FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
(x) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 4, 1997
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 1-8544

APL LIMITED
(Exact name of registrant as specified in its charter)

Delaware	94-2911022
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1111 Broadway
Oakland, California 94607
(Address of principal executive offices)

Registrant's telephone number: (510) 272-8000

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 and (2) has been subject to such filing requirements for the past 90 days. Yes (x) No ( ).

Indicate the number of shares outstanding of each of the

issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 2, 1997
Common Stock, $.01 par value	24,636,744

APL LIMITED

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The consolidated financial statements presented herein include the accounts of APL Limited and its wholly-owned subsidiaries (the "company") and have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The company believes that the disclosures are adequate to make the information

presented not misleading, although certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the company's results of operations, financial position and cash flows. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the company's Annual Report on Form 10-K for the year ended December 27, 1996 (Commission File No. 1-8544).

APL Limited and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

(In thousands, except per share amounts)	14 Weeks Ended April 4, 1997	April 5, 1996
Revenues	$678,850	$726,337
Expenses	687,696	708,770
Operating Income (Loss)	(8,846)	17,567
Interest Income	6,611	6,745
Interest Expense	(15,600)	(17,734)
Income (Loss) Before Taxes	(17,835)	6,578
Federal, State and Foreign Tax Expense (Benefit)	(8,028)	2,697
Net Income (Loss)	$(9,807)	$ 3,881
Earnings (Loss) Per Common Share		
Primary	$ (0.40)	$ 0.15
Fully Diluted	$ (0.40)	$ 0.15
Dividends Per Common Share	$ 0.10	$ 0.10

See notes to consolidated financial statements.

APL Limited and Subsidiaries

CONSOLIDATED BALANCE SHEET (Unaudited)

(In thousands, except share amounts)	April 4 1997	December 27 1996
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 118,847	$ 102,370
Short-Term Investments	141,796	180,628
Trade and Other Receivables, Net	212,412	242,460
Fuel and Operating Supplies	28,731	29,220
Prepaid Expenses and Other Current Assets	58,427	61,804
Total Current Assets	560,213	616,482
Property and Equipment		
Ships	903,326	903,227
Containers, Chassis and Rail Cars	769,476	764,294
Leasehold Improvements and Other	255,983	252,466
Construction in Progress	44,715	29,078
	1,973,500	1,949,065
Accumulated Depreciation and Amortization	(848,879)	(825,846)
Property and Equipment, Net	1,124,621	1,123,219
Investments and Other Assets	147,066	140,477
Total Assets	$1,831,900	$1,880,178
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current Portion of Long-Term Debt and Capital Leases	$ 337	$ 9,866
Accounts Payable and Accrued Liabilities	368,956	380,690
Total Current Liabilities	369,293	390,556
Deferred Income Taxes	165,814	173,867
Other Liabilities	114,205	116,569

Long-Term Debt	690,248	695,546
Capital Lease Obligations	714	801
Total Long-Term Debt and Capital Lease Obligations	690,962	696,347
Commitments and Contingencies		
Stockholders' Equity		
Common Stock $.01 Par Value, Stated at $1.00 Authorized-60,000,000 Shares Shares Issued and Outstanding- 24,599,000 in 1997 and 24,564,000 in 1996	24,599	24,564
Additional Paid-In Capital	1,654	632
Retained Earnings	465,373	477,643
Total Stockholders' Equity	491,626	502,839
Total Liabilities and Stockholders' Equity	$1,831,900	$1,880,178

See notes to consolidated financial statements.

APL Limited and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In thousands)	14 Weeks Ended April 4, 1997	April 5, 1996
Cash Flows from Operating Activities		
Net Income (Loss)	$(9,807)	$ 3,881
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	28,613	31,621
Deferred Income Taxes	(8,053)	1,636
Change in Receivables	30,048	1,528
Change in Fuel and Operating Supplies	489	6,571
Change in Prepaid Expenses and Other Current Assets	3,377	8,601
Gain on Sale of Property and Equipment	(197)	(1,864)
Change in Accounts Payable and Accrued Liabilities	(11,734)	844
Other	(2,745)	(16,895)
Net Cash Provided by Operating Activities	29,991	35,923

Cash Flows from Investing Activities		
Capital Expenditures	(31,724)	(75,004)
Proceeds from Sales of Property and Equipment	1,839	159,515
Purchase of Short-Term Investments	(64,801)	(220,442)
Proceeds from Sales of Short-Term Investments	103,633	128,361
Transfer from Capital Construction Fund	2,953	
Deposit to Capital Construction Fund	(2,940)	
Other	(2,859)	(3,045)
Net Cash Provided by (Used in) Investing Activities	6,101	(10,615)
Cash Flows from Financing Activities		
Issuance of Debt		62,215
Repayments of Capital Lease Obligations	(86)	(8,790)
Repayments of Debt	(14,883)	(12,918)
Dividends Paid	(2,459)	(2,569)
Debt Issue Costs		(1,554)
Other	1,053	842
Net Cash Provided by (Used in) Financing Activities	(16,375)	37,226
Effect of Exchange Rate Changes on Cash	(3,240)	(216)
Net Increase in Cash and Cash Equivalents	16,477	62,318
Cash and Cash Equivalents at Beginning of Period	102,370	76,564
Cash and Cash Equivalents at End of Period	$118,847	$138,882
Supplemental Data:		
Cash Paid (Received) for:		
Interest, Net of Capitalized Interest	$ 15,211	$ 16,049
Income Taxes, Net of Refunds	$(7,760)	$ 4,785

See notes to consolidated financial statements.

APL Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Significant Accounting Policies

The consolidated financial statements presented herein include the accounts of APL Limited and its wholly-owned subsidiaries (the "company") and have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The company believes that the disclosures are adequate to make the information presented not misleading, although certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the company's results of operations, financial position and cash flows. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the company's Annual Report on Form 10-K for the year ended December 27, 1996 (Commission File No. 1-8544).

Income Taxes

The provision for income taxes has been calculated using the effective tax rate estimated for the respective years. The company's estimated income tax rate for the first quarter of 1997 was 34%. During the quarter, the company also recorded a tax benefit of $2.0 million relating to a prior year state income tax settlement. The effective income tax rate for the first quarter of 1996 was 41%. The full year effective tax rate for 1996 was 33%, which was reduced during 1996 to reflect the availability of additional tax credits and deductions.

Note 2. United States Maritime Agreements

Operating-Differential Subsidy Agreement

The company and the United States Maritime Administration ("MarAd") are parties to an Operating-Differential Subsidy ("ODS") agreement expiring December 31, 1997, which provides for payment by the U.S. government to partially compensate the company for the relatively greater labor expense of vessel operation under United States registry. The ODS amounts for the quarters ended April 4, 1997 and April 5, 1996 were $7.8 million and $13.6 million, respectively, and have been included as a reduction of expenses.

Note 3.Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities at April 4, 1997 and December 27, 1996 were as follows:

(In thousands)	April 4 1997	December 27 1996
Accounts Payable	$ 53,375	$ 52,316
Accrued Liabilities	241,318	250,523
Current Portion of Insurance Claims	13,565	15,326
Unearned Revenue	55,876	50,566
Restructuring Charge	4,822	11,959
Total Accounts Payable and Accrued Liabilities	$ 368,956	$ 380,690

APL Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 4. Long-Term Debt

Long-Term Debt at April 4, 1997 and December 27, 1996 consisted of the following:

(In thousands)	April 4 1997	December 27 1996
Vessel Mortgage Notes Due Through 2008 (1)	$ 375,527	$ 380,880
8% Senior Debentures $150 million Face Amount, Due on January 15, 2024 (2)	147,205	147,198
7 1/8% Senior Notes $150 million Face Amount, Due on November 15, 2003 (2)	148,448	148,399
Series I 8% Vessel Mortgage Bonds, Due Through 1997 (3)		9,530
8% Refunding Revenue Bonds Due on November 1, 2009	12,000	12,000
Other	7,068	7,069
Total Debt	690,248	705,076
Current Portion		(9,530)
Long-Term Debt	$ 690,248	$ 695,546

(1) To finance a portion of the purchase price of its six C11-class vessels, the company borrowed $402.1 million in 1995 and 1996 under a loan agreement with European banks pursuant to vessel mortgage notes due through 2008. Principal payments are due in semiannual installments over a 12-year period commencing six months after the delivery of the respective vessels. The interest rates on the notes are based upon various margins over LIBOR or the banks' cost of funds, as elected by the company. Until the sixth anniversary of the delivery date, the company may defer up to four principal payments. Aggregate deferred payments are due at the end of the term of the notes. Principal payments on this debt are classified as long-term on the basis that the company has the ability to defer at least two payments. The notes issued under this loan agreement are collateralized by the C11-class vessels.

The company entered into interest rate swap agreements on four of the vessel mortgage notes, with a notional amount of $257.6 million at April 4, 1997, to exchange the variable interest rate obligations on such notes for fixed rate obligations for periods ranging between 7 and 12 years. The current variable interest rates for all of the vessel mortgage notes range between 6.415% and 6.86%. As a result of the swaps, the effective interest rates range between 6.625% and 7.531% for the first five years after inception, and 6.625% and 7.656% for the remaining terms of the swaps. Net payments or receipts under the agreements are included in interest expense.

(2) The company issued 7 1/8% Senior Notes and 8% Senior Debentures in November 1993 and January 1994, respectively. Interest payments are due semiannually. The Senior Notes had an effective interest rate of 7.325%, and an unamortized discount of $1.6 million at April 4, 1997. The Senior Debentures had an effective interest rate of 8.172%, and an unamortized discount of $2.8 million at April 4, 1997.

(3) The Series I Vessel Mortgage Bonds were fully repaid during the first quarter of 1997.

APL Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 4. Long-Term Debt (continued)

The company has a credit agreement with a group of banks which provides for an aggregate commitment of $200 million

through March 1999. The credit agreement contains, among other things, various financial covenants that require the company to meet certain levels of interest and fixed charge coverage, leverage and net worth. The borrowings bear interest at rates based upon various indices as elected by the company. There have been no borrowings under this agreement.

As an alternative to borrowing under its credit agreement, the company has an option under that agreement to sell up to $150 million of certain of its accounts receivable to the banks. This alternative is subject to less restrictive financial covenants than the borrowing option.

Note 5. Stockholders' Equity

Earnings (Loss) Per Common Share

For the quarter ended April 4, 1997, primary and fully diluted loss per common share were computed by dividing the net loss by the weighted average number of common shares outstanding during the quarter. For the quarter ended April 5, 1996, primary and fully diluted earnings per common share were computed by dividing net income by the weighted average number of common shares and common equivalent shares outstanding during the quarter. The number of shares used in these computations were as follows:

Weighted Average Number of Common and Common Equivalent Shares

(In millions)	14 Weeks Ended April 4, 1997	April 5, 1996
Primary	24.6	26.1
Fully Diluted	24.6	26.4

Weighted average shares for the first quarter of 1997 reflects the repurchase of 1.3 million shares of the company's common stock in the third and fourth quarters of 1996.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share", which is effective for interim and annual periods ending after December 15, 1997 (early application is not permitted). Under this new standard, primary earnings per share and fully diluted earnings per share have been replaced by basic earnings per share and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the

weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period plus the dilutive effect of stock options outstanding. For the first quarter of 1997 and 1996, basic and diluted earnings (loss) per share would be the same as the reported primary and fully diluted earnings (loss) per share.

APL Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 6. Commitments and Contingencies

Commitments

Alliances

The alliance agreements between the company, Orient Overseas Container Line ("OOCL"), Mitsui OSK Lines, Ltd. ("MOL"), Nedlloyd Lines B.V. ("NLL") and Malaysian International Shipping Corporation BHD ("MISC"), collectively referred to as the Global Alliance, were fully implemented in the first quarter of 1996.

NLL merged with the container line operations of The Peninsular and Oriental Steam Navigation Company ("P&O") on December 31, 1996 to form P&O Nedlloyd Container Line Limited ("P&O-NL"). NLL and P&O were each members of different alliances, and the future alliance participation of P&O-NL has not yet been determined. The company and Neptune Orient Lines Ltd ("NOL") are also each members of different alliances, and the future alliance participation of the company and NOL following consummation of the Proposed Merger as discussed in Note 7, has not yet been determined. The company cannot predict when the alliance participation of P&O-NL or, if the Proposed Merger is consummated, when the alliance participation of the company and NOL, will be determined or the resulting impact on the operations of the Global Alliance. However, while no assurances can be given, the company believes that acceptable alternatives may be available.

Facilities, Equipment and Services

The company had outstanding purchase commitments to acquire cranes, facilities, equipment and services totaling $71.0 million at April 4, 1997. In addition, the company has commitments to purchase terminal services for its major Asian operations. These commitments range from one to ten years, and the amounts of the

commitments under these contracts are based upon the actual services performed. At April 4, 1997, the company had outstanding letters of credit and other agreements totaling $61.9 million, which guarantee the company's performance under certain of its commitments.

Employment Agreements

The company has entered into employment agreements with certain of its officers. The agreements provide for certain payments to each officer upon termination of employment, other than as a result of death, disability in most cases, or justified cause, as defined. The aggregate estimated commitment under these agreements was $16.6 million at April 4, 1997. Certain employment agreements contain provisions requiring additional payments including excise taxes and supplemental pension benefits, if applicable.

Contingencies

In October 1995, Lykes Bros. Steamship Co., Inc. ("Lykes") filed a petition seeking protection from its creditors under Chapter 11 of the U.S. Bankruptcy laws. The company chartered four L9-class vessels from Lykes, and Lykes operates three Pacesetter vessels chartered from the company. All four L9s were redelivered to Lykes by September 25, 1996, and the three Pacesetters continue to be operated by Lykes. On July 26, 1996, the Bankruptcy Court gave its final approval to a settlement agreement, which became effective on August 9, 1996, between the company and Lykes, establishing terms for the payment of the company's claims against Lykes for unpaid charter hire. The settlement also allows Lykes the use of the three Pacesetters until December 31, 1997 and requires Lykes to obtain the release of liens it permitted to be established against those vessels.

APL Limited and Subsidiaries

Note 6. Commitments and Contingencies (continued)

Contingencies (continued)

On April 2, 1997, Lykes' Plan of Reorganization was confirmed. Also on April 2, 1997, Lykes and Canadian Pacific, Ltd. ("CP") finalized an agreement for CP's acquisition of Lykes' U.S. container shipping services for approximately $30 million, subject to certain conditions including the approval of MarAd. In addition, the company and CP have reached an agreement which allows the company to realize most of the remaining benefits due under its settlement with Lykes, which agreement is conditioned upon the consummation of CP's acquisition of Lykes and,

therefore, on MarAd's approval of such acquisition.

Certain Bankruptcy Court orders underlying the company's agreement with Lykes have been appealed, but these appeals are expected to be withdrawn if Lykes' Plan of Reorganization becomes effective. Lykes' bankruptcy filing is not expected to have a material adverse impact on the company's consolidated financial position or results of operations.

The company is a party to various legal proceedings, claims and assessments arising in the course of its business activities. Based upon information presently available, and in light of legal and other defenses and insurance coverage and other potential sources of payment available to the company, management does not expect these legal proceedings, claims and assessments, individually or in the aggregate, to have a material adverse impact on the company's consolidated financial position or operations.

Note 7. Proposed Merger with Neptune Orient Lines Ltd

On April 13, 1997, the company entered into a merger agreement with NOL, a Singapore corporation, and Neptune U.S.A., Inc., a Delaware corporation and an indirect, wholly-owned subsidiary of NOL ("Sub"), pursuant to which Sub will merge with and into the company (the "Proposed Merger"). As a result of the Proposed Merger, the outstanding shares of the company's stock will be converted into the right to receive $33.50 per share in cash and the company will become a wholly-owned subsidiary of NOL. The Proposed Merger, which has been approved by each company's Board of Directors, is conditioned upon approval by holders of a majority of the outstanding shares of the company's Common Stock and is subject to other conditions, including review under the Exon-Florio Amendment and the approval of MarAd. The parties expect to consummate the transaction in the fall of 1997, following the receipt of regulatory approvals.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations for the first quarter of 1997 should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in the company's Annual Report on Form 10-K for the year ended December 27, 1996.

RESULTS OF OPERATIONS

Summary Results (In millions)	First Quarter 1997	Change	First Quarter 1996
Revenues			
Container Transportation	$ 575.7	(9%)	$633.4
Logistics Services and Other	103.2	11%	92.9
Total	$ 678.9	(7%)	$726.3
Operating Income (Loss)	$ (8.8)	>(100%)	$ 17.6
Pretax Income (Loss)	$ (17.8)	>(100%)	$ 6.6

Overview

The operating loss for the first quarter of 1997 was $8.8 million compared with operating income for the first quarter of 1996 of $17.6 million. Included in operating income for the first quarter of 1997 and 1996 was $3.0 million from the favorable settlement of claims related to the 1995 collision of a vessel and a $1.6 million gain from the sale of a vessel, respectively.

In the first quarter of 1997, the company's earnings decreased as a result of reduced container transportation revenues due to decreased average revenue per forty-foot equivalent unit ("FEU") in all of the company's markets as compared with the first quarter of 1996. The decrease in revenues was offset in part by increased logistic services and other revenues, and a reduction in total expenses as compared with 1996.

Container Volumes by Major Market (1)	First Quarter 1997	Change	First Quarter 1996
Asia to North America	44.5	12%	39.8
North America to Asia	32.7	(9%)	36.1
Intra-Asia	48.4	24%	39.0
Asia-Europe	10.4	19%	8.7
Latin America	6.1	92%	3.2
Refrigerated	14.3	2%	14.0
Stacktrain	116.6	15%	101.2
Automotive	19.1	(30%)	27.2

(1) Volumes are stated in thousands of FEUs, except Stacktrain and Automotive, which are stated in thousands of shipments. Volumes data are based upon shipments originating during the period, which differs from the percentage-of-completion

method used for financial reporting purposes.

Asia to North America

Volumes increased in the first quarter of 1997 due primarily to strong export activities in North and South China, Hong Kong and India. Lower manufacturing costs in South China have shifted customer production facilities to that region, thereby increasing volumes from that area.

North America to Asia

Volumes declined in this market in the first quarter of 1997 compared with the first quarter of 1996 due primarily to decreased shipments to North China, Hong Kong and Indonesia resulting from reduced demand in this market. In addition, the company sold five vessels and its Guam business to Matson Navigation Company, Inc. ("Matson") in the first quarter of 1996, which also contributed to the decline in volumes. The decrease in volumes was partially offset by increased military cargoes to Japan and Korea as a result the company's increased share of military business.

Intra-Asia

The company's intra-Asia volumes increased in the first quarter of 1997 compared with last year's first quarter primarily as a result of increased shipments to and from North China, India, Korea and Taiwan due to focused marketing efforts.

Asia-Europe

Volumes increased in both directions in the first quarter of 1997 over the first quarter of 1996 as the company pursued additional cargo in order to gain market share. Eastbound volumes increased due to shipments from the Netherlands and the United Kingdom and westbound volumes increased due to shipments from Hong Kong to Belgium, Denmark, the Netherlands and the United Kingdom.

Latin America

Volumes in this market increased in the first quarter of 1997 compared with the first quarter of 1996 due primarily to an increase in eastbound shipments from Hong Kong, Indonesia and Taiwan to Mexico and Panama resulting from more focused sales efforts. In addition, westbound and intra-Caribbean volumes also increased due to the introduction of intra-Caribbean services in mid-1996 and increased marketing efforts.

Refrigerated

Compared with the first quarter of 1996, volumes of commercial refrigerated cargo increased slightly in 1997. This was due primarily to increased volumes in the U.S. import market resulting from increased exports from Japan, Taiwan and Thailand, and increased volumes in the intra-Asia market. These increases were partially offset by lower export and military refrigerated cargo volumes.

Stacktrain

North America stacktrain volumes increased significantly in the first quarter of 1997 compared with last year's first quarter due to growth in demand and the company's pricing strategies to remain competitive. Partially offsetting the increased volumes was the loss of volumes related to the sale of the company's rights to service certain domestic intermodal customers in the second quarter of 1996.

Automotive

Automotive volumes declined in the first quarter of 1997 compared with the same period in 1996, due to reduced volumes of both stacktrain and non-stacktrain shipments by U.S. automobile manufacturers between the U.S. and Mexico and within the U.S.

Average Revenue per Unit (1)	First Quarter 1997	Change	First Quarter 1996
Trans-Pacific	$3,198	(10%)	$3,573
Other Ocean Transportation	$1,886	(14%)	$2,193
Stacktrain	$1,162	(11%)	$1,304

(1) Average revenue per unit is stated in FEUs, except for Stacktrain, which is in shipments. Average revenue per unit data are based upon shipments originating during the period, which differs from the percentage-of-completion method used for financial reporting purposes. Stacktrain revenue per unit includes Automotive.

Trans-Pacific

In the first quarter of 1997, the company's trans-Pacific average revenue per FEU declined from the same period in 1996 due primarily to considerable pressure on rates in the Asia to North America market as a result of over-capacity, slower growth in trade, and continued rate reductions by the company and other carriers. Considerable rate instability persists in this market,

and the company cannot predict whether rate reductions will continue to be taken by the company or its competitors in 1997, or the extent of such reductions, if any. Continued destabilization of rates, if extensive, could have a material adverse impact on the results of operations of carriers, including the company. Also contributing to lower trans-Pacific average revenue per FEU are lower rates and a lower percentage of high value cargo in the North America to Asia market.

Other Ocean Transportation

Average revenue per FEU in the company's other ocean transportation markets decreased in the first quarter of 1997 compared with the first quarter of 1996, due primarily to an increase in lower-rated, short-leg cargo in the intra-Asia market. The decrease in average revenue per FEU was compounded by continued rate deterioration in the Asia-Europe market throughout 1996 and the first quarter of 1997 due to excess vessel capacity and significant rate pressure as carriers compete for market share.

Stacktrain

Stacktrain average revenue per shipment declined in the first quarter of 1997 compared with the same period in 1996 primarily due to lower rates resulting from increased competition and excess equipment capacity in this market.

Proposed Merger with Neptune Orient Lines Ltd

On April 13, 1997, the company entered into a merger agreement with NOL, and Neptune U.S.A., Inc., a Delaware corporation and an indirect, wholly-owned subsidiary of NOL ("Sub"), pursuant to which Sub will merge with and into the company (the "Proposed Merger"). As a result of the Proposed Merger, the outstanding shares of the company's stock will be converted into the right to receive $33.50 per share in cash and the company will become a wholly-owned subsidiary of NOL. The Proposed Merger, which has been approved by each company's Board of Directors, is conditioned upon approval by holders of a majority of the outstanding shares of the company's Common Stock and is subject to other conditions, including review under the Exon-Florio Amendment and the approval of MarAd. The parties expect to consummate the transaction in the fall of 1997, following the receipt of regulatory approvals.

Outlook

The company expects stronger volumes to be offset by continued rate pressures in most of its major markets through 1997 as increased capacity continues to exceed market growth.

Anticipated lower rates combined with seasonal factors are expected to result in reduced earnings, particularly in the first half of the year.

Logistics Services and Other Revenues

Logistics Services and Other Revenues, which include cargo handling, freight consolidation, logistics services and charter hire revenues, totaled $103.2 million and $92.9 million in the 1997 and 1996 first quarters, respectively. The increase reflects increased cargo handling revenues in Asia and North America associated with greater use of the company's terminals by third parties.

Alliances

The alliance agreements between the company, OOCL, MOL, NLL and MISC, collectively referred to as the Global Alliance, were fully implemented in the first quarter of 1996.

NLL merged with the container line operations of P&O on December 31, 1996 to form P&O Nedlloyd Container Line Limited. NLL and P&O were each members of different alliances, and the future alliance participation of P&O-NL has not yet been determined. The company and NOL are also each members of different alliances, and the future alliance participation of the company and NOL following consummation of the Proposed Merger, has not yet been determined. The company cannot predict when the alliance participation of P&O-NL or, if the Proposed Merger is consummated, when the alliance participation of the company and NOL, will be determined or the resulting impact on the operations of the Global Alliance. However, while no assurances can be given, the company believes that acceptable alternatives may be available.

Maritime Regulation and Subsidy

Under the company's ODS agreement with the MarAd, which expires December 31, 1997, payments to the company were approximately $7.8 million and $13.6 million in first quarter of 1997 and 1996, respectively. The company expects ODS payments in 1997 to be substantially lower than in 1996 as a result of a reduction in the number of U.S. flag vessels operated by the company. During 1996, the company sold five U.S. flag vessels to Matson and returned five chartered U.S. flag vessels, four of which had been chartered from Lykes.

In October 1996, the Maritime Security Act of 1996 was signed into law. This legislation provides for a Maritime Security Program ("MSP") administered by MarAd with up to $100

million in payments per annum to be appropriated by Congress on an annual basis. MSP provides $2.1 million per vessel per year, compared with up to $3.6 million per vessel per year under ODS, and will expire on October 1, 2005.

In January 1997, the company signed operating agreements under MSP for nine ships, including five C10-class vessels and four C11-class vessels. The company has a one-year period in which to begin the participation of those vessels in the program. Vessels participating in MSP must be registered under U.S. flag and manned by U.S. crews and must participate in the Emergency Preparedness Program established by the Maritime Security Act. Certain U.S. citizenship requirements are applicable to the participating carrier. Transfers of operating agreements and substitution of vessels are permitted under specified circumstances, subject to the prior approval of MarAd. The operating agreements are one-year contracts, which will be automatically renewed through September 30, 2005 subject to available funding. If annual funding is not appropriated by the U.S. Congress, the operating agreements may be terminated on 60 days' notice by MarAd. The agreements may also be terminated by the participating carrier on 60 days' notice at any time, provided that the carrier continues to participate in the Emergency Preparedness Program and the vessels continue under U.S. flag registry through the end of the then-current fiscal year.

Due to the enactment of MSP, the company's collective bargaining agreement covering its unlicensed personnel expired and was renegotiated, and a new agreement was reached in December 1996. The new contract expires in June 1999. Existing agreements covering licensed personnel expire in December 1997 and June 1998, and the company has been engaged in negotiations with the representative unions regarding continuation of those agreements. The company is unable to predict when or whether new agreements may be reached, and labor disturbances could result which could have a material adverse impact on the company.

In 1997, legislation was introduced in the U.S Senate that would substantially modify the Shipping Act of 1984 (the "Shipping Act"). The Shipping Act, among other things, provides the company with certain immunity from antitrust laws and requires the company and other carriers in U.S. foreign commerce to file tariffs publicly. The legislation contains provisions that require tariffs to be published and available to the public but not filed with a government agency, allow independent contracts between shippers and ocean carriers, allow contract terms to be treated confidentially except for specific terms, and

strengthen remedies to combat predatory activities by foreign carriers, under limited continuing oversight by a successor agency to the Federal Maritime Commission, while continuing the company's existing antitrust immunity. The company is unable to predict whether this or other proposed legislation will be introduced or enacted. Enactment of legislation modifying the Shipping Act, depending upon its terms, could have a material impact on the competitive environment in which the company operates and on the company's results of operations. The company is unable to predict the nature or extent of the impact of this legislation, if enacted.

EXPENSES

Expenses (In millions)	First Quarter 1997	Change	First Quarter 1996
Transportation			
Land	$ 223.9	(11%)	$252.1
Ocean	119.3	(2%)	121.4
Equipment	70.0	3%	68.3
Cargo Handling	179.7	11%	162.0
Sales General & Administrative	97.8	(8%)	106.5
Other (Income) Expense	(3.0)	84%	(1.6)
Total	$ 687.7	(3%)	$708.7
Operating Ratio (1)	102%		98%

(1)Other (Income)/Expense is excluded from this calculation.

Land Transportation

Land transportation expenses decreased in the first quarter of 1997 from the first quarter of 1996, primarily due to decreases in domestic automotive and freight brokerage volumes as a result of the sale of the company's rights to service certain domestic intermodal customers in the second quarter of 1996.

Ocean Transportation

Ocean transportation expenses decreased in the first quarter of 1997 compared with the first quarter of 1996 as a result of fewer vessels operating in the 1997 period due to the sale of five U.S. flag vessels to Matson in 1996 and the return of five chartered U.S. flag vessels, four of which had been chartered from and returned to Lykes, during 1996. Partially offsetting these decreases were increased purchases of vessel space from the alliance partners in the Asia-Latin America service, additional feeder costs in Asia due to slot purchase arrangements and

additional vessel charters, and lower subsidy payments resulting from operating fewer vessels in 1997.

Transportation Equipment

Transportation equipment costs increased in the first quarter of 1997 compared with the first quarter of 1996 due to increased container lease and maintenance costs.

Cargo Handling

Cargo handling expenses increased in the first quarter of 1997 compared with the same period in 1996, as result of higher cargo volumes from both the company and its alliances, primarily in intra-Asia and Latin America, and from higher labor rates. This increase was partially offset by the strengthening value of the U.S. dollar against the Japanese yen in the first quarter of 1997 compared with the same period in 1996.

Sales, General and Administrative

Sales, general and administrative expenses decreased in the first quarter of 1997 compared with the first quarter of 1996, as the company realized salary and benefit savings from the 1995 restructuring which resulted in the elimination of certain positions in the U.S. and Asia during 1996. Other factors were lower agency fees, lower accruals for certain employee benefit costs due to workforce reductions, and favorable insurance claims experience.

Other Income and Expense

In the first quarter of 1997, the company recorded $3.0 million in other income from the favorable settlement of claims related to the 1995 collision of a vessel. In the first quarter of 1996, the company recognized a gain of $1.6 million from the sale of a vessel to Matson.

Net Interest Expense

Net interest expense decreased from $11.0 million in the first quarter of 1996 to $9.0 million in the first quarter of 1997, primarily due to the repayment of the remaining balance of the C10-class Series I Vessel Mortgage Bonds in the first quarter of 1997, reductions in the balance of the C11-class Vessel Mortgage Notes and interest capitalized under terminal construction contracts compared with last year's first quarter.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Resources (In millions) As of:	April 4 1997	December 27 1996
Cash, Cash Equivalents and Short-Term Investments	$ 260.6	$ 283.0
Working Capital	190.9	225.9
Total Assets	1,831.9	1,880.2
Long-Term Debt and Capital Lease Obligations (1)	691.3	706.2

For the quarter ending:	April 4 1997	April 5 1996
Cash Provided by Operations	$ 30.0	$ 35.9
Investing Activities		
Proceeds from the Sales of Property and Equipment	$ 1.8	$ 159.5
Capital Expenditures		
Ships	$ 0.1	$ 65.0
Containers, Chassis and Rail Cars	9.7	2.4
Leasehold Improvements and Other	21.9	7.6
Total Capital Expenditures	$ 31.7	$ 75.0
Financing Activities		
Borrowings		$ 62.2
Repayment of Debt and Capital Leases	$ (15.0)	(21.7)
Dividend Payments	(2.5)	(2.6)

(1) Includes current and long-term portions.

Cash Flows

In the first quarter of 1996, the company sold Matson five U.S. flag ships (three C9-class vessels and two C8-class vessels) and certain of its assets in Guam for approximately $158 million in cash.

Capital Spending

Capital expenditures of $31.7 million in the first quarter of 1997 were primarily for purchases of chassis, containers, and terminal and leasehold improvements. Capital expenditures in 1997 are expected to be approximately $108 million primarily for terminal and leasehold improvements, transportation equipment and

systems. The company has outstanding purchase commitments to acquire cranes, facilities, equipment and services totaling $71.0 million. In addition to vessel expenditures of $65.0 million, the company made capital expenditures in the first quarter of 1996 of $10.0 million primarily for purchases of chassis, containers, and terminal and leasehold improvements.

In January 1996, the company took delivery of the sixth and final C11-class vessel, five of which were delivered during 1995. The total cost of the six C11-class vessels was $529 million, including total payments to the shipyards of $503 million, of which $62 million was paid in January 1996. To finance a portion of these vessel purchases, the company borrowed $402 million. Of this amount, $62.2 million was borrowed in January 1996 and the remainder in 1995. The company has entered into four interest rate swap agreements to exchange the variable interest rates on certain vessel mortgage notes for fixed rates over periods ranging between 7 and 12 years. This debt is more fully described in Note 4 of Notes to Consolidated Financial Statements.

Share Repurchases

In April 1996, the Board of Directors approved a program to repurchase up to an aggregate of $50 million of the company's common stock from time to time through open-market or privately negotiated transactions. In the third and fourth quarters of 1996, the company paid $29 million to repurchase approximately 1.3 million shares of its common stock under this program. No shares were repurchased during the first quarter of 1997.

Capital Resources

The company has a credit agreement with a group of banks which provides for an aggregate commitment of $200 million through March 1999. Under that agreement, the company also has an option to sell up to $150 million of certain of its accounts receivable to the banks as an alternative to borrowing. There have been no borrowings under this agreement.

The company believes its existing resources, cash flows from operations and borrowing capacity under its existing credit facilities will be adequate to meet its liquidity needs for the foreseeable future.

CERTAIN FACTORS THAT MAY AFFECT OPERATING RESULTS

Statements prefaced with "expects", "anticipates", "estimates", "believes" and similar words , including statements concerning anticipated rate and volume trends, alliance participation, and capital spending, are forward-looking

statements based on the company's current expectations as to prospective events, circumstances and conditions over which it may have little or no control and as to which it can give no assurances. All forward-looking statements, by their nature, involve risks and uncertainties, including those discussed above and below, that could cause actual results to differ materially from those projected.

The company expects that it and the shipping industry generally will face challenging conditions in coming years. The adversity of the operating environment and its impact on the company's operating results will depend on a variety of factors, including: the timing and extent of an anticipated slowing of market growth in certain markets served by the company; the amount and timing of an anticipated significant increase in industry capacity due to new vessel deliveries to competing carriers; rate reductions in some market segments due to this additional capacity and other factors; successful implementation and continuation of the company's alliances, which comprise a significant factor in the company's long-term strategy to remain competitive; and the pace and degree of industry deregulation.

As a result of capacity increases exceeding market growth and increased competition, considerable rate instability exists in most of the company's major markets. Destabilization of rates has in the past had and, if extensive, could in the future have a material adverse impact on the results of operations of carriers in these trades, including the company.

Demand in the trans-Pacific market is dependent on factors such as the quantity of available import and export cargo and economic conditions in the U.S. and other Pacific Basin countries. The degree to which any growth or contraction in the trans-Pacific market impacts the company will depend in large part on the introduction of additional vessels into the market by the company's competitors. Because a number of competing ocean carriers have placed orders for the construction of a significant number of new vessels, capacity in the trans-Pacific market is expected to grow significantly more than demand, which could result in further rate reductions.

Other risks and uncertainties include: growth trends in other markets served by the company, the company's ability to respond to those trends, changes in the cost of fuel, the status of labor relations, the amplitude of recurring seasonal business fluctuations, and the continuation and effectiveness of the Trans-Pacific Stabilization Agreement and the various shipping conferences to which the company belongs. If the company were unable to negotiate acceptable labor agreements, including those currently under negotiation, the results could include work

stoppages, strikes or other labor difficulties, or higher labor costs, any of which could have a material adverse affect on the company's operating results. The company has experienced such difficulties at times in the past and can provide no assurance that they will not occur in the future.

Also, the company is subject to inherent risks of conducting business internationally, including changes in: legislative or regulatory requirements, the relative values of the U.S. dollar and the various foreign currencies with which the company is paid and funds its local operations, tariffs and other trade barriers and restrictions affecting its customers, payment cycles, the difficulty of collecting accounts receivable, taxes, and the burdens of complying with a variety of foreign laws. In connection with its international operations, the company is also subject to general geopolitical risks, such as political and economic instability and changes in diplomatic and trade relationships affecting the company or its customers.

The company's Proposed Merger with NOL may have significant effects on the company's future operations, although the nature and extent of such effects cannot be currently determined. Responses of third parties, such as the company's alliance partners and labor unions, to the proposed merger are also uncertain at this time. The Proposed Merger is also subject to the approval of the stockholders of the company and to regulatory approvals, including the approval of MarAd.

The company expressly disclaims any obligation or undertaking to update any forward-looking statements contained herein in the event of any change in the company's expectations with regard thereto or with regard to current or prospective conditions or circumstances on which any such statement is based.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The company is a party to various pending legal proceedings, claims and assessments arising in the course of its business activities, including actions relating to trade practices, personal injury or property damage, alleged breaches of contracts, torts, labor matters, employment practices, tax matters and miscellaneous other matters. Some of these proceedings involve claims for punitive damages, in addition to other specific relief.

Among these actions are approximately 3,480 cases pending against the company, together with numerous other ship owners and equipment manufacturers, involving injuries or illnesses

allegedly caused by exposure to asbestos or other toxic substances on ships. In May 1996, an order was entered in the United States District Court for the Eastern District of Pennsylvania, which administratively dismissed most of such cases without prejudice and with all statutes of limitation tolled, and with reinstatement permitted upon fulfillment by plaintiffs of certain specified conditions. In July 1996, the Court issued an order to reinstate 29 cases against vessel owners and to dismiss the vessel owners' third party claims and cross-claims against manufacturers of asbestos products. A motion for reconsideration of such dismissal is pending. The company is presently unable to ascertain or predict the potential impact of this order on the disposition or eventual outcome of such cases.

The company insures its potential liability for bodily injury to seamen through mutual insurance associations. Industry-wide resolution of asbestos-related claims and resolutions of claims against bankrupt shipping companies at higher than expected amounts could result in additional contributions to those associations by the company and other association members.

In December 1989, the government of Guam filed a complaint with the Federal Maritime Commission ("FMC") alleging that American President Lines, Ltd. and an unrelated company charged excessive rates for carrying cargo between the U.S. and Guam, in violation of the Shipping Act and the Intercoastal Shipping Act of 1933, and seeking an undetermined amount of reparations. Three private shippers are also complainants in this proceeding. On June 3, 1996, the FMC administrative law judge ordered that the complaint be dismissed on the merits. The complainants filed its appeal with the FMC on July 25, 1996, and American President Lines, Ltd. filed its reply on September 16, 1996. A decision by the FMC is expected in August 1997.

The company and its directors have been named as defendants in a purported class action on behalf of all public stockholders of the company pending in the Superior Court of the State of California for the County of Alameda, captioned Soshtain et. al. v. Arledge et. al., Case No. 781838-3. The complaint was filed on April 18, 1997 and alleges that the company's directors breached their fiduciary duties in connection with the Proposed Merger with NOL by failing to take all necessary steps to ensure that the company's stockholders would receive the maximum value realizable for their shares, and seeks damages in an unspecified amount and equitable relief, including an injunction against consummation of the Proposed Merger. The time for the defendants to move or answer with respect to the complaint has not yet elapsed.

Based upon information presently available, and in light of

legal and other defenses and insurance coverage and other potential sources of payment available to the company, management does not expect the legal proceedings described, individually or in the aggregate, to have a material adverse impact on the company's consolidated financial position or operations.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required by Item 601 of Regulation S-K

The following documents are exhibits to this Form 10-Q:

Exhibit No.	Description of Document
3.1	Integrated copy of the amended By-Laws.
10.1	Fourth Amendment to the APL Limited SMART Plan (Second Amendment and Restatement Effective as of January 1, 1993), dated March 24, 1997.**
10.2	APL Limited Regular Supplemental Executive Retirement Plan, amended and restated effective November 9, 1996.**
10.3	APL Limited Pure Excess Supplemental Executive Retirement Plan, effective November 9, 1996.**
10.4	APL Limited Regular Excess-Benefit Plan, amended and restated effective November 9, 1996.**
10.5	APL Limited Pure Excess-Benefit Plan, effective November 9, 1996.**
10.6	Amendment No. 4 dated March 17, 1997 to the Credit Agreement among APL Limited, borrower, and Morgan Guaranty Trust Company of New York (as agent and participant), Bank of America National Trust and Savings Association, The First National Bank of Boston, The Industrial Bank of Japan, Limited, ABN AMRO Bank N.V. and The First National Bank of Chicago.
27	Financial Data Schedules filed under Article 5 of Regulation S-X for the first quarter ended April 4, 1997.

** Denotes management contract or compensatory plan.

(b) Reports on Form 8-K

On April 14, 1997, the company filed a Form 8-K dated April 13, 1997, relating to the Agreement and Plan of Merger with Neptune Orient Lines Ltd, a Singapore corporation ("NOL"), and Neptune U.S.A., Inc., a Delaware corporation and an indirect, wholly-owned subsidiary of NOL ("Sub"), pursuant to which Sub will merge with and into the company and the company will become a wholly-owned subsidiary of NOL.

APL Limited and Subsidiaries

SIGNATURES

Pursuant to the requirements 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.

APL LIMITED

Dated: May 16, 1997

By /s/ William J. Stuebgen

William J. Stuebgen
Vice President,
Controller and
Chief Accounting Officer

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BY-LAWS

of

APL LIMITED

ARTICLE I
Offices

Section 1. Registered Office. The registered office of the Company in the State of Delaware and the name of the resident agent in charge thereof is The Prentice-Hall Corporation System, Inc., 32 Loockerman Square, Suite L-100, Dover, Delaware 19901.

Section 2. Other Offices. The Company shall have its principal office at 1111 Broadway, Oakland, California 94607 and shall also have offices at such other places as the President and the Board of Directors may from time to time designate or appoint, or as the business of the Company may require.

ARTICLE II

Directors

Section 1. Powers. The corporate powers, business and property of the Company shall be vested in and exercised, conducted and controlled by the Board of Directors which may exercise all said powers of the Company and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 2. Determination of Number. The exact number of Directors who
shall constitute the Board of Directors shall be determined by resolution adopted by the affirmative vote of a majority of the entire Board of Directors at any regular or special meeting of said Board; provided, that notice of such proposed action shall have been given in the notice for such regular or special meeting; and provided, further, however, that in no event shall the number of directors be less than five. No decrease in the number of Directors

shall have the effect of shortening the term of any incumbent Director.

Section 3. Nominations. Nominations for election to the Board of Directors of the Company at a meeting of stockholders may be made by the Board or on behalf of the Board by the Nominating Committee appointed by the Board, or by any stockholder of the Company entitled to vote for the election of Directors at such meeting. Such nominations, other than those made by or on behalf of the Board, shall be made by notice in writing delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Company, and received by him not less than thirty (30) days nor more than sixty (60) days prior to any meeting of stockholders called for the election of Directors; provided, however, that if less than thirty-five (35) days' notice of the meeting is given to stockholders, such nomination shall have been mailed or delivered to the Secretary of the Company not later than the close of business on the seventh (7th) day following the day on which the notice of meeting was mailed. Such notice shall set forth as to each proposed nominee who is not an incumbent Director (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Company which are beneficially owned by each such nominee and by the nominating stockholder, and (iv) any other information concerning the nominee that must be disclosed of nominees in proxy solicitations Regulation 14A of the Securities Exchange Act of 1934.

The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

ARTICLE III

Meetings of Directors

Section 1. Place of Meetings. Meetings of the Board of Directors of the Company whether regular, special or adjourned shall be held at the principal office of the Company, as specified in Section 2 of Article I hereof, or at any other place within or without the State of Delaware which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. Any meeting shall be valid wherever held, if held upon the

written consent of all members of the Board of Directors given either before or after the meeting and filed with the Secretary of the Company.

Section 2. Regular Meetings. Regular meetings of the Board of Directors shall be held immediately following the adjournment of each annual meeting of the stockholders, every second month thereafter and at such other times as may be designated from time to time by resolution of the Board of Directors.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman or the President of the Company or by any four Directors.

Section 4. Notice of Meetings. Written notice of the time and place of special meetings of the Board of Directors shall be delivered at least two (2) days before the meeting personally to each Director, or sent in writing, by mail addressed to such Director, at his address as it appears on the records of the Company, with postage thereon prepaid; such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail; provided, however, that if a special meeting is called by the Chairman or the President or by any four Directors because the need for urgent action exists, then each Director shall be given not less than three (3) hours' notice, and such notice shall be deemed given once it has been conveyed to a Director in person or by telephone or an attempt has been made to give such notice by telephoning a Director at his home telephone number and his business office telephone number as such numbers are shown in the Secretary's records. Notice to Directors may also be given by telex or telegram.

Whenever any such notice is required to be given, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. If the address of a Director is not shown on the records and is not readily ascertainable, notice shall be addressed to him at the city or place in which the meetings of the Directors are regularly held. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

Section 5. Quorum. A majority of the authorized number of Directors shall constitute a quorum of the Board of Directors for the transaction of business. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors. In the

absence of a quorum, a majority of the Directors present may adjourn from time to time, without notice other than an announcement at the meeting, until a quorum shall be present.

Section 6. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 7. Telephone Meetings. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

ARTICLE IV

Officers

Section 1. Officers. The officers of the Company shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers and a Controller. The salary which each said officer shall receive, and the manner and times of its payment, shall be fixed and determined by the Board of Directors upon the advice of the Compensation Committee and may be altered by said Board from time to time at its discretion.

The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

The officers of the Company shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Company shall be filled by the Board of Directors.

Section 2. Chairman of the Board. The Chairman of the Board shall, when present, preside at all meetings of

the Board of Directors and the stockholders and shall do and perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 3. President. The President shall be the Chief Executive Officer of the Company. He shall be a member of the Board of Directors and of the Executive Committee thereof and, except for the Compensation Committee and the Audit Committee, an ex officio member of all other committees thereof, and he shall have responsibility for the general management and direction of the business of the Company, subject to control and direction of the Board of Directors. In the absence or disability of the Chairman, he shall perform the duties of the Chairman of the Board and, when so acting, shall have all of the powers of and be subject to all the restrictions upon the Chairman of the Board. The President shall, in the absence of the Chairman of the Board, preside at meetings of the Board of Directors and the stockholders, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 4. Vice Presidents. In the event of the absence or disability of the Chairman of the Board and the President, the Vice Presidents, in the order designated by the Directors or, in the absence of any designation, then in the order of their election, shall perform the duties of the Chairman of the Board and the President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board and the President. The Vice Presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 5. The Secretary and Assistant Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the Company and of the Board of Directors in a book to be kept for that purpose and shall perform similar duties for the committees of the Board when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, or the President, under whose supervision such officer shall be.

The Secretary shall have custody of the corporate seal of the Company and shall have authority to affix the same to

any instrument requiring it and when so affixed, it may be attested by the Secretary's signature. The Board of Directors may give general authority to any other officer to affix the seal of the Company and to attest the affixing by his signature.

The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 6. The Treasurer and Assistant Treasurers. The Treasurer shall have the custody of the corporate funds and securities and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board of Directors.

The Treasurer shall disburse the funds of the Company as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer.

The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 7. Controller. The Controller shall have charge of the Company's books of accounts, records and auditing, and generally do and perform all such other duties as pertain to such office, and as may be required by the Board of Directors. The Controller shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, a report on the financial condition of the Company.

Section 8. Powers of Attorney. Whenever an applicable statute, decree, rule or regulation requires a document to be subscribed by a particular officer of the Company, such

document may be signed on behalf of such officer by a duly appointed attorney-in-fact, except as otherwise directed by the Board of Directors or limited by law.

ARTICLE V

Meetings of Stockholders

Section 1. Meetings. Annual meetings of stockholders shall be held in the City of Oakland, State of California, at the principal office of the Company, as specified in Section 2 of Article I hereof, or at such other place either within or without the State of Delaware as shall be designated from time to time by resolution of the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. Annual meetings of stockholders shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of meeting. At the annual meeting the stockholders shall elect by a plurality vote the number of Directors equal to the number of Directors of the class whose term expires at such meeting (or, if fewer, the number of Directors properly nominated and qualified for election) to hold office until the third succeeding annual meeting of stockholders after their election and shall transact such other business as may properly be brought before the meeting.

To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before the meeting by a stockholder, the Secretary of the Company must have received notice in writing from the stockholder not less than thirty (30) days nor more than sixty (60) days prior to the meeting; provided, however, that if less than thirty-five (35) days' notice of the meeting is given to stockholders, such notice shall have been received by the Secretary of the Company not later than the close of business on the seventh (7th) day following the day on which the notice of meeting was mailed.

Such written notice to the Secretary shall set forth,

as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business, (ii) the name and address, as they appear on the Company's books, of the stockholder proposing such business, (iii) the class and number of shares of stock of the Company beneficially owned by such stockholder, and (iv) any material interest of such stockholder in such business. Notwithstanding any other provision in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 2.

Section 3. Stockholder List. The officer who has charge of the stock ledger of the Company shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 4. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called by the Board of Directors or by the President.

Section 5. Notice of Meeting. Written notice of any annual or special meeting stating the place, date and hour of the meeting and, in the case of a special meeting, stating the purpose or purposes for which the meeting is called, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Whenever notice is required to be given to any stockholder, such notice shall be given in writing, by mail, addressed to each stockholder at his address as it appears on the records of the Company, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Whenever any such notice is required to be given, a waiver

thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 6. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 7. Conduct of Meetings. The Chairman of the Board, or such other officer as may preside at any meeting of the stockholders, shall have the authority to establish from time to time, such rules for tile conduct of such meetings, and to take such action, as may in his judgment be necessary or proper for the conduct of the meeting and in the best interests of the Company and the stockholders in attendance in person or by proxy.

ARTICLE VI

Committees of the Board of Directors

Section 1. Executive Committee. The Board of Directors shall appoint an Executive Committee to consist of the President and not less than two (2) nor more than six (6) other Directors of the Company. The Executive Committee shall meet at such times and places as it may determine. The Executive Committee shall have and may exercise when the Board is not in session all the powers of the Board in the management of the business and affairs of the Company, without limitation, except as set forth in Section 9 below.

Section 2. Nominating Committee. The Board of Directors shall appoint a Nominating Committee consisting of three Directors of the Company who shall not be officers of the Company. The Nominating Committee shall recommend to the

Board the number of Directors which best meets the requirements of the Company; identify, evaluate, review and recommend to the Board qualified candidates to fill vacancies on the Board and any newly created directorships resulting from an increase in the number of Directors; recommend to the Board the individuals to constitute the nominees of the Board for election as directors at the annual meeting of stockholders; recommend to the Board a list of Directors selected as members of each committee of the Board; and perform such other duties as may be assigned by the Board.

Section 3. Compensation Committee. The Board shall appoint a Compensation Committee consisting of three (3) or more Directors of the Company. The Compensation Committee shall review annually and recommend to the Board of Directors the level of compensation of the Chairman of the Board and the President, giving consideration for each to the amount and composition of his total compensation in terms of salary, stock options and other benefits; review annually the recommendations of the Chairman of the Board and the President concerning salaries and other compensation of all senior officers reporting to each of them, as well as review from time to time other conditions of employment; administer the 1989 Stock Incentive Plan, the 1992 Directors' Stock Option Plan, the 1995 Stock Bonus Plan and year-end bonus plans; review and make recommendations to the Board of Directors for changes in the Company's compensation and benefit plans and practices; and administer other compensation plans that may be adopted from time to time as authorized by the Board of Directors.

Section 4. Audit Committee. The Board of Directors shall appoint an Audit Committee of three or more Directors of the Company who shall not be officers of the Company. The Audit Committee shall receive from and review with the Company's independent auditors the annual report of such auditors; review with the independent auditors the scope of the succeeding annual examination; nominate the independent auditors to be appointed each year by the Board; review consulting services made by the Company's independent auditors and evaluate the possible effect on the auditors' independence of performing such services; ascertain the existence of adequate internal accounting and control systems; and review with management and the Company's independent auditors current and emerging accounting and financial reporting requirements and practices affecting the Company.

Section 5. Quorum and Vacancies. A majority of the members of the committee (which majority shall, in the case

of the Executive Committee, include the President) shall constitute a quorum for the transaction of business. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

Section 6. Notice and Emergency Action. Notice of the time and place of committee meetings shall be given in writing or by telephone or in person, by any member of the committee, to all members of the committee at least two (2) days' prior to the time of holding such meeting; provided, however, that such notice requirement shall not be applicable if any member of the Executive Committee deems it necessary to cause the Executive Committee to act on an urgent basis. In the event a member of the Executive Committee deems such urgent action necessary, such member shall attempt to contact each other member of the Executive Committee by telephone for the purpose of having each such member consider and act upon the urgent matter or matters presented. Such consideration and action may take place by telephone without convening in meeting. The quorum and voting requirements set forth in Section 5 above shall pertain to such urgent action, and for this purpose all persons reached by telephone shall be deemed to be present. The member of the Executive Committee who calls for urgent action in the manner described herein, immediately following the approval or disapproval of any action thereby proposed, shall report such action to the Secretary of the Company for the purpose of having it described in the minutes of the Executive Committee. Such report and minutes shall also include a recitation of all efforts made by the member calling for such action to contact other Executive Committee members by telephone.

Section 7. Minutes; Reports to Board. Each committee shall keep regular minutes of its meetings. All actions of the committees shall be reported to the Board of Directors at the meeting of the Board of Directors next succeeding such action.

Section 8. Other Committees. The Board of Directors, from time to time, may appoint other committees for any purpose or purposes, and any such committee shall have such powers as shall be specified in the resolution of its appointment.

Section 9. Duties. Any committee, including the Executive Committee, to the extent provided in the

resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Company's property and assets, recommending to the stockholders a dissolution of the Company or a revocation of a dissolution, or amending the By-Laws of the Company; and, unless the resolution of the Board expressly provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

ARTICLE VII

Certificates for Stock

Section 1. Certificates. Every holder of stock in the Company shall be entitled to have a certificate signed by, or in the name of the Company by the Chairman of the Board, or the President or a Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Company, certifying the number of shares owned by him in the Company.

Section 2. Signatures. Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Foreign Owners. The outstanding shares of the Company shall at all times be owned by citizens of the United States to such extent as will, in the judgment of the Board of Directors, reasonably assure the preservation of the Company's status as a United States citizen within the provisions of Section 2 of the Shipping Act, 1916, as amended, or any successor statute applicable to the business being conducted by the Company (the "Citizenship Provisions"). The Board of Directors may restrict any original issuance of shares of the Company to citizens of the United States as such term is defined in the Citizenship Provisions ("United States Citizens"), and, in any event, shall from time to time establish, as a condition to the issuance or transfer of shares of the Company to non-United

States Citizens, the minimum percentage of the total outstanding shares of the Company which shall be owned by United States Citizens, which minimum percentage may, in the discretion of the Board of Directors, exceed the minimum percentage required by law (the "Minimum Percentage"). Nothing herein shall be deemed to preclude ownership by United States Citizens of shares of the Company in excess of the Minimum Percentage.

Certificates evidencing shares of stock of the Company may be issued in separate series, denominated respectively "Domestic Share Certificates" and "Foreign Share Certificates." Domestic Share Certificates shall be issued in respect of shares owned of record and beneficially by United States Citizens; Foreign Share Certificates shall be issued in respect of shares owned of record or beneficially by non-United States Citizens. Holders of Domestic Share Certificates and of Foreign Share Certificates shall have in all respects the same corporate status and corporate rights, share for share, except that transfers of Domestic Share Certificates to non-United States Citizens shall be restricted and, in certain circumstances, the rights of holders of Foreign Share Certificates shall be restricted, both as herein provided.

If any shares evidenced by Domestic Share Certificates or Foreign Share Certificates shall be transferred to United States Citizens, the share certificates issued to the transferee in respect of the shares transferred shall be Domestic Share Certificates.

If any shares evidenced by Domestic Share Certificates shall be proposed to be transferred to non-United States Citizens, the share certificates issued to the transferee in respect of the shares transferred shall be Foreign Share Certificates; provided, however, if the stock records of the Company shall disclose immediately prior to the time of such proposed transfer that (i) the maximum percentage of outstanding shares of voting stock of any class allowed to be owned by non-United States Citizens has been met or has been exceeded or (ii) the maximum percentage of outstanding shares of voting stock of any class allowed to be owned by non-United States Citizens would be exceeded as a result of such proposed transfer, no transfer of shares of such class represented by Domestic Share Certificates shall be made to non-United States Citizens.

If it shall be found by the Company that stock represented by a Domestic Share Certificate is, in fact, owned of record or voted by or for the account of a non-United States Citizen, the holder of such stock shall, upon

the request of the Secretary or the transfer agent of the Company, surrender such Domestic Share Certificate for cancellation in exchange for the issuance of a Foreign Share Certificate for such stock; provided, however, if the stock records of the Company shall disclose immediately prior to the time of such proposed exchange that (i) the maximum percentage of outstanding shares of voting stock of any class allowed to be owned by non-United States Citizens has been met or has been exceeded or (ii) the maximum percentage of outstanding shares of voting stock of any class allowed to be owned by non-United States Citizens would be exceeded as a result of such proposed exchange, then the exchange shall not be made and the holder of such stock represented by a Domestic Share Certificate shall not be entitled to receive dividends or to have any other rights, except the right to transfer such stock to a United States Citizen.

The Board may establish from time to time reasonable procedures for establishing the citizenship of stockholders of the Company and, without limiting the foregoing, may require that in connection with each issue or transfer of shares of the Company the purchaser or transferee shall certify his citizenship status and such matters relevant thereto as the Board may require.

The Board may also establish from time to time such other reasonable procedures as it may deem desirable for the purposes of implementing these provisions. As of the OEffective TimeO under the Agreement and Plan of Merger, dated as of April 13, 1997 (the "Merger Agreement"), by and among Neptune Orient Lines Ltd., Neptune U.S.A., Inc. and the Company, this Section 3 of Article VII shall be of no further force and effect and shall be deemed to be deleted from this Article VII.

Section 4. New Certificates. The Board of Directors may, or may designate certain persons to, authorize the issuance of a new certificate or certificates to replace any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors or such designated person may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the Company a bond indemnity sufficient to indemnify it against any claim that may be made against the Company on account of the alleged loss, theft or destruction of any such certificate or the issuance

of such new certificate.

Section 5. Transfer of Stock. Upon surrender to the Company or the transfer agent of the Company of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Company to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 6. Fixing Record Date. In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to such other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

The Company shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

Dividends

Section 1. Dividends upon the capital stock of the Company, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a

reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company, or for such other purpose as the Directors shall think conducive to the interest of the Company, and the Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE IX

Indemnification; Advance of Expenses

Section 1. (a) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Company, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 3 of this Article IX, the Company shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors.

(b) Each person referred to in Section 1(a) of this Article IX shall be paid by the Company the expenses

incurred in connection with any proceeding in advance of its final disposition, such advances to be paid by the Company within 20 days after the receipt by the Company of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law of the State of Delaware requires, the advancement of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) prior to the final disposition of a proceeding, shall be made only upon delivery to the Company of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately e determined that such director or officer is not entitled to be indemnified under this Article IX or otherwise.

(c) The right to indemnification conferred in this Article IX and the right to be paid by the Company the expenses incurred in connection with any such proceeding in advance of its final disposition conferred in this Article IX each shall be a contract right.

Section 2. To obtain indemnification under this Article IX, a claimant shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 2, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by Independent Counsel, (i) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (ii) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant, or (iii) if a quorum of Disinterested Directors so directs, by the stockholders of the Company. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the Board of Directors unless there shall have

occurred within six years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a "Change of Control" as defined in the Company's 1989 Stock Incentive Plan, in which case the Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

Section 3. If a claim under Section 1 of this Article IX is not paid in full by the Company within thirty days after a written claim pursuant to Section 2 of this Article IX has been received by the Company or, in the case of a claim pursuant to Section 1(b), within the 20-day period provided therein, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Company) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law of the State of Delaware for the Company to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including its Board of Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Company (including its Board of Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 4. If a determination shall have been made pursuant to Section 2 of this Article IX that the claimant is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to Section 3 of this Article IX.

Section 5. The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to

Section 3 of this Article IX that the procedures and presumptions of this Article IX are not valid, binding and enforceable and shall stipulate in such proceeding that the Company is bound by all the provisions of this Article IX.

Section 6. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article IX shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Laws, agreement, vote of stockholders or Disinterested Directors or otherwise. No repeal or modification of this Article IX shall in any way diminish or adversely affect the rights of any director, officer, employee or agent of the Company hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

Section 7. The Company may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. To the extent that the Company maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in Section 8 of this Article IX, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

Section 8. The Company may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to be paid by the Company the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Company to the fullest extent of the provisions of this Article IX with respect to the indemnification and advancement of expenses of directors and officers of the Company.

Section 9. If any provision or provisions of this Article IX shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article IX (including, without limitation, each portion of any Section of this Article IX containing any such

provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article IX (including, without limitation, each such portion of any Section of this Article IX containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 10. For purposes of this Article IX:

a. "Disinterested Director" means a director of the Company who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

b. "Independent Counsel" means a law firm that is nationally recognized for its experience in mat ters of Delaware corporation law and shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the claimant in an action to determine the claimant's rights under this Article IX.

Section 11. Any notice, request or other communication required or permitted to be given to the Company under this Article IX shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Company.

ARTICLE X

Corporate Seal

The Corporate seal shall have inscribed thereon the name of the Company and the words OIncorporated July 14, 1983, Delaware.O

ARTICLE XI

Amendments

Any of these By-Laws may be altered, a mended or repealed by the affirmative vote of at least two thirds of

the Directors of the Company, which shall include the affirmative vote of at least one Director of each class of the Board of Directors if the Board shall then be divided into classes or by the affirmative vote of the holders of seventy-five percent (75 %) of the shares of the Company entitled to vote in the election of Directors, voting as one class.

AMENDMENT TO THE
APL LIMITED SMART PLAN

It is proposed that the Benefits Committee adopt the attached Fourth Amendment to the current 1993 restatement of the APL Limited SMART Plan.

At its October 9, 1996 meeting, the Board approved the principal feature of this amendment, which is to change the current matching formula. As one facet of the comprehensive redesign of the Company's benefits package, the purpose of this amendment is to reduce the base Company matching contribution to 75% from 100% of participant deferrals (through 6% of compensation). However, the Board also approved the addition of a feature enabling the Company to make additional matching contributions in years in which the Company determines it has achieved excellent financial results.

The Fourth Amendment also liberalizes the in-service withdrawal features of the Plan. To permit employees nearing retirement age the maximum access to their accounts so that they may make their own investment choices, management proposes to permit employees to withdraw all or any portion of their Plan balances once they have reached age 592. These withdrawals are generally eligible for IRA rollover and, after this age, the penalty taxes on "early" distributions do not apply. The proposed amendments described in this paragraph are within the Benefits Committee's discretion to adopt.

In all other respects, the attached Fourth Amendment is routine and within the Benefits Committee's discretion to adopt. It adds a supplement to describe the treatment of certain benefits transferred to the Plan as a result of the termination of the American President Profit-Sharing Plan and makes a few technical clarifying changes to the Plan text.

WHEREAS, the Board has approved a change in the matching contribution formula under the APL Limited SMART Plan (Second Amendment and Restatement Effective as of January 1, 1993) (the "Plan"), and it is deemed advisable to make certain other liberalizing

and technical changes;

NOW, THEREFORE, BE IT RESOLVED that the Fourth Amendment to the APL Limited SMART Plan (Second Amendment and Restatement Effective as of January 1, 1993) is hereby adopted effective as of the dates specified in such amendment; and be it further

RESOLVED, that the officers of this corporation be, and each of them hereby is, authorized and directed to execute the attached Fourth Amendment and an updated plan document incorporating the Fourth Amendment, for and on behalf of this corporation, with such changes thereto as such officers shall approve at any time or from time to time for purposes of compliance with applicable law or that such officers determine are minor or merely administrative; and be it further

RESOLVED, that the officers of this corporation be, and each of them hereby is, authorized and directed for and on behalf of this corporation to take such steps and to do all acts and prepare, execute and deliver any and all documents that they deem necessary or appropriate to carry out the foregoing resolutions.

FOURTH AMENDMENT TO THE
APL LIMITED SMART PLAN
(Second Amendment and Restatement
Effective as of January 1, 1993)

The APL Limited SMART Plan (Second Amendment and Restatement Effective as of January 1, 1993) (the "Plan"), is hereby further amended as follows, effective as of the dates indicated:

1. Section 4.2 of the Plan is amended to read as follows effective as of January 1, 1997:

4.2 Allocation of Matching Contributions

All Matching Contributions are subject to the limitations set forth in Appendix I. For each payroll period, each Participant who made Matched Contributions shall be allocated a Matching Contribution and Forfeitures equal to 75% of the aggregate Matched Contributions made by the Participant since the close of the preceding payroll period. In addition, as of the last day of each Plan Year, the Company may make an additional discretionary Matching Contribution in an amount

determined by the Company. Any such discretionary Matching Contribution shall be allocated to the accounts of Participants who are Employees on the last day of such Plan Year in proportion to their Matched Contributions for such Plan Year. Discretionary Matching Contributions are subject to all other terms of the Plan applicable to Matching Contributions.

As soon as reasonably practicable after the amount of any Matching Contribution and required allocation is determined, the Matching Contribution shall be paid to the Trustee and shall be allocated, along with Forfeitures, among eligible Participants. A Participant shall be allocated no Matching Contribution with respect to a period for which Matching Contributions are suspended pursuant to Section 7.2 due to a withdrawal of Matched After-Tax Contributions.

The foregoing notwithstanding, an individual who first became an Employee on or after April 1, 1989 (and who did not transfer to this Plan from the AP Plan as of September 1, 1990), shall in no event be eligible for an allocation of Matching Contributions or Forfeitures for any period prior to the first day of the payroll period that commences on or after the date on which he or she completed a six-month Period of Service.

A Participant's share of Matching Contribution and Forfeitures shall be credited to his or her Company Accounts. Each Participant's share of new Company Contributions and reallocated Forfeitures and his or her new Employee Contributions and Rollover Contributions shall be invested entirely in any one Investment Fund or in any combination of the available Investment Funds, except that not more than 50% of such contributions shall be invested in the APC Stock Fund.

2. Article 7 of the Plan is amended to read in its entirety as follows, and cross references to Sections in Article 7 renumbered accordingly, effective as of July 1, 1997:

7.1 Age 592 Withdrawals

A Participant who is an Employee and who has attained age 592 may withdraw all or any portion of his or her vested Accounts. A Participant

shall not be permitted to make more than one withdrawal under this Section 7.1 in any period of six months. Any withdrawal made by a Participant who has attained age 592 shall be deemed made under this Section 7.1, and not under Sections 7.2, 7.3 or 7.4.

7.2 Withdrawals From After-Tax Accounts and Rollover Accounts

A Participant who is an Employee and who has After-Tax Accounts or Rollover Accounts may make withdrawals from such Accounts, as provided by this Section 7.2.

(a) A Participant may withdraw all or any portion of his or her After-Tax Contributions (not including investment increments) that are credited to his or her Pre-1987 After-Tax Accounts and that were not previously withdrawn by or distributed to the Participant. Any such withdrawal shall be treated as a withdrawal of Unmatched After-Tax Contributions, to the extent that previously unwithdrawn Unmatched After-Tax Contributions remain credited to the Participant's Pre-1987 After-Tax Accounts. Any additional withdrawal of After-Tax Contributions shall be treated as a withdrawal of Matched After-Tax Contributions. If Matched After-Tax Contributions are deemed withdrawn, no Matching Contributions or Forfeitures shall be allocated to the Participant's Company Accounts with respect to a period of six months, commencing as of the first day of the second payroll period following the date on which the withdrawal request was made; provided, however, that no such suspension of Matching Contributions or Forfeitures shall apply to a Participant who is at the same time withdrawing an amount on account of hardship pursuant to Section 7.4.

(b) A Participant who has withdrawn or is withdrawing the entire amount of his or her After-Tax Contributions credited to his or her Pre-1987 After-Tax

Accounts pursuant to Subsection (a) above may withdraw all or any part of the remaining balance credited to his or her Pre-1987 After-Tax Accounts.

(c) A Participant who has withdrawn or is withdrawing the entire amount of his or her After-Tax Contributions credited to his or her Pre-1987 After-Tax Accounts pursuant to Subsection (a) above may withdraw all or any part of the balance credited to his or her Post-1986 After-Tax Accounts. The portion of the amount withdrawn that is taxable to the Participant under section 72(e) of the Code, as determined by the Company, shall be treated as a withdrawal of investment increments. The portion of the amount withdrawn that is not so taxable to the Participant shall be treated as a withdrawal of his or her After-Tax Contributions. A withdrawal of After-Tax Contributions under this Subsection (c) shall be treated as a withdrawal of Unmatched After-Tax Contributions, to the extent that previously unwithdrawn Unmatched After-Tax Contributions remain credited to the Participant's Post-1986 After-Tax Accounts. After all Unmatched After-Tax Contributions are withdrawn, any additional withdrawal of After-Tax Contributions shall be treated as a withdrawal of Matched After-Tax Contributions. If Matched After-Tax Contributions are deemed withdrawn, no Matching Contributions or Forfeitures shall be allocated to the Participant's Company Accounts with respect to a period of six months, commencing as of the first day of the second payroll period following the date on which the withdrawal request was made; provided, however, that no such suspension of Matching Contributions or Forfeitures shall apply to a Participant who is at the same time withdrawing an amount on account of hardship pursuant to Section 7.4.

(d) A Participant who has Rollover

Accounts may make withdrawals from such Accounts. The amount that may be withdrawn under this Subsection (d) shall not exceed the balance credited to his or her Rollover Accounts.

(e) A Participant who wishes to make a withdrawal under this Section 7.2 shall make an election in accordance with procedures prescribed by the Company. A Participant shall not be permitted to make more than one withdrawal under this Section 7.2 or Section 7.3 in any period of six consecutive months; provided, however, that withdrawals made at the same time shall be considered a single withdrawal.

7.3 Withdrawals From Other Accounts

A Participant who is an Employee and who is withdrawing the maximum amount permissible under Section 7.2 may at the same time withdraw any amount that is not less than $500 and that does not exceed the lesser of:

(a) The value of the Participant's Company Accounts, Transferred Company Accounts and Profit-Sharing Accounts, reduced by the Participant's share of those Company Contributions that were actually paid to the Trustee less than 24 months prior to the date of withdrawal; or

(b) The vested portion of the Participant's Company Accounts, Transferred Company Accounts and Profit-Sharing Accounts.

A Participant shall not be permitted to make more than one withdrawal under Section 7.2 or this Section 7.3 in any period of six consecutive months; provided, however, that withdrawals made at the same time shall be considered a single withdrawal.

7.4 Hardship or Disability Withdrawal

This Section 7.4 shall apply only to a Participant who is subject to a Disability or a Participant

who is an Employee and who satisfies the requirements of Section 7.4. If such a Participant is withdrawing the maximum amount permissible under Sections 7.2 and 7.3 (and under all other plans of the Affiliated Group), then he or she may at the same time withdraw from his or her Salary Deferral Accounts, Company Accounts, Transferred Company Accounts and Profit-Sharing Accounts any additional amount that is not less than $500 and that does not exceed the following limitations:

(a) The maximum amount that may be withdrawn from a Participant's Salary Deferral Accounts is the sum of (i) the amount of his or her previously unwithdrawn Salary Deferrals that remain credited to such Accounts plus (ii) the amount of the net unwithdrawn investment income that was credited to such Accounts or to the corresponding accounts under the AP Plan as of December 31, 1988.

(b) The maximum amount that may be withdrawn from a Participant's Company Accounts is the vested portion of such Company Accounts.

7.5 Procedure for Hardship

A Participant who wishes to make a hardship withdrawal under Section 7.4 shall make a request in accordance with the procedures prescribed by the Company. A hardship withdrawal under Section 7.4 shall be authorized only to the extent that the Participant has demonstrated that the after-tax proceeds of the requested funds are required for one or more of the following reasons:

(a) To pay expenses (i) for medical care described in section 213(d) of the Code that were incurred by the Participant, the Participant's spouse or any dependents of the Participant (as defined in section 152 of the Code) or (ii) necessary for such persons to obtain medical care described in section 213(d) of the Code;

(b) To pay tuition and related

educational expenses for a period not in excess of 12 months of post-secondary education for the Participant or his or her spouse, children or dependents;

(c) To purchase (excluding mortgage pay ments) a principal residence of the Participant;

(d) To prevent the eviction of the Participant from his or her principal residence or the foreclosure of the mortgage on the Participant's principal residence; or

(e) Any other reason described by the Commissioner of Internal Revenue in a revenue ruling, notice or other document of general application.

Based on the foregoing criteria, no hardship withdrawal or a hardship withdrawal in an amount that is smaller than the amount requested by the Participant may be authorized. This Section 7.5 shall not apply to a Participant who is subject to a Disability.

7.6 Representations Necessary for a Hardship Withdrawal

No Participant shall be eligible to receive a hardship withdrawal under Section 7.4 unless:

(a) The Participant represents to the Company, in the manner specified by the Company, that the withdrawal does not exceed the Participant's immediate and heavy financial need;

(b) The Participant represents to the Company, in the manner specified by the Company, that the Participant's immediate and heavy financial need cannot be relieved:

(i) Through reimbursement or compensation by insurance or otherwise;

(ii) By reasonable liquidation of the Participant's assets, to the

extent such liquidation would not itself cause an immediate and heavy financial need;

(iii) By cessation of Salary Deferrals or After-Tax Contributions; or

(iv) By other distributions or nontaxable (at the time of the loan) loans from this Plan or any other plans maintained by a member of the Affiliated Group, or by borrowing from commercial sources on reasonable commercial terms.

This Section 7.6 shall not apply to a Participant who is subject to a Disability.

7.7 Payment and Source of Withdrawals

A withdrawal shall be paid as soon as reasonably practicable after the request for such withdrawal is made in accordance with procedures prescribed by the Company. The value of a Participant's Accounts and the vested percentage of a Participant's Company Accounts shall be determined on the date when the Trustee effects the withdrawal transaction. Withdrawals shall be paid only in the form of a single lump sum in cash. In the case of a married Participant who participated in the NPSI Plan, a requested withdrawal shall not be paid unless the Participant's spouse has consented in writing to the payment of such withdrawal in the form of a lump sum (instead of a Qualified Joint and Survivor Annuity). The spouse's consent shall comply with Section 16.9 and shall be given within the 90-day period preceding payment of the withdrawal. If more than one Account is available to pay the withdrawal because the Participant elected to invest in more than one Investment Fund, the withdrawal shall be made proportionately from each available Account, subject to such other ordering rules as the Company may adopt.

7.8 Withdrawal Fees

A Participant who makes a withdrawal under this

Article shall be required to pay such fees as the Company may impose in order to defray the cost of processing withdrawals from the Plan.

3. Section 18.4 of the Plan is amended to read as follows effective as of January 1, 1993:

18.4 Aggregation of Periods

All of an individual's Periods of Service determined pursuant to this Article 18 shall be aggregated on the basis of days. The number of years in the individual's aggregate Period of Service is determined by dividing the aggregate number of days in such period by three hundred sixty-five (365).

4. A new Supplement A is added to the Plan to read as follows effective as of June 1, 1996:

SUPPLEMENT A TO THE
AMERICAN PRESIDENT COMPANIES, LTD. SMART PLAN
SPECIAL RULES FOR "LOST" AP PLAN PARTICIPANTS

The American President Profit-Sharing Plan (the "AP Plan") was terminated effective June 3, 1995. In accordance with applicable rules concerning plan terminations, all of the assets of the AP Plan were distributed within approximately one year of the termination date. To complete distribution of the AP Plan assets, the accounts of AP Plan participants who could not be located were transferred to this Plan. Such transferred AP Plan accounts are to be treated in accordance with this Plan's provisions concerning unclaimed benefits.

In the event that a missing participant (or beneficiary) makes a valid claim to his or her AP Plan benefit after the transfer to this Plan, such benefit shall be distributable in accordance with the terms of the AP Plan as in effect at the time of its termination, except to the extent that this Plan may provide for other distribution terms that do not reduce any legally protected benefit of such claimant.

5. Section 1.14 of Appendix I is amended to read as follows effective as of January 1, 1993:

1.14 "Top-Paid Group" for any Plan Year means the top

20% (in terms of Total Compensation) of all Employees of the Affiliated Group, excluding the following:

(a) Any Employee covered by a collective bargaining agreement who is not an Eligible Employee;

(b) Any Employee who is a nonresident alien with respect to the United States who receives no income with a source within the United States from a member of the Affiliated Group;

(c) Any Employee who has not completed at least 500 Hours of Service during any six-month period at the end of the Plan Year;

(d) Any Employee who normally works less than 172 hours per week;

(e) Any Employee who normally works no more than six months during any year; and

(f) Any Employee who has not attained the age of 21 at the end of the Plan Year.

For purposes of this Section, "Hours of Service" means all of the following:

(a) Each hour for which the Employee is paid, or is entitled to payment, for the performance of duties as an Employee;

(b) Each hour for which the Employee is paid, or is entitled to payment, by an Affiliated Group member on account of a period of time during which the Employee performs no duties (regardless of whether employment has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence; provided, however, that not more than 501 Hours of Service shall be credited under this Subsection (b) to any Employee on account of a single continuous period

during which such Employee does not perform duties;

(c) Each hour not otherwise described herein for which back pay (regardless of mitigation of damages) is awarded or agreed to by an Affiliated Group member; provided, however, that not more than 501 Hours of Service shall be credited under this Subsection (c) to any Employee on account of a back-pay award covering a single continuous period during which such Employee has not, or would not have, performed duties; and

(d) Each hour not otherwise described herein that is recognized as an Hour of Service by an Affiliated Group member pursuant to written and nondiscriminatory rules, subject to such conditions and limitations as the Company may adopt.

Hours of Service shall be allocated to the applicable computation period pursuant to the regulations adopted by the U.S. Department of Labor and set forth in 29 C.F.R. '' 2530.200b-2(b) and (c). The number of Hours of Service to be credited under Subsection (b) or (c) above with respect to a period during which the Employee does not perform duties shall also be determined in accordance with such regulations.

* * * * *

To record this Fourth Amendment to the Plan as set forth herein, the corporation has caused its authorized officer to execute this document this 24th day of March, 1997.

APL Limited

By: /s/ Timothy J. Windle
Title: Assistant Secretary

APL Limited
Regular Supplemental Executive Retirement Plan

SECTION 1. ESTABLISHMENT AND PURPOSE OF THE PLAN.

The 1995 Supplemental Executive Retirement Plan was established by the Company effective January 1, 1995. Effective November 9, 1996, the 1995 Supplemental Executive Retirement Plan was amended to form two plans: the APL Limited Regular Supplemental Executive Retirement Plan (the "Plan") and the APL Limited Pure Excess Supplemental Executive Retirement Plan (the "Pure Excess SERP"). This document constitutes an amendment and restatement of the 1995 Supplemental Executive Retirement Plan. The purpose of the Plan is to supplement certain benefits under the Retirement Plan.

SECTION 2. ELIGIBILITY AND PARTICIPATION.

Participation in this Plan shall be limited to any participant in the Retirement Plan who is employed by a member of the Affiliated Group on or after January 1, 1995, and who meets one of the following criteria:

(a) His or her benefits under the Retirement Plan are affected by the limitations imposed under section 401(a)(17) or 415 of the Code;

(b) His or her benefits under the Retirement Plan are affected by the exclusion of salaries and bonuses deferred under the Deferred Compensation Plan or the Stock Bonus Plan from the compensation taken into account in calculating such benefits; or

(c) Both:

(1) His or her actual benefits under the Retirement Plan, at retirement, are lower than the benefits that he or she would have received had he or she separated from employment with the Affiliated Group as of December 31, 1992, absent the modification of the Retirement Plan's benefit formula that was adopted effective June 1, 1989; and

(2) His or her "average annual compensation"

under the Retirement Plan equals or exceeds $125,000 at any time after May 31, 1989.

On June 1 of each year, starting with June 1, 1990, the $125,000 amount set forth in the preceding sentence shall be adjusted for inflation by multiplying it by a fraction. The numerator of such fraction shall be the CPI-W for U.S. Cities on the immediately preceding February 1, and the denominator of such fraction shall be the CPI-W for U.S. Cities on February 1, 1989.

SECTION 3. PLAN BENEFITS.

(a) Amount of Retirement Plan Supplement. Each Participant whose pension benefits under the Retirement Plan are reduced by section 401(a)(17) or 415 of the Code, by the exclusion of salaries and bonuses deferred under the Deferred Compensation Plan or the Stock Bonus Plan from pension calculations or by the modification of the formula for calculating his or her "retirement income" (not including cost-of-living adjustments) that was adopted on July 10, 1990, effective as of June 1, 1989, shall be entitled to receive a monthly benefit under this Plan. The amount of such benefit shall be equal to:

(1) The monthly benefit payment which would be payable to the Participant under the Retirement Plan if the limitations of sections 401(a)(17) and 415 of the Code, such exclusion and such modification (to the extent that such modification results in a benefit reduction) did not apply; minus

(2) The Participant's actual monthly benefit payment under the Retirement Plan; minus

(3) The Participant's actual monthly benefit payments, if any, under the APL Limited Pure Excess-Benefit Plan and the APL Limited Regular Excess-Benefit Plan, as amended.

For purposes of this Subsection (a), the modification of the Retirement Plan formula that was adopted on July 10, 1990, effective as of June 1, 1989, shall be deemed to have resulted in a benefit reduction only to the extent that a Participant's actual monthly benefit payment under the Retirement Plan is less than the monthly benefit pment that such Participant would have

received if such modification had not been adopted and the Participant had separated from employment with all members of the Affiliated Group as of December 31, 1992. The Retirement Plan's Actuarial Equivalency factors shall be used to make this comparison.

(b) Calculation and Payment of Pure Excess Portion of Retirement Plan Supplement. The portion (if any) of a Participant's Retirement Plan Supplement determined under Subsection (a) that is attributable solely to the monthly benefit that would be payable to the Participant under the terms of the Retirement Plan if the limitations of sections 401(a)(17) and 415 of the Code did not apply shall be deemed earned and payable under the Pure Excess SERP and not this Plan.

(c) Payment of Retirement Plan Supplement. A Participant's Retirement Plan Supplement under Subsection (a) above, less the pure excess portion (if any) determined under Subsection (b), shall be payable to the Participant or to any other person (including, without limitation, a surviving spouse) who is receiving benefits under the Retirement Plan which are derived from the Participant. Such a Retirement Plan Supplement shall be payable in the same form and at the same times as the Participant's benefit under the Retirement Plan (and in no event earlier), unless the Participant's benefit under the Retirement Plan is paid in the form of a single lump sum. In that event, the Retirement Plan Supplement shall be payable in the normal form of benefit provided under the Retirement Plan, computed as if the benefit actually paid to the Participant under the Retirement Plan were also payable in the normal form, unless:

(1) The Participant requests in writing to receive the Retirement Plan Supplement in a single lump sum; and

(2) The Committee expressly approves the Participant's request.

In the case of a Participant who is entitled to a "COLA-Adjusted Retirement Income" under the Retirement Plan, the amount of any periodic Retirement Plan Supplement shall be recalculated each year in accordance with the provisions of the

Retirement Plan relating to the adjustment of pension benefits to reflect changes in the cost of living. The recalculation shall be performed upon the total of the Retirement Plan Supplement being paid under this Plan and the Retirement Plan Supplement (if any) being paid under the Pure Excess SERP, but the full amount of any resulting increase shall be payable from this Plan, not the Pure Excess SERP.

SECTION 4. ADMINISTRATION.

The Plan shall be administered by the Committee. The Committee shall make such rules, interpretations and computations as it may deem appropriate. Any decision of the Committee with respect to the Plan, including (without limitation) any determination of eligibility to participate in the Plan and any calculation of benefits hereunder, shall be conclusive and binding on all persons.

SECTION 5. CLAIMS AND INQUIRIES.

(a) Application for Benefits. Applications for benefits and inquiries concerning the Plan (or concerning present or future rights to benefits under the Plan) shall be submitted to the Company in writing and addressed to the Chair of the Committee. An application for benefits shall be submitted on the prescribed form and shall be signed by the Participant or, in the case of a benefit payable after his or her death, by the beneficiary.

(b) Denial of Application. In the event that an application for benefits is denied in whole or in part, the Chair of the Committee shall notify the applicant in writing of the denial and of the right to a review of the denial. The written notice shall set forth, in a manner calculated to be understood by the applicant, specific reasons for the denial, specific references to the provisions of the Plan on which the denial is based, a description of any information or material necessary for the applicant to perfect the application, an explanation of why the material is necessary, and an explanation of the review procedure under the Plan. The written notice shall be given to the applicant within a reasonable period of time (not more than 90 days) after the Chair of the Committee received the

application, unless special circumstances require further time for processing and the applicant is advised of the extension. In no event shall the notice be given more than 180 days after the Chair of the Committee received the application.

(c) Review Panel. The Committee shall serve as the "Review Panel" under the Plan. The Review Panel shall have the authority to act with respect to any appeal from a denial of benefits or a determination of benefit rights.

(d) Request for Review. An applicant whose application for benefits was denied in whole or in part, or the applicant's duly authorized representative, may appeal from the denial by submitting to the Review Panel a request for a review of the application within 90 days after receiving written notice of the denial from the Chair of the Committee. The Chair of the Committee shall give the applicant or his or her representative an opportunity to review pertinent materials, other than legally privileged documents, in preparing the request for a review. The request for a review shall be in writing and addressed to the Committee. The request for a review shall set forth all of the grounds on which it is based, all facts in support of the request, and any other matters that the applicant deems pertinent. The Review Panel may require the applicant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review.

(e) The Review Panel shall act on each request for a review within 60 days after receipt, unless special circumstances require further time for pro cessing and the applicant is advised of the extension. In no event shall the decision on review be rendered more than 120 days after the Review Panel received the request for a review. The Review Panel shall give prompt written notice of its decision to the applicant. In the event that the Review Panel confirms the denial of the application for benefits in whole or in part, the notice shall set forth, in a manner calculated to be understood by the applicant, the specific reasons for the decision and specific references to the provisions of the Plan on which the decision is based.

(f) Rules and Interpretations. The Review Panel shall adopt such rules, procedures and interpretations of the Plan as it deems necessary or appropriate in carrying out its responsibilities under this Section 5.

(g) Exhaustion of Remedies. No legal action for benefits under the Plan shall be brought unless and until the claimant (1) has submitted a written application for benefits in accordance with Subsection (a) above, (2) has been notified by the Chair of the Committee that the application is denied, (3) has filed a written request for a review of the application in accordance with Subsection (d) above and (4) has been notified in writing that the Review Panel has affirmed the denial of the application; provided, however, that legal action may be brought after the Chair of the Committee or the Review Panel has failed to take any action on the claim within the time prescribed by Subsections (b) and (e) above, respectively.

SECTION 6. AMENDMENT AND TERMINATION.

The Company expects to continue the Plan indefinitely. Future conditions, however, cannot be foreseen, and the Company shall have the authority to amend or terminate the Plan at any time. In the event of an amendment or termination of the Plan, a Participant's benefits hereunder shall not be less than the benefits to which the Participant would have been entitled if his or her employment in the Affiliated Group had terminated immediately prior to such amendment or termination.

SECTION 7. EMPLOYMENT RIGHTS.

Nothing in the Plan shall be deemed to give any person a right to remain in the employ of any Affiliated Group member or affect the right of the Affiliated Group members to terminate such person's employment with or without cause.

SECTION 8. NO ASSIGNMENT.

The rights of any person to payments or benefits under the Plan shall not be made subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors. Any act in violation of this Section 8, whether voluntary or involuntary, shall be void.

SECTION 9. PLAN UNFUNDED.

Participants shall have the status of general unsecured creditors of the Company. The Plan constitutes a mere promise by the Company to make benefit payments in the future. It is the Company's intent that the Plan be considered unfunded for tax purposes and for purposes of Title I of ERISA.

SECTION 10. CHOICE OF LAW.

The validity, interpretation, construction and performance of the Plan shall be governed by ERISA and, to the extent they are not preempted, by the laws of the State of California.

SECTION 11. DEFINITIONS.

(a) "Affiliated Group" means a group of one or more chains of corporations connected through stock ownership with the Company, if:

(1) Stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of each of the corporations, except the Company, is owned by one or more of the other corporations; and

(2) The Company owns stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of at least one of the other corporations excluding, in computing such voting power or value, stock owned directly by such other corporations.

In addition, the term "Affiliated Group" includes any other entity which the Company has designated in writing as a member of the Affiliated Group for purposes of this Plan or the Retirement Plan. An entity shall be conidered a member of the Affiliated Group only with respect to periods for which such designation is in effect or during which the relationship described in Paragraphs (1) and (2) above exists.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Committee" means the Benefits Committee appointed by the Company's Board of Directors.

(d) "Company" means APL Limited, a Delaware corporation.

(e) "Deferred Compensation Plan" means the Deferred Compensation Plan of American President Companies, Ltd., as amended, the 1988 Deferred Compensation Plan of American President Companies, Ltd., as amended, the 1995 Deferred Compensation Plan of American President Companies, Ltd., as amended, the 1988 Deferred Compensation Plan of APL Limited: Pure Excess Deferral Plan, as amended, the 1988 Deferred Compensation Plan of APL Limited: Regular Deferral Plan, as amended, the 1995 Deferred Compensation Plan of APL Limited: Pure Excess Deferral Plan, as amended, and the 1995 Deferred Compensation Plan of APL Limited: Regular Deferral Plan.

(f) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(g) "Participant" means a participant in the Retirement Plan who participates in this Plan under Section 2.

(h) "Plan" means this APL Limited Regular Supplemental Executive Retirement Plan.

(i) "Pure Excess SERP" means the APL Limited Pure Excess Supplemental Executive Retirement Plan.

(j) "Retirement Plan" means the APL Limited Retirement Plan, as amended, or its successor.

(k) "Stock Bonus Plan" means the APL Limited 1995 Stock Bonus Plan, as it may be amended, or its successor.

SECTION 12. EXECUTION.

To record the amendment and restatement of the Plan, the Company has caused its duly authorized officer to affix the corporate name hereto.

APL Limited
By: /s/ Timothy J. Windle

APL Limited
Pure Excess Supplemental Executive Retirement Plan

SECTION 1. ESTABLISHMENT AND PURPOSE OF THE PLAN.

The 1995 Supplemental Executive Retirement Plan was established by the Company effective January 1, 1995. Effective November 9, 1996, the 1995 Supplemental Executive Retirement Plan was amended to form two plans: the APL Limited Regular Supplemental Executive Retirement Plan (the "Regular SERP") and the APL Limited Pure Excess Supplemental Executive Retirement Plan (the "Plan"). This document constitutes the Plan, as adopted. The purpose of the Plan is to supplement certain benefits under the Retirement Plan.

The Plan shall be administered and operated in accordance with the provisions of the Regular SERP, and capitalized terms in this Plan shall have the same meaning as in the Regular SERP, except to the extent provided in this document.

SECTION 2. ELIGIBILITY AND PARTICIPATION.

Participation in this Plan shall be limited to any participant in the Retirement Plan who is employed by a member of the Affiliated Group on or after January 1, 1995, and whose benefits under the Retirement Plan are affected by the limitations imposed under section 401(a)(17) or 415 of the Code.

SECTION 3. PLAN BENEFITS.

(a) Amount of Retirement Plan Supplement. The amount of a Participant's Retirement Plan Supplement under this Plan is the pure excess portion (if any) of the Retirement Plan Supplement determined under Section 3 of the Regular SERP, as described in Section 3(c) of the Regular SERP.

(b) Payment of Retirement Plan Supplement. A Participant's Retirement Plan Supplement under Subsection (a) above shall be payable to the Participant or to any other person (including, without limitation, a surviving spouse) who is receiving benefits under the Retirement Plan which are derived from the Participant. Such a Retirement Plan Supplement shall be payable in the same form and at the same times as the Participant's benefit under the Retirement Plan (and in no event earlier), unless the Participant's benefit under the Retirement Plan is paid in the form of a single lump sum. In that event, the Retirement Plan Supplement shall be payable in the normal form of benefit provided under the Retirement Plan,

computed as if the benefit actually paid to the Participant under the Retirement Plan were also payable in the normal form, unless:

(1) The Participant requests in writing to receive the Retirement Plan Supplement in a single lump sum; and

(2) The Committee expressly approves the Participant's request.

SECTION 4. ADMINISTRATION.

The terms of Section 4 of this Plan are the same as the terms of Section 4 of the Regular SERP.

SECTION 5. CLAIMS AND INQUIRIES.

The terms of Section 5 of this Plan are the same as the terms of Section 5 of the Regular SERP.

SECTION 6. AMENDMENT AND TERMINATION.

The terms of Section 6 of this Plan are the same as the terms of Section 6 of the Regular SERP.

SECTION 7. EMPLOYMENT RIGHTS.

The terms of Section 7 of this Plan are the same as the terms of Section 7 of the Regular SERP.

SECTION 8. NO ASSIGNMENT.

The terms of Section 8 of this Plan are the same as the terms of Section 8 of the Regular SERP.

SECTION 9. PLAN UNFUNDED.

The terms of Section 9 of this Plan are the same as the terms of Section 9 of the Regular SERP.

SECTION 10. CHOICE OF LAW.

The terms of Section 10 of this Plan are the same as the terms of Section 10 of the Regular SERP.

SECTION 11. DEFINITIONS.

Except as follows, the terms of Section 11 of this Plan are the same as the terms of Section 11 of the Regular SERP:

(a) "Plan" means this APL Limited Pure Excess Supplemental Executive Retirement Plan.

(b) "Regular SERP" means the APL Limited Regular Supplemental Executive Retirement Plan.

SECTION 12. EXECUTION.

To record the adoption of the Plan, the Company has caused its duly authorized officer to affix the corporate name hereto.

APL Limited
By: /s/ Timothy J. Windle

APL Limited
Regular Excess-Benefit Plan

SECTION 1. ESTABLISHMENT AND PURPOSE OF THE PLAN.

The Excess-Benefit Plan of American President Companies, Ltd. was established by the Company effective September 1, 1983. Effective November 9, 1996, the Excess-Benefit Plan was amended to form two plans: The APL Limited Regular Excess-Benefit Plan (the "Plan") and the APL Limited Pure Excess-Benefit Plan (the "Pure Excess-Benefit Plan"). Effective as of the same date, the Excess-Benefit Plan was amended by transferring all benefits relating to the SMART Plan Reserve Account to the Deferred Compensation Plan. This document constitutes an amendment and restatement of the Excess-Benefit Plan. The purpose of the Plan is to supplement certain benefits under the Retirement Plan.

SECTION 2. ELIGIBILITY AND PARTICIPATION.

Participation in this Plan shall be limited to the following:

(a) Any participant in the Retirement Plan whose benefits under the Retirement Plan are affected by the limitations imposed under section 401(a)(17) or 415 of the Code;

(b) Any participant in the Retirement Plan whose benefits under the Retirement Plan are affected by the Code's requirement that salaries or bonuses deferred under the Deferred Compensation Plan cannot be taken into account in computing such benefits; and

(c) Any participant in the Retirement Plan:

(i) Whose actual benefits under the Retirement Plan, at retirement, are lower than the benefits that he or she would have received absent the modification of the Retirement Plan's benefit formula that was adopted effective June 1, 1989, had he or she terminated employment with the Affiliated Group as of December 31, 1992, or, if earlier, the actual date of such termination of employment; and

(ii) Whose "average annual compensation" under the Retirement Plan equals or exceeds $125,000 at any time after May 31, 1989.

On June 1 of each year, starting with June 1, 1990, the

$125,000 amount set forth in the preceding sentence shall be adjusted for inflation by multiplying it by a fraction. The numerator of such fraction shall be the CPI-W for U.S. Cities on the immediately preceding February 1, and the denominator of such fraction shall be the CPI-W for U.S. Cities on February 1, 1989.

Any other provision of the Plan notwithstanding, an individual who was not a Participant on May 31, 1994, shall in no event become a Participant thereafter.

SECTION 3. PLAN BENEFITS.

(a) Amount of Retirement Plan Supplement. Each Participant whose pension benefits under the Retirement Plan are reduced by section 401(a)(17) or 415 of the Code, by the exclusion of salaries and bonuses deferred under the Deferred Compensation Plan from pension calculations or by the modification of the formula for calculating his or her "retirement income" (not including cost-of-living adjustments) that was adopted on July 10, 1990, effective as of June 1, 1989, shall be entitled to receive a monthly benefit under this Plan. The amount of such benefit shall be equal to:

(1) The monthly benefit that would have been payable to the Participant under the Retirement Plan as of December 31, 1994, if the limitations of sections 401(a)(17) and 415 of the Code, such exclusion and such modification (to the extent that such modification results in a benefit reduction) did not apply; minus

(2) The actual monthly benefit payable to the Participant under the Retirement Plan as of December 31, 1994, giving effect to such exclusion, such modification and the limitations of sections 401(a)(17) and 415 of the Code (as in effect when the benefit under this Plan is calculated).

For purposes of this Subsection (a), the modification of the Retirement Plan formula that was adopted on July 10, 1990, effective as of June 1, 1989, shall be deemed to have resulted in a benefit reduction only to the extent that a Participant's actual monthly benefit payment under the Retirement Plan is less than the monthly benefit payment that such Participant would have received if such modification had not been adopted and the Participant had separated from employment with all members of the Affiliated Group as of the earlier of December 31, 1992, or

the Participant's actual employment termination date. The Retirement Plan's Actuarial Equivalency factors shall be used to make this comparison.

(b) Transition Rules. Any other provision of the Plan notwithstanding:

(1) The amount of a Participant's benefit under Subsection (a) above shall in no event be greater than the benefit to which the Participant would have been entitled under Subsection (a) above if his or her employment in the Affiliated Group had terminated on December 31, 1994; and

(2) The amendment of this Plan adopted effective December 31, 1994, shall in no event cause the amount of a Participant's benefit under Subsection (a) above to be smaller than the benefit to which the Participant would have been entitled under Subsection (a) above if his or her employment in the Affiliated Group had terminated on December 31, 1994, but the amount of such benefit may decline for reasons unrelated to such amendment.

(c) Calculation and Payment of Pure Excess Portion of Retirement Plan Supplement. The portion (if any) of a Participant's Retirement Plan Supplement determined under Subsection (a) that is attributable solely to the monthly benefit that would be payable to the Participant under the terms of the Retirement Plan if the limitations of sections 401(a)(17) and 415 of the Code did not apply shall be deemed earned and payable under the Pure Excess-Benefit Plan and not this Plan.

(d) Payment of Retirement Plan Supplement. A Participant's Retirement Plan Supplement under Subsection (a) above, less the pure excess portion (if any) determined under Subsection (c), shall be payable to the Participant or to any other person (including, without limitation, a surviving spouse) who is receiving benefits under the Retirement Plan which are derived from the Participant. Such a Retirement Plan Supplement shall be payable in the same form and at the same times as the Participant's benefit under the Retirement Plan (and in no event earlier), unless the Participant's benefit under the Retirement Plan is paid in the form of a single lump sum. In that event, the Retirement Plan Supplement shall be payable in the normal form of benefit provided under the Retirement Plan, computed as if the benefit actually paid to the Participant under the Retirement Plan were also payable in the normal form, unless:

(1) The Participant requests in writing to receive the benefit under Subsection (a) above in a single lump sum; and

(2) The Committee expressly approves the Participant's request.

In the case of a Participant who is entitled to a "COLA-Adjusted Retirement Income" under the Retirement Plan, the amount of any periodic Retirement Plan Supplement shall be recalculated each year in accordance with the provisions of the Retirement Plan relating to the adjustment of pension benefits to reflect changes in the cost of living. The recalculation shall be performed upon the total of the Retirement Plan Supplement being paid under this Plan and the Retirement Plan Supplement (if any) being paid under the Pure Excess-Benefit Plan, but the full amount of any resulting increase shall be payable from this Plan, not the Pure Excess-Benefit Plan.

SECTION 4. ADMINISTRATION.

The Plan shall be administered by the Committee. The Committee shall make such rules, interpretations and computations as it may deem appropriate. Any decision of the Committee with respect to the Plan, including (without limitation) any determination of eligibility to participate in the Plan and any calculation of benefits hereunder, shall be conclusive and binding on all persons.

SECTION 5. CLAIMS AND INQUIRIES.

(a) Application for Benefits. Applications for benefits and inquiries concerning the Plan (or concerning present or future rights to benefits under the Plan) shall be submitted to the Company in writing and addressed to the Chair of the Committee. An application for benefits shall be submitted on the prescribed form and shall be signed by the Participant or, in the case of a benefit payable after his or her death, by the beneficiary.

(b) Denial of Application. In the event that an application for benefits is denied in whole or in part, the Chair of the Committee shall notify the applicant in writing of the denial and of the right to a review of the denial. The written notice shall set forth, in a manner calculated to be understood by the applicant, specific reasons for the denial, specific references to the provisions of the Plan on which the denial is based, a description of any information or material necessary for the applicant to

perfect the application, an explanation of why the material is necessary, and an explanation of the review procedure under the Plan. The written notice shall be given to the applicant within a reasonable period of time (not more than 90 days) after the Chair of the Committee received the application, unless special circumstances require further time for processing and the applicant is advised of the extension. In no event shall the notice be given more than 180 days after the Chair of the Committee received the application.

(c) Review Panel. The Committee shall serve as the "Review Panel" under the Plan. The Review Panel shall have the authority to act with respect to any appeal from a denial of benefits or a determination of benefit rights.

(d) Request for Review. An applicant whose application for benefits was denied in whole or in part, or the applicant's duly authorized representative, may appeal from the denial by submitting to the Review Panel a request for a review of the application within 90 days after receiving written notice of the denial from the Chair of the Committee. The Chair of the Committee shall give the applicant or his or her representative an opportunity to review pertinent materials, other than legally privileged documents, in preparing the request for a review. The request for a review shall be in writing and addressed to the Committee. The request for a review shall set forth all of the grounds on which it is based, all facts in support of the request, and any other matters that the applicant deems pertinent. The Review Panel may require the applicant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review.

(e) Decision on Review. The Review Panel shall act on each request for a review within 60 days after receipt, unless special circumstances require further time for processing and the applicant is advised of the extension. In no event shall the decision on review be rendered more than 120 days after the Review Panel received the request for a review. The Review Panel shall give prompt written notice of its decision to the applicant. In the event that the Review Panel confirms the denial of the application for benefits in whole or in part, the notice shall set forth, in a manner calculated to be understood by the applicant, the specific reasons for the decision and specific references to the provisions of the Plan on which the decision is based.

(f) Rules and Interpretations. The Review Panel shall adopt such rules, procedures and interpretations of the Plan as

it deems necessary or appropriate in carrying out its responsibilities under this Section 5.

(g) Exhaustion of Remedies. No legal action for benefits under the Plan shall be brought unless and until the claimant (1) has submitted a written application for benefits in accordance with Subsection (a) above, (2) has been notified by the Chair of the Committee that the application is denied, (3) has filed a written request for a review of the application in accordance with Subsection (d) above and (4) has been notified in writing that the Review Panel has affirmed the denial of the application; provided, however, that legal action may be brought after the Chair of the Committee or the Review Panel has failed to take any action on the claim within the time prescribed by Subsections (b) and (e) above, respectively.

SECTION 6. AMENDMENT AND TERMINATION.

The Company expects to continue the Plan indefinitely. Future conditions, however, cannot be foreseen, and the Company shall have the authority to amend or terminate the Plan at any time. In the event of an amendment or termination of the Plan, a Participant's benefits hereunder shall not be less than the benefits to which the Participant would have been entitled if his or her employment in the Affiliated Group had terminated immediately prior to such amendment or termination.

SECTION 7. EMPLOYMENT RIGHTS.

Nothing in the Plan shall be deemed to give any person a right to remain in the employ of any Affiliated Group member or affect the right of the Affiliated Group members to terminate such person's employment with or without cause.

SECTION 8. NO ASSIGNMENT.

The rights of any person to payments or benefits under the Plan shall not be made subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors. Any act in violation of this Section 8, whether voluntary or involuntary, shall be void.

SECTION 9. PLAN UNFUNDED.

Participants shall have the status of general unsecured creditors of the Company. The Plan constitutes a mere promise by the Company to make benefit payments in the future. It is the Company's intent that the Plan be considered unfunded for tax purposes and for purposes of Title I of ERISA.

SECTION 10. CHOICE OF LAW.

The validity, interpretation, construction and performance of the Plan shall be governed by ERISA and, to the extent they are not preempted, by the laws of the State of California.

SECTION 11. DEFINITIONS.

(a) "Affiliated Group" means a group of one or more chains of corporations connected through stock ownership with the Company, if:

(1) Stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of each of the corporations, except the Company, is owned by one or more of the other corporations; and

(2) The Company owns stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of at least one of the other corporations excluding, in computing such voting power or value, stock owned directly by such other corporations.

In addition, the term "Affiliated Group" includes any other entity which the Company has designated in writing as a member of the Affiliated Group for purposes of this Plan or the Retirement Plan. An entity shall be considered a member of the Affiliated Group only with respect to periods for which such designation is in effect or during which the relationship described in Paragraphs (1) and (2) above exists.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Committee" means the Benefits Committee appointed by the Company's Board of Directors.

(d) "Company" means APL Limited, a Delaware corporation.

(e) "Deferred Compensation Plan" means the Deferred Compensation Plan of American President Companies, Ltd., as amended, the 1988 Deferred Compensation Plan of American President Companies, Ltd., as amended, the 1995 Deferred Compensation Plan of American President Companies, Ltd., as amended, the 1988 Deferred Compensation Plan of APL Limited: Pure Excess Deferral Plan, as amended, the 1988 Deferred Compensation Plan of APL Limited: Regular Deferral

Plan, as amended, the 1995 Deferred Compensation Plan of APL Limited: Pure Excess Deferral Plan, as amended, and the 1995 Deferred Compensation Plan of APL Limited: Regular Deferral Plan.

(f) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(g) "Participant" means a participant in the Retirement Plan who participates in this Plan under Section 2.

(h) "Plan" means this APL Limited Regular Excess-Benefit Plan.

(i) "Retirement Plan" means the APL Limited Retirement Plan, as amended, or its successor.

SECTION 12. EXECUTION.

To record this amendment and restatement of the Plan, the Company has caused its duly authorized officer to affix the corporate name hereto.

APL Limited
By: /s/ Timothy J. Windle

APL Limited
Pure Excess-Benefit Plan

SECTION 1. ESTABLISHMENT AND PURPOSE OF THE PLAN.

The Excess-Benefit Plan of American President Companies, Ltd. was established by the Company effective September 1, 1983. Effective November 9, 1996, the Excess-Benefit Plan was amended to form two plans: The APL Limited Regular Excess-Benefit Plan (the "Regular Excess-Benefit Plan") and the APL Limited Pure Excess-Benefit Plan (the "Plan"). Effective as of the same date, the Excess-Benefit Plan was amended by transferring all benefits relating to the SMART Plan Reserve Account to the Deferred Compensation Plan. This document constitutes the Plan, as adopted. The purpose of the Plan is to supplement certain benefits under the Retirement Plan.

The Plan shall be administered and operated in accordance with the provisions of the Regular Excess-Benefit Plan, and capitalized terms in this Plan shall have the same meaning as in the Regular Excess-Benefit Plan, except to the extent provided in this document.

SECTION 2. ELIGIBILITY AND PARTICIPATION.

Participation in this Plan shall be limited to any participant in the Retirement Plan whose benefits under the Retirement Plan are affected by the limitations imposed under section 401(a)(17) or 415 of the Code.

SECTION 3. PLAN BENEFITS.

(a) Amount of Retirement Plan Supplement. The amount of a Participant's Retirement Plan Supplement under this Plan is the pure excess portion (if any) of the Retirement Plan Supplement determined under Section 3 of the Regular Excess-Benefit Plan, as described in Section 3(c) of the Regular Excess-Benefit Plan.

(b) Payment of Retirement Plan Supplement. A Participant's Retirement Plan Supplement under Subsection (a) above shall be payable to the Participant or to any other person (including,

without limitation, a surviving spouse) who is receiving benefits under the Retirement Plan which are derived from the Participant. Such a Retirement Plan Supplement shall be payable in the same form and at the same times as the Participant's benefit under the Retirement Plan (and in no event earlier), unless the Participant's benefit under the Retirement Plan is paid in the form of a single lump sum. In that event, the Retirement Plan Supplement shall be payable in the normal form of benefit provided under the Retirement Plan, computed as if the benefit actually paid to the Participant under the Retient Plan were also payable in the normal form, unless:

(1) The Participant requests in writing to receive the Retirement Plan Supplement in a single lump sum; and

(2) The Committee expressly approves the Participant's request.

SECTION 4. ADMINISTRATION.

The terms of Section 4 of this Plan are the same as the terms of Section 4 of the Regular Excess-Benefit Plan.

SECTION 5. CLAIMS AND INQUIRIES.

The terms of Section 5 of this Plan are the same as the terms of Section 5 of the Regular Excess-Benefit Plan.

SECTION 6. AMENDMENT AND TERMINATION.

The terms of Section 6 of this Plan are the same as the terms of Section 6 of the Regular Excess-Benefit Plan.

SECTION 7. EMPLOYMENT RIGHTS.

The terms of Section 7 of this Plan are the same as the terms of Section 7 of the Regular Excess-Benefit Plan.

SECTION 8. NO ASSIGNMENT.

The terms of Section 8 of this Plan are the same as the terms of Section 8 of the Regular Excess-Benefit Plan.

SECTION 9. PLAN UNFUNDED.

The terms of Section 9 of this Plan are the same as the

terms of Section 9 of the Regular Excess-Benefit Plan.

SECTION 10. CHOICE OF LAW.

The terms of Section 10 of this Plan are the same as the terms of Section 10 of the Regular Excess-Benefit Plan.

SECTION 11. DEFINITIONS.

Except as follows, the terms of Section 11 of this Plan are the same as the terms of Section 11 of the Regular Excess-Benefit Plan:

(a) "Plan" means this APL Limited Pure Excess-Benefit Plan.

(b) "Regular Excess-Benefit Plan" means the APL Limited Regular Excess-Benefit Plan.

SECTION 12. EXECUTION.

To record the adoption of the Plan, the Company has caused its duly authorized officer to affix the corporate name hereto.

APL Limited
By: /s/ Timothy J. Windle

/dpw/cw/051/27008/879/AMEND4/amend.4

EXECUTION COPY

AMENDMENT NO. 4 TO CREDIT AGREEMENT

AMENDMENT dated as of March 17, 1997 to the Credit Agreement dated as of March 25, 1994 (as heretofore amended, the "Credit Agreement") among APL LIMITED (formerly American President Companies, Ltd.) (the "Borrower"), the BANKS party thereto (the "Banks") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent (the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower wishes to amend the Credit Agreement to change the Consolidated Interest Coverage Ratio, Consolidated Leverage Ratio and Consolidated Fixed Charge Coverage Ratio specified therein, and the undersigned Banks are willing so to amend the Credit Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

Section 2. Consolidated Interest Coverage Ratio. Section 5.10 of the Credit Agreement is amended by changing the ratio specified therein from "3.5 to 1" to "2.75 to 1".

Section 3. Consolidated Leverage Ratio. Section 5.11 of the Credit Agreement is amended by replacing the existing table of ratios with the following table:

Period	Ratio

Effective Date through 12/31/97	1.10 to 1
1/1/98 and thereafter	1.05 to 1

Section 4. Consolidated Fixed Charge Coverage Ratio. The first sentence of Section 5.16 of the Credit Agreement is amended by changing the ratio specified in clause (ii) thereof from "1.85 to 1" to "1.50 to 1".

Section 5. Financial Information. Section 4.04 of the Credit Agreement is amended to read as follows:

> Section 4.04. Financial Information. (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 29, 1995 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by Arthur Andersen LLP and set forth in the Borrower's annual report on Form 10-K for 1995, as filed with the Securities and Exchange Commission, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.
>
> (b) The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 20, 1996 and the related unaudited consolidated statements of income and cash flows for the period of three fiscal quarters then ended, set forth in the Borrower's quarterly report on Form 10-Q for the fiscal quarter then ended, as filed with the Securities and Exchange Commission, fairly present, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection 4.04(a), the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such period of three fiscal quarters (subject to normal year-end adjustments).
>
> (c) Since September 20, 1996 there has been no material adverse change in the business, financial position , results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

Section 6. Representations of Borrower. The Borrower represents and warrants that (i) the representations and

warranties of the Borrower set forth in Article IV of the Credit Agreement will be true on and as of the Amendment Effective Date and (ii) no Default will have occurred and be continuing on such date.

Section 7. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

Section 8. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9. Effectiveness. This Amendment shall become effective on the date (the "Amendment Effective Date") when the Agent shall have received from each of the Borrower and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Agent) that such party has signed a counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

APL LIMITED
(formerly American President Companies, Ltd.)

By: /s/ Thomas R. Meier
Name: Thomas R. Meier
Title: Assistant Treasurer

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: /s/ Diana H Imhof
Name: Diana H Imhof
Title: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By: /s/ James P Johnson
Name: James P Johnson

Title: Managing Director

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ Alicia Szendiuch
Name: Alicia Szendiuch
Title: Director

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/ Takahide Akiyama
Name: Takahide Akiyama
Title: Joint General Manager

ABN AMRO NORTH AMERICA, INC., as Agent for ABN AMRO BANK

By: /s/ Daniel P. Taylor
Name: Daniel P. Taylor
Title: Assistant Vice President

By: /s/ Dianne D. Barkley
Name: Dianne D. Barkley
Title: Group Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Greg Sgullie
Name: Greg Sgullie
Title: Assistant Vice President

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This schedule contains summary information extracted from the Form 10-Q of APL Limited for the quarter ended April 4, 1997 and is qualified in its entirety by reference to such financial statements.
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<F1>The allowance for Doubtful Accounts, inlcuded in Receivables, amounted to $18,556 at April 4, 1997.
<F2>The Provision for Doubtful Accounts, included in Total Costs, amounted to $169 for the 14 week period ended April 4, 1997.

</FN>

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