance and the maximum amount of our liability, net of any insurance recoverables, is typically limited to our self-insurance retention levels. We believe the ultimate outcome of these claims, lawsuits and settlements, as applicable, each and in the aggregate, will not have a material impact on our consolidated financial statements."

[LINK](#) To 10 Q Filing

The U.S.-Cuba Trade and Economic Council requested statements (on-the-record or off-the-record) relating to SEC obligations from attorneys. The following is an on-the-record response:

"Carnival should continue to disclose the ongoing Helms-Burton matters in its financial statements (and as you identified, Carnival began doing so no later than May 2019), but there is no requirement for Carnival to provide an estimated financial impact. Whether Carnival is required to record an accrual or disclose a loss contingency is an accounting matter, and must be made jointly by Carnival and PwC.

ASC 450 (formerly FAS 5) defines a contingency as an "existing condition, situation, or set of circumstances involving uncertainty . . . that will ultimately be resolved when . . . future events occur or fail to occur." An analysis under ASC 450 requires Carnival to determine the likelihood that the company will incur a "material loss." There are three ranges of material losses: remote, reasonably possible and probable.

A material loss is "remote" if the chance of the future event is slight, and there is no requirement for the company to either record an accrual or make disclosures of a remote contingency. A material loss is "probable" if the future

event is likely to occur, and if the amount of loss is reasonably estimable, then the company must accrue for the probable contingent loss. A material loss is “reasonable possible” if the likelihood falls in the range between being remote and probable, and only a disclosure of the contingency is required—not an accrual.

Carnival retains affirmative defenses and there will be a lot of litigation before the likelihood becomes probable that Carnival will experience a material loss.”

Evan J. Stroman, Esq., CPA

Kozyak Tropin & Throckmorton

2525 Ponce De Leon Blvd., 9th Floor, Miami, FL 33134

305.372.1800 | Direct 305.728.2988 | estroman@kttlaw.com