UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
AMBASSADORS INTERNATIONAL, INC., et al.,[1]	Case No. 11-_____ (___)
Debtors.	Joint Administration Requested

Bidding Procedures Objection Deadline (Requested)
4/13/11

Bidding Procedures Hearing Date (Requested)
4/13/11

Sale Objection Deadline (Requested)
5/4/11

Sale Hearing (Requested)
5/6/11

MOTION OF THE DEBTORS FOR ENTRY OF ORDERS (I) APPROVING BIDDING PROCEDURES FOR THE SALE OF CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES; (II) APPROVING THE FORM AND MANNER OF NOTICE OF THE SALE AND ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) SCHEDULING AN AUCTION AND SALE HEARING; (IV) APPROVING SUCH SALE; AND (V) DISMISSING THE CHAPTER 11 BANKRUPTCY CASE OF AMBASSADORS INTERNATIONAL CRUISE GROUP (USA), LLC

Ambassadors International, Inc., Ambassadors Cruise Group, LLC, Ambassadors, LLC, EN Boat LLC, AQ Boat, LLC, MQ Boat, LLC, DQ Boat, LLC, QW Boat Company LLC, Contessa Boat. LLC, CQ Boat, LLC and American West Steamboat Company LLC (collectively, the "Sellers"), and Ambassadors International Cruise Group (USA), LLC ("Cruise Group", with

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Ambassadors International, Inc. (8605); Ambassadors Cruise Group, LLC (2448); Ambassadors, LLC (0860); EN Boat LLC (8982); AQ Boat, LLC (5018); MQ Boat, LLC (5095); DQ Boat, LLC (5064); QW Boat Company LLC (0658); Contessa Boat, LLC (9452); CQ Boat, LLC (9511); American West Steamboat Company LLC (0656); and Ambassadors International Cruise Group (USA), LLC (7304). The mailing address for each Debtor is 2101 4th Avenue, Suite 210, Seattle, WA 98121.

the Sellers, the "Debtors"), by and through their undersigned counsel, hereby move this Court (the "Motion"), pursuant to sections 105, 363, 365, 503 and 1112(b) of title 11 of the United States Code (the "Bankruptcy Code"), Rules 1017(a), 2002, 6004, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rules 2002-1 and 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules") for entry of: (i) an order substantially in the form attached hereto as Exhibit A (the "Bidding Procedures Order") (a) approving the proposed bidding procedures (the "Bidding Procedures") attached as Exhibit 1 to the Bidding Procedures Order, in connection with the sale (the "Sale") of substantially all of the Sellers' assets (the "Acquired Assets") as more fully described in the form Asset Purchase Agreement (the "Stalking Horse Agreement")[2] by and among the Sellers and a newly created designee of Whippoorwill Associates, Inc. ("Whippoorwill"), to be created prior to consummation of the Sale (the "Stalking Horse Bidder"); (b) approving the Sellers' execution of the Stalking Horse Agreement; (c) scheduling an auction (the "Auction") and a hearing to consider approval of the Sale (the "Sale Hearing"); and (d) approving the form and manner of notice of the Auction, including the form and manner of service of the notice of the Auction (the "Auction Notice") attached as Exhibit 2 to the Bidding Procedures Order, and the notice of the proposed assumption and assignment of executory contracts and unexpired leases in the form attached to the Bidding Procedures Order as Exhibit 3 (the "Assumption and Assignment Notice"); and (ii) an order substantially in the form attached hereto as Exhibit B (the "Sale Order") (a) approving the form of Stalking Horse Agreement attached as Exhibit 1 to the Sale Order and the Sale of the

[2] Although the Stalking Horse Agreement is only in "form of" as annexed hereto, the Sellers and Whippoorwill have entered into a side commitment letter dated as of March 31, 2011 (the "Commitment Letter"), attached hereto as Exhibit C. Pursuant to the Commitment Letter, Whippoorwill has agreed to commit to the purchase of the Acquired Assets, at the Purchase Price, on terms substantially in conformity with the Stalking Horse Agreement.

Acquired Assets free and clear of all liens, claims and encumbrances, other than certain Permitted Encumbrances (each as defined in the Stalking Horse Agreement) to the Stalking Horse Bidder or such other party that is the Successful Bidder (as defined in the Bidding Procedures) at the Auction; and (b) dismissing the Chapter 11 Case of Cruise Group in connection with the Sale. The facts and circumstances supporting this Motion are set forth in the concurrently filed Declaration of Mark Detillion in Support of Chapter 11 Petitions and First Day Motions (the "Detillion Declaration"). In support of this Motion, the Sellers respectfully state as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2).

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory predicates for the relief requested herein are sections 105, 363, 365, 503 and 1112(b) of the Bankruptcy Code, Bankruptcy Rules 1017(a), 2002, 6004, 9007 and 9014 and Local Rules 2002-1 and 6004-1.

BACKGROUND

4. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (collectively, the "Chapter 11 Cases"). The Debtors are continuing in the possession of their assets and the management of their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors have requested that these Chapter 11 Cases be consolidated for procedural purposes. As of the date hereof, no official committee of unsecured creditors has been appointed.

5. A description of the Debtors' business operations, capital structure, the events leading up to the commencement of the Chapter 11 Cases and the facts and circumstances supporting the relief requested herein is set forth in the Detillion Declaration filed contemporaneously herewith and which is incorporated herein by reference.

THE SALE TRANSACTION

6. As mentioned above and in the Detillion Declaration and the Declaration of Christopher Shepard in Further Support of a Sale of Substantially All Assets of Certain of the Debtors and Related Debtor-in-Possession Financing (the "Shepard Declaration"), to be filed contemporaneously herewith, while the Debtors' businesses show signs of improvement, their high-fixed-cost nature and high leverage has left them with little liquidity going forward and a further anticipated need that exceeds current cash on hand plus availability under the revolving credit agreement. In light of these circumstances, the Debtors have determined that a drawn out and lengthy restructuring process, and the resultant uncertainty caused by such a process, would have a significant negative impact on their businesses. This is particularly true with respect to the Debtors' customer, vendor, supplier and financial partner relationships. Any increased uncertainty in the Debtors' businesses caused by the Debtors' filing will likely lead to a decrease in customer bookings (both direct sales and sales through travel agents), and/or an increase in requests for customer refunds, which in turn will lead to a further decrease in the Debtors' revenue base and future projections. Similarly, increased uncertainty will leave the Debtors' relations with its vendors, suppliers and (most importantly) financial parties (such as its lenders and credit card processors) in a precarious position as such entities will want assurance that the Debtors' businesses will continue as a going concern. In order to counteract such effects of a bankruptcy process on the Debtors' businesses, the Sellers have entered into the Stalking Horse

Agreement with the Stalking Horse Bidder for the Sale of the Acquired Assets and seek to effectuate the proposed sale in the most timely manner possible.

7. The Stalking Horse Bidder is a newly created designee of Whippoorwill. Whippoorwill, through certain of its discretionary funds and accounts, is currently the sole lender under the Prepetition Working Capital Facility (as defined in the Stalking Horse Agreement), the beneficial owner of approximately 88% of the Senior Secured Notes (as defined herein) and a significant shareholder of Ambassadors International, Inc. Given this relationship, the Sellers believe that the Stalking Horse Bidder is an "insider" as such term is used pursuant to Bankruptcy Code section 101(41A). Notwithstanding this insider status, the Stalking Horse Bidder represents the most logical purchaser for the Acquired Assets. Not only is the Stalking Horse Bidder the only viable bidder for the Acquired Assets that has arisen to date, but the Stalking Horse Bidder also has a substantial amount of knowledge of the Sellers' businesses as well as a strong interest and incentive (particularly as Whippoorwill will be providing post-petition financing to ensure the Sellers' viability through these Chapter 11 Cases) in maintaining the strength and continued success of the Sellers' businesses. Moreover, to ensure that the Sale process is a fair and arms-length process, the Sellers, along with the Sellers' financial advisor, Imperial Capital, LLC ("Imperial"), have been aggressively marketing the Sellers' assets to potential third-party purchasers of the Sellers' businesses and/or assets and, to date, have approached over sixty (60) parties. These efforts will continue following the Petition Date in diligent efforts to secure one or more topping bids at auction as an alternative to the Stalking Horse Agreement.

8. At present, without the Stalking Horse Bidders' bid or an alternative bid (which, as of yet, has not arisen), the Sellers would have no other option for consummating the Sale of

the Acquired Assets; and, importantly, would lack the financial resources and access to capital required for continued operations. The Stalking Horse Bidders' proposal, therefore, offers a lifeline for the Sellers' businesses that the Sellers, despite a robust marketing process, have been unable to obtain elsewhere. In light of this situation, the Sellers have focused their efforts on entering into the Sale transaction with the Stalking Horse Bidder and negotiating the Stalking Horse Agreement – but at the same time have spent a considerable amount of time and effort on developing the Bidding Procedures and Auction process to "market test" the Stalking Horse Bidders' bid.

9. The Stalking Horse Bidder's bid as set forth in the Stalking Horse Agreement sets a "floor" on bids for the Acquired Assets by providing for purchase price consideration of approximately $40,000,000 (the "Purchase Price") payable in the form of (i) the payment in full in cash and/or assumption by the Stalking Horse Bidder of the obligations of the Sellers under the Prepetition Working Capital Facility and the DIP Facility (each as defined in the Stalking Horse Agreement) (the "Assumed Credit Agreement Obligations"); (ii) a credit bid and release (the "Credit Bid") of the Sellers' obligations under the 10% senior secured notes due 2010 issued by Ambassadors International, Inc. (the "Senior Secured Notes"), in an amount of not less than nineteen million dollars ($19,000,000)[3] and (iii) assumption of the other Assumed Liabilities (as set forth in the Stalking Horse Agreement). Although the Stalking Horse Agreement annexed hereto as Exhibit 1 to the Sale Order is in form only, to reflect Whippoorwill's commitment to the Sale transaction, Whippoorwill has executed with the Sellers a Commitment Letter (as defined herein) which commits Whippoorwill (through a newly created designee to be formed

[3] For the avoidance of doubt, the Credit Bid may be on account of less than 100% of the outstanding Senior Secured Notes.

prior to the consummation of the Sale) to pay the Purchase Price and execute the Stalking Horse Agreement.

10. The Credit Bid shall be allocated on a pro rata basis among all holders of Senior Secured Notes. Upon consummation of the Sale, holders of Senior Secured Notes shall receive a pro rata distribution of 100% of the ownership interests in the Stalking Horse Bidder.

11. Given the exigencies of the Debtors' circumstances in light of its liquidity position, the results of pre-petition marketing efforts and the expected impact on operations (primarily sales, vendor and payment-processor relationships) of a chapter 11 filing, the Stalking Horse Agreement proposes a relatively quick timeline for the Sale – seeking to obtain entry of the Bidding Procedures Order within fifteen (15) days of the Petition Date and the entry of the Sale Order within forty (40) days of the Petition Date. While such a timeline is somewhat compressed, it is appropriate under the circumstances in light of the Sellers' need to sell the businesses and obtain the greatest value possible for the Sellers' stakeholders and constituents. A compressed sale timeline will help to ensure the continued viability of the Sellers' businesses going forward.

12. Moreover, the Sellers have been marketing their assets and businesses since the early part of this year. As set forth in the Shepard Declaration, these efforts have included researching and contacting over sixty (60) prospective bidders (both targets interested in a financial investment as well as strategic targets), sending teaser mailings to certain interested bidders and sending more substantial marketing materials to those potential bidders who have entered into a confidentiality agreement. The Sellers expect to resume their pre-petition marketing efforts following the Petition Date by continuing to approach potential purchasers and distributing marketing materials developed by Imperial for the pre-petition marketing of the

Sellers' assets. The Sellers believe that these efforts will help to ensure that information concerning the Auction reaches as wide an audience of potential bidders as possible, in the most useful format available.

A. The Bidding Procedures[4]

13. Pursuant to this Motion, the Sellers are requesting approval of the Bidding Procedures and entry of the Bidding Procedures Order. The following is a summary, pursuant to Rule 6004-1 of the Local Rules, of the Sellers' proposed Bidding Procedures.

a) **The Bidding Process**. These Bidding Procedures specify the manner in which bidders and bids become Qualified Bidders and Qualified Bids (as defined in the Bidding Procedures), the receipt, evaluation and negotiation of bids received, the conduct of any Auction, the ultimate selection of the Successful Bidder(s) and Back-Up Bidder (as defined below), and Court approval of same. Any party who wishes to participate in the bidding process must submit a bid in accordance with the Bidding Procedures.

b) **Provisions Governing Qualified Bidder Status**. (Local Rule 6004-1(c)(i)(A))

   a. **Financial Information**. (Local Rule 6004-1(c)(i)(A)(1)) All bids must be accompanied by adequate assurance information (the "Adequate Assurance Information"), including (i) information about the financial condition of a Potential Bidder (as such term is defined in the Bidding Procedures), such as federal tax returns for two years, a current financial statement, or bank account statements; and (ii) information demonstrating (in the Sellers' reasonable business judgment) that the Potential Bidder has the financial capacity to consummate the proposed Sale.

   b. **Financial Wherewithal**. (Local Rule 6004-1(c)(i)(A)(2)) A Bid must be accompanied by written evidence, documented to the Sellers' reasonable satisfaction, that demonstrates the Potential Bidder has available cash, a commitment for financing or the ability to timely obtain a satisfactory commitment if selected as the Successful Bidder (provided, however, that the closing of the Sale shall not be contingent in any way on the Successful Bidder's financing) and such other evidence of ability to consummate the

[4] This summary of the Bidding Procedures is for descriptive purposes only. To the extent there are any discrepancies between this summary and the Bidding Procedures annexed to the Bidding Procedures Order, the Bidding Procedures shall control.

transaction as the Sellers may reasonably request, including proof that such funding commitments or other financing are not subject to any internal approvals, syndication requirements, diligence or credit committee approvals (provided, that such commitments may have covenants and conditions reasonably acceptable to the Sellers).

c. **Confidentiality and Non-Binding Expressions of Interest**. (Local Rule 6004-1(c)(i)(A)(3); 6004-1(c)(i)(A)(4)) Unless otherwise ordered by the Bankruptcy Court for cause shown, to participate in the bidding process, each person or entity must deliver (unless previously delivered) to the Sellers, on or before the Bid Deadline (as defined below), (i) an executed confidentiality agreement in form and substance satisfactory to the Sellers; and (ii) a *bona fide*, non-binding letter of intent or expression of interest with respect to a purchase of the Acquired Assets.

c) **Provisions Governing Qualified Bids**. (Local Rule 6004-1(c)(i)(B))

a. **No Qualified Bids**. If the Sellers do not receive any Qualified Bids other than the Stalking Horse Agreement: (i) the Sellers will not hold an Auction; (ii) the Stalking Horse Agreement will be the Successful Bid (as defined below) and (iii) the Stalking Horse Bidder will named the Successful Bidder.

b. **Deadlines for Submitting Qualified Bids**. (Local Rule 6004-1(c)(i)(B)(1)) The deadline to submit a bid is April 29, 2011 at 4:00 p.m. (prevailing Eastern Time) (the "Bid Deadline").

c. **Form of Qualified Bid**. (Local Rule 6004-1(c)(i)(B)(2)) All bids must be accompanied by a letter (i) offering to acquire the Acquired Assets and assume the Assumed Liabilities (as set forth in the Stalking Horse Agreement); (ii) accompanied by a duly executed agreement and a Marked Agreement (as set forth in the Bidding Procedures); (iii) specifying bid terms substantially the same or better than those in the Stalking Horse Agreement; (iv) agreeing to be bound by the offer until the earlier of the Closing Date (as defined herein) or twenty (20) days after the Sale Hearing; (v) offering to pay in full, in cash, as part of the Purchase Price, the Sellers obligations under the Prepetition Working Capital Facility and the DIP Facility plus a cash component equal to or greater than the Credit Bid Consideration (as defined in the Stalking Horse Agreement); (vi) offering to pay a purchase price greater than the Purchase Price plus an initial overbid of $250,000; (v) providing that such Bid is not subject to any due diligence or financing contingency; (vi) agreeing not to request or assert entitlement to any transaction or break-up fee, expense reimbursement or similar

type of payment; and (vii) agreeing to serve as the Back-Up Bidder in accordance with the Bidding Procedures. Potential bidders may make one or more credit bids of some or all of their claims pursuant to section 363(k) of the Bankruptcy Code.

d. **Good Faith Deposit**. (Local Rule 6004-1(c)(i)(B)(3)) A Bid must be accompanied by (i) a certified check or wire transfer, payable to the order of the Sellers, in the amount of 10% of the Bid, which funds will be deposited into an interest bearing escrow account to be identified and established by the Sellers (a "Good Faith Deposit"). The Good Faith Deposit will be retained by the Sellers until three (3) business days after the earlier of (i) the Closing Date, or (ii) twenty (20) days following the Sale Hearing. The Sellers shall retain indefinitely any Good Faith Deposit submitted by the Successful Bidder who, other than the Stalking Horse Bidder, will be entitled to a credit for the amount of its Good Faith Deposit to the extent a Good Faith Deposit was provided.

e. **Other Conditions**. (Local Rule 6004-1(c)(i)(B)(4)) Each Qualified Bidder participating in the Auction will be required to confirm, in writing, that (i) it has not engaged in any collusion with respect to the Bidding Process, and (ii) its Qualified Bid is a good faith *bona fide* offer that it intends to consummate if selected as the Successful Bidder.

d) **Provisions for the Stalking Horse Bidder**. (Local Rule 6004-1(c)(i)(C))

a. **Bidding Increments**. (Local Rule 6004-1(c)(i)(C)(3)) If a Qualified Bid other than the Stalking Horse Agreement is selected as the Highest and Best Bid (as defined in the Bidding Procedures), then the bidding will start at the aggregate consideration for the Acquired Assets and on the terms proposed in such Highest and Best Bid, plus $100,000 (the "Overbid Amount"). Bidding at the Auction will continue in increments of at least the Overbid Amount (each successive bid, an "Overbid"), which such increments may be made in the form of a credit bid pursuant to section 363(k) of the Bankruptcy Code.

e) **Auction**.

a. **Date and Time of Auction**. (Local Rule 6004-1(c)(ii)(A)) The Sellers are requesting that the Court approve the scheduling of the Auction for on or about May 2, 2011 at 10:00 a.m. (prevailing Eastern Time).

b. **Provisions Governing the Auction**. (Local Rule 6004-1(c)(ii)) The Auction will commence if at least one (1) Qualified Bid is

received by the Sellers other than the Stalking Horse Agreement. At least one (1) business day prior to the Auction, each Qualified Bidder must inform the Sellers in writing of their intention to participate in the Auction. All bidders at the Auction will be deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to jury trial in connection with any disputes relating to the Auction, the Sale and the construction and enforcement of the Stalking Horse Agreement.

c. **Modification of Bidding and Auction Procedures**. (Local Rule 6004-1(c)(i)(D)) The Sellers may, in consultation with any Committee, and without authorization of this Court, announce at the Auction additional procedural rules (*e.g.*, the amount of time to make subsequent Overbids) for conducting the Auction so long as the rules are not inconsistent with the Bidding Procedures. The bidding at the Auction shall be transcribed or videotaped, and the Sellers shall maintain a transcript of all Bids made and announced at the Auction, including all Overbids and the Successful Bid.

d. **Notice of the Auction**. Upon approval of the Bidding Procedures Order, the Sellers will serve the Auction Notice on (i) all parties provided with the notice of this Motion; (ii) all parties identified by the Sellers and Imperial as potentially interested purchasers; and (iii) all parties on the Debtors' consolidated list of creditors

f) **Selection of Successful Bidder**. The Sellers may (i) determine, in their reasonable business judgment, in consultation with any official committee of unsecured creditors appointed in the Chapter 11 Cases (the "Committee") (as applicable), which Qualified Bid is the Successful Bid and the next best Qualified Bid (the "Back-Up Bid"), provided, however, that the extent to which the Stalking Horse Agreement may be selected as the Back-Up Bid shall be subject to the terms and conditions of the Stalking Horse Agreement; and (ii) reject at any time, before entry of an order of the Bankruptcy Court approving the Sale, any bid (other than the Stalking Horse Agreement) that, in the Sellers' reasonable judgment, after consultation with the Committee (as applicable), is (a) inadequate or insufficient, (b) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures or the terms and conditions of the Sale or (c) contrary to the best interests of the Sellers and their estates.

g) **Back-Up Bidder**. (Local Rule 6004-1(c)(i)(E)) If the Successful Bidder does not close the Sale by the Closing Date, then the Sellers will be authorized, but not required, to close with the party that submitted the Back-Up Bid (the "Back-Up Bidder"), without a further court order, and such Back-Up Bidder shall thereafter be deemed to be the Successful Bidder. If the Sellers decide to close with the Back-Up Bidder as the Successful Bidder, the Closing Date will be extended by up to an

additional fifteen (15) days; provided, that in no event shall the Closing Date occur later than forty-five (45) days after the filing of the Sellers of a voluntary petition for chapter 11 bankruptcy pursuant to the Bankruptcy Code.

h) **The Sale Hearing**. The Sellers are requesting that the Court approve the scheduling of the Sale Hearing for on or about May 6, 2011.

i) **Marketing**. In order to increase the opportunity for the Sellers to receive competitive bids for the purchase of the Acquired Assets at the Auction, the Sellers will solicit competing bids following the Petition Date. During the Sellers' marketing period, Imperial will distribute, upon approval of the Bidding Procedures and the Expense Reimbursement, its pre-petition marketing materials to a wide list of potentially interested purchasers of the Sellers' Acquired Assets. Such efforts are designed to ensure that information concerning the Sellers, their businesses and the Acquired Assets reaches as wide an audience of Potential Bidders as possible.

B. The Stalking Horse Agreement[5]

14. The Sellers are also requesting, pursuant to this Motion, that the Court approve the Stalking Horse Agreement and the Sellers' execution of the Stalking Horse Agreement. The following is a summary, pursuant to Rule 6004-1 of the Local Rules, of the pertinent terms of the Stalking Horse Agreement.

a) **Sale to Insider**. (Local Rule 6004-1(b)(iv)(A)) As noted above, the Sellers believe that the Stalking Horse Bidder is an "insider" as such term is defined in Bankruptcy Code section 101(31). Notwithstanding this relationship, in order to ensure that the Sale is fair and at arms-length, both the Sellers and the Stalking Horse Bidder have at all times retained (and will continue to retain) separate counsel and advisors, and the Sellers have been aggressively marketing the Acquired Assets to third parties over the past month. In addition, the Sellers have proposed the Bidding Procedures which incorporate the Auction process to obtain the highest and best bid for the Acquired Assets (all as more fully described above).

b) **The Acquired Assets**. (Local Rule 6004-1(b)(iv)(K)) Section 1.1 of the Stalking Horse Agreement provides that the Acquired Assets include, among other things, (i) all of the membership interests or other equity interests in

[5] This summary of the Stalking Horse Agreement is for descriptive purposes only. To the extent there are any discrepancies between this summary and the Stalking Horse Agreement, the Stalking Horse Agreement shall control. Capitalized terms in this summary of the Stalking Horse Agreement not otherwise defined herein shall have the meanings ascribed to such terms in the Stalking Horse Agreement.

Ambassadors International Marshall Islands, LLC that are owned by Ambassadors Cruise Group, LLC; (ii) the vessel known as the "Delta Queen" paddlewheel riverboat and the vessel known as the "Columbia Queen" paddlewheel riverboat, unless such vessels are sold to a third party prior to the Closing Date pursuant to the Stalking Horse Bidder; (iii) certain cash and Cash Equivalents; (v) accounts receivable and Credit Card receivables; and (vi) all rights, claims, credits, causes of action or rights of set off against third parties relating to the Acquired Assets or Assumed Liabilities (***including all rights and avoidance claims of the Sellers arising under Chapter 5 of the Bankruptcy Code***).

c) **Wind Down Budget/Payment of Professional Fees**. Pursuant to section 1.2(i) of the Stalking Horse Agreement, the Stalking Horse Bidder will leave behind with the Sellers (as an Excluded Asset), in connection with the Sale, cash equal to (i) the amount set forth in the Budget (as defined in the DIP Facility) to satisfy accrued and unpaid professional fees, plus (ii) $250,000 to be used to fund a wind-down of the Sellers.

d) **Personally Identifiable Information**. (11 U.S.C. §§ 101(41A), 363(b)(1)) No personally identifiable information, as such term is used in Bankruptcy Code sections 101(41A) and 363(b)(1), will be transferred pursuant to the Sale. If any personally identifiable information is to be transferred pursuant to the Sale, it will be done consistent with any policy prohibiting the transfer of personally identifiable information.

e) **Purchase Price/Credit Bid**. (Local Rule 6004-1(b)(iv)(C); 6004-1(b)(iv)(N)) Section 2.1(a) of the Stalking Horse Agreement provides that the purchase price for the Acquired Assets (the "Purchase Price") shall be approximately $40,000,000 payable in the form of (i) the Assumed Credit Agreement Obligations, (ii) the Credit Bid in an amount of not less than $19,000,000 and (iii) the other Assumed Liabilities.

f) **Conditions to Closing/Timelines**. (Local Rule 6004-1(b)(iv)(E)) The Stalking Horse Agreement contains several conditions to closing of the Sale transactions. These conditions include the requirement that (i) the Bankruptcy Court enters the Bidding Procedures Order within fifteen (15) days of the Petition Date (see sections 3.4(g) and 9.3(b) of the Stalking Horse Agreement), (ii) the Bankruptcy Court enters the Sale Order by no later than forty (40) days after the Petition Date (see sections 3.4(f) and 9.3(c) of the Stalking Horse Agreement), (iii) the Closing Date of the Sale occur no later than forty-five (45) days after the Petition Date (see section 3.4(c) of the Stalking Horse Agreement), and (iv) the Stalking Horse Bidder shall have completed its due diligence of the Acquired Assets and Assumed Liabilities to its satisfaction (see section 9.3(o) of the Stalking Horse Agreement).

g) **Assigned Contracts**. Section 1.1 of the Stalking Horse Agreement provides that the Sellers on closing will assume and assign to the Stalking Horse

Bidder, and the Stalking Horse Bidder will assume and fulfill all obligations and liabilities owing under, the Assigned Contracts. The Stalking Horse Bidder's obligations will include the payment of all "cure payments" due and owing thereunder (the "Cure Costs"), which are to be listed on a schedule annexed as an exhibit to the Stalking Horse Agreement (the "Cure Schedule"), subject to amendment in the sole discretion of the Stalking Horse Bidder up until five (5) business days prior to the Sale Hearing. Such Assigned Contracts and any cure amounts payable in relation thereto will be set forth in a notice (the "Assumption and Assignment Notice"), the form of which is set forth on Exhibit 3 annexed to the Bidding Procedures Order. The Cure Costs will be assumed by the Stalking Horse Bidder pursuant to the Stalking Horse Agreement (see section 1.3(a) of the Stalking Horse Agreement).

h) **Successor Liability**. (Local Rule 6004-1(b)(iv)(L)) Pursuant to section 7.2 of the Stalking Horse Agreement, the Sale Order will find that the Stalking Horse Bidder is a "good faith" buyer within the meaning of section 363(m) of the Bankruptcy Code and not a successor to the Sellers and grant the Stalking Horse Bidder the protections of section 363(m) of the Bankruptcy Code.

i) **Good Faith Deposit**. (Local Rule 6004-1(b)(iv)(F)) The Stalking Horse Bidder will not submit a deposit of any kind pursuant to the Stalking Horse Agreement.

j) **Access to Records**. (Local Rule 6004-1(b)(iv)(J)) Pursuant to section 8.2(c) of the Stalking Horse Agreement, and following the Closing Date of the Sale, the Stalking Horse Bidder will allow the Sellers access to books and records pertaining to the conduct of the business or ownership of the Acquired Assets prior to the Closing Date, or the Excluded Assets and Excluded Liabilities (as such terms are defined in the Stalking Horse Agreement).

k) **Governing Law**. The Stalking Horse Agreement shall be governed under the substantive laws of the state of New York.

l) **Relief from Bankruptcy Rule 6004(h)**. (Local Rule 6004-1(b)(iv)(O)) As set forth more fully below, by this Motion, the Sellers will seek relief from the fourteen (14) day stay imposed by Bankruptcy Rule 6004(h).

RELIEF REQUESTED

A. The Bidding Procedures Order

15. By this Motion, the Sellers request entry of the Bidding Procedures Order, substantially in the form attached hereto as Exhibit A:

a) Approving (i) the Sellers' proposed Bidding Procedures for marketing the Acquired Assets, which procedures are attached as Exhibit 1 to the Bidding Procedures Order

annexed hereto; (ii) the Auction Notice, which notice is attached as Exhibit 2 to the Bidding Procedures Order annexed hereto; and (iii) the Assumption and Assignment Notice, which notice is attached as Exhibit 3 to the Bidding Procedures Order annexed hereto;

b) Approving the form and manner of notice of the Auction;

c) Establishing April 29, 2011 at 4:00 p.m. (prevailing Eastern Time) as the deadline for the submission of Potential Bids (the "Bid Deadline");

d) Scheduling the Auction, if necessary, on May 2, 2011 at 10:00 a.m. (prevailing Eastern Time) at the offices of Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10018;

e) Authorizing the Sellers to execute the Stalking Horse Agreement;

f) Scheduling the Sale Hearing on May 6, 2011, or at such other time as the parties may be heard, to consider the Sale of the Acquired Assets to the Stalking Horse Bidder or such other party that is the Successful Bidder at the Auction; and

g) Granting such other and further relief as the Court deems necessary or appropriate.

B. The Sale Order

16. By this Motion the Sellers also seek entry of the Sale Order, substantially in the form attached hereto as Exhibit B:

a) Approving the Sale of the Acquired Assets free and clear of all liens, claims and encumbrances (other than Permitted Encumbrances) to the Stalking Horse Bidder or such other party that is the Successful Bidder at the Auction;

b) Approving the assumption and assignment of the Assigned Contracts (as defined below);

c) Dismissing the Chapter 11 Case of Cruise Group in connection with the Sale; and

d) Granting such other and further relief as the Court deems necessary or appropriate.

BASIS FOR RELIEF

A. The Bid Procedures and the Auction

17. Pursuant to Bankruptcy Rule 6004(f)(1), sales of property outside the ordinary course of business may be by private sale or by public auction. The Sellers believe a sale of the Acquired Assets pursuant to a public auction governed by the proposed Bidding Procedures will maximize the sale proceeds received by the Sellers' estates, which is the paramount goal in any proposed sale of property of the estate. See In re Dura Automotive Sys., Inc., No. 06-11202 (KJC), 2007 Bankr. LEXIS 2764, *253 (Bankr. D. Del. Aug. 15, 2007).

18. The Bidding Procedures allow the Sellers to conduct the Auction in a controlled, fair and open fashion that will encourage participation by financially capable bidders, thereby increasing the likelihood that the Sellers will receive the best possible consideration for the Acquired Assets. Such Bidding Procedures should be approved when they provide a benefit to the estate by maximizing the value of the assets and enhance competitive bidding. Id. at *253-54 (citing Calpine Corp. v. O'Brien Envtl. Energy, Inc., 181 F.3d 527, 535-37 (3d Cir. 1999)) (detailing situations where bidding incentives are appropriate in bankruptcy because they provide a benefit to the estate). The Sellers believe that the Bidding Procedures are consistent with, and indeed more favorable than, other procedures previously approved in this District and other bankruptcy courts.

19. Although the Sellers believe that the value to be provided pursuant to the terms set forth in the Stalking Horse Agreement is fair and reasonable, the Sellers submit that the

Bidding Procedures and the Auction will ensure that the Sellers' estates receive the highest or best value available by allowing the market to test the Purchase Price of the Acquired Assets. The Sellers hereby request this Court's approval of the process and procedures set forth in the Bidding Procedures for the submission and consideration of competing bids from other interested parties for the Acquired Assets.

B. Proposed Notice of the Auction and the Sale Hearing

20. As part of the Bidding Procedures Order, the Sellers will be seeking approval of the Auction Notice. The Auction Notice will include, among other things, the date, time and place of the Auction and the Sale Hearing, as well as the deadline for filing any objections to the relief requested in this Motion once they are set by the Court. By this Motion, the Sellers propose that the Bankruptcy Court set (i) 4:00 p.m. (prevailing Eastern Time) on May 4, 2011[6] as the deadline for objecting to approval of the proposed Sale (the "Objection Deadline"); (ii) May 6, 2011 as the date for the Sale Hearing; and (iii) 10:00 a.m. (prevailing Eastern Time) on May 2, 2011 as the date for the Auction. The Sellers propose that such a timeline is warranted and necessary given these exigent circumstances and the Sellers' need to sell the Acquired Assets in a timely fashion. Moreover, the Sellers propose that such a timeline is appropriate, as set forth in the Shepard Declaration, and will have little impact on the Sellers' ability to market the Acquired Assets in light of the Sellers' marketing efforts prior to the Petition Date, as well as the marketing efforts the Sellers and Imperial will continue to undertake.

21. The Sellers further submit that parties in interest will be provided with sufficient notice of the timelines proposed in this Motion. The Sellers have to date provided notice of this Motion by facsimile and/or overnight mail to: (i) the Office of the United States Trustee for the

[6] Objections to adequate assurance of future performance by a bidder other than the Stalking Horse Bidder may be made at the Sale Hearing.

District of Delaware; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the District of Delaware; (iv) the Internal Revenue Service; (v) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis; (vi) counsel to the administrative agent for the Debtors' prepetition lenders; (vii) counsel to the administrative agent for the proposed post-petition lenders; (viii) counsel to the indenture trustee for the Debtors' prepetition secured noteholders; (ix) the indenture trustee for the Debtors' prepetition unsecured noteholders; (x) counsel to the Debtors' controlling shareholder(s); (xi) counsel to the Stalking Horse Bidder; (xii) counsel to Whippoorwill; (xiii) all potential Assigned Contract counterparties; (xiv) all parties known or reasonably believed to have expressed an interest in the Acquired Assets; (xv) the United States Coast Guard; (xvi) all parties who are known to possess or assert a secured claim against the Acquired Assets; and (xvii) the relevant taxing authorities having jurisdiction over any of the Acquired Assets. In addition, upon this Court's entry of the Bidding Procedures Order (which will establish the Sale Hearing, Auction and Objection Deadline), the Sellers propose to serve the Auction Notice on (i) all parties provided with the notice of this Motion; (ii) all parties identified by the Sellers and Imperial as potentially interested purchasers; and (iii) all parties on the Debtors' consolidated list of creditors. The Auction Notice will also include instructions on how to obtain a copy of the Motion and the Stalking Horse Agreement.

22. The Sellers submit that the methods of notice described herein comply fully with Bankruptcy Rule 2002 and Local Rule 2002-1 and constitute good and adequate notice of the proposed Bidding Procedures and the sale of the Acquired Assets. Therefore, the Sellers respectfully request that this Court approve the notice procedures proposed above.

C. The Proposed Notice of the Assumption and Assignment of Executory Contracts and Unexpired Leases

23. Additionally, as noted above, the Sellers, as part of the Sale, are seeking to assume and assign certain executory contracts and unexpired leases (collectively, the "Assigned Contracts"). With respect to the cure of all Assigned Contracts, as soon as practicable, the Sellers will file the Cure Schedule. The Cure Schedule will include a description of each Assigned Contract potentially to be assumed and assigned under the Stalking Horse Agreement or Marked Agreement (as set forth in the Bidding Procedures, as applicable), and the Cure Costs. A copy of the Cure Schedule, together with the Assumption and Assignment Notice, will be served on each of the non-debtor parties listed on the Cure Schedule by first-class mail on the date that the Cure Schedule is filed with the Court. The Sellers propose that any objections to the assumption and assignment of any executory contract or unexpired lease identified on the Cure Schedule, including, but not limited to, objections relating to adequate assurance of future performance by the Stalking Horse Bidder (or any Successful Bidder, as appropriate) or to the Cure Costs set forth on such schedule, must be in writing, filed with the Court, and be actually received on or before the Objection Deadline by (i) proposed co-counsel to the Sellers, Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038-4982, Attn: Kristopher M. Hansen, Fax: (212) 806-6006, E-mail: khansen@stroock.com; (ii) proposed co-counsel to the Sellers, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, Attn: Daniel J. DeFranceschi, Fax: (302) 498-7816, E-mail: defranceschi@rlf.com; (iii) proposed financial advisor to the Sellers, Imperial Capital, LLC, 2000 Avenue of the Stars, 9th Floor, South Tower, Los Angeles, California 90067, Attn: Chris Shepard, Fax: (310) 777-3052, Email: cshepard@imperialcapital.com; (iv) counsel for any official committee of unsecured creditors appointed in these Chapter 11 Cases; (v) counsel to

Whippoorwill, Gibson Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, Attn: Matt Williams, Fax: (212) 351-5232, Email: mjwilliams@gibsondunn.com; and (vi) counsel to (a) the Stalking Horse Bidder; or (b) the Successful Bidder, as applicable (collectively, the "Notice Parties"), provided, however, that in the event the Auction results in a Successful Bidder other than the Stalking Horse Bidder, the deadline for objecting to the assumption and assignment of the Assigned Contracts to such Successful Bidder on the basis of adequate assurance of future performance will be the commencement of the Sale Hearing. Any objection to the Cure Costs shall set forth a specific default in any Assigned Contract and claim a specific monetary amount that differs from the amount, if any, specified by the Sellers in the Cure Schedule.

24. If no objections are received, then the Cure Costs set forth in the Cure Schedule will be binding upon the non-debtor parties to the Assigned Contracts for all purposes in these Chapter 11 Cases and will constitute a final determination of the total Cure Costs required to be paid by the Stalking Horse Bidder, or Successful Bidder (as applicable), in connection with the assumption and assignment of the Assigned Contracts. In addition, all counterparties to the Assigned Contracts will (i) be forever barred from asserting any additional cure or other amounts with respect to the Assigned Contracts, and the Sellers and the Successful Bidder will be entitled to rely solely upon the Cure Costs set forth in the Assumption and Assignment Notice; (ii) be deemed to have consented to the assumption and assignment; and (iii) be forever barred and estopped from asserting or claiming against the Sellers or the Successful Bidder that any additional amounts are due or other defaults exist, that conditions to assignment must be satisfied under such Assigned Contracts, or that there is any objection or defense to the assumption and assignment of such Assigned Contracts.

25. Where a non-debtor counterparty to an Assigned Contract files an objection asserting a cure amount higher than the proposed Cure Costs (the "Disputed Cure Amount"), then (i) to the extent that the parties are able to consensually resolve the Disputed Cure Amount prior to the Sale Hearing, and subject to the Successful Bidder's consent to such consensual resolution, the Sellers shall promptly provide the Successful Bidder notice and opportunity to object to such proposed resolution or (ii) to the extent the parties are unable to consensually resolve the dispute prior to the Sale Hearing, then the amount to be paid under section 365 of the Bankruptcy Code with respect to such Disputed Cure Amount will be determined at the Sale Hearing or at a hearing at such other date and time as may be fixed by this Court. All other objections to the proposed assumption and assignment of an Assigned Contract will be heard at the Sale Hearing. The Sellers intend to cooperate with counterparties to Assigned Contracts to attempt to reconcile any differences in a particular cure amount.

26. The Sellers request that any party failing to object to the proposed transactions be deemed to consent to the treatment of its executory contract and/or unexpired lease under section 365 of the Bankruptcy Code. See In re Decora Indus., 2002 WL 32332377, at *4 (Bankr. D. Del. May 17, 2002) (parties in interest who did not object to sale were deemed to accept the sale pursuant to sections 362(f) and 365 of the Bankruptcy Code); Hargrave v. Twp. of Pemberton (In re Tabone, Inc.), 175 B.R. 855, 858 (Bankr. D.N.J. 1994) (by not objecting to sale motion, creditor deemed to consent); Pelican Homestead v. Wooten (In re Gabel), 61 B.R. 661, 667 (Bankr. W.D. La. 1985) (same). Moreover, the Sellers request that each such party be deemed to consent to the assumption and assignment of its executory contract and/or unexpired lease notwithstanding any anti-alienation provision or other restriction on assignment. See 11 U.S.C. §§ 365(c)(1)(B), (e)(2)(A)(ii) and (f).

D. The Sale of the Acquired Assets Pursuant to the Stalking Horse Agreement, and the Sellers' Execution of the Stalking Horse Agreement, Is Authorized by Section 363 as a Sound Exercise of the Sellers' Business Judgment

27. Section 363 of the Bankruptcy Code provides that a debtor, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b). Although section 363 of the Bankruptcy Code does not specify a standard for determining when it is appropriate for a court to authorize the use, sale or lease of property of the estate, courts have required that such use, sale or lease be based upon the sound business judgment of the debtor. See e.g., Official Comm. of Unsecured Creditors v. The LTV Corp. (In re Chateaugay Corp.), 973 F.2d 141, 143 (2d Cir. 1992); Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1070 (2d Cir. 1983) (requiring "some articulated business justification" to approve the use, sale or lease of property outside the ordinary course of business). In that regard, "[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct." Comm. of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.), 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). In this District, once a court is satisfied that there is a sound business justification for the proposed sale, the court must then determine whether (i) the debtor in possession has provided the interested parties with adequate and reasonable notice; (ii) the sale price is fair and reasonable; and (iii) the purchaser is proceeding in good faith. See, e.g., In re Delaware and Hudson Ry. Co., 124 B.R. 169, 176 (Bankr. D. Del. 1991); accord In re Decora Indus., Inc., No. 00-4459, 2002 WL 32332749, at * 2 (D. Del. May 20, 2002).

28. The Sellers submit that the decision to sell the Acquired Assets to the Stalking Horse Bidder, or Successful Bidder, at the Auction is based upon their sound business judgment and should be approved. In light of a dearth of alternative bidders for the Acquired Assets, the

Sellers propose that the Purchase Price represents a fair and reasonable price for the Sellers' assets – particularly given the Sellers' and Imperial's diligent efforts to explore alternatives to a sale of some or all of the Sellers' assets. As such, the Sellers believe that their prepetition marketing efforts, arms-length negotiations with the Stalking Horse Bidder, and the proposed Bidding Procedures will achieve the best results for their estates and maximize value for all constituents. Furthermore, the Bidding Procedures, which contemplate an open auction process, are designed to ensure that all interested parties receive notice of the Sale and are provided with an opportunity to bid at the Auction (thereby increasing the likelihood that the Sellers are able to obtain a greater price for the Acquired Assets). Thus, the Sellers submit that the sale of the Acquired Assets is fair, reasonable and a sound exercise of their business judgment. Accordingly, the Sellers also request this Court's authorization to execute the Stalking Horse Bidder following the Petition Date, but prior to the Auction.

E. The Sale of the Acquired Assets Free and Clear of Liens and Other Interests Is Authorized By Section 363(f)

29. The Sellers further submit that it is appropriate to sell the Acquired Assets free and clear of liens pursuant to section 363(f) of the Bankruptcy Code. Section 363(f) of the Bankruptcy Code authorizes a debtor to sell assets free and clear of liens, claims, interests and encumbrances if:

> (1) applicable nonbankruptcy law permits sale of such property free and clear of such interests; (2) such entity consents; (3) such interest is a lien and the price at which such property is to be sold is greater than the value of all liens on such property; (4) such interest is in bona fide dispute; or (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f). This provision is supplemented by section 105(a) of the Bankruptcy Code, which provides that "[t]he Court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a).

30. Because section 363(f) of the Bankruptcy Code is drafted in the disjunctive, satisfaction of any one of its five requirements will suffice to permit the sale of the Acquired Assets "free and clear" of liens and interests. See In re Dundee Equity Corp., 1992 Bankr. LEXIS 436, at *12 (Bankr. S.D.N.Y. Mar. 6, 1992) ("[S]ection 363(f) is in the disjunctive, such that the sale free of the interest concerned may occur if any one of the conditions of § 363(f) have been met."); In re Bygaph, Inc., 56 B.R. at 606 n.8 (same); Michigan Employment Sec. Comm'n v. Wolverine Radio Co. (In re Wolverine Radio Co.), 930 F.2d 1132, 1147 n.24 (6th Cir. 1991) (stating that section 363(f) of the Bankruptcy Code is written in the disjunctive, and holding that the court may approve the sale "free and clear" provided at least one of the subsections of section 363(f) of the Bankruptcy Code is met).

31. The Sellers believe that one or more of the tests of section 363(f) are satisfied with respect to the transfer of the Acquired Assets pursuant to the Stalking Horse Agreement. In particular, the Sellers believe that at least section 363(f)(3) of the Bankruptcy Code will be met in connection with the transactions proposed under the Stalking Horse Agreement because the liens on the Acquired Assets will either be maintained or released as part of the Purchase Price. In addition, given the consideration to be provided in the Purchase Price, the Sellers believe that each party holding a lien on the Acquired Assets will either be consenting or be deemed to be consenting to the Sale pursuant to section 363(f)(2) of the Bankruptcy Code. Accordingly, the Sellers propose that section 363(f) authorizes the transfer and conveyance of the Acquired Assets free and clear of any such claims, interests, liabilities or liens.

32. Although section 363(f) of the Bankruptcy Code provides for the sale of assets "free and clear of any interests," the term "any interest" is not defined in the Bankruptcy Code. Folger Adam Sec. v. DeMatteis/MacGregor JV, 209 F.3d 252, 257 (3d Cir. 2000). In the case of

In re Trans World Airlines, Inc., 322 F.3d 283, 288-89 (3d Cir. 2003), the Third Circuit specifically addressed the scope of the term "any interest." The Third Circuit observed that while some courts have "narrowly interpreted that phrase to mean only in rem interests in property," the trend in modern cases is towards "a more expansive reading of 'interests in property' which 'encompasses other obligations that may flow from ownership of the property.'" Id. at 289 (citing 3 Collier on Bankruptcy 363.06[l]). As determined by the Fourth Circuit in In re Leckie Smokeless Coal Co., 99 F.3d 573, 581-82 (4th Cir. 1996), a case cited extensively and with approval by the Third Circuit in Folger, supra, the scope of Bankruptcy Code section 363(f) is not limited to *in rem* interests. Thus, the Third Circuit in Folger stated that Leckie held that the debtors "could sell their assets under § 363(f) free and clear of successor liability that otherwise would have arisen under federal statute." Folger, 209 F.3d at 258.

33. Moreover, courts have consistently held that a buyer of a debtor's assets pursuant to a section 363 sale takes free from successor liability resulting from pre-existing claims. See The Ninth Avenue Remedial Group v. Allis-Chalmers Corp., 195 B.R. 716, 732 (Bankr. N.D. Ind. 1996) (stating that a bankruptcy court has the power to sell assets free and clear of any interest that could be brought against the bankruptcy estate during the bankruptcy); MacArthur Co. v. Johns-Manville Corp. (In re Johns-Manville Corp.), 837 F.2d 89, 93-94 (2d Cir. 1988) (channeling of claims to proceeds consistent with intent of sale free and clear under section 363(f) of the Bankruptcy Code); Rubinstein v. Alaska Pac. Consortium (In re New Eng. Fish Co., 19 B.R. 323, 329 (Bankr. W.D. Wash. 1982) (transfer of property in free and clear sale included free and clear of Title VII employment discrimination and civil rights claims of debtor's employees); In re Hoffman, 53 B.R. 874, 876 (Bankr. D.R.I. 1985) (transfer of liquor license free and clear of any interest permissible even though the estate had unpaid taxes); Am. Living Sys.

v. Bonapfel (In re All Am. Of Ashburn, Inc.), 56 B.R. 186, 190 (Bankr. N.D. Ga. 1986) (product liability claims precluded on successor doctrine in a sale of assets free and clear); WBQ P'ship v. Virginia Dept. of Med. Assistance Servs. (In re WBQ P'ship), 189 B.R. 97, 104-05 (Bankr. E.D. Va. 1995) (Commonwealth of Virginia's right to recapture depreciation is an "interest" as used in section 363(f)).[7] The purpose of an order purporting to authorize the transfer of assets free and clear of all "interests" would be frustrated if claimants could thereafter use the transfer as a basis to assert claims against the Successful Bidder arising from the Sellers' pre-sale conduct. Under section 363(f) of the Bankruptcy Code, the Successful Bidder is entitled to know that the Acquired Assets are not subject to latent claims that will be asserted against the Successful Bidder after the proposed transaction is completed. Accordingly, consistent with the above-cited case law, the order approving the sale of the Acquired Assets should state that the Successful Bidder is not liable as a successor under any theory of successor liability, for claims that encumber or relate to the Acquired Assets.

F. The Stalking Horse Bidder/Successful Bidder is a Good Faith Purchaser and is Entitled to the Full Protection of Bankruptcy Code Section 363(m)

34. The Sellers request that the Court find that the Stalking Horse Bidder (or the Successful Bidder, as appropriate) is entitled to the full protections of section 363(m) of the Bankruptcy Code. Several courts have indicated that a party would have to show fraud or collusion between the buyer and the debtor-in-possession or trustee or other bidders in order to demonstrate a lack of good faith. See Kabro Assocs. of West Islip, LLC v. Colony Hill Assocs. (In re Colony Hill Assocs.) 111 F.3d 269, 276 (2d Cir. 1997) ("[t]ypically, the misconduct that

[7] Some courts, concluding that section 363(f) of the Bankruptcy Code does not empower them to convey assets free and clear of claims, have nevertheless found that section 105(a) of the Bankruptcy Code provides such authority. See Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White Motor Credit Corp.), 75 B.R. 944, 948 (Bankr. N.D. Ohio 1987) (stating that the absence of specific authority to sell assets free and clear of claims poses no impediment to such a sale, as such authority is implicit in the court's equitable powers when necessary to carry out the provisions of title 11).

would destroy a [buyer]'s good faith status at a judicial sale involves fraud, collusion between the [buyer] and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders"); see also In re Angelika Films, 57th, Inc., 1997 WL 283412, at *7 (S.D.N.Y. 1997); In re Bakalis, 220 B.R. 525, 537 (Bankr. E.D.N.Y. 1998).

35. In the present case, although the Stalking Horse Bidder is an "insider" as such term is defined under the Bankruptcy Code, the proposed Sale and the Stalking Horse Agreement has been negotiated at arms-length and following a long and transparent marketing process. As set forth in the Shepard Declaration, the Stalking Horse Agreement was an intensely negotiated, arms-length transaction, in which the Stalking Horse Bidder acted in good faith. Throughout the process, the Sellers and the Stalking Horse Bidder had separate legal counsel to negotiate the transaction, and the Sellers' financial advisor in the transaction was an independent investment firm retained for the sole purpose of helping the Sellers to explore their strategic alternatives, market their businesses and assets and negotiate the Sale. Moreover, the transaction was unanimously approved and authorized by the participating members of the Sellers' Board of Directors, which includes a majority of independent members. Accordingly, the Sellers request that the Court make a finding that the Stalking Horse Bidder (or Successful Bidder, as applicable) has purchased the Acquired Assets in good faith within the meaning of section 363(m) of the Bankruptcy Code.

G. The Transfer of the Acquired Assets Does Not Violate Section 363(n)

36. Pursuant to Bankruptcy Code section 363(n), a sale may be avoided (and/or certain amounts may be recovered from parties to a sale) if the sale price was controlled by an agreement among potential bidders at such sale. See 11 U.S.C. § 363(n). The Sellers propose that such is not the case with respect to the present Sale. As noted also in the Shepard Declaration, the Sale is not the result of any kind of collusive process or negotiation between the

Stalking Horse Bidder and (i) any other Potential Bidder or (ii) the Sellers. Rather, the Purchase Price was developed based upon a market-tested valuation of the Acquired Assets gauged against the amount of secured debt of the Sellers. In light of the fact that no other potential purchaser for the Acquired Assets has yet appeared, and given that the Purchase Price includes the assumption of the Assumed Liabilities, the assumption of certain debt obligations of the Sellers and the forgiveness (in the form of a credit bid) of a significant amount of the Sellers' debt, the Sellers and their professionals believe that the Purchase Price is fair and appropriate. Accordingly, the Sellers propose that the Sale and the Purchase Price provided for the Acquired Assets is compliant with Bankruptcy Code section 363(n).

H. Assignment and Assumption of the Assigned Contracts is an Appropriate Exercise of the Sellers' Business Judgment

37. Pursuant to the Motion, the Sellers also seek to assume and assign the Assigned Contracts. Under section 365(a) of the Bankruptcy Code, a debtor "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). In addition, section 365(b)(1) of the Bankruptcy Code codifies the requirements for assuming an unexpired lease or executory contract of a debtor. This subsection provides:

> (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee -
>
> (A) cures, or provides adequate assurance that the trustee will promptly cure, such default … ;
>
> (B) compensates, or provides adequate assurance that the trustee will promptly compensate, a party other than the debtor to such contract or lease, for any actual pecuniary loss to such party resulting from such default; and

> (C) provides adequate assurance of future performance under such contract or lease.

11 U.S.C. § 365(b)(1).

38. Further, Bankruptcy Code section 365(f)(2) provides the requirements by which assignment of an executory contract or unexpired lease to an assignee can be made. In pertinent part, Bankruptcy Code section 365(f)(2) provides:

> The trustee may assign an executory contract or unexpired lease of the debtor only if –
>
> (A) the trustee assumes such contract or lease in accordance with the provisions of this section; and
>
> (B) adequate assurance of future performance by the assignee of such contract or lease is provided, whether or not there has been a default in such contract or lease.

11 U.S.C. § 365(f)(2).

39. A debtor's decision to assume or reject an executory contract under section 365 is governed by the business judgment standard. In re HQ Global Holdings, Inc., 290 B.R. 507, 511 (Bankr. D. Del. 2003) (citing Group of Inst. Investors v. Chicago, Milwaukee, St. Paul, and Pac. R.R. Co., 318 U.S. 523, 550 (1943)); In re Federal Mogul Global, Inc., 293 B.R. 124, 126 (D. Del. 2003). Typically, a determination to assume or reject an executory contract or unexpired lease can only be overturned if the decision was the product of "bad faith, whim or caprice." HQ Global, 290 B.R. at 511 (citing In re Trans World Airlines, Inc., 261 B.R. 103, 121 (Bankr. D. Del. 2001)); Wheeling-Pittsburgh Steel Corp. v. W. Penn Power Co. (In re Wheeling-Pittsburgh Steel Corp.), 72 B.R. 845, 849-50 (Bankr. W.D. Pa. 1987); see also Summit Land Co. v. Allen, 13 B.R. 310, 315 (Bankr. D. Utah 1981) (absent extraordinary circumstances, court approval of a debtor's decision to assume or reject an executory contract "should be granted as a matter of course").

40. In the present case, the assumption and assignment of the Assigned Contracts is an integral part of the Sale and a requirement of the Stalking Horse Agreement, and such assumption and assignment is a part of the Sellers' efforts to maximize the value of the Sellers' estates. Moreover, the Sellers propose that there are no incurable defaults under any of the Assigned Contracts. The Sellers do believe, however, that there are certain amounts due under some of these agreements, and consistent with the Stalking Horse Agreement, any such defaults will be cured by the Sellers as part of any assumption and assignment (with such Cure Costs to be assumed by the Stalking Horse Bidder).

41. Moreover, the Sellers submit that the Sale provides all parties to the Assigned Contracts with adequate assurance of future performance. The words "adequate assurance of future performance" must be given a "practical, pragmatic construction" in light of the "proposed assumption." In re Fleming Cos., 499 F.3d 300, 307 (3d Cir. 2007) (quoting Cinicola, 248 F.3d at 120, n.10). See also Carlisle Homes, Inc. v. Azzari (In re Carlisle Homes, Inc.), 103 B.R. 524, 538 (Bankr. D.N.J. 1988) (same); In re Natco Indus., Inc., 54 B.R. 436, 440 (Bankr. S.D.N.Y. 1985) (adequate assurance of future performance does not mean absolute assurance that debtor will thrive and pay rent); In re Bon Ton Rest. & Pastry Shop, Inc., 53 B.R. 789, 803 (Bankr. N.D. Ill. 1985) ("Although no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance."). Among other things, adequate assurance may be given by demonstrating the assignee's financial health and experience in managing the type of enterprise or property assigned. See In re Bygaph, Inc., 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (adequate assurance of future performance is present when prospective assignee of a lease from debtor has financial resources and has expressed a willingness to devote sufficient funding to business in order to give it strong likelihood of

succeeding; chief determinant of adequate assurance is whether rent will be paid); see also In re Vitanza, No. 98-19611 (DWS), 1998 WL 808629, at *26 (Bankr. E.D. Pa. 1998) ("The test is not one of guaranty but simply whether it appears that the rent will be paid and other lease obligations met.").

42. As set forth above, to submit a Qualified Bid, a bidder must provide the Sellers with sufficient and adequate information to demonstrate that such bidder has the financial wherewithal and ability to consummate the transactions contemplated in the Stalking Horse Agreement, which includes future performance of any Assigned Contracts. In this regard, the Sellers believe that the Stalking Horse Bidder (as well as the Successful Bidder, if other than the Stalking Horse Bidder) will have sufficient capital and financing commitments (and has given sufficient proof of same to the Sellers) to provide adequate assurance of future performance of any Assigned Contracts.

43. At the Sale hearing, to the extent necessary, the Debtors will be prepared to proffer testimony or present evidence to demonstrate the ability of the Successful Bidder to perform under the Assigned Contracts. The Sale Hearing will therefore provide the Court and other interested parties with the appropriate opportunity to evaluate the ability of the Successful Bidder to provide adequate assurance of performance under the Assigned Contracts, as required by section 365(b)(1)(C) of the Bankruptcy Code.

I. The Stalking Horse Bidder Credit Bid is a Fair and Arms-Length Transaction

44. The Sellers also seek confirmation of the Stalking Horse Bidder's right to credit bid an amount of the Senior Secured Notes of not less than $19,000,000 (the "Credit Bid Amount") in connection with the Purchase Price for the Acquired Assets. Confirmation of the Stalking Horse Bidder's right to credit bid is consistent with Bankruptcy Code section 363(k). That section of the Bankruptcy Code provides as follows:

> At a sale under subsection (b) of this section of property that is subject to a lien that secures an allowed claim, unless the court for cause orders otherwise the holder of such claim may bid at such sale, and, if the holder of such claim purchases such property, such holder may offset such claim against the purchase price of such property.

11 U.S.C. § 363(k).

45. Under section 363(k), a secured creditor is entitled to bid an amount up to its entire claim; the "offset" (*i. e.*, credit) is not limited to the value of the collateral. See, e.g., In re SubMicron Sys. Corp., 432 F.3d 448, 459 (3d Cir. 2006) ("It is well settled among district and bankruptcy courts that creditors can bid the full face value of their secured claims under § 363(k)"); In re SunCruz Casinos, LLC, 298 B.R. 833, 839 (Bankr. S.D. Fla. 2003) ("The plain language of [section 363(k)] makes clear that the secured creditor may credit bid its entire claim, including any unsecured deficiency portion thereof.") (emphasis in original); In re Morgan House Gen. P'Ship, 1997 U.S. Dist. LEXIS 1306, at *1 (E.D. Pa. Feb. 7, 1997) (holding that an unsecured creditor could bid the full value of its claim at a foreclosure sale); In re Realty Invs., Ltd. V, 72 B.R. 143, 146 (Bankr. C.D. Cal. 1987) (recognizing "the secured party's right to bid in the full amount of his allowed claim at any sale of collateral under section 363(k)"); Criimi Mae Servs. Ltd. P'ship v. WDH Howell, LLC (In re WDH Howell, LLC), 298 B.R. 527, 532 n.8 (D.N.J. 2003) (stating that section 363(k) "provides a secured creditor the right to bid the amount of [its] debt to prevent a sale for less than that amount.").

46. Moreover, the right to credit bid is not affected by any prior valuation of an allowed claim under section 506(a) of the Bankruptcy Code. See, e.g., In re SubMicron Sys. Corp., 432 F.3d at 461 ("[Section] 363 speaks to the full face value of a secured creditor's claim, not to the portion of that claim that is actually collateralized as described in § 506."); In re Morgan House Gen. P'ship, 1997 U.S. Dist. LEXIS 1306, at *5 (holding that a creditor may bid

"to the extent of its claim" under § 363(k)); In re Midway Invs., Ltd., 187 B.R. 382, 391 n.12 (Bankr. S.D. Fla. 1995) ("[A] secured creditor may bid in the full amount of the creditor's allowed claim, including the secured portion and any unsecured portion thereof") (citing legislative history).

47. Here, the Stalking Horse Bidder seeks to credit bid up to the Credit Bid Amount of the Senior Secured Notes. This represents a significant, and fully-secured, obligation of the Sellers' estates. Permitting the Stalking Horse Bidder to credit bid these amounts will release such obligations from the Sellers' estates – while simultaneously permitting the Stalking Horse Bidder to enforce a right to which it is entitled under the Bankruptcy Code. Accordingly, the Sellers seek this Court's approval of the Stalking Horse Bidder's credit bid component of the Stalking Horse Agreement.

J. Relief Under Bankruptcy Rules 6004(h) and 6006(d) Is Appropriate

48. Bankruptcy Rule 6004(h) provides that an "order authorizing the use, sale, or lease of property . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Additionally, Bankruptcy Rule 6006(d) provides that an "order authorizing the trustee to assign an executory contract or unexpired lease . . . is stayed until the expiration of 14 days after the entry of the order, unless the court orders otherwise." The Sellers request that any order approving the Stalking Horse Agreement be effective immediately by providing that the 14-day stays under Bankruptcy Rules 6004(h) and 6006(d) are waived.

49. The purpose of Bankruptcy Rules 6004(h) and 6006(d) is to provide sufficient time for an objecting party to appeal before an order can be implemented. See Advisory Committee Notes to Fed. R. Bankr. P. 6004(h) and 6006(d). Although Bankruptcy Rules 6004(h) and 6006(d) and the Advisory Committee Notes are silent as to when a court should "order otherwise" and eliminate or reduce the 14-day stay period, Collier suggests that the 14-

day stay period should be eliminated to allow a sale or other transaction to close immediately "where there has been no objection to the procedure." 10 Collier on Bankruptcy 15th Ed. Rev., ¶ 6064.09 (L. King, 15th rev. ed. 1988). Furthermore, Collier provides that if an objection is filed and overruled, and the objecting party informs the court of its intent to appeal, the stay may be reduced to the amount of time actually necessary to file such appeal. Id.

50. As described above, time is clearly of the essence as the Sellers face a potential liquidity crisis. A prompt closing of the Sale is therefore of critical importance and the Sellers request that the Court waive the fourteen (14) day stay period under Bankruptcy Rules 6004(h) and 6006(d). For these reasons the Sellers submit that the relief requested in this Motion is in the best interests of the Sellers and their estates and should therefore be granted.

K. Dismissal of the Cruise Group Chapter 11 Case in Connection with the Sale is Warranted

51. Section 105(a) of the Bankruptcy Code provides, in pertinent part, that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [chapter 11 of the Bankruptcy Code]." 11 U.S.C. § 105(a). In respect of this broad discretion provided under the Bankruptcy Code, section 1112(b) of the Bankruptcy Code provides that "on request of a party in interest, and after notice and a hearing, absent unusual circumstances specifically identified by the court that establish that the requested . . . dismissal is not in the best interests of creditors and the estate, the court shall . . . dismiss a case under [chapter 11 of the Bankruptcy Code] . . . if the movant establishes cause." Id. at § 1112(b)(1). The determination of cause and the decision to dismiss a chapter 11 bankruptcy case pursuant to section 1112(b) rests within the sound discretion of the court. See In re Nugelt, Inc., 142 B.R. 661, 665 (Bankr. D. Del. 1992) (stating that "[c]ourts have wide latitude in determining whether

cause exists to convert or dismiss" a chapter 11 bankruptcy case); In re Young, 76 B.R. 376, 378 (Bankr. D. Del. 1987).

52. "Cause" is delineated in section 1112(b)(4) of the Bankruptcy Code which provides a litany of statutory examples of "cause" for dismissal or conversion of a chapter 11 case. See 11 U.S.C. §1112(b)(4). Included among the list of "cause" factors is the "absence of a reasonable likelihood of rehabilitation." 11 U.S.C. § 1112(b)(4). However, a bankruptcy court is not constrained by those enumerated examples and may find "cause" based on the facts and circumstances of the particular chapter 11 case. See In re Nugelt, Inc., 142 B.R. at 665. The legislative history of section 1112(b) of the Bankruptcy Code also indicates that the list provided in sections 1112(b)(4)(A)-(P) of the Bankruptcy Code is nonexclusive, such that a bankruptcy court has the ability to dismiss a chapter 11 case for any reason cognizable to its equity powers. See H.R. Rep. No. 595, 95th Cong., 2d Sess. 405-06 (1978); see also Official Comm. of Unsecured Creditors v. Nucor Corp. (In re SGL Carbon Corp.), 200 F.3d 154, 160 (3d. Cir. 1999); Carolin Corp. v. Miller, 886 F.2d 693, 699 (4th Cir. 1993).

53. In the present case, the Debtors submit that dismissal of Cruise Group's Chapter 11 Case in connection with and following consummation of the Sale transaction is warranted and appropriate under the circumstances. Under the terms of the Sale, the Stalking Horse Bidder proposes to acquire the assets and liabilities of Cruise Group as a going concern through its acquisition of the membership interests of Marshall Islands (as defined in the Stalking Horse Agreement), the indirect parent of Cruise Group. No prepetition liabilities of Cruise Group will be impaired as a result of the chapter 11 filing or the Sale, or would be impaired as a result of the dismissal. Accordingly, the Debtors submit that dismissal of Cruise Group's Chapter 11 Case in

connection with and following consummation of the Sale transaction is warranted and appropriate under the circumstances.

NOTICE

54. The Sellers have provided notice of this Motion by (i) the Office of the United States Trustee for the District of Delaware; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the District of Delaware; (iv) the Internal Revenue Service; (v) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis; (vi) counsel to the administrative agent for the Debtors' prepetition lenders; (vii) counsel to the administrative agent for the proposed post-petition lenders; (viii) counsel to the indenture trustee for the Debtors' prepetition secured noteholders; (ix) the indenture trustee for the Debtors' prepetition unsecured noteholders; (x) counsel to the Debtors' controlling shareholder(s); (xi) counsel to the Stalking Horse Bidder, (xii) counsel to Whippoorwill; (xiii) all potential Assigned Contract counterparties; (xiv) all parties known or reasonably believed to have expressed an interest in the Acquired Assets; (xv) the United States Coast Guard; (xvi) all parties who are known to possess or assert a secured claim against the Acquired Assets; and (xvii) the relevant taxing authorities having jurisdiction over any of the Acquired Assets. Notice of this Motion and any order entered hereon will be served in accordance with Local Rule 9013-1(m). In light of the nature of the relief requested herein, the Debtors believe no other or further notice is necessary.

55. Following the entry of the Bidding Procedures Order, the Auction Notice will be served on all parties provided with the notice of this Motion, all parties identified by the Sellers and Imperial as potentially interested purchasers and all parties on the Debtors' consolidated list of creditors.

WHEREFORE, the Sellers respectfully request that the Court (a) enter the Bidding Procedures Order in substantially the form attached hereto as Exhibit A; (b) enter the Sale Order, after the Sale Hearing, substantially in the form attached hereto as Exhibit B, and (c) grant such other and further relief as the Court deems just and proper.

Dated: Wilmington, Delaware
April 1, 2011

Respectfully submitted,

RICHARDS, LAYTON & FINGER, P.A.

/s/ Daniel J. DeFranceschi

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Proposed Counsel to the Debtors
and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
AMBASSADORS INTERNATIONAL, INC., et al.,[1]	Case No. 11-11002 (KG)
Debtors.	Joint Administration Requested

Bidding Procedures Objection Deadline (Requested)
4/13/11

Bidding Procedures Hearing Date (Requested)
4/13/11

NOTICE OF MOTIONS AND HEARING

PLEASE TAKE NOTICE that, on April 1, 2011, Ambassadors International, Inc., Ambassadors Cruise Group, LLC, Ambassadors, LLC, EN Boat LLC, AQ Boat, LLC, MQ Boat, LLC, DQ Boat, LLC, QW Boat Company LLC, Contessa Boat. LLC, CQ Boat, LLC and American West Steamboat Company LLC (collectively, the "Sellers"), and Ambassadors International Cruise Group (USA), LLC ("Cruise Group", with the Sellers, the "Debtors") filed the **Motion of the Debtors for Entry of Orders (I) Approving Bidding Procedures for the Sale of Certain of the Debtors' Assets Free and Clear of All Liens, Claims and Encumbrances; (II) Approving the Form and Manner of Notice of the Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Scheduling an Auction and Sale Hearing; (IV) Approving Such Sale; and (V) Dismissing the Chapter 11 Bankruptcy Case of Ambassadors International Cruise Group (USA), LLC**

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Ambassadors International, Inc. (8605); Ambassadors Cruise Group, LLC (2448); Ambassadors, LLC (0860); EN Boat LLC (8982); AQ Boat, LLC (5018); MQ Boat, LLC (5095); DQ Boat, LLC (5064); QW Boat Company LLC (0658); Contessa Boat, LLC (9452); CQ Boat, LLC (9511); American West Steamboat Company LLC (0656); and Ambassadors International Cruise Group (USA), LLC (7304). The mailing address for each Debtor is 2101 4th Avenue, Suite 210, Seattle, WA 98121.

(the "Motion") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801 (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that, on April 1, 2011, the Debtors also filed the **Motion for Entry of an Order Shortening Notice and Objection Periods for Motion of the Debtors for Entry of Orders (I) Approving Bidding Procedures for the Sale of Certain of the Debtors' Assets Free and Clear of All Liens, Claims and Encumbrances; (II) Approving the Form and Manner of Notice of the Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Scheduling an Auction and Sale Hearing; (IV) Approving Such Sale; and (V) Dismissing the Chapter 11 Bankruptcy Case of Ambassadors International Cruise Group (USA), LLC** (the "Motion to Shorten"), pursuant to which the Debtors have requested approval of a shortened notice period and objection deadline relating to the Bidding Procedures Relief (as defined below) requested in the Motion.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Motion, the Debtors are seeking, among other things, entry of an order (a) approving the proposed bidding procedures in connection with the sale (the "Sale") of substantially all of the Sellers' assets; (b) approving the Sellers' execution of a stalking horse agreement; (c) scheduling an auction (the "Auction") and a hearing to consider approval of the Sale; and (d) approving the form and manner of notice of the Auction and the notice of the proposed assumption and assignment of executory contracts and unexpired leases (collectively, the "Bidding Procedures Relief").

PLEASE TAKE FURTHER NOTICE that by the Motion to Shorten, the Debtors are requesting that (i) a hearing to consider the Bidding Procedures Relief requested in the Motion (the "Bidding Procedures Hearing") be held before The Honorable Kevin Gross at the Bankruptcy Court, 824 North Market Street, 6th Floor, Courtroom 3, Wilmington, Delaware

19801 on **April 13, 2011 at a time to be determined** and (ii) parties be permitted to raise objections to the Bidding Procedures Relief (a) in writing at least two (2) days prior to the Bidding Procedures Hearing or (b) orally at the Bidding Procedures Hearing.

PLEASE TAKE FURTHER NOTICE that when the Bankruptcy Court rules on the relief requested in the Motion to Shorten, parties in interest will receive separate notice of the court-approved objection deadline and hearing date and time for the Motion (as it relates to the Bidding Procedures Relief).

Dated: Wilmington, Delaware
April 1, 2011

Respectfully submitted,

RICHARDS, LAYTON & FINGER, P.A.

/s/ Katherine Good

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Proposed Counsel to the Debtors
and Debtors-in-Possession

EXHIBIT A

FORM OF BIDDING PROCEDURES ORDER

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
AMBASSADORS INTERNATIONAL, INC., et al.,[1]	Case No. 11-_____ (___)
Debtors.	Joint Administration Requested
	Ref. Docket No. _____

ORDER (I) APPROVING BIDDING PROCEDURES FOR THE SALE OF CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES; (II) APPROVING THE FORM AND MANNER OF NOTICE OF THE SALE AND ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) AUTHORIZING CERTAIN OF THE DEBTORS TO EXECUTE AN ASSET PURCHASE AGREEMENT; AND (IV) SCHEDULING AN AUCTION AND SALE HEARING

Upon consideration of the Motion (the "Sale Motion")[2] of the Debtors, pursuant to sections 105, 363, 365, 503 and 1112(b) of the Bankruptcy Code, Bankruptcy Rules 1017(a), 2002, 6004, 9007 and 9014 and Local Rules 2002-1 and 6004-1, for entry of: (i) an order (the "Bidding Procedures Order") (a) approving proposed bidding procedures (the "Bidding Procedures") in connection with the Sale of the Acquired Assets as more fully described in the Stalking Horse Agreement by and among the Sellers and the Stalking Horse Bidder; (b) authorizing the Sellers' execution of the Stalking Horse Agreement; (c) scheduling the Auction and the Sale Hearing; and (d) approving the form and manner of notice of the Auction, including

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Ambassadors International, Inc. (8605); Ambassadors Cruise Group, LLC (2448); Ambassadors, LLC (0860); EN Boat LLC (8982); AQ Boat, LLC (5018); MQ Boat, LLC (5095); DQ Boat, LLC (5064); QW Boat Company LLC (0658); Contessa Boat, LLC (9452); CQ Boat, LLC (9511); American West Steamboat Company LLC (0656); and Ambassadors International Cruise Group (USA), LLC (7304). The mailing address for each Debtor is 2101 4th Avenue, Suite 210, Seattle, WA 98121.

[2] Capitalized terms used but otherwise not defined herein shall have the meanings set forth in the *Motion of the Debtors for Entry of Orders (I) Approving Bidding Procedures for the Sale of Certain of the Debtors' Assets Free and Clear of All Liens, Claims and Encumbrances; (II) Approving the Form and Manner of Notice of the Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Scheduling an Auction and Sale Hearing; (IV) Approving Such Sale and (V)Dismissing the Chapter 11 Bankruptcy Case of Ambassadors International Cruise Group (USA) LLC* [Docket No. __].

the form and manner of service of the Auction Notice attached hereto as Exhibit 2 and the notice of the proposed Assumption and Assignment Notice in the form attached hereto as Exhibit 3; and (ii) an order (a) approving the Sale of the Acquired Assets free and clear of all liens, claims and encumbrances to the Stalking Horse Bidder or such other party that is the Successful Bidder (as defined in the Bidding Procedures) at the Auction; and (b) dismissing the Chapter 11 Case of Cruise Group; and the Court having conducted a hearing to consider the relief requested in the Sale Motion (the "Bidding Procedures Hearing"); and the Court having jurisdiction to consider the Bidding Procedures, the approval of the execution of the Sellers of the Stalking Horse Agreement and the related relief requested in the Sale Motion in accordance with 28 U.S.C. §§ 157(b)(2) and 1334; and consideration of the Bidding Procedures and the related relief requested in the Sale Motion, and the responses thereto being a core proceeding in accordance with 28 U.S.C. § 157(b); and the appearance of all interested parties and all responses and objections, if any, to the Bidding Procedures and the related relief requested in the Sale Motion having been duly noted in the record of the Bidding Procedures Hearing; and upon the record of the Bidding Procedures Hearing, and all other pleadings and proceedings in this case, including the Sale Motion, the Detillion Declaration and the Shepard Declaration; and it appearing that the Bidding Procedures and the other scheduling relief requested in the Sale Motion is in the best interests of the Sellers, their estates, their creditors and all other parties in interest; and after due deliberation and sufficient cause appearing therefore;

IT IS HEREBY FOUND, DETERMINED, AND CONCLUDED THAT:

A. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact

constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction over the Sale Motion pursuant to 28 U.S.C. §§ 157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (0). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

C. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a) with respect to the Bidding Procedures and related relief requested in the Sale Motion, and the approval of the Sellers' entry into the Stalking Horse Agreement.

D. Good and sufficient notice of the Bidding Procedures and the other related relief sought in the Sale Motion has been given to all interested persons and entities, including, without limitation, (i) the Office of the United States Trustee for the District of Delaware; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the District of Delaware; (iv) the Internal Revenue Service; (v) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis; (vi) counsel to the administrative agent for the Debtors' prepetition lenders; (vii) counsel to the administrative agent for the proposed post-petition lenders; (viii) counsel to the indenture trustee for the Debtors' prepetition secured noteholders; (ix) the indenture trustee for the Debtors' prepetition unsecured noteholders; (x) counsel to the Debtors' controlling shareholder(s); (xi) counsel to the Stalking Horse Bidder, (xii) all potential Assigned Contract counterparties; (xiii) all parties known or reasonably believed to have expressed an interest in the Acquired Assets; (xiv) the United States Coast Guard; (xv) all parties who are known to possess or assert a secured claim against the Acquired Assets; and (xvi) the relevant taxing authorities having jurisdiction over any of the Acquired Assets.

E. The Sellers have articulated good and sufficient reasons for, and the best interests of the Sellers will be served by, this Court granting the preliminary relief requested in the Sale Motion, including approval of (i) the Bidding Procedures, attached hereto as Exhibit 1; (ii) the Auction Notice attached hereto as Exhibit 2; (iii) the Assumption and Assignment Notice attached hereto and Exhibit 3; and (iv) the Sellers' execution of the Stalking Horse Agreement.

F. The proposed notice of the sale of the Acquired Assets and the Bidding Procedures, as set forth in the Sale Motion, is good, appropriate, adequate and sufficient, and is reasonably calculated to provide all interested parties with timely and proper notice of the Sale and the Bidding Procedures, and no other or further notice is required for the Sale of the Acquired Assets to the Stalking Horse Bidder (or the Successful Bidder, as applicable), and the assumption and assignment of the Assigned Contracts as contemplated in the Bidding Procedures, as set forth herein and in the Sale Motion.

G. The Sellers have articulated good and sufficient reasons for, and the best interests of the Sellers' estates will be served by, this Court (i) authorizing the Sellers' execution of the Stalking Horse Agreement following the Petition Date but prior to the Auction, and (ii) scheduling an Auction and considering approval of the Sale and the transfer of the Acquired Assets to the Stalking Horse Bidder (or the Successful Bidder, as applicable), free and clear of all liens, claims and encumbrances (other than Permitted Encumbrances) pursuant to section 363 of the Bankruptcy Code.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREEED THAT:

1. The Sale Motion is GRANTED to the extent set forth herein and with respect to the relief requested in relation to the Bidding Procedures and other related relief in respect of the Sale.

2. The Bidding Procedures are hereby approved, are incorporated herein by reference, and shall govern all Bids and Bid proceedings relating to the Acquired Assets. The Sellers are authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures.

3. The deadline for submitting a Qualified Bid (as such term is defined in the Bidding Procedures) shall be **April [__], 2011 at 4:00 p.m. (prevailing Eastern Time)** (the "Bid Deadline").

4. To the extent at least one Qualified Bid, other than the Stalking Horse Bidder's bid, is timely received, the Sellers shall conduct the Auction on **April [__], 2011 at 10:00 a.m. (prevailing Eastern Time)** at the offices of the Sellers' proposed co-counsel, Stroock & Stroock & Lavan, LLP, 180 Maiden Lane, New York, New York 10038. Only the Stalking Horse Bidder and any other Qualified Bidder will be permitted to participate in the Auction. The Auction will be transcribed or videotaped.

5. Prior to the Auction, but subsequent to the Petition Date, the Sellers will be authorized to execute the Stalking Horse Agreement.

6. At the Auction, when only one Qualified Bidder remains and the Sellers have selected that Qualified Bidder's Bid as the Highest and Best Bid (as described in the Bidding Procedures), the Auction will conclude. As soon as reasonably practicable following the

conclusion of the Auction, the Sellers shall file a notice identifying the Successful Bidder and the Back-Up Bidder, if any, and will serve such notice on the counterparties to the Assigned Contracts via facsimile or email (if available), or otherwise via FedEx (but only if facsimile or email are not available).

7. The Stalking Horse Agreement is a Qualified Bid, and the Stalking Horse Bidder is a Qualified Bidder, for all purposes and requirements pursuant to the Bidding Procedures, notwithstanding the requirements that Potential Bidders must satisfy to be a Qualified Bidder. If the Sellers hold the Auction, the Stalking Horse Bidder may not be selected as the Back-Up Bidder absent the Stalking Horse Bidder's express written consent.

8. If the Sellers do not receive any Qualified Bids other than the Stalking Horse Agreement, the Sellers will not hold the Auction, and the Stalking Horse Agreement will be the Successful Bid and the Stalking Horse Bidder will be named the Successful Bidder.

9. All bidders submitting a Qualified Bid are deemed to have submitted to the exclusive jurisdiction of this Court with respect to all matters related to the Auction and the terms and conditions of the transfer of the Acquired Assets.

10. The Court will consider approval of the Sale to the Successful Bidder at the Sale Hearing on **April [__], 2011 at [__:__] [a.m./p.m.] (prevailing Eastern Time)**.

11. Any party seeking to (i) object to the validity of the Cure Costs as determined by the Sellers or otherwise assert that any other amounts, defaults, conditions or pecuniary losses must be cured or satisfied under any of the Assigned Contracts in order for such contract or lease to be assumed and assigned or (ii) object to the assumption and assignment of any Assigned Contracts on any other basis (including, but not limited to, objections to adequate assurance of future performance), must file a written objection in compliance with the Bankruptcy Rules and

the Local Rules (an "Assumption and Assignment Objection") with the Bankruptcy Court setting forth the cure amount the objector asserts to be due, and the specific types and dates of the alleged defaults, pecuniary losses and conditions to assignment and the support therefore, so that such objection is filed no later than **4:00 p.m. (prevailing Eastern Time) on April [__], 2011** (the "Assumption and Assignment Objection Deadline"), and such objection shall also be served so the same is actually received on or before the Assumption and Assignment Objection Deadline by (i) proposed co-counsel to the Sellers, Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038-4982, Attn: Kristopher M. Hansen, Fax: (212) 806-6006, E-mail: khansen@stroock.com; (ii) proposed co-counsel to the Sellers, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, Attn: Daniel J. DeFranceschi, Fax: (302) 498-7816, E-mail: defranceschi@rlf.com; (iii) proposed financial advisor to the Sellers, Imperial Capital, LLC, 2000 Avenue of the Stars, 9th Floor, South Tower, Los Angeles, California 90067, Attn: Chris Shepard, Fax: (310) 777-3052, Email: cshepard@imperialcapital.com; (iv) counsel for any official committee of unsecured creditors appointed in these Chapter 11 Cases; (v) counsel to Whippoorwill, Gibson Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, Attn: Matt Williams, Fax: (212) 351-5232, Email: mjwilliams@gibsondunn.com; and (a) counsel to the Stalking Horse Bidder; or (b) the Successful Bidder, as applicable (collectively, the "Notice Parties")

12. Objections to approval of the Sale, including the sale of the Acquired Assets free and clear of liens, claims and encumbrances (other than Permitted Encumbrances) must be in writing, state the basis of such objection with specificity and be filed with this Court in compliance with the Bankruptcy Rules and the Local Rules and served so as to be received by the Notice Parties on or before **April [__], 2011 at 4:00 p.m. (prevailing Eastern Time)**.

13. The Sale of the Acquired Assets is consistent with section 363(b)(1)(A) of the Bankruptcy Code and the Sellers' privacy policy, and no consumer privacy ombudsman is necessary in connection with the Sale.

14. Wilmington Trust FSB (the "Indenture Trustee"), solely in its capacity as Indenture Trustee under the Senior Secured Notes, and Law Debenture Trust Company of New York, in its capacity as Agent under the Prepetition Working Capital Facility, may submit a credit bid on behalf of the Stalking Horse Bidder for the ratable benefit of the holders of the Senior Secured Notes and on behalf of the lenders under the Prepetition Working Capital Facility, respectively. The Stalking Horse Bidder is authorized to direct the Indenture Trustee (on behalf of the Senior Secured Notes and, for the avoidance of doubt, not on behalf of itself as purchaser) to make one or more credit bids of the Senior Secured Notes at the Auction equal to the Credit Bid Amount or such other amount as the Stalking Horse Bidder determines is appropriate, up to the amount of obligations outstanding under the Senior Secured Notes, pursuant to section 363(k) of the Bankruptcy Code.

15. The Auction Notice and the Assumption and Assignment Notice, substantially in the form attached hereto as Exhibit 2 and Exhibit 3, respectively, are good and sufficient for all purposes. Within two (2) business days of the entry of this Order, the Sellers will serve the Auction Notice on all parties provided with the notice of the Sale Motion, all parties identified by the Sellers as potentially interested purchasers and all parties on the Sellers' consolidated list of creditors. The Sellers will, on or before April [__], 2011, serve the Assumption and Assignment Notice on all non-debtor parties to the Assigned Contracts potentially to be assumed and assigned in connection with the Sale. No other or further notice shall be required. No

finding or ruling is made in this Bidding Procedures Order as to the adequacy of any proposed Sale, it being intended that such approval will be sought at the Sale Hearing.

16. All Potential Bidders at the Auction shall be deemed to have consented to the core jurisdiction of this Court and waived any right to jury trial in connection with any disputes relating to the Auction, the sale of the Acquired Assets and the construction and enforcement of the Stalking Horse Agreement.

17. Each Qualified Bidder participating at the Auction, including the Stalking Horse Bidder will be required to confirm that it has not engaged in any collusion with respect to the bidding or the Sale.

18. The Court shall retain jurisdiction over any matter or dispute arising from or relating to the implementation of this Order.

Dated: April __, 2011
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Bidding Procedures

BIDDING PROCEDURES

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed with respect to a sale of certain assets (together, the "Acquired Assets") of Ambassadors International, Inc., Ambassadors Cruise Group, LLC, Ambassadors, LLC, EN Boat LLC, AQ Boat, LLC, MQ Boat, LLC, QW Boat Company LLC, Contessa Boat, LLC, American West Steamboat Company LLC, DQ Boat, LLC and CQ Boat LLC (collectively, the "Sellers", and together with Ambassadors International Cruise Group (USA), LLC, the "Debtors"). The Acquired Assets being acquired and the terms and conditions upon which the Sellers contemplate consummating a sale are further described in the form of the Asset Purchase Agreement (the "Stalking Horse Agreement") among the Sellers and a newly-formed designee of Whippoorwill Associates, Inc. ("Whippoorwill") that will be formed prior to consummation of the Sale (as defined herein). Copies of the form Stalking Horse Agreement are available for free by (i) sending a written request to the Sellers' claims and noticing agent, Phase Eleven Consultants, LLC (the "Claims Agent"), at 11 S. LaSalle Street, 7th Floor, Chicago, Illinois 60603, (ii) calling the Sellers' proposed co-counsel, Stroock & Stroock & Lavan LLP, at 212-806-5400, or (iii) emailing ambassadors@stroock.com. The sale of the Acquired Assets of the Sellers (the "Sale") pursuant to the Stalking Horse Agreement is subject to competitive bidding as set forth herein and approval by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") pursuant to sections 105, 363, 365 and 503 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 6004, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure and Rules 2002-1 and 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the Bankruptcy Court.

I. The Sale Hearing

At a hearing before the Bankruptcy Court (the "Sale Hearing"), the Seller will seek entry of an order from the Bankruptcy Court approving and authorizing the Sale to the Successful Bidder (as defined below) on terms and conditions consistent with the Stalking Horse Agreement (as modified solely to the extent accepted by the Seller) and in accordance with these Bidding Procedures.

II. Participation Requirements

Unless otherwise ordered by the Bankruptcy Court for cause shown, to participate in the Bidding Process (as defined below), each person or entity must deliver (unless previously delivered) to the Sellers, on or before the Bid Deadline (as defined below), (i) an executed confidentiality agreement in form and substance satisfactory to the Sellers (the "Confidentiality Agreement") and (ii) a *bona fide*, non-binding letter of intent or expression of interest with respect to a purchase of the Acquired Assets (together with the Confidentiality Agreement, the "Participation Requirements"). Each person or entity that delivers the Participation Requirements to the Sellers on or before the Bid Deadline is hereinafter referred to as a "Potential Bidder."

After a Potential Bidder delivers the Participation Requirements to the Sellers, the Sellers shall deliver or make available (unless previously delivered or made available) to each Potential Bidder certain designated information and financial data with respect to the Acquired Assets;

provided, *however*, that the Sellers, in their discretion, may decline to make such information available to a Potential Bidder if the Sellers believe that such Potential Bidder poses a competitive threat to the Sellers' businesses. The Sellers shall use commercially reasonable efforts to promptly provide, or identify and make available to the Stalking Horse Bidder, any information concerning Sellers, any of their subsidiaries, the Acquired Assets or the Sellers' businesses provided to any Potential Bidder which was not previously provided to the Stalking Horse Bidder.

III. Determination by the Sellers

The Sellers, after consultation with any official committee of unsecured creditors appointed in these cases (the "Committee") shall (a) coordinate the efforts of Potential Bidders in conducting their respective due diligence, (b) evaluate bids from Potential Bidders, (c) negotiate any bid made to acquire the Acquired Assets and (d) make such other determinations as are provided in these Bidding Procedures (collectively, the "Bidding Process"). Neither the Sellers nor their representatives shall be obligated to furnish any information of any kind whatsoever relating to the Acquired Assets to any person who is not a Potential Bidder.

IV. Due Diligence

Up to and including the Bid Deadline, as defined herein (the "Diligence Period"), the Sellers shall afford any Potential Bidder such due diligence access or additional information as may be reasonably requested by the Potential Bidder that the Sellers, in their business judgment, determine to be reasonable and appropriate. The Sellers may designate a representative to coordinate all reasonable requests for additional information and due diligence access from such Potential Bidders. Each Potential Bidder shall be required to acknowledge that it has had an opportunity to conduct any and all due diligence regarding the Acquired Assets prior to submitting its Bid.

V. Bid Deadline

A Potential Bidder that desires to make a bid shall deliver copies of its bid by facsimile and/or email to (a) proposed co-counsel to the Sellers, Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038-4982, Attn: Kristopher M. Hansen, Fax: (212) 806-6006, E-mail: khansen@stroock.com; (b) proposed co-counsel to the Sellers, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, Attn: Daniel J. DeFranceschi, Fax: (302) 498-7816, E-mail: defranceschi@rlf.com; (c) proposed financial advisor to the Sellers, Imperial Capital, LLC, 2000 Avenue of the Stars, 9th Floor, South Tower, Los Angeles, California 90067, Attn: Chris Shepard, Fax: (310) 777-3052, Email: cshepard@imperialcapital.com; and (d) counsel for any Committee appointed in these cases; by no later than April [___], 2011 at 4:00 p.m. (prevailing Eastern Time) (the "Bid Deadline").

VI. Bid Requirements

All bids (each hereinafter, a "Bid") must (a) be accompanied by a letter:

(i) Offering to acquire the Acquired Assets and expressly agreeing to assume the liabilities to be assumed in the Sale pursuant to the Stalking Horse

Agreement;

(ii) Accompanied by a duly executed agreement attached to the letter, marked to show any proposed amendments and modifications to the Stalking Horse Agreement and its schedules and exhibits (the "Marked Agreement");

(iii) Specifying Bid terms that are substantially the same or better (as determined in the Sellers' reasonable business judgment) than the terms of the Stalking Horse Agreement;

(iv) Agreeing that the Potential Bidder's offer is binding and irrevocable until the earlier of (i) the Closing Date (as defined herein), or (ii) twenty (20) days after the Sale Hearing;

(v) Providing for the payment in full in cash of the Sellers' obligations under the Prepetition Working Capital Facility (as defined herein) and all of the Sellers' obligations under any outstanding debtor-in-possession financing facility plus a cash component equal to or greater than the Credit Bid Consideration (as defined in the Stalking Horse Agreement);

(vi) Offering to pay a purchase price greater than the aggregate consideration offered by the Stalking Horse Bidder pursuant to the Stalking Horse Agreement, plus $250,000 (the "Initial Overbid");

(vii) Providing that such Bid is not subject to any due diligence or financing contingency;

(viii) Agreeing not to request or assert entitlement to any transaction or break-up fee, expense reimbursement or similar type of payment; and

(ix) Agreeing to serve as the Back-Up Bidder in accordance with these Bidding Procedures.

(b) be accompanied by adequate assurance information (the "Adequate Assurance Information"), including (i) information about the Potential Bidder's financial condition, such as federal tax returns for two years, a current financial statement, or bank account statements, (ii) information demonstrating (in the Sellers' reasonable business judgment) that the Potential Bidder has the financial capacity to consummate the proposed Sale, (iii) evidence that the Potential Bidder has obtained authorization or approval from its board of directors (or comparable governing body) with respect to the submission of its Bid, (iv) the identity and exact name of the Potential Bidder (including any equity holder or other financial backer if the Potential Bidder is an entity formed for the purpose of consummating the Sale), and (v) such additional information regarding the Potential Bidder as the Potential Bidder may elect to include. By submitting a Bid, Potential Bidders agree that the Sellers may disseminate their Adequate Assurance Information to affected landlords or contract counterparties in the event that the Sellers determine such bid to be (a) a Qualified Bid (as defined below) and (b) a higher and better bid than the Stalking Horse Agreement.

Potential Bidders may make one or more credit bids of some or all of their claims to the full extent permitted by section 363(k) of the Bankruptcy Code (a "Credit Bid"). For the avoidance of doubt, (a) Wilmington Trust FSB ("Wilmington Trust"), solely in its capacity as Indenture Trustee under the Senior Secured Notes[1] and (b) Law Debenture Trust Company of New York ("Law Debenture"), in its capacity as Agent under the Prepetition Working Capital Facility,[2] may submit a credit bid on behalf of the Stalking Horse Bidder for the ratable benefit of the holders of the Senior Secured Notes (the "Second Lien Noteholders") and on behalf of the lenders under the Prepetition Working Capital Facility (the "Prepetition Working Capital Facility Lenders"), respectively, to the fullest extent permitted by section 363(k) of the Bankruptcy Code. For the avoidance of doubt, any Credit Bid submitted by Wilmington Trust, in its capacity as Indenture Trustee, shall be credited to the aggregate consideration offered by the Stalking Horse Bidder, pursuant to the Stalking Horse Agreement of in Overbids offered by the Stalking Horse Bidder at the Auction, and Wilmington Trust shall not be considered to have submitted a Bid on its own behalf, or otherwise constitute a Potential Bidder, Qualified Bidder, Successful Bidder or Back-Up Bidder. A Bid must be accompanied by (a) a certified check or wire transfer, payable to the order of the Sellers, in the amount of 10% of the Bid, which funds will be deposited into an interest bearing escrow account to be identified and established by the Sellers (a "Good Faith Deposit") and (b) written evidence, documented to the Sellers' reasonable satisfaction, that demonstrates the Potential Bidder has available cash or a commitment for financing and such other evidence of ability to consummate the transaction as the Sellers may reasonably request, including proof that such funding commitments or other financing are not subject to any internal approvals, syndication requirements, diligence or credit committee approvals (*provided*, that such commitments may have covenants and conditions reasonably acceptable to the Sellers).

The Sellers, in consultation with any Committee appointed in the Sellers' bankruptcy cases, will review each Bid received from a Potential Bidder to ensure that it meets the requirements set forth above. A Bid received from a Potential Bidder that meets the above requirements will be considered a "Qualified Bid" and each Potential Bidder that submits a Qualified Bid will be considered a "Qualified Bidder." For the avoidance of doubt, the Stalking Horse Agreement is a Qualified Bid and the Stalking Horse Bidder is a Qualified Bidder, for all purposes and requirements pursuant to the Bidding Procedures, notwithstanding the requirements that Potential Bidders must satisfy to be a Qualified Bidder. Upon determination that a Bid received from a Potential Bidder constitutes a Qualified Bid, the Sellers shall, within one business day, provide the Stalking Horse Bidder with a copy of the Qualified Bid.

A Qualified Bid will be valued by the Sellers based upon any and all factors that the Sellers deem pertinent, including, among others, (a) the amount of the Qualified Bid, (b) the risks and timing associated with consummating a transaction with the Potential Bidder, (c) any excluded assets or executory contracts and leases, and (d) any other factors that the Sellers (in

[1] Reference is made to the 10% senior secured notes due 2012 issued by Ambassadors International, Inc. pursuant to that certain indenture dated as of November 13, 2009.

[2] Reference is made to that certain Credit and Guaranty Agreement, dated as of March 23, 2010, by and among Ambassadors International, Inc. and its subsidiaries, the lenders from time to time party thereto, and Law Debenture, as Administrative Agent and Collateral Agent, as amended, modified, supplemented or restated from time to time in accordance with its terms.

consultation with the Committee, if applicable) may deem relevant to the Sale.

The Sellers, in their business judgment, and in consultation with any Committee appointed in the Sellers' bankruptcy cases, reserve the right to reject any Bid if such Bid:

(a) Is on terms that are more burdensome or conditional than the terms of the Stalking Horse Agreement;

(b) Requires any indemnification of the Potential Bidder in its Marked Agreement;

(c) Is not received by the Bid Deadline;

(d) Is subject to any contingencies (including representations, warranties, covenants and timing requirements) of any kind or any other conditions precedent to such party's obligation to acquire the Acquired Assets (other than as may be included in the Stalking Horse Agreement); or

(e) Is not a Qualified Bid for any other reason as set forth above.

Any Bid rejected pursuant to this paragraph shall not be deemed to be a Qualified Bid. In the event that any Bid is so rejected, the Sellers shall cause such Potential Bidder to be refunded its Good Faith Deposit and all accumulated interest thereon within three (3) business days after the Bid Deadline. Notwithstanding anything set forth in these Bidding Procedures, in no event shall the Sellers determine that a Bid is a Qualified Bid unless each of the Bid requirements enumerated herein are satisfied.

VII. Auction Participation

Unless otherwise ordered by the Bankruptcy Court for cause shown, only the Stalking Horse Bidder and each Qualified Bidder are eligible to participate at the Auction (as defined below). At least one (1) business day prior to the Auction, each Qualified Bidder must inform the Sellers in writing whether it intends to participate in the Auction. The Sellers will promptly thereafter inform (in writing) each Qualified Bidder, who has expressed its intent to participate in the Auction, (a) of the identity of all other Qualified Bidders that may participate in the Auction (and shall provide copies of the Qualified Bids to the Stalking Horse Bidder and any other Qualified Bidder who requests a copy of the Qualified Bids); and (b) of the Qualified Bid which the Sellers (in consultation with any Committee, if applicable) have deemed to be the highest and best Qualified Bid (the "Highest and Best Bid"). If the Sellers do not receive any Qualified Bids other than the Stalking Horse Agreement: (a) the Sellers will not hold an Auction; (b) the Stalking Horse Agreement will be the Successful Bid (as defined below) and (c) the Stalking Horse Bidder will be named the Successful Bidder.

VIII. Auction

If at least one Qualified Bid other than the Stalking Horse Agreement is received by the Bid Deadline, the Sellers will conduct an auction (the "Auction"). The Auction shall take place at 10:00 a.m. (prevailing Eastern Time) on April [__], 2011, at the offices of proposed co-

counsel to the Sellers, Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, or such later time or such other place as the Sellers shall designate and notify to all Qualified Bidders who have submitted Qualified Bids. Only a Stalking Horse Bidder and each other Qualified Bidder who has submitted a Qualified Bid will be eligible to participate at the Auction. Professionals for (a) the Committee, (b) the Stalking Horse Bidder, (c) Wilmington Trust, (d) Law Debenture, (e) Whippoorwill and (f) each other Qualified Bidder, along with any other parties the Sellers deem appropriate, shall be able to attend and observe the Auction.

Each Qualified Bidder participating in the Auction will be required to confirm, in writing, that (a) it has not engaged in any collusion with respect to the Bidding Process, and (b) its Qualified Bid is a good faith *bona fide* offer that it intends to consummate if selected as the Successful Bidder.

At the Auction, participants will be permitted to increase their Qualified Bids. If the Stalking Horse Agreement represents the Highest and Best Bid, the bidding will start at the aggregate consideration for the Acquired Assets and on the terms set forth in the Stalking Horse Agreement, plus the Initial Overbid. If a Qualified Bid other than the Stalking Horse Agreement is selected as the Highest and Best Bid, then the bidding will start at the aggregate consideration for the Acquired Assets and on the terms proposed in such Highest and Best Bid plus $100,000 (the "Overbid Amount"). Bidding at the Auction will continue in increments of at least the Overbid Amount (each successive bid, an "Overbid"), which such increments may be made in the form of a Credit Bid. An Overbid shall remain open and binding on the Qualified Bidder until and unless (a) the Sellers accept an alternate Qualified Bid as the Highest and Best Bid, and (b) such Overbid is not selected as the Back-Up Bid (as defined below). During the course of the Auction, the Sellers shall, after submission of each Overbid, promptly inform each participant which Overbid reflects, in the Sellers' view, the highest or otherwise best offer.

The Sellers may, in consultation with any Committee, announce at the Auction additional procedural rules (*e.g.*, the amount of time to make subsequent Overbids) for conducting the Auction so long as the rules are not inconsistent with these Bidding Procedures. The bidding at the Auction shall be transcribed or videotaped and the Sellers shall maintain a transcript of all Bids made and announced at the Auction, including all Overbids and the Successful Bid.

Immediately prior to the conclusion of the Auction, the Sellers, in consultation with any Committee appointed, will: (a) review each Qualified Bid made at the Auction on the basis of financial and contractual terms and such factors relevant to the Sale, including those factors affecting the speed and certainty of consummating the Sale; (b) identify the highest and best Bid for the Acquired Assets of the Seller at the Auction (the "Successful Bid"); and (c) notify all Qualified Bidders at the Auction, prior to its conclusion, of the name or names of the maker of the Successful Bid (the "Successful Bidder"), and the amount and other material terms of the Successful Bid. The Sellers shall not consider any Bids or Overbids submitted after the conclusion of the Auction and any and all such Bids and Overbids shall be deemed untimely and shall under no circumstances constitute a Qualified Bid.

All bidders at the Auction will be deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to jury trial in connection with any disputes relating to the Auction, the Sale and the construction and enforcement of the Stalking Horse Agreement.

IX. Acceptance of Qualified Bids

The Sellers may (a) determine, in their reasonable business judgment, in consultation with the Committee (as applicable), which Qualified Bid is the Successful Bid and the next best Qualified Bid (the "Back-Up Bid"); and (b) reject at any time, before entry of an order of the Bankruptcy Court approving the Sale, any Bid (other than the Stalking Horse Agreement) that, in the Sellers' reasonable judgment, after consultation with the Committee (as applicable),is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures or the terms and conditions of the Sale or (iii) contrary to the best interests of the Sellers and their estates.

The Sellers presently intend to convey the Acquired Assets to the Qualified Bidder that submits the Successful Bid, whether such entity is the Stalking Horse Bidder or another Qualified Bidder. The Sellers' presentation to the Bankruptcy Court for approval of the selected Qualified Bid as the Successful Bid does not constitute the Sellers' acceptance of such Bid. The Sellers will have accepted a Successful Bid only when such Successful Bid has been approved by the Bankruptcy Court at the Sale Hearing. The Sellers and the Successful Bidder will close the Sale on or before a date that is three (3) business days after the order approving the Sale becomes a final, non-appealable order, unless another time or date, or both, are agreed to in writing by the Sellers and the Stalking Horse Bidder (the "Closing Date"). If the Successful Bidder does not close the Sale by the Closing Date, then the Sellers will be authorized, but not required, to close with the party that submitted the Back-Up Bid (the "Back-Up Bidder"), without a further court order, and such Back-Up Bidder shall thereafter be deemed to be the Successful Bidder. If the Sellers decide to close with the Back-Up Bidder as the Successful Bidder, the Closing Date will be extended by up to an additional fifteen (15) days; *provided*, that in no event shall the Closing Date occur later than forty-five (45) days after the filing by the Sellers of a voluntary petition for chapter 11 bankruptcy pursuant to the Bankruptcy Code. Notwithstanding anything set forth herein, under no circumstances shall the Stalking Horse Bidder be selected as the Back-Up Bidder without its express written consent.

X. Return of Good Faith Deposit

The Good Faith Deposits of all Potential Bidders shall be held in escrow by the Sellers, but shall not become property of the Sellers' estates absent further order of the Bankruptcy Court. The Good Faith Deposits of all Potential Bidders (other than the Successful Bidder, which shall not be required to submit a Good Faith Deposit) shall be retained by the Sellers, notwithstanding Bankruptcy Court approval of a Sale, until three (3) business days after the earlier of (a) the Closing Date, or (b) twenty (20) days following the Sale Hearing. The Sellers shall retain indefinitely any Good Faith Deposit submitted by the Successful Bidder. At the closing of the Sale contemplated by the Successful Bid, the Successful Bidder, other than the Stalking Horse Bidder, will be entitled to a credit for the amount of its Good Faith Deposit to the extent a Good Faith Deposit was provided. Upon the return of the Good Faith Deposits, their respective owners shall receive any and all interest that will have accrued thereon.

EXHIBIT 2

Form of Auction Notice

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
AMBASSADORS INTERNATIONAL, INC., et al.,[1]	Case No. 11-_____ (___)
Debtors.	Joint Administration Requested

NOTICE OF (I) SALE AND SOLICITATION OF BIDS TO ACQUIRE CERTAIN OF THE DEBTORS' ASSETS; (II) TERMS AND CONDITIONS OF BIDDING PROCEDURES AND; (III) ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. Ambassadors International, Inc., Ambassadors Cruise Group, LLC, Ambassadors, LLC, EN Boat LLC, AQ Boat, LLC, MQ Boat, LLC, DQ Boat, LLC, QW Boat Company LLC, Contessa Boat. LLC, CQ Boat, LLC and American West Steamboat Company LLC (the "Sellers") have entered into an Asset Purchase Agreement, dated as of April [___], 2011, (the "Stalking Horse Agreement"), by and among the Sellers and a newly created designee of Whippoorwill Associates, Inc. ("Whippoorwill"), to be created prior to consummation of the Sale (defined below) (the "Stalking Horse Bidder") to sell (the "Sale") substantially all of the assets of the Sellers relating to the Sellers' businesses (the "Acquired Assets"), including (i) accounts receivable; (ii) intellectual property (including, patents, copyrights, trademarks and proprietary information); (iii) certain executory contracts (including executory agreements and licenses) and leased real property interests (collectively, the "Assigned Contracts") that are to be

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Ambassadors International, Inc. (8605); Ambassadors Cruise Group, LLC (2448); Ambassadors, LLC (0860); EN Boat LLC (8982); AQ Boat, LLC (5018); MQ Boat, LLC (5095); DQ Boat, LLC (5064); QW Boat Company LLC (0658); Contessa Boat, LLC (9452); CQ Boat, LLC (9511); American West Steamboat Company LLC (0656); and Ambassadors International Cruise Group (USA), LLC (7304). The mailing address for each Debtor is 2101 4th Avenue, Suite 210, Seattle, WA 98121.

assumed by the Sellers and assigned to the Stalking Horse Bidder; (iv) documents, permits, licenses, and all books and records of the Sellers in whatever form and wherever located; and (v) all rights, claims and causes of action against third parties pertaining to the Acquired Assets, including any and all claims and causes of action arising under, or available pursuant to, the Bankruptcy Code[2] and all assets of the Sellers used or necessary to provide services in connection therewith. The purchase price (the "Purchase Price") for the Acquired Assets shall be approximately Forty Million Dollars ($40,000,000), in a form payable as (i) the payment in full in cash and/or assumption by the Stalking Horse Bidder of the obligations of the Sellers under the Prepetition Working Capital Facility and the DIP Facility (each as defined in the Stalking Horse Agreement) (the "Assumed Credit Agreement Obligations"); and (ii) a credit bid and release (the "Credit Bid") of the Sellers' obligations under the 10% senior secured notes due 2010 issued by Ambassadors International, Inc. (the "Senior Secured Notes"), in an amount equal to the in an amount not less than nineteen million dollars ($19,000,000) and (iii) assumption of the other Assumed Liabilities (as set forth in the Stalking Horse Agreement). The Sellers are inviting bids on the Acquired Assets. The Bankruptcy Court has entered an order (the "Bidding Procedures Order") approving auction and sale procedures (the "Bidding Procedures", which are attached as Exhibit 1 to the Bidding Procedures Order) for the Acquired Assets.[3]

2. The Debtors propose to: (i) sell the Acquired Assets free and clear of all liens, claims or encumbrances thereon (except for Permitted Encumbrances, as defined in the Stalking Horse Agreement); and (ii) assume and assign the Assigned Contracts as described in

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Bidding Procedures Order or the Bidding Procedures.

[3] A copy of the Bidding Procedures is attached hereto as Exhibit 1. A copy of the Bidding Procedures Order can be obtained for free by calling the Sellers' co-counsel, Stroock & Stroock & Lavan LLP, at 212-806-5400 or by emailing ambassadors@stroock.com.

the Stalking Horse Agreement. You may obtain a copy of the Stalking Horse Agreement for free by (i) sending a written request to the Sellers' claims and noticing agent, Phase Eleven Consultants, LLC, at 11 S. LaSalle Street, 7th Floor, Chicago, Illinois 60603, (ii) calling the Sellers' co-counsel, Stroock & Stroock & Lavan LLP, at 212-806-5400, or (iii) emailing ambassadors@stroock.com. On April [___], 2011, the Sellers filed a schedule of cure obligations (the "Cure Schedule") for all potential Assigned Contracts [Docket No. ____]. The Cure Schedule includes a description of each of the Sellers' contracts and leases potentially to be assumed and assigned under the Stalking Horse Agreement and the amount, if any, the Sellers believe is necessary to cure such agreements pursuant to section 365 of the Bankruptcy Code (the "Cure Costs"). A copy of the Cure Schedule, together with the Assumption and Assignment Notice, was served on each of the nondebtor parties listed on the Cure Schedule by first class mail on April [___], 2011.

3. The Bankruptcy Court has scheduled an auction of the Acquired Assets (the "Auction") for **April [___], 2011 @ 10:00 a.m. (prevailing Eastern Time)** at the offices of co-counsel for the Sellers, Stroock & Stroock & Lavan, LLP, 180 Maiden Lane, New York, New York 10038. All interested parties are invited to submit a Qualifying Bid (as such term is defined in the Bidding Procedures) to acquire the Acquired Assets.

4. A hearing to approve the sale of the Acquired Assets to the Stalking Horse Bidder, or a Successful Bidder other than the Stalking Horse Bidder (the "Sale Hearing"), is scheduled to be conducted on **April [___], 2011 [_:_] [a.m./p.m.] (prevailing Eastern Time)**, in the United States Bankruptcy Court for the District of Delaware, Wilmington, Delaware, or as soon thereafter as counsel may be heard.

5. Any party seeking to (i) object to the validity of the Cure Costs as determined by the Sellers or otherwise assert that any other amounts, defaults, conditions or pecuniary losses must be cured or satisfied under any of the Assigned Contracts in order for such contract or lease to be assumed and assigned; or (ii) object to the assumption and assignment of any Assigned Contracts on any other basis (including, but not limited to, objections to adequate assurance of future performance by the Successful Bidder), must file a written objection (an "Assumption and Assignment Objection") with the Bankruptcy Court setting forth the cure amount the objector asserts to be due, and the specific types and dates of the alleged defaults, pecuniary losses and conditions to assignment and the support therefore, so that such objection is filed no later than **4:00 p.m. (prevailing Eastern Time) on April [___], 2011** (the "Assumption and Assignment Objection Deadline"), and such objection shall also be served so the same is actually received on or before the Assumption and Assignment Objection Deadline by (i) co-counsel to the Sellers, Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038-4982, Attn: Kristopher M. Hansen, Fax: (212) 806-6006, E-mail: khansen@stroock.com; (ii) co-counsel to the Sellers, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, Attn: Daniel J. DeFranceschi, Fax: (302) 498-7816, E-mail: defranceschi@rlf.com; (iii) financial advisor to the Sellers, Imperial Capital, LLC, 2000 Avenue of the Stars, 9th Floor, South Tower, Los Angeles, California 90067, Attn: Chris Shepard, Fax: (310) 777-3052, Email: cshepard@imperialcapital.com; (iv) counsel for any official committee of unsecured creditors appointed in these cases; (v) counsel to Whippoorwill, Gibson Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, Attn: Matt Williams, Fax: (212) 351-5232, Email:

mjwilliams@gibsondunn.com; and (a) counsel to the Stalking Horse Bidder; or (b) counsel for the Successful Bidder, as applicable (collectively, the "Notice Parties").

6. Objections to approval of the Sale, including the sale of the Acquired Assets free and clear of liens, claims, encumbrances, and interests (other than Permitted Encumbrances), must be in writing, state the basis of such objection with specificity and be filed with this Court and served so as to be received by the Notice Parties on or before **April [___], 2011 at 4:00 p.m. (prevailing Eastern Time)**.

7. The Sale Hearing (at which the Court will consider approval of the proposed Sale) may be adjourned, from time to time, without further notice to creditors or parties in interest other than by announcement of the adjournment in open court or on the Court's calendar.

Dated: Wilmington, Delaware
April __, 2011

Respectfully submitted,

RICHARDS, LAYTON & FINGER, P.A.

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-and-

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Proposed Counsel to the Debtors
and Debtors-in-Possession

EXHIBIT 3

Form of Assumption and Assignment Notice

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
AMBASSADORS INTERNATIONAL, INC., et al.,[1]	Case No. 11-_____ (___)
Debtors.	Joint Administration Requested

NOTICE OF (I) CERTAIN DEBTORS' INTENT TO ASSUME AND ASSIGN CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES RELATED TO THEIR BUSINESSES AND (II) CURE COSTS

PLEASE TAKE NOTICE that, Ambassadors International, Inc., Ambassadors Cruise Group, LLC, Ambassadors, LLC, EN Boat LLC, AQ Boat, LLC, MQ Boat, LLC, DQ Boat, LLC, QW Boat Company LLC, Contessa Boat. LLC, CQ Boat, LLC and American West Steamboat Company LLC (collectively, the "Sellers") have requested that the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), approve an order (the "Bidding Procedures Order") authorizing the Debtors to conduct an auction to sell (the "Sale") certain assets (the "Acquired Assets") to the highest and best qualified bidder (the "Successful Bidder"). A hearing (the "Sale Hearing") will be scheduled by the Bankruptcy Court to consider (i) the sale of the Acquired Assets to the Successful Bidder free and clear of liens, claims and encumbrances (except for certain assumed liabilities and permitted encumbrances as more particularly detailed in the Asset Purchase Agreement between the Sellers and a newly created designee of Whippoorwill Associates, Inc. ("Whippoorwill"), to be created prior to consummation of the Sale (defined below) (the "Stalking Horse Bidder"), and, (ii) the assumption and assignment of certain of the Sellers' executory contracts and unexpired leases in connection with the Sale. At the Sale Hearing, the Sellers will ask that the Bankruptcy Court enter an order (the "Sale Order") approving the Sale.

PLEASE TAKE FURTHER NOTICE that, pursuant to the proposed Sale Order, the Sellers may assume and assign to the Successful Bidder those executory contracts and unexpired leases listed on **Schedule A** attached hereto (collectively, the "Assigned Contracts"), pursuant to section 365 of title 11 of the United States Code (the "Bankruptcy Code"). For the purposes of this paragraph, the "Successful Bidder" shall be read to potentially include Potential Bidders (as defined in the Bidding Procedures Order).

PLEASE TAKE FURTHER NOTICE that the Sellers have indicated on **Schedule A** attached hereto (the "Cure Schedule") the cure amounts that the Sellers believe must

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Ambassadors International, Inc. (8605); Ambassadors Cruise Group, LLC (2448); Ambassadors, LLC (0860); EN Boat LLC (8982); AQ Boat, LLC (5018); MQ Boat, LLC (5095); DQ Boat, LLC (5064); QW Boat Company LLC (0658); Contessa Boat, LLC (9452); CQ Boat, LLC (9511); American West Steamboat Company LLC (0656); and Ambassadors International Cruise Group (USA), LLC (7304). The mailing address for each Debtor is 2101 4th Avenue, Suite 210, Seattle, WA 98121.

be paid to cure all prepetition defaults under the Assigned Contracts as of April [__], 2001 (in each instance, the "Cure Costs").

PLEASE TAKE FURTHER NOTICE that any party seeking to (i) object to the validity of the Cure Costs as determined by the Sellers or otherwise assert that any other amounts, defaults, conditions or pecuniary losses must be cured or satisfied under any of the Assigned Contracts in order for such executory contract or lease to be assumed and assigned or (ii) object to the assumption and assignment of any Assigned Contracts on any other basis (including, but not limited to, objections to adequate assurance of future performance by the Successful Bidder), must file a written objection (an "Assumption and Assignment Objection") with the Bankruptcy Court setting forth the cure amount the objector asserts to be due, and the specific types and dates of the alleged defaults, pecuniary losses and conditions to assignment and the support therefore, so that such objection is filed no later than **4:00 p.m. (prevailing Eastern Time) on April [__], 2011** (the "Assumption and Assignment Objection Deadline"), and such objection shall also be served so the same is actually received on or before the Assumption and Assignment Objection Deadline by (i) co-counsel to the Sellers, Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038-4982, Attn: Kristopher M. Hansen, Fax: (212) 806-6006, E-mail: khansen@stroock.com; (ii) co-counsel to the Sellers, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, Attn: Daniel J. DeFranceschi, Fax: (302) 498-7816, E-mail: defranceschi@rlf.com; (iii) financial advisor to the Sellers, Imperial Capital, LLC, 2000 Avenue of the Stars, 9th Floor, South Tower, Los Angeles, California 90067, Attn: Chris Shepard, Fax: (310) 777-3052, Email: cshepard@imperialcapital.com; (iv) counsel for any official committee of unsecured creditors appointed in these cases; (v) counsel to Whippoorwill, Gibson Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, Attn: Matt Williams, Fax: (212) 351-5232, Email: mjwilliams@gibsondunn.com; and (a) counsel to the Stalking Horse Bidder; or (b) counsel to the Successful Bidder, as applicable (collectively, the "Notice Parties"); provided, however, that in the event the Auction results in a Successful Bidder other than the Stalking Horse Bidder (as defined in the Bidding Procedures Order), the Debtors shall file a notice identifying such Successful Bidder with the Court and serve such notice upon each party identified in the Cure Schedule, and the deadline for objecting to the assignment of the Assigned Contract to such Successful Bidder on the basis of adequate assurance of future performance shall be the commencement of the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that unless an Assumption and Assignment Objection is filed and served before the Assumption and Assignment Objection Deadline, all parties shall (i) be forever barred from objecting to the Cure Costs and from asserting any additional cure or other amounts with respect to the Assigned Contracts, and the Sellers and the Successful Bidder shall be entitled to rely solely upon the Cure Costs; (ii) be deemed to have consented to the assumption and assignment of the Assigned Contracts, and (iii) be forever barred and estopped from asserting or claiming against the Sellers or the Successful Bidder that any additional amounts are due or other defaults exist, that conditions to assignment must be satisfied under such Assigned Contracts or that there is any objection or defense to the assumption and assignment of such Assigned Contracts.

PLEASE TAKE FURTHER NOTICE that hearings with respect to the Assumption and Assignment Objections may be held (i) at the Sale Hearing, or (ii) on such other

date as the Bankruptcy Court may designate upon motion by the Successful Bidder and the Sellers. Where a nondebtor counterparty to an Assigned Contract files an objection asserting a cure amount higher than the proposed Cure Costs (the "Disputed Cure Costs"), then (i) to the extent that the parties are able to consensually resolve the Disputed Cure Costs prior to the Sale Hearing, the Sellers shall promptly provide the official committee of unsecured creditors, if any, and the Successful Bidder notice and opportunity to object to such proposed resolution or (ii) to the extent the parties are unable to consensually resolve the dispute prior to the Sale Hearing, then the amount to be paid under section 365 of the Bankruptcy Code with respect to such Disputed Cure Costs will be determined at the Sale Hearing or at such other date and time as may be fixed by this Court.

PLEASE TAKE FURTHER NOTICE that if you agree with the Cure Costs indicated on **Schedule A** and otherwise do not object to the Sellers' assignment and assumption of your executory contract or unexpired lease, you need not take any further action.

PLEASE TAKE FURTHER NOTICE that the Sellers' decision to assume and assign the Assigned Contracts is subject to Bankruptcy Court approval and the consummation of the Sale of the Acquired Assets. Accordingly, the Sellers shall be deemed to have assumed and assigned each of the Assigned Contracts as of the date of, and effective only upon, the closing of the Sale of the Acquired Assets, and absent such closing, each of the Assigned Contracts shall neither be deemed assumed nor assigned and shall in all respects be subject to further administration under the Bankruptcy Code. Inclusion of any document on the list of Assigned Contracts shall not constitute or be deemed to be a determination or admission by the Sellers or the Successful Bidder that such document is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code, all rights with respect thereto being expressly reserved. For the purposes of this paragraph, "Successful Bidder" shall be read to potentially include Potential Bidders.

Dated: Wilmington, Delaware
April __, 2011

Respectfully submitted,

RICHARDS, LAYTON & FINGER, P.A.

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Proposed Counsel to the Debtors
and Debtors-in-Possession

SCHEDULE A

List of Executory Contracts and Unexpired Leases
Potentially to Be Assumed and Assigned at Closing

EXHIBIT B

FORM OF SALE ORDER

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
AMBASSADORS INTERNATIONAL, INC., et al.,[1]	Case No. 11-_____ (___)
Debtors.	Jointly Administered
	Ref. Docket No. _____

ORDER (I) AUTHORIZING SALE OF CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES; (II) APPROVING THE ASSET PURCHASE AGREEMENT; (III) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (IV) DISMISSING THE CHAPTER 11 CASE OF AMBASSADORS INTERNATIONAL CRUISE GROUP (USA), LLC

Upon consideration of the motion (the "Sale Motion")[2] of the Debtors, pursuant to sections 105, 363, 365, 503 and 1112(b) of the Bankruptcy Code, Bankruptcy Rules 1017(a), 2002, 6004, 9007 and 9014 and Local Rules 2002-1 and 6004-1, for entry of an order (the "Sale Order") (a) authorizing the sale (the "Sale") by the Sellers of the Acquired Assets free and clear of all liens, claims and encumbrances, other than Permitted Encumbrances, in accordance with the Asset Purchase Agreement (the "Purchase Agreement"), dated as of April [__], 2011, entered into between the Sellers and a newly created designee of Whippoorwill Associates, Inc. ("Whippoorwill"), to be created prior to consummation of the Sale (defined below) (the

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Ambassadors International, Inc. (8605); Ambassadors Cruise Group, LLC (2448); Ambassadors, LLC (0860); EN Boat LLC (8982); AQ Boat, LLC (5018); MQ Boat, LLC (5095); DQ Boat, LLC (5064); QW Boat Company LLC (0658); Contessa Boat, LLC (9452); CQ Boat, LLC (9511); American West Steamboat Company LLC (0656); and Ambassadors International Cruise Group (USA), LLC (7304). The mailing address for each Debtor is 2101 4th Avenue, Suite 210, Seattle, WA 98121.

[2] Capitalized terms used but otherwise not defined herein shall have the meanings set forth in the *Motion of the Debtors for Entry of Orders (I) Approving Bidding Procedures for the Sale of Certain of the Debtors' Assets Free and Clear of All Liens, Claims and Encumbrances; (II) Approving the Form and Manner of Notice of the Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Scheduling an Auction and Sale Hearing; (IV) Approving Such Sale and (V)Dismissing the Chapter 11 Bankruptcy Case of Ambassadors International Cruise Group (USA) LLC* [Docket No. __].

"Purchaser"); (b) approving the Purchase Agreement attached hereto as Exhibit 1 between the Sellers and the Purchaser; (c) authorizing the assumption and assignment of the Assigned Contracts to the Purchaser; (d) granting certain related relief, all as more fully set forth in the Sale Motion; and (e) dismissing the Chapter 11 Case of Cruise Group; and the Court having entered an order dated April [____], 2011 (the "Bidding Procedures Order," and attached as Exhibit 1 thereto, the "Bidding Procedures") approving the Bidding Procedures, scheduling an Auction and Sale Hearing, approving the Sellers' execution of the Purchase Agreement, approving the form and manner of notice of the Sale Notice and Assumption and Assignment Notice (each as defined in the Bidding Procedures Order) and establishing procedures relating to the assumption and assignment of the Assigned Contracts; and the Court having jurisdiction to consider the Sale Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157(b)(2) and 1334; and consideration of the Sale Motion, the relief requested therein, and the responses thereto being a core proceeding in accordance with 28 U.S.C. § 157(b); and the appearance of all interested parties and all responses and objections, if any, to the Sale Motion having been duly noted in the record of the Sale Hearing; and upon the record of the Sale Hearing, and all other pleadings and proceedings in this case, including the Sale Motion, the Detillion Declaration and the Shepard Declaration; and it appearing that the relief requested in the Sale Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and after due deliberation and sufficient cause appearing therefore;

IT IS HEREBY FOUND, DETERMINED, AND CONCLUDED THAT:

A. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of

fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction over the Sale Motion and the transactions contemplated by the Purchase Agreement pursuant to 28 U.S.C. §§ 157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (0). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

C. This Sale Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a).

D. Good and sufficient notice of the Sale Motion and the relief sought therein has been given to all interested persons and entities, including, without limitation, (i) the Office of the United States Trustee for the District of Delaware; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the District of Delaware; (iv) the Internal Revenue Service; (v) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis; (vi) counsel to the administrative agent for the Debtors' prepetition lenders; (vii) counsel to the administrative agent for the proposed post-petition lenders; (viii) counsel to the indenture trustee for the Debtors' prepetition secured noteholders; (ix) the indenture trustee for the Debtors' prepetition unsecured noteholders; (x) counsel to the Debtors' controlling shareholder(s); (xi) counsel to the Purchaser, (xii) counsel to Whippoorwill; (xiii) all potential Assigned Contract counterparties; (xiv) all parties known or reasonably believed to have expressed an interest in the Acquired Assets; (xv) the United States Coast Guard; (xvi) all parties who are known to possess or assert a secured claim against the Acquired Assets; and (xvii) the relevant taxing authorities having jurisdiction over any of the Acquired Assets.

E. A sound business purpose justifies the Sale of the Acquired Assets outside of the ordinary course of business, and the subsequent dismissal of Cruise Group.

F. The Bidding Procedures set forth in the Bidding Procedures Order were non-collusive and substantively and procedurally fair to all parties.

G. The Seller solicited offers for, scheduled an Auction of, and selected the Successful Bidder (as defined in the Bidding Procedures) for the Sale of the Acquired Assets in accordance with the Bidding Procedures Order. The Seller (i) afforded interested Potential Bidders a full, fair and reasonable opportunity to qualify as Qualified Bidders (as defined in the Bidding Procedures) and submit their highest or otherwise best offer to purchase the Acquired Assets, (ii) provided Potential Bidders, upon request, sufficient information to enable them to make an informed judgment on whether to submit a Bid on the Acquired Assets; and (iii) considered any Bids submitted on or before the Bid Deadline.

H. [No Qualified Bids (as defined in the Bidding Procedures), other than the Purchaser's Bid pursuant to the Purchase Agreement, were submitted. Accordingly, no Auction (as defined in the Bidding Procedures) was held.]

I. The consideration to be provided by the Purchaser pursuant to the Purchase Agreement: (i) is fair and reasonable; (ii) is the highest or otherwise best offer received by the Sellers for the Acquired Assets; (iii) is in the best interests of the Sellers' creditors and estates; (iv) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code or any similar laws of any state or other jurisdiction whose law is applicable to the contemplated transactions; and (v) is greater than any other practically available alternative. In reaching this determination, the Court has taken into account both the consideration to be realized directly by the Sellers, including the assumption of claims against the Sellers' estates, and the indirect

benefits of such Sale for the Sellers' employees, the Sellers' vendors and suppliers and the public served, directly and indirectly, by the functions performed by the Sellers' employees and the Sellers' businesses.

J. Entry into the Purchase Agreement and consummation of the transactions contemplated thereby constitute the exercise of the Sellers' sound business judgment and fiduciary duties and such acts are in the best interests of the Sellers and their creditors and estates, and the Sellers have demonstrated a sufficient basis and compelling circumstances requiring them to enter into the Purchase Agreement, sell the Acquired Assets and assume and assign the Assigned Contracts as set forth therein. Such business reasons include, but are not limited to, the fact that (i) there is substantial risk of deterioration of the value of the Acquired Assets if the Sale is not consummated quickly; (ii) the Purchase Agreement constitutes the highest and best offer for the Acquired Assets; (iii) the Purchase Agreement and the Closing (as defined in the Purchase Agreement) will present the best opportunity to realize the value of the Sellers on a going-concern basis and avoid decline and devaluation of the Sellers' businesses; and (iv) unless the Sale is concluded expeditiously as provided for in the Sale Motion and pursuant to the Purchase Agreement, stakeholders' recoveries may be diminished.

K. The transactions contemplated by the Purchase Agreement are undertaken by the Sellers and the Purchaser at arms' length, without collusion and in good faith within the meaning of section 363(m) of the Bankruptcy Code. The Purchaser is a good faith purchaser under section 363(m) of the Bankruptcy Code and, as such, is entitled to all of the protections afforded thereby and otherwise has proceeded in good faith in all respects in connection with this proceeding in that: (i) the Purchaser recognized that the Sellers were free to deal with any other party interested in acquiring the Acquired Assets; (ii) the Purchaser in no way induced or caused the chapter 11 filing of the Sellers; (iii) the Purchaser made the Highest and Best Bid (as

defined in the Bidding Procedures) for the Acquired Assets; (iv) all payments to be made to the Purchaser and other agreements or arrangements entered into by the Purchaser in connection with the transactions have been disclosed; and (v) the negotiation and execution of the Purchase Agreement (and any other agreements or instruments related thereto) was done in good faith and at arms' length between the Purchaser and the Sellers.

L. The Sellers and the Purchaser have not engaged in any conduct that would permit the Purchase Agreement or the Sale to be avoided under section 363(n) of the Bankruptcy Code.

M. The Purchase Agreement was not entered into for the purpose of hindering, delaying or defrauding creditors under the Bankruptcy Code or under the laws of the United States, any state, territory, possession or the District of Columbia.

N. The Purchaser is an "insider" of the Sellers, as that term is defined in section 101(31) of the Bankruptcy Code, and the Sellers have conducted the Sale in good faith and with full disclosure of the insider relationship between the Purchaser and the Sellers.

O. The sale of the Acquired Assets outside of a plan of reorganization pursuant to the Purchase Agreement neither impermissibly restructures the rights of the Sellers' creditors nor impermissibly dictates the terms of a liquidating plan or plan of reorganization for the Debtors. The Sale does not constitute a *sub rosa* chapter 11 plan.

P. Based upon the representations of the Sellers, the Acquired Assets constitute property of the Sellers' estates and title thereto is vested in the Sellers' estates within the meaning of section 541(a) of the Bankruptcy Code. Based upon the representations of the Sellers, the Sellers have all right, title and interest in, to and under the Acquired Assets to transfer and convey the Acquired Assets as contemplated by the Purchase Agreement.

Q. Except as permitted under the express terms of the Purchase Agreement, the consummation of the Sale pursuant to the Purchase Agreement will be a legal, valid and effective

Sale of the Acquired Assets and will vest the Purchaser (and its designees or assignees, as applicable) with all right, title and interest of the Sellers and their bankruptcy estates in and to the Acquired Assets free and clear of all liens, claims and interests, except for Permitted Encumbrances, including any such liens, claims and interests (i) that purport to give to any party a right or option to effect any forfeiture, modification, right of first refusal or termination of the Sellers', the Sellers' estates or the Purchaser's interest in the Acquired Assets, or any similar rights; or (ii) relating to taxes or any other liabilities, arising under or out of, in connection with or in any way relating to the Acquired Assets, the Sellers, the Sellers' estates or their respective operations or activities prior to the Closing Date.

R. A sale of the Acquired Assets other than one free and clear of liens, claims and interests (other than Permitted Encumbrances) would be of substantially less benefit to and would adversely affect the Sellers' bankruptcy estates.

S. With respect to all parties asserting liens, claims and interests (other than Permitted Encumbrances) in, to or against the Acquired Assets, the Sale complies with all the requirements of section 363(f) of the Bankruptcy Code. With respect to each such interest in the Acquired Assets: (i) applicable non-bankruptcy law permits the Sale free and clear of such interest; (ii) the holder of such interest consents to the Sale; (iii) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on the Acquired Assets; (iv) such interest is in bona fide dispute; or (v) the holder of such interest could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

T. All parties with liens, claims and interests (other than Permitted Encumbrances) against the Acquired Assets identified to be sold under the Purchase Agreement, if any, who did not object to the Sale Motion and the relief requested therein, or who withdrew their objections

to the Sale Motion, are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code; and all parties with liens, claims and interests (other than Permitted Encumbrances) against the Acquired Assets who objected to the Sale Motion, but who did not withdraw any such objection, can be compelled to accept a monetary satisfaction of their liens, claims and interests within the meaning of section 363(f)(5) of the Bankruptcy Code, and in each case, are enjoined from taking any action against the Acquired Assets, the Purchaser, its affiliates or any agent of the foregoing to recover any claim which such person or entity has solely against the Sellers, or any of their respective affiliates.

U. The Sale and related transactions are not and do not amount to a consolidation, merger or *de facto* merger of the Purchaser and the Sellers and/or any of the Sellers' estates or affiliates, there is not substantial continuity between the Purchaser and the Sellers, there is no common identity between the Purchaser and the Sellers, there is no continuity of enterprise between the Purchaser and the Sellers, the Purchaser is not a mere continuation of the Sellers or any of their estates and the Purchaser does not constitute a successor to the Sellers or any of their estates with respect to any and all claims, including federal or state tax claims, multi-employer pension plan claims or other pension claims and claims arising under collective bargaining agreements.

V. By virtue of the Purchase Agreement or otherwise, the Purchaser will not acquire any liabilities of the Sellers, other than the Assumed Liabilities as set forth in the Purchase Agreement.

W. Without limiting the generality of the foregoing, the Purchaser would not have entered into the Purchase Agreement and would not consummate the transactions contemplated thereby, thus adversely affecting the Sellers, their estates and their creditors, if the Sale of the

Acquired Assets to the Purchaser and the assignment of the Assigned Contracts to the Purchaser were not free and clear of all liens, claims and interests of any kind or nature whatsoever, other than the Permitted Encumbrances, or if the Purchaser would, or in the future could, be liable for the Excluded Liabilities (as defined in the Purchase Agreement).

X. Good and sufficient notice of the possible transfer, assumption and assignment of the Assigned Contracts has been given to all non-debtor parties to the Assigned Contracts and no other or further notice is required. A reasonable opportunity to object or be heard has been offered to parties in interest.

Y. The Assigned Contracts are valid and binding, in full force and effect, and enforceable in accordance with their terms.

Z. The Cure Costs are deemed to be amounts necessary to "cure" (within the meaning of section 365(b)(1) of the Bankruptcy Code) all "defaults" (within the meaning of section 365(b) of the Bankruptcy Code) under such Assigned Contracts to the extent required by section 365 of the Bankruptcy Code.

AA. The Purchaser has demonstrated adequate assurance of future performance with respect to the Assigned Contracts pursuant to section 365(b)(1)(C) of the Bankruptcy Code.

BB. The Assigned Contracts are assignable notwithstanding any provisions contained therein to the contrary. Failure to object to the assumption and assignment of an Assigned Contract is deemed consent to the assumption and assignment.

CC. The assumption and assignment of the Assigned Contracts as set forth in the Purchase Agreement is integral to the Purchase Agreement and is in the best interests of the Sellers, their creditors and estates and other parties-in-interest, and represents the exercise of sound and prudent business judgment by the Sellers.

DD. The legal and factual bases set forth in the Sale Motion and at the Sale Hearing establish just cause for the relief granted herein.

EE. Upon entry of this Sale Order, the Sellers shall have full power and authority to consummate the Sale contemplated by the Purchase Agreement and to dismiss the Chapter 11 Case of Cruise Group. The Purchase Agreement and the Sale have been duly and validly authorized by all necessary action of the Sellers and no shareholder vote, board resolution or other corporate action is required of the Sellers for the Sellers to consummate such Sale or the other transactions contemplated in the Purchase Agreement.

FF. Cause has been shown as to why this Sale Order should not be subject to the stay provided by Bankruptcy Rules 6004 and 6006.

GG. The entry of this Sale Order is in the best interests of the Sellers, their creditors and estates and other parties in interest.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Sale Motion, the Purchase Agreement and the transactions contemplated thereby, including the dismissal of the Chapter 11 Case of Cruise Group, shall be, and hereby are, AUTHORIZED AND APPROVED in all respects.

2. All objections, responses and requests for continuance concerning the Sale Motion are resolved in accordance with the terms of this Sale Order as set forth in the record of the Sale Hearing. To the extent any such objection, response or request for continuance was not otherwise withdrawn, waived or settled, it, and all reservations of rights contained therein, is overruled and denied.

3. Notice of the Auction and the Sale Hearing was fair and equitable under the circumstances and complied in all respects with Bankruptcy Rules 2002 and 6004. The Sale Motion or notice thereof shall be deemed to provide sufficient notice of the Sale free and clear of liens, claims and interests in accordance with Local Rule 6004-1.

4. The Sellers are authorized and directed to close, consummate and comply with the Purchase Agreement and all other agreements and documents related to and contemplated thereby (collectively, the "Sale Documents"), which Sale Documents hereby are authorized and approved in all respects, and to execute such other documents and take such other actions as are necessary or appropriate to effectuate the Purchase Agreement.

5. The Purchaser's offer for the Acquired Assets, as embodied in the Purchase Agreement, is the Highest and Best Bid for the Acquired Assets and is hereby approved.

6. Pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, the Sale by the Sellers to the Purchaser of the Acquired Assets and the transactions related thereto, upon the Closing under the Purchase Agreement, are authorized and approved in all respects.

7. Subject to the payment by the Purchaser to the Sellers of the consideration provided for in the Purchase Agreement pursuant to sections 363 and 365(a) of the Bankruptcy Code, the Sale of the Acquired Assets by the Sellers to the Purchaser shall constitute a legal, valid and effective transfer of the Acquired Assets and shall vest the Purchaser with all right, title and interest of the Sellers in and to the Acquired Assets free and clear of all liens, claims and interests (except Permitted Encumbrances) pursuant to section 363(f) of the Bankruptcy Code, effective as of the Closing Date.

8. Wilmington Trust FSB, in its capacities as Indenture Trustee and Collateral Trustee (the "Second Lien Trustee") under the Senior Secured Notes, is a secured creditor of the

Sellers, holding valid liens, claims, interests and encumbrances of [$_____] (the "Senior Secured Notes Claim") and was authorized to credit bid (on behalf of the Purchaser for the ratable benefit of the Secured Noteholders (as defined in the Stalking Horse Agreement) and for the avoidance of doubt, not on behalf of itself as purchaser) any or all of the Senior Secured Notes Claim at the Auction. The Second Lien Trustee's credit bid pursuant to the Purchase Agreement was a valid and proper offer pursuant to section 363(k) of the Bankruptcy Code.

9. To the greatest extent available under applicable law, the Purchaser shall be authorized, as of the Closing Date, to operate under any license, permit, registration and governmental authorization or approval of the Sellers with respect to the Acquired Assets, and all such licenses, permits, registrations and governmental authorizations and approvals are deemed to have been, and hereby are, authorized to be transferred to the Purchaser as of the Closing Date. Pursuant to section 525 of the Bankruptcy Code, no governmental unit may revoke or suspend any permit or license relating to the operation of the Acquired Assets sold, transferred or conveyed to the Purchaser on account of the filing or pendency of the Chapter 11 Cases or the consummation of the Sale transaction contemplated by the Purchase Agreement.

10. Pursuant to section 363(f) of the Bankruptcy Code, the Sale of the Acquired Assets shall be free and clear of all liens, claims and interests and all liabilities of the Sellers whether known or unknown, other than Permitted Encumbrances, including, but not limited to, liens, claims and interests asserted by any of the Sellers' creditors, vendors, suppliers, employees, executory contract counterparties, governmental units or lessors. The Purchaser shall not be liable in any way (as successor entity or otherwise) for any claims that any of the foregoing parties or any other third party may have against the Sellers, other than the Assumed Liabilities and Permitted Encumbrances. Any and all valid and enforceable liens, claims and interests on, against or in the Acquired Assets, other than Permitted Encumbrances, shall be

transferred, affixed and attached to any net proceeds of the Sale with the same validity, priority, force and effect such liens, claims and interests had on the Acquired Assets immediately prior to the Sale and subject to the rights, claims, defenses and objections, if any, of the Sellers and all interested parties with respect to any such asserted liens, claims and interests. The Sale of the Acquired Assets to the Purchaser shall vest the Purchaser with all the right, title and interest of the Sellers to the Acquired Assets free and clear of liens, claims and interests, other than Permitted Encumbrances.

11. The Purchaser has not assumed or otherwise become obligated for any of the Sellers' liabilities (other than the Assumed Liabilities), and the Purchaser has not purchased any of the "Excluded Assets" as defined in section [___] of the Purchase Agreement. Upon the Closing Date, the Sellers and the Sellers' estates shall be relieved from any liability for the Assumed Liabilities and Permitted Encumbrances.

12. Except for the Assumed Liabilities and Permitted Encumbrances, pursuant to sections 105(a), 363, and 365 of the Bankruptcy Code, all persons and entities, including, without limitation, the Sellers, the Sellers' affiliates, all debt security holders, equity security holders, the Sellers' employees or former employees, governmental, tax, and regulatory authorities, lenders, parties to, beneficiaries under, sponsors of or contributors to any benefit plan, trade and other creditors asserting or holding any liens, claims and interests, in or with respect to the Sellers or the Acquired Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, senior or subordinated), arising under or out of, in connection with, or in any way relating to the Sellers, the Acquired Assets, the operation of the Sellers' businesses prior to the Closing Date under the Purchase Agreement or the transfer of the Acquired Assets to the Purchaser, shall be forever barred, estopped and permanently enjoined from asserting, prosecuting or otherwise pursuing such liens, claims and

interests against the Purchaser or any affiliate, successor or assign thereof and each of their respective current and former members, officers, directors, managed funds, investment advisors, financial advisors, attorneys, employees, partners, affiliates and representatives (each of the foregoing in its individual capacity), or the Acquired Assets, including claims under section 365(n) of the Bankruptcy Code against the Purchaser with respect to the Acquired Assets.

13. Except for the Assumed Liabilities, the Purchaser shall not acquire or assume, and shall have no liability or obligation for any liabilities of the Sellers, as a successor in interest, successor-in-title or otherwise, including, without limitation any liability for any remedies sought under the National Labor Relations Act ("NLRA"), by the National Labor Relations Board, or by any Person (as defined in the Purchase Agreement) under the WARN Act or similar state statute or ERISA or any liability with respect to COBRA Coverage for employees or consultants of the Sellers terminated prior to or as part of the consummation of the transactions set forth in the Purchase Agreement with regard to any conduct by the Sellers occurring prior to the Closing Date or any other liability to, arising out of or related to the Excluded Assets, in each case whether arising prior to or after the Closing Date.

14. If any Person that has filed any financing statement, mortgage, mechanic's lien, *lis penriens* or other document or instrument evidencing liens with respect to any of the Acquired Assets shall have failed to deliver to the Sellers and the Purchaser prior to the Closing of the Purchase Agreement, in proper form for filing and executed by the appropriate entity or entities, termination statements, instruments of satisfaction and releases of all liens, claims and interests which such Person has with respect to the Acquired Assets, then (i) the Sellers are authorized to execute and file such statements, instruments, releases and other documents on behalf of such Person, and (ii) the Purchaser is authorized to file, register or otherwise record a certified copy of this Sale Order, which, once filed, registered or otherwise recorded, shall

constitute conclusive evidence of the release of all liens, claims and interests in the Acquired Assets as of the Closing Dates, in each case, other than Permitted Encumbrances.

15. This Sale Order (a) is and shall be effective as a determination that, upon Closing, other than the Assumed Liabilities and Permitted Encumbrances, claims and interests existing as to the Acquired Assets conveyed to the Purchaser have been and hereby are adjudged and declared to be unconditionally released, discharged and terminated, and (b) is and shall be binding upon and govern the acts of all entities, including, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies or units, governmental departments or units, secretaries of state, federal, state and local officials and all other Persons who may be required by operation of law, the duties of their office or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Acquired Assets conveyed to the Purchaser.

16. The provisions of this Sale Order authorizing the sale of the Acquired Assets free and clear of liens, claims and interests, other than Permitted Encumbrances, shall be self-executing, and neither the Sellers nor the Purchaser shall be required to execute or file releases, termination statements, assignments, consents or other instruments to effectuate, consummate and implement the provisions of this Sale Order. However, the Sellers and the Purchaser, and each of their respective officers, employees and agents, are authorized and empowered to take all actions and execute and deliver any and all documents and instruments that either the Sellers or the Purchaser deem necessary or appropriate to implement and effectuate the terms of the Purchase Agreement and this Sale Order.

17. Each and every federal, state and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Purchase Agreement and this Sale Order.

18. Other than with respect to the Assumed Liabilities, after the Closing Date, no Person, including, without limitation, any federal, state or local taxing authority, may (a) attach or perfect liens or a security interest against any of the Acquired Assets on account of, or (b) collect or attempt to collect from the Purchaser or any of its affiliates, any tax (or other amount alleged to be owing by the Sellers) (i) for any period commencing before and concluding prior to or on the Closing Date or (ii) assessed prior to and payable after the Closing Date.

19. This Sale Order shall be binding upon and govern the acts of all entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state and local officials and all other persons or entities who may be required by operation of law, the duties of their office or contract to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report to or insure title or state of title in or to any of the Acquired Assets.

20. Other than as to the Assumed Liabilities, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, all "persons" (as that term is defined in section 101(41) of the Bankruptcy Code) are hereby enjoined from taking any action against the Purchaser, the Purchaser's affiliates (as they existed immediately prior to the Closing) or the Acquired Assets to recover any claim which such "person" has solely against the Sellers or the Sellers' affiliates (as they exist immediately following the Closing).

21. The transactions contemplated under the Purchase Agreement and the Sale Documents do not amount to a consolidation, merger or *de facto* merger of the Purchaser and the Sellers and/or the Sellers' estates, there is not substantial continuity between the Purchaser and the Sellers, there is no continuity of enterprise between the Sellers and the Purchaser, the Purchaser is not a mere continuation of the Sellers or the Sellers' estates and the Purchaser does not constitute a successor to the Sellers or their estates. Other than the Assumed Liabilities and Permitted Encumbrances, the Purchaser shall not assume, nor be deemed to assume or in any way be responsible for any liability or obligation of any of the Sellers and/or their estates including, but not limited to, any bulk sales law, successor or transferee liability, liability or responsibility for any claim against the Sellers or against any insider of the Sellers or similar liability. The Sale Motion and notice thereof contains sufficient notice of such limitation in accordance with Local Rule 6004-1. Other than with respect to the Assumed Liabilities, neither the purchase of the Acquired Assets by the Purchaser, nor the fact that the Purchaser or its affiliates are using any Acquired Assets previously used by the Seller, will cause the Purchaser or any of its affiliates to be deemed a successor in any respect to the Sellers' business with respect to (i) any foreign, federal, state or local revenue, pension, ERISA, tax, labor, employment, antitrust, environmental, or other law, rule or regulation (including without limitation filing requirements under any such laws, rules or regulations); (ii) under any products liability law or doctrine with respect to the Sellers' liability under such law, rule or regulation or doctrine, or under any product warranty liability law or doctrine with respect to the Sellers' liability under such law, rule or regulation or doctrine; (iii) any employment or labor agreements, consulting agreements, severance arrangements, change-in-control agreements or other similar agreement to which the Sellers are a party; (iv) any pension, welfare, compensation or other employee benefit plans, agreements, practices and programs, including, without limitation, any pension plan maintained, sponsored or contributed to by the Sellers

(including, without limitation, contributions or payments on account of any under-funding with respect to any pension plans); (v) the cessation of the Sellers' operations, dismissal of employees or termination of employment or labor agreements or pension, welfare, compensation or other employee benefit plans, agreements, practices and programs; or (vi) the other Excluded Liabilities.

22. All Persons who are presently, or at the Closing of the Purchase Agreement will be, in possession of any of the Acquired Assets conveyed to the Purchaser hereunder are hereby directed to surrender possession of such Acquired Assets to the Purchaser at the Closing or such other period provided by the Purchase Agreement.

23. Any landlord under any nonresidential lease of real property in the possession or occupancy of the Sellers as of the Closing Date shall not interfere with the Purchaser's right to take possession of any Acquired Assets at any leased premises whether or not the term of such premises has expired prior to the Closing Date.

24. From and after the date of the entry of this Sale Order, the Sellers or any creditor or other party in interest shall not take or cause to be taken any action that would interfere with the transfer of the Acquired Assets to the Purchaser in accordance with the terms of this Sale Order.

25. Pursuant to section 365 of the Bankruptcy Code, the Sellers are authorized and directed to assume and assign the Assigned Contracts to the Purchaser upon written direction from the Purchaser as set forth herein and in section [___] of the Purchase Agreement and to execute and deliver to Purchaser such documents or other instruments as the Purchaser deems necessary to assign and transfer the Assigned Contracts

26. The Purchaser shall inform the Sellers in writing as soon as possible, but in any event at least five (5) days prior to the Sale Hearing, which of the executory contracts and

unexpired leases set forth on Schedule [___] to the Purchase Agreement shall be Assigned Contracts as of the Closing.

27. Upon assumption and assignment, the Purchaser and the Sellers shall make provision for the payment of the Cure Costs provided in the Cure Schedule, unless otherwise provided in this Sale Order. Except as set forth herein, payment of the Cure Costs by the Purchaser shall be deemed the satisfaction of the entire cure obligation of the Sellers due and owing under section 365 of the Bankruptcy Code. Any non-debtor party to an Assigned Contract is barred, enjoined and prohibited from asserting any claim against the Sellers or their property or estates other than the Cure Costs with respect to such Assigned Contract or from offsetting, seeking to offset, recoup, deduct or set-off any claims such party may have against the Cure Costs from any amounts that may be or may become due in the future to the Purchaser under such Assigned Contract. With respect to Cure Costs, the Purchaser shall pay the Cure Costs as provided in section [____] of the Purchase Agreement. The amounts set forth on Schedule [ ] to the Purchase Agreement reflect the sole amounts necessary under section 365(b) of the Bankruptcy Code to cure all monetary defaults under the Assigned Contracts.

28. The failure of the Sellers or the Purchaser to enforce at any time one or more terms or conditions of any Assigned Contract shall not be a waiver of such terms or conditions, or of the Sellers' or the Purchaser's right to enforce every term and condition, of the Assigned Contracts.

29. The Purchaser has demonstrated adequate assurance of future performance with respect to all Assigned Contracts. The proposed assumption and assignment of the Assigned Contracts satisfies the requirements of the Bankruptcy Code including, *inter alia,* sections 365(b)(1) and (3) and 365(f) of the Bankruptcy Code to the extent applicable.

30. All parties to the Assigned Contracts are forever barred and enjoined from raising or asserting against the Purchaser, the Purchaser's affiliates, the Acquired Assets, or the Sellers any assignment fee, default or breach under, or any claim or pecuniary loss or condition to assignment, arising under or related to, the Assigned Contracts existing as of the Closing Date or arising by reason of the Closing.

31. The Assigned Contracts, upon assignment to the Purchaser, shall be deemed valid and binding, in full force and effect in accordance with their terms, subject to the provisions of this Sale Order and, pursuant to section 365(k) of the Bankruptcy Code, the Sellers shall be relieved from any further liability thereunder.

32. Any provision in any Assigned Contract that purports to declare a breach, default or payment right as a result of an assignment or a change of control in respect of the Sellers is unenforceable and is hereby nullified with respect to the sale and assignments authorized by this Sale Order, and all Assigned Contracts shall remain in full force and effect, subject only to payment of the appropriate Cure Costs, if any. No sections or provisions of any Assigned Contract that purport to provide for additional payments, penalties, charges or other financial accommodations in favor of the non-debtor third party to the Assigned Contracts or restrict use of the premises which are demised by an Assigned Contract to a specific named tenant or business shall have any force and effect with respect to the sale and assignments authorized by this Sale Order, and such provisions constitute unenforceable anti-assignment provisions under section 365(f) of the Bankruptcy Code and/or are otherwise unenforceable under section 365(e) of the Bankruptcy Code.

33. Any party having the right to consent to the assumption and assignment of an Assigned Contract that failed to object to such assumption and assignment is deemed to have

consented to such assumption and assignment as required by section 365(c) of the Bankruptcy Code. The Purchaser shall enjoy all of the rights and benefits under each such Assigned Contract as of the applicable date of assumption and assignment without the necessity of obtaining such non-debtor party's written consent to the assumption or assignment thereof.

34. Upon assignment, the Purchaser, and its successors and assigns, shall have the express right to exercise any and all unexercised extension options, renewal options and/or non-disturbance rights or protections, notwithstanding any language in the Assigned Contracts making the exercise of such rights personal to any party or limiting the exercise of such rights only to an assignee who is an affiliate of the original named party under such Assigned Contract or an entity that acquires all or substantially all of the assets of the original named party to such Assigned Contract. Upon assignment, the Purchaser shall exercise said rights consistent with the terms of any such Assigned Contract.

35. The Purchaser is a good faith purchaser entitled to the benefits and protections afforded by section 363(m) of the Bankruptcy Code (including with respect to the transfer of the Assigned Contracts assigned as part of the Sale of the Acquired Assets pursuant to section 365 of the Bankruptcy Code and this Sale Order); accordingly, the reversal, modification on appeal or vacatur by subsequent order of the Court of the authorization provided herein to consummate the Sale of the Acquired Assets shall not affect the validity of the Sale of the Acquired Assets to the Purchaser (including with respect to the transfer of the Assigned Contracts assigned as part of the Sale of the Acquired Assets pursuant to section 365 of the Bankruptcy Code and this Sale Order).

36. The consideration provided by the Purchaser for the Acquired Assets under the Purchase Agreement is fair and reasonable and shall be deemed for all purposes to constitute a

transfer for reasonably equivalent value and fair consideration under the Bankruptcy Code and any other applicable law, and the Sale may not be avoided under section 363(n) of the Bankruptcy Code.

37. With respect to the transactions consummated pursuant to this Sale Order, this Sale Order shall be sufficient evidence of the transfer of title to the Purchaser, and the Sale consummated pursuant to this Sale Order shall be binding upon and shall govern the acts of all persons and entities who may be required by operation of law, the duties of their office or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the property sold pursuant to this Sale Order, including, without limitation, all foreign affiliates and foreign receivers, filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, administrative agencies, governmental departments, secretaries of state and federal, state and local officials, and each of such persons and entities is hereby directed to accept this Sale Order as sole and sufficient evidence of such transfer of title and shall rely upon this Sale Order in consummating the transactions contemplated hereby.

38. This Court shall retain exclusive jurisdiction to interpret and enforce the provisions of the Purchase Agreement and the other Sale Documents, the Bidding Procedures Order and this Sale Order in all respects and further to hear and determine any and all disputes between the Sellers and/or the Purchaser, as the case may be, and any non-debtors party to, among other things, any Assigned Contracts; *provided, however,* that in the event the Court abstains from exercising or declines to exercise such jurisdiction or is without jurisdiction with respect to the Purchase Agreement and the other Sale Documents, the Bidding Procedures Order and this Sale Order, such abstention, refusal or lack of jurisdiction shall have no effect upon, and shall not control, prohibit or limit the exercise of jurisdiction of any other court having competent jurisdiction with respect to any such matter.

39. The Purchase Agreement and the other Sale Documents or other related instruments may be modified, amended or supplemented by the parties thereto, in a writing signed by such parties, in accordance with the terms thereof without further order of the Court; provided that any such modification, amendment or supplement does not have a material adverse effect on the Sellers' estates.

40. From and after the date hereof, each Seller and the Purchaser shall act in accordance with the terms of the Purchase Agreement and each Seller and the Purchaser, to the extent it already has not done so, shall execute any Sale Document at or prior to Closing.

41. The failure specifically to include any particular provisions of the Purchase Agreement, the other Sale Documents or any related agreements in this Sale Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court, the Sellers and the Purchaser that the Purchase Agreement, the other Sale Documents and any related agreements are authorized and approved in their entirety with such amendments thereto as may be made by the parties in accordance with the Sale Order prior to Closing.

42. Pursuant to sections 105 and 1112(b) of the Bankruptcy Code, the Chapter 11 Case of Cruise Group is hereby dismissed.

43. To the extent of any inconsistency between the provisions of this Sale Order and the Purchase Agreement, or any documents executed in connection therewith, the provisions contained in this Sale Order shall govern and control.

44. The provisions of this Sale Order are nonseverable and mutually dependent.

45. This Sale Order shall inure to the benefit of the Purchaser, the Sellers and their respective successors and assigns, including, but not limited to, any chapter 11 or chapter 7 trustee that may be appointed in the Sellers' cases, and shall be binding upon any trustee, party,

entity or fiduciary that may be appointed in connection with these Chapter 11 Cases or any other or further case involving the Sellers, whether under chapter 7 or chapter 11 of the Bankruptcy Code.

46. Nothing in any order of this Court or contained in any plan of reorganization or liquidation confirmed in these Chapter 11 Cases, or in any subsequent or converted cases of the Sellers under chapter 7 or chapter 11 of the Bankruptcy Code, shall conflict with or derogate from the provisions of the Purchase Agreement or the terms of this Sale Order. The provisions of this Sale Order and any actions taken pursuant hereto shall survive the entry of any order which may be entered confirming any chapter 11 plan of the Sellers, converting the Sellers' cases from chapter 11 to cases under chapter 7 of the Bankruptcy Code or dismissing the Sellers' Chapter 11 Cases.

47. The Sellers shall not transfer to the Purchaser "personally identifiable information" as such term is defined in section 101(41A) of the Bankruptcy Code, if such transfer violates a disclosed privacy policy described in Bankruptcy Code section 363(b).

48. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

49. This Sale Order shall be effective and enforceable immediately upon entry and its provisions shall be self-executing, and the stay of (i) orders authorizing the sale, use or lease of property of the estate, as set forth in Bankruptcy Rule 6004(h); (ii) orders authorizing the assignment of an executory contract or unexpired lease, as set forth in Bankruptcy Rule 6006(d); and (iii) proceedings to enforce a judgment, as set forth in Bankruptcy Rule 7062, or otherwise shall not apply to this Sale Order.

50. The Sellers are authorized to close the Sale immediately upon entry of this Sale Order in accordance with the Purchase Agreement and the other Sale Documents.

Dated: April ___, 2011
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Form of Stalking Horse Agreement

ASSET PURCHASE AGREEMENT

BY AND AMONG

[NEWCO]

as Purchaser,

and

AMBASSADORS INTERNATIONAL, INC.,
AMBASSADORS CRUISE GROUP, LLC,
AMBASSADORS, LLC,
AMERICAN WEST STEAMBOAT COMPANY LLC,
EN BOAT LLC,
AQ BOAT, LLC,
MQ BOAT, LLC,
QW BOAT COMPANY LLC,
CONTESSA BOAT, LLC,
DQ BOAT, LLC, and
CQ BOAT, LLC,

as Sellers

Dated as of April [__], 2011

TABLE OF CONTENTS

EXHIBITS

DISCLOSURE SCHEDULE

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of April [__], 2011 (the "Execution Date"), by and among AMBASSADORS INTERNATIONAL, INC., a Delaware corporation ("Parent"), and its direct and indirect subsidiaries AMBASSADORS CRUISE GROUP, LLC, a Delaware limited liability company ("Cruise Group"), AMBASSADORS, LLC, a Delaware limited liability company ("Ambassadors LLC"), AMERICAN WEST STEAMBOAT COMPANY LLC, an Oregon limited liability company ("American West"), EN BOAT LLC, an Oregon limited liability company ("EN Boat"), AQ BOAT, LLC, a Delaware limited liability company ("AQ Boat"), MQ BOAT, LLC, a Delaware limited liability company ("MQ Boat"), QW BOAT COMPANY LLC, an Oregon Limited liability company ("QW Boat"), CONTESSA BOAT, LLC, a Delaware limited liability company ("Contessa Boat"), DQ BOAT, LLC, a Delaware limited liability company ("DQ Boat") and CQ BOAT, LLC, a Delaware limited liability company ("CQ Boat" together with Parent, Cruise Group, Ambassadors LLC, American West, EN Boat, AQ Boat, MQ Boat, QW Boat, Contessa Boat and DQ Boat, the "Sellers"), and a newly created designee of Whippoorwill Associates, Inc. ("Whippoorwill") to be created prior to the Closing (such designee, the "Purchaser"). Certain capitalized terms used herein are defined in Article 10.

RECITALS

WHEREAS, the Sellers, together with Ambassadors International Cruise Group (USA), LLC, a Delaware limited liability company ("Cruise Group USA") (collectively, the "Debtors") and the Debtors' other Affiliates (collectively, the "Company"), currently conduct the Business (as defined herein);

WHEREAS, the Sellers desire to sell, and the Purchaser desires to purchase, all of the Sellers' right, title and interest in and to the Purchased Assets (as defined herein), and Purchaser desires to assume from the Sellers, the Assumed Liabilities (as defined herein);

WHEREAS, the Sellers and the Purchaser have agreed that the sale of the Business to Purchaser shall be effected pursuant to Sections 105, 363 and 365 of chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"), and in that connection the Debtors shall, on or within one (1) Business Day following the Execution Date, commence voluntary cases (collectively, the "Chapter 11 Case") under the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") and seek approval, as set forth in this Agreement and subject to the conditions set forth herein, of the sale of the Purchased Assets to Purchaser, and the assumption by Purchaser of the Assumed Liabilities, pursuant to this Agreement; and

WHEREAS, in connection with the Chapter 11 Case and subject to the terms and conditions contained herein, following entry of the Sale Order (as defined herein) finding the Purchaser as the winning bidder in the Auction, Sellers shall sell, transfer and assign to the Purchaser, and the Purchaser shall purchase and acquire from Sellers, pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, the Purchased Assets, and the Purchaser shall assume from the Sellers the Assumed Liabilities, all as more specifically provided herein and in the Sale Order.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Purchaser and the Sellers hereby agree as follows:

ARTICLE 1.

PURCHASE AND SALE OF ASSETS; ASSUMPTION OF LIABILITIES

1.1 Purchase and Sale of Assets. Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and on the terms and subject to the conditions set forth in this Agreement and the Sale Order, at the Closing (as defined herein), the Purchaser shall purchase, acquire and accept from the Sellers, and the Sellers on behalf of Sellers' estate shall sell, transfer, assign, convey and deliver, or cause to be sold, transferred, assigned, conveyed and delivered, to the Purchaser, on the Closing Date (as defined herein) all of each such Seller's right, title and interest, direct and indirect, free and clear of all Encumbrances (other than Permitted Encumbrances), in the following assets (collectively, the "Purchased Assets"):

(a) all of the membership interests or other equity interests in Ambassadors International Marshall Islands, LLC ("Marshall Islands") owned by Cruise Group (the "Marshall Islands Equity");

(b) all intercompany notes and interests in intercompany notes held by any of the Sellers, including those intercompany notes listed on Schedule 1.1(b) of the Disclosure Schedule (the "Intercompany Notes");

(c) the Majestic Vessels (as defined herein), unless sold to a third party prior to the Closing Date in accordance with Section 8.1(b)(ii) of this Agreement;

(d) any Contracts with customers of the Domestic Business, if any, entered into in the Ordinary Course of Business between the Petition Date and the Closing Date, to the extent such Contracts may be assumed and assigned under Section 365 of the Bankruptcy Code (the "Assumed Customer Contracts");

(e) all Accounts Receivable (including all intercompany receivables and claims not evidenced by the Intercompany Notes) and Credit Card Receivables;

(f) all Cash and Cash Equivalents, whether on hand, in transit or in banks or other financial institutions, security entitlements, securities accounts, commodity contracts and commodity accounts and including any cash collateral that is collateralizing any letters of credit issued pursuant to the DIP Loan Documents or any letter of credit described on Schedules 4.9(a) and (b) of the Disclosure Schedule, or obligation with respect thereto, assumed by the Purchaser, but excluding (i) any cash tendered as part of the Purchase Price and (ii) cash to be retained by the Sellers pursuant to Section 1.2(i);

(g) all Documents used in or relating to the Business or in respect of the Purchased Assets or Assumed Liabilities, including but not limited to, the Acquired Customers, products, services, marketing, advertising and promotional activities, trade shows and all files,

customer lists, supplier lists, mailing lists, marketing lists, vendor lists, records, literature and correspondence with sufficient detail as reasonably available;

(h) the Contracts with suppliers, vendors and/or service providers, and all rights of the Sellers pursuant thereto, set forth on Schedule 1.1(h) of the Disclosure Schedule and any other Material Contracts with suppliers, vendors and/or service providers added to the list of Assumed Vendor Contracts in accordance with Section 1.5, to the extent such Contracts may be assumed and assigned under Section 365 of the Bankruptcy Code (collectively, the "Assumed Vendor Contracts");

(i) all deposits and prepaid expenses of the Sellers, including but not limited to (i) security deposits with third party suppliers, vendors or service providers, ad valorem taxes and lease and rental payments (other than in connection with any Excluded Assets), (ii) rebates, (iii) pre-payments and (iv) those deposits and pre-paid expenses set forth on Schedule 1.1(i) of the Disclosure Schedule;

(j) all Equipment;

(k) all leases and subleases for personal property to which the Sellers are a party and used or held for use in the operation of the Business listed on Schedule 1.1(k) of the Disclosure Schedule, together with all of the rights of the Sellers to such personal property (the "Assumed Personal Property Leases");

(l) all leases and subleases for the Leased Real Property set forth on Schedule 1.1(l) of the Disclosure Schedule and all of the Sellers' right, title and interest in and thereto, and any other leases and subleases for Leased Real Property added to the list of Assumed Real Property Leases in accordance with Section 1.5 (such leases and subleases, the "Assumed Real Property Leases" and the underlying Leased Real Property, the "Assumed Leased Real Property");

(m) all Contracts in effect on the Closing Date between the Sellers and any independent contractors who are not employees of the Sellers but who have been retained to and who render services on behalf of the Sellers that are set forth on Schedule 1.1(m) of the Disclosure Schedule and any other Contracts between the Sellers and independent contractors added to the list of Assumed Independent Contractor Contracts in accordance with Section 1.5 (collectively, the "Assumed Independent Contractor Contracts");

(n) all permits held by the Sellers, including all pending applications or filings therefor and renewals thereof, including, without limitation, the Permits (the "Assumed Permits");

(o) all rights, claims, credits, causes of action or rights of set off against third parties relating to the Purchased Assets (including, for the avoidance of doubt, those arising under, or otherwise relating, to the Assigned Contracts) or Assumed Liabilities, including rights under vendors', manufacturers' and contractors' warranties, indemnities, guarantees and avoidance claims and causes of action under the Bankruptcy Code or applicable Law;

(p) all rights, claims and causes of action of the Sellers under chapter 5 of the Bankruptcy Code;

(q) any counterclaims, setoffs or defenses that the Sellers may have with respect to any Assumed Liabilities;

(r) except as contemplated by Section 1.2(d), to the extent assignable or transferable in accordance with the terms and conditions of the applicable insurance policies, applicable Law or the Sale Order, (i) all of the Sellers' insurance policies and rights and benefits thereunder (including, without limitation, (A) all rights pursuant to and proceeds from such insurance policies and (B) all claims, demands, proceedings and causes of action asserted by the Sellers under such insurance policies relating directly to any Purchased Asset or Assumed Liability) excluding the Excluded Policies and (ii) any letters of credit related thereto;

(s) all Tax Returns of the Sellers related to the Purchased Assets and the International Business, including all records of the Sellers with respect thereto;

(t) any claim, right or interest of the Sellers in or to any refund, rebate, abatement or other recovery for Taxes with respect to the Business or the Purchased Assets, together with any interest due thereon or penalty rebate arising therefrom, for any Tax period (or portion thereof) ending on or before the Closing Date;

(u) (i) all of the Sellers' right, title and interest in and to the Seller Intellectual Property, including any items listed on Schedule 1.1(u) of the Disclosure Schedule (collectively, the "Assumed Intellectual Property") and (ii) all Contracts pursuant to which the Sellers are granted a license to, or any rights under, any Intellectual Property of any third Person and all Contracts pursuant to which the Sellers grant to a third Person a license to, or any rights under, the Seller Intellectual Property listed on Schedule 1.1(u) of the Disclosure Schedule (the "Assumed Intellectual Property Licenses" and, together with the Assumed Customer Contracts, the Assumed Vendor Contracts, the Assumed Personal Property Leases, the Assumed Real Property Leases, the Assumed Independent Contractor Contracts and the Additional Assumed Contracts, the "Assigned Contracts");

(v) the Contracts, and all rights of the Sellers pursuant thereto, set forth on Schedule 1.1(v) of the Disclosure Schedule (collectively, the "Additional Assumed Contracts");

(w) all of the Employee Plans, and any associated funding media, assets, reserves, credits and service agreements, and all Documents created, filed or maintained in connection with the Employee Plans (to the extent transferable in accordance with the existing terms and conditions of the applicable Employee Plan) and any applicable insurance policies, with respect to Transferred Employees;

(x) all personnel files for Transferred Employees held by the Sellers, if any, except to the extent that any transfer or assignment is prohibited by applicable Law;

(y) all Inventory used or held for use in the operation of the Business;

(z) all loans and other Indebtedness payable to the Sellers; and

(aa) the profit sharing agreement between Parent and Cypress II Segregated Account, dated September 9, 2009, as amended, supplemented or otherwise modified.

1.2 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, in no event shall the Sellers be deemed to sell, transfer, assign or convey, and the Sellers shall retain all right, title and interest to, in and under the following assets, properties, interests and rights of the Sellers (collectively, the "Excluded Assets"):

(a) all Contracts that are not Assigned Contracts, including Contracts set forth on Schedule 1.2(a) of the Disclosure Schedule (the "Non-Assigned Contracts");

(b) all Documents (whether copies or originals) (i) to the extent they relate solely to any of the Excluded Assets or Excluded Liabilities, (ii) that a Seller is required by Law to retain and is prohibited by Law from providing a copy of to the Purchaser or (iii) prepared primarily in connection with the transactions contemplated by this Agreement, including bids received from other parties;

(c) except for the Marshall Islands Equity, all shares of capital stock or other equity interests of the Sellers or securities convertible into, exchangeable or exercisable for any such shares of capital stock or other equity interests;

(d) (i) any of the Sellers' director and officer insurance policies, fiduciary policies or employment practices policies (in each case of the foregoing, including any tail policies or coverage thereon) and (ii) the insurance policies set forth on Schedule 1.2(d)(ii) of the Disclosure Schedule (the "Excluded Policies"), any of the Seller's rights, claims, demands, proceedings, credits, causes of action or rights of set off thereunder and any letters of credit related to the Excluded Policies;

(e) [Reserved.]

(f) all other claims that the Sellers may have against any Person solely with respect to any Excluded Assets;

(g) the Sellers' rights under this Agreement and the Transaction Documents;

(h) the plans set forth on Schedule 1.2(h) of the Disclosure Schedule (the "Excluded Plans");

(i) cash in the amount equal to (i) the amount set forth in the Budget (as defined in the DIP Facility) to satisfy in full any accrued and unpaid Liabilities for professional services provided by the professionals in the Chapter 11 Case through the Closing Date plus (ii) $250,000 of additional cash to fund the Wind Down Budget; and

(j) any other properties and assets set forth on Schedule 1.2(j) of the Disclosure Schedule.

1.3 Assumption of Liabilities. On the terms and subject to the conditions set forth in this Agreement and the Sale Order, at the Closing, the Purchaser shall assume only the following

Liabilities of the Sellers (collectively, but in all cases excluding the Excluded Liabilities, the "Assumed Liabilities"):

(a) any and all Liabilities of the Sellers under each Assigned Contract arising on or after the Closing Date, together with any Cure Costs;

(b) any and all Liability of the Sellers arising under the Intercompany Notes, solely to the extent such Liabilities are owed to Marshall Islands or any other Marshall Islands Subsidiary;

(c) any and all Liabilities of the Sellers to Transferred Employees, if any, arising under or otherwise in respect of the Employee Plans (to the extent transferable in accordance with the existing terms and conditions of the applicable Employee Plans), but, for the avoidance of doubt, excluding the Excluded Plans and Liabilities relating to current or former employees who are not Transferred Employees;

(d) any and all Liabilities for Taxes attributable to the Purchaser's ownership of the Purchased Assets or the Purchaser's operation of the International Business on or after the Closing Date;

(e) all Liabilities of the Sellers arising under the DIP Facility pursuant to Section 2.1(a)(i) of this Agreement;

(f) all Liabilities arising out of the conduct of the Business or ownership of the Purchased Assets on or after the Closing Date;

(g) all Liabilities arising out of any claims asserted in the Ordinary Course of Business and arising out of events, occurrences or actions on or after the Closing Date but solely to the extent that such claims are insured under the Sellers' insurance policies in effect at or after such time;

(h) Liabilities of the Sellers with respect to Transferred Employees as specified on Schedule 1.3(h) of the Disclosure Schedule (but excluding, for the avoidance of doubt, any Liabilities under the Excluded Plans);

(i) the Liabilities to the extent expressly assumed by the Purchaser pursuant to Section 6.3 of this Agreement; and

(j) any additional Liabilities set forth on Schedule 1.3(j) of the Disclosure Schedule.

1.4 Excluded Liabilities. Notwithstanding anything to the contrary in this Agreement, the parties expressly acknowledge and agree that the Purchaser shall not assume, be obligated to pay, perform or otherwise discharge or in any other manner be liable or responsible for, any Liabilities of the Sellers, whether existing on the Closing Date or arising thereafter, as a result of any act, omission or circumstances taking place prior to the Closing, other than the Assumed Liabilities (all such Liabilities that the Purchaser is not assuming and which shall remain Liabilities of the Sellers being referred to collectively as the "Excluded Liabilities"). Without

limiting the foregoing, the Purchaser shall not be obligated to assume, does not assume and hereby disclaims all the Excluded Liabilities, including the following Liabilities of any of the Sellers or of any predecessor of any of the Sellers, whether incurred or accrued before or after the Petition Date or the Closing:

(a) all Liabilities, if any, of Sellers or claims arising under or related to the Senior Secured Notes (to the extent not included in the Credit Bid Consideration, if any) and the Convertible Notes;

(b) all Liabilities of the Sellers relating to or otherwise arising, whether before, on or after the Closing, out of, or in connection with, any of the Excluded Assets;

(c) all Liabilities of the Sellers in respect of Non-Assigned Contracts;

(d) all litigation and personal injury, product liability or other tort or related claims and Liabilities arising out of or in connection with events occurring prior to the Closing Date, no matter when raised;

(e) any and all Liabilities relating to any environmental, health or safety matter (including any Liability or obligation under any Environmental Law), arising out of or relating to the Sellers' operation of its business or its leasing, ownership or operation of real or other property on or prior to the Closing Date no matter when raised;

(f) except to the extent that such Liabilities are assumed pursuant to Section 1.3 (which shall be Assumed Liabilities), all Liabilities of each Seller in respect of Indebtedness, whether or not relating to the Business;

(g) any claims, demands, proceedings or causes of action subject to or covered by the Excluded Policies;

(h) any and all Liabilities under the Excluded Plans and any Seller Plan not set forth in Schedule 4.17 of the Disclosure Schedule, and, except to the extent expressly assumed by the Purchaser pursuant to Section 1.3 above, any Liabilities under the Seller Plans set forth in such Schedule 4.17;

(i) all Liabilities relating to legal services, accounting services, financial advisory services, investment banking services or any other professional services ("Professional Services") performed in connection with this Agreement and any of the transactions contemplated hereby (including the Chapter 11 Case), and any pre-Petition or post-Petition Claims for such Professional Services;

(j) any and all Liabilities of the Sellers with respect to current or former employees that are not Transferred Employees, regardless of when arising;

(k) all Taxes of the Sellers;

(l) any and all Liability of the Sellers arising under the Intercompany Notes to the extent such Liabilities are owed to any other Seller;

(m) all Liabilities arising in connection with any violation of any applicable Law or Order relating to the period prior to the Closing by any of the Sellers, including any environmental law or anti-bribery law; and

(n) all Liabilities set forth on Schedule 1.4(n) of the Disclosure Schedule.

1.5 Disclosure Schedule Updates. Notwithstanding anything in this Agreement to the contrary, the Purchaser may revise any Schedule of the Disclosure Schedule setting forth the Purchased Assets and the Excluded Assets (i) to include in the definition of Purchased Assets (pursuant to the applicable Schedule) and to exclude from the definition of Excluded Assets, any Contract of the Seller that was not previously included in the Purchased Assets, at any time on or prior to the fifth (5th) Business Day prior to the Sale Hearing and require the Sellers to give notice to the parties to any such Contract and (ii) to exclude from the definition of Purchased Assets (pursuant to the applicable Schedule) and to include in the definition of Excluded Assets, any Assigned Contract or other asset of the Sellers that was previously included in the Purchased Assets and not otherwise included in the definition of Excluded Assets, at any time on or prior to the fifth (5th) Business Day prior to the Sale Hearing; provided that no such change of the Disclosure Schedule, the definition of the Purchased Assets or the definition of the Excluded Assets shall reduce the amount of the Purchase Price. If any Contract is added to (or excluded from) the Purchased Assets as permitted by this Section 1.5, the Sellers shall promptly take such steps as are reasonably necessary, including, if applicable, prompt delivery of notice to the non-debtor counterparty, to cause such Contracts to be assumed by the Sellers, and assigned to the Purchaser, on the Closing Date (or excluded under the Sale Order and this Agreement). Without limiting any of the Purchaser's rights pursuant to this Section 1.5, in the event that the Sale Order does not approve the assignment or transfer of one or more of the Specified Agreements to the Purchaser as Purchased Assets, the Purchaser may, in its sole discretion and at any time prior to the Closing Date, exclude any or all of the Specified Agreements from the Purchased Assets.

1.6 "As Is" Transaction. THE PURCHASER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ARTICLE 4 OF THIS AGREEMENT, THE SELLERS MAKE NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER RELATING TO THE PURCHASED ASSETS. WITHOUT IN ANY WAY LIMITING THE FOREGOING, THE SELLERS HEREBY DISCLAIM ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY, SEAWORTHINESS OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF THE PURCHASED ASSETS. THE PURCHASER FURTHER ACKNOWLEDGES THAT THE PURCHASER HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PURCHASED ASSETS AS THE PURCHASER DEEMED NECESSARY OR APPROPRIATE AND THAT IN PROCEEDING WITH ITS ACQUISITION OF THE PURCHASED ASSETS, EXCEPT FOR ANY REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN ARTICLE 4 HEREOF, THE PURCHASER IS DOING SO BASED SOLELY UPON SUCH INDEPENDENT INVESTIGATION. ACCORDINGLY, THE PURCHASER WILL ACCEPT THE PURCHASED ASSETS AT THE CLOSING "AS IS," "WHERE IS," AND "WITH ALL FAULTS."

ARTICLE 2.

CONSIDERATION

2.1 Consideration.

(a) The aggregate consideration to be paid by the Purchaser for the purchase of the Purchased Assets shall be approximately forty million dollars ($40,000,000), payable in the form of:

(i) payment in full in cash and/or assumption by the Purchaser of all of Sellers' outstanding obligations under the Prepetition Working Capital Facility and all of the Sellers' outstanding obligations under the DIP Facility (the "Assumed Credit Agreement Obligations");

(ii) a credit bid and release of the Sellers and the Marshall Islands Subsidiaries (and their respective successors and assigns) pursuant to section 363(k) of the Bankruptcy Code, of obligations, claims, rights, actions, causes of action, suits, liabilities, damages, debts, costs, expenses and demands whatsoever, in law or in equity, arising under, or otherwise relating to, the Senior Secured Notes in an amount of not less than nineteen million dollars ($19,000,000) (collectively, the "Credit Bid and Release"); and

(iii) assumption by the Purchaser of the other Assumed Liabilities as further set forth herein (clauses (i) through (iii), collectively, the "Purchase Price").

(b) At the Closing, on the terms and subject to the conditions of this Agreement, Purchaser, on behalf of the Secured Parties, shall deliver evidence that a portion of the Secured Notes Obligations in an aggregate principal amount equal to the amount to be credit bid under Section 2.1(a)(i) (the "Credit Bid Consideration") has been cancelled in exchange for the Purchaser's right to receive the Purchased Assets. As of the Closing, an aggregate amount of the Secured Noteholders' allowed secured claims in the Chapter 11 Case equal to the Credit Bid Consideration shall be deemed fully satisfied and discharged by the Sellers.

ARTICLE 3.

CLOSING AND TERMINATION

3.1 Closing. Subject to the satisfaction of the conditions set forth in Sections 9.1, 9.2 and 9.3 hereof or the waiver thereof by the party entitled to waive the applicable condition, the closing of the purchase and sale of the Purchased Assets, the delivery of the Purchase Price, the assumption of the Assumed Liabilities and the consummation of the other transactions contemplated by this Agreement (the "Closing") (or such later date as the Parent and the Purchaser may agree) shall take place at 10:00 a.m., Eastern time, at the offices of Stroock & Stroock & Lavan LLP at 180 Maiden Lane, New York, New York 10038 (or at such other place as the Parent may designate in writing) on a date to be designated by the Parent that is no later than the third (3rd) Business Day following the entry of the Sale Order; provided, that, and

subject to Section 3.4, to the extent the conditions set forth in Sections 9.1, 9.2 and 9.3 are not so satisfied (other than conditions that by their nature are to be satisfied at the Closing) or so waived on or prior to such date, the period of time within which the Closing shall occur shall be automatically extended until, and the Closing shall occur promptly (but no later than two (2) Business Days) following, such date as all of the conditions set forth in Sections 9.1, 9.2 and 9.3 have been satisfied (other than conditions that by their nature are to be satisfied at the Closing) or waived by the party entitled to waive the applicable condition, unless another time or date, or both, are agreed to in writing by the parties hereto. The date on which the Closing shall be held is referred to in this Agreement as the "Closing Date." Unless otherwise agreed by the parties in writing, the Closing shall be deemed effective and all risk of loss, right, title and interest of the Sellers in the Purchased Assets to be acquired by the Purchaser hereunder shall be considered to have passed to the Purchaser and the assumption of all of the Assumed Liabilities shall be considered to have occurred as of 12:01 a.m., Eastern Time, on the Closing Date.

3.2 Closing Deliveries by the Sellers. At the Closing, the Sellers shall deliver to the Purchaser:

(a) a duly executed instrument of transfer and assignment with respect to the Marshall Islands Equity, substantially in the form attached hereto as Exhibit A (the "Equity Interest Transfer");

(b) a duly executed bill of sale with respect to those tangible Purchased Assets not otherwise addressed in this Section 3.2, substantially in the form attached hereto as Exhibit B (the "Bill of Sale");

(c) a duly executed assignment and assumption agreement with respect to the Assumed Liabilities and the Assigned Contracts, substantially in the form attached hereto as Exhibit C (the "Assignment and Assumption Agreement");

(d) a duly executed instrument of assignment of the Seller Intellectual Property, in a form reasonably acceptable to the Purchaser;

(e) such other bills of sale, assignments, instruments of transfer and such other agreements and undertakings, in form an substance reasonably satisfactory to the Purchaser, as shall be necessary to convey the Purchased Assets to the Purchaser and as shall be reasonably requested by the Purchaser or its counsel;

(f) duly executed counterparts to each of the other Transaction Documents not previously delivered to the Purchaser;

(g) a true and correct copy of the Sale Order substantially in the form attached hereto as Exhibit D;

(h) a duly executed non foreign person affidavit of the Sellers dated as of the Closing Date, sworn under penalty of perjury and in form and substance required under the Treasury Regulations issued pursuant to Section 1445 of the Code, stating that such Seller is not a "foreign person" as defined in Section 1445 of the Code;

(i) a list of the Accounts Receivable as of the last day of the month immediately preceding the month in which the Closing occurs;

(j) a duly executed, recordable bill of sale with respect to each Majestic Vessel substantially in the form of Exhibit E attached hereto (each, a "Vessel Bill of Sale") and the original certificate of documentation of each Majestic Vessel;

(k) a duly executed, protocol of delivery and acceptance for each of the Majestic Vessels substantially in the form of Exhibit F attached hereto;

(l) Certificate from Bureau Veritas dated not more than three (3) Business Days prior to the Closing Date, confirming each of the International Vessels is in class without outstanding conditions or recommendations affecting class;

(m) Classification society statement or affidavit for each of the International Vessels: This statement or affidavit (dated not more than five (5) Business Days prior to the Closing Date) is to be issued by Bureau Veritas. Such classification statement or affidavit must contain the following three (3) key elements:

(i) Confirmation that there are no conditions, recommendations and deficiencies against the such International Vessel's classification that are outstanding at the date of the statement;

(ii) The status of all current relevant Statutory Surveys, setting forth the dates of completion of each; and

(iii) That such International Vessel is presently fit to proceed to sea.

(n) any other certificates, documents or instruments required by the National Vessel Documentation Center, the United States Coast Guard, the Deputy Commissioner of Maritime Affairs, or other any other Governmental Body, including any mortgage releases, class certificates, and requests for permission to sell the Majestic Vessels, requested by the Purchaser or its counsel and reasonably required to transfer the Majestic Vessels to the Purchaser and vest good, marketable and exclusive title thereto in, the Purchaser;

(o) an officer's certificate from Parent duly executed by an authorized officer thereof and certifying to the matters set forth in Sections 9.3(f) and (g), in form and substance reasonably satisfactory to Purchaser; and

(p) all other previously undelivered certificates, agreements and other documents required by this Agreement to be delivered by the Sellers at or prior to the Closing in connection with the transactions contemplated by this Agreement.

Notwithstanding the foregoing, the documents described above with respect to the Majestic Vessels shall not be delivered in the case of any Majestic Vessel that is sold prior to the Closing Date in accordance with Section 8.1(b)(ii) of this Agreement.

3.3 Closing Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver to (or at the direction of) the Sellers:

(a) the Purchase Price, in the form of (i) the payment and/or assumption of the Assumed Credit Agreement Obligations, (ii) the Credit Bid and Release (including documentation reasonably acceptable to the Sellers evidencing reduction of Indebtedness in the amount of such credit bid), and (iii) the assumption of the Assumed Liabilities, and evidence of discharge of the Secured Note Obligations pursuant to Section 2.1(b);

(b) a duly executed counterpart to the Assignment and Assumption Agreement;

(c) duly executed counterparts to each of the other Transaction Documents not previously delivered to the Sellers;

(d) an officer's certificate from Purchaser duly executed by an authorized officer thereof and certifying to the matters set forth in Sections 9.2(a) and (b), in form and substance reasonably satisfactory to Sellers; and

(e) all other previously undelivered certificates, agreements and other documents required by this Agreement to be delivered by the Purchaser at or prior to the Closing in connection with the transactions contemplated by this Agreement.

3.4 Termination of Agreement. This Agreement may be terminated as follows:

(a) by the mutual written consent of the Sellers and the Purchaser at any time prior to the Closing;

(b) by the Purchaser, if the Sale Motion has not been filed by the Sellers on or before the first Business Day following the Petition Date;

(c) by the Purchaser, if the Closing shall not have been consummated on or prior to forty-five (45) days following the Petition Date (the "Outside Date"); provided, however, that the right to terminate this Agreement under this Section 3.4(c) shall not be available to the Purchaser if the Purchaser's failure to fulfill any of its material obligations under this Agreement that are to be performed prior to the Closing has been the cause of, or resulted in, the failure of the Closing to occur on or before the Outside Date (in which case the Purchaser will not be entitled to terminate this Agreement pursuant to this Section 3.4(c) until such time as the Purchaser has complied with or satisfied such material obligation(s));

(d) by either the Purchaser or the Sellers, if there shall be any Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited, or there shall be in effect a final, non-appealable order of a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby; it being agreed that the parties hereto shall promptly appeal any adverse determination which is appealable (and pursue such appeal with reasonable diligence);

(e) by the Purchaser, if any Chapter 11 Case is dismissed or converted to a case or cases under Chapter 7 of the Bankruptcy Code (except with the Purchaser's prior written consent), or if a trustee or examiner with expanded powers to operate or manage the financial affairs, the business or the reorganization of the Sellers is appointed in any Chapter 11 Case;

(f) by the Purchaser, if (i) the Sale Order shall not have been approved by the Bankruptcy Court by the close of business on the day that is forty (40) days after the Petition Date unless such date is waived or extended by the Purchaser in its sole discretion or (ii) following its entry, the Sale Order shall fail to be in full force and effect or shall have been stayed, vacated, reversed, modified, amended or supplemented in any material respect without the prior written consent of the Purchaser and the Sellers;

(g) by the Purchaser, if (i) the Bidding Procedures Order shall not have been approved by the Bankruptcy Court by the close of business on the day that is fifteen (15) days after the Petition Date unless such date is waived or extended by the Purchaser in its sole discretion or (ii) following its entry, the Bidding Procedures Order shall fail to be in full force and effect or shall have been stayed, vacated, reversed, modified, amended or supplemented in any material respect without the prior written consent of the Purchaser and the Sellers;

(h) by the Purchaser, if (i) the Sellers enter into a definitive agreement with respect to an Alternative Transaction or (ii) the Bankruptcy Court enters an order approving an Alternative Transaction or (iii) the Bankruptcy Court enters an Order that otherwise precludes the consummation of the transactions contemplated by this Agreement on the terms and conditions set forth herein;

(i) automatically, upon consummation of an Alternative Transaction;

(j) by the Purchaser, if the Purchaser is not the winning bidder at the Auction;

(k) by the Purchaser, if the Bidding Procedures Order or the Sale Order is modified in any manner adverse to the Purchaser without the prior written consent of the Purchaser (which consent may be withheld in the Purchaser's sole discretion);

(l) by the Purchaser, if any secured creditor of Sellers (other than the DIP Lenders) obtains relief from the stay to foreclose on any of the Purchased Assets;

(m) by the Purchaser, if there has been a Material Adverse Effect between the Petition Date and the Closing Date;

(n) by the Purchaser, if (i) an "Event of Default" or "Termination Event" under the DIP Financing Agreement shall have occurred and be continuing which permits the DIP Lenders to terminate the DIP Facility and the DIP Lenders shall have terminated the DIP Financing Agreement and accelerated the repayment obligations of the Debtors under the DIP Financing Agreement, or (ii) the DIP Financing Agreement shall otherwise cease to be in full force and effect;

(o) by the Sellers, if the Purchaser has breached any representation, warranty, covenant or agreement contained in this Agreement and as a result of such breach the conditions

set forth in Sections 9.2(a) and 9.2(b) hereof, as the case may be, would not then be satisfied at the time of such breach; provided, however, that if such breach is curable by the Purchaser within three (3) days through the exercise of its reasonable best efforts, then for so long as the Purchaser continues to exercise such reasonable best efforts the Sellers may not terminate this Agreement under this Section 3.4(o) unless such breach is not cured within three (3) days after written notice from the Sellers to the Purchaser of such breach;

(p) by the Purchaser, if the Sellers have breached any representation, warranty, covenant or agreement contained in this Agreement and as a result of such breach the conditions set forth in Sections 9.3(f) and 9.3(g) hereof, as the case may be, would not then be satisfied at the time of such breach; provided, however, that if such breach is curable by the Sellers within three (3) days through the exercise of their respective reasonable best efforts, then for so long as the Sellers continue to exercise such reasonable best efforts the Purchaser may not terminate this Agreement under this Section 3.4(p) unless such breach is not cured within three (3) days after written notice from the Purchaser to the Sellers of such breach;

(q) by the Purchaser, if any of the Marshall Islands Subsidiaries (i) commence or are the subject of an involuntary commencement of any case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, (ii) are the subject of a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers or (iii) are the subject of an involuntary appointment of an interim receiver, trustee or other custodian for all or a substantial part of its property; or

(r) by the Sellers, if all of the conditions set forth in Sections 9.1 and 9.3 have been satisfied (other than conditions that by their nature are to be satisfied at the Closing) or waived and the Purchaser fails to deliver the Purchase Price at the Closing.

3.5 Procedure Upon Termination. In the event of a termination of this Agreement by the Purchaser or the Sellers, or both, pursuant to Section 3.4, (a) written notice thereof shall be given promptly by the terminating party to the other parties hereto, specifying the provision hereof pursuant to which such termination is made, (b) this Agreement shall thereupon terminate and become void and of no further force and effect and (c) the consummation of the transactions contemplated by this Agreement shall be abandoned without further action of the parties hereto.

3.6 Effect of Termination. In the event that this Agreement is validly terminated as provided herein, then each of the parties shall be relieved of its duties and obligations arising under this Agreement effective as of the date of such termination and such termination shall be without Liability to the Purchaser or the Sellers; provided, however, that Section 3.4, Section 3.5, this Section 3.6, Article 12, the Bidding Procedures Order (if entered) shall survive any such termination and shall be enforceable hereunder. In no event shall any termination of this Agreement relieve any party hereto of any Liability for any willful breach of this Agreement by such party.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers hereby, jointly and severally, make the representations and warranties in this Article 4, which shall be true and correct as of the Petition Date, to the Purchaser as follows:

4.1 Corporate Organization. Parent is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. Each of the other Sellers is duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization. Each Marshall Islands Subsidiary is duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization. Schedule 4.1 of the Disclosure Schedule lists, separately, each Seller and each Marshall Islands Subsidiary and its respective jurisdiction of incorporation or organization. Each Seller and Marshall Islands Subsidiary has all requisite power and authority to own, lease and operate its properties and to carry on its respective businesses as it is now being conducted, and each is duly qualified or licensed to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary. The Debtors have the corporate or equivalent authorization necessary to file the Chapter 11 Case. Upon filing of the Petition, each Debtor intends to operate the Business a debtor-in-possession subject to the authority of the Bankruptcy Court. Parent has previously made available to the Purchaser complete and correct copies of Parent's Certificate of Incorporation, as amended and in effect on the Petition Date (the "Parent Certificate"), and Parent's Bylaws, as amended and in effect on the Petition Date (the "Parent Bylaws") and the certificate of incorporation and bylaws (or other comparable organizational documents) of each Seller and each Marshall Islands Subsidiary, as amended and in effect on the Petition Date (the "Subsidiary Organizational Documents").

4.2 Parent and Subsidiaries.

(a) Schedule 4.2(a) of the Disclosure Schedule identifies all owners of equity interests of each Marshall Island Subsidiary and the number or percentage of equity interests owned by each such owner. Except as set forth in Schedule 4.2(a) of the Disclosure Schedule, all outstanding shares of capital stock of or other equity ownership interests in each Marshall Islands Subsidiary are owned, directly or indirectly, by Cruise Group, free and clear of all Encumbrances, other than Permitted Encumbrances.

(b) Schedule 4.2(b) of the Disclosure Schedule sets forth each corporation, association or other entity in which Parent owns, of record or beneficially, any direct or indirect equity or other interest or any right (contingent or otherwise) to acquire the same.

4.3 Authority Relative to This Agreement. Except for such authorization as is required by the Bankruptcy Court and receipt of any Regulatory Approvals, each of the Sellers has all requisite power, authority and legal capacity to (a) execute and deliver this Agreement, (b) execute and deliver each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by such Seller in connection with the consummation of the transactions contemplated by this Agreement (the "Sellers' Documents"), and (c) perform its obligations hereunder and thereunder and consummate the transactions contemplated hereby and

thereby. The execution and delivery of this Agreement and the Sellers' Documents, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all requisite action on the part of the Sellers. This Agreement has been, and at or prior to the Closing, each of the Sellers' Documents will be, duly and validly executed and delivered by the Sellers and (assuming the due authorization, execution and delivery by the other parties hereto and thereto, and the entry of the Sale Order) this Agreement constitutes, and each of the Sellers' Documents when so executed and delivered will constitute, legal, valid and binding obligations of the Sellers, enforceable against the Sellers in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) (the "Bankruptcy Exceptions").

4.4 Conflicts; Consents.

(a) Except as set forth on Schedule 4.4(a) of the Disclosure Schedule or to the extent excused by or rendered unenforceable against the Purchaser as a result of the Chapter 11 Case, and except for the entry and effectiveness of the Sale Order, none of the execution and delivery by the Sellers of this Agreement or any Sellers' Document, the consummation of the transactions contemplated hereby or thereby, or compliance by the Sellers with any of the provisions hereof or thereof will (with or without notice or lapse of time) (i) conflict with or result in any material breach of any provision of the Parent Certificate, Parent Bylaws or any Subsidiary Organizational Documents, (ii) subject to the matters referred to in Section 4.4(b), conflict with or result in any breach of any Law applicable to any Seller, any Marshall Islands Subsidiary or the Purchased Assets or (iii) in any material respect, violate, conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any material note, bond, mortgage or indenture, Contract, agreement, lease, sublease, license, Permit, franchise or other instrument or arrangement (A) of any Marshall Islands Subsidiary or (B) to which any of the Sellers is a party as of the Closing and which constitutes a Purchased Asset or Assumed Liability, or result in the creation of any Encumbrance (other than a Permitted Encumbrance) as of the Closing on (1) the assets of any Marshall Islands Subsidiary or (2) the Purchased Assets, except to the extent that any such rights of termination, amendment, acceleration, suspension, revocation or cancellation as a result of such Encumbrance will not be enforceable against the Purchased Asset or Assumed Liability following the Closing in accordance with the Sale Order.

(b) Except as set forth on Schedule 4.4(b) of the Disclosure Schedule, no order, Permit or declaration or filing with, or notification to, any Governmental Body is required on the part of the Sellers in connection with the execution and delivery of this Agreement or Sellers' Documents, the compliance by the Sellers with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby or the taking by the Sellers of any other action contemplated hereby or thereby, except for (i) the entry of the Sale Order and (ii) such other immaterial orders, Permits, declarations, filings and notifications, the failure of which to obtain or make would not have a material adverse effect on the ability of the Purchaser

to own and operate the Purchased Assets (including the International Business conducted by the Marshall Islands Subsidiaries) after the Closing.

4.5 Marshall Islands Balance Sheet; Undisclosed Liabilities. Attached hereto in Schedule 4.5(a) of the Disclosure Schedule is the Marshall Islands Balance Sheet. The Marshall Islands Subsidiaries do not have any Indebtedness or other Liabilities other than (i) Liabilities reflected on the face of the Marshall Islands Balance Sheet, (ii) Liabilities that are not material, whether individually or in the aggregate, that were incurred after the date of the Marshall Islands Balance Sheet in the Ordinary Course of Business or (iii) that are set forth on Schedule 4.5(b) of the Disclosure Schedule.

4.6 Ordinary Course of Business. Except for actions taken in connection with the Chapter 11 Case, as contemplated or expressly required or permitted by this Agreement, or as set forth in Schedule 4.6 of the Disclosure Schedule, since December 31, 2010, the Business has been conducted in the Ordinary Course of Business.

4.7 Litigation. Except as set forth in Schedule 4.7 of the Disclosure Schedule, there is no litigation, action, claim, suit, proceeding, investigation, examination, hearing, arbitration, inquiry or subpoena (collectively, "Actions"), pending or, to the Knowledge of the Sellers, threatened against (a) the Sellers or any property or asset of the Sellers or which could give rise to or increase an Assumed Liability that is material to the Sellers or (b) any Marshall Islands Subsidiary that could give rise to a Liability in excess of $50,000. Except as set forth in Schedule 4.7 of the Disclosure Schedule, neither the Sellers nor any Marshall Islands Subsidiary are subject to any Order that relates to the Business or the Purchased Assets and for which the Sellers or any such Marshall Islands Subsidiary have continuing obligations or Liabilities.

4.8 Compliance with Law. Since January 1, 2010, the Sellers and the Marshall Islands Subsidiaries have (i) conducted and continue to conduct the Business in material compliance with all Applicable Laws and Orders applicable to their respective operations or assets or the Business, (ii) complied with and continue to comply in all material respects with all Laws and Orders applicable to the Purchased Assets and the Assumed Liabilities and the Marshall Islands Subsidiaries and (iii) are not in material violation of any such Law or Order. Neither any Seller nor any Marshall Islands Subsidiary has received any written notice of or been charged with the violation of any Laws and, to Knowledge of the Sellers, there are no facts or circumstances that would reasonably be expected to give rise to any such material violation.

4.9 Agreements, Contracts and Commitments; Certain Other Agreements.

(a) Schedule 4.9(a) of the Disclosure Schedule sets forth the following types of Contracts that are unexpired as of the Execution Date relating to the Domestic Business to which any of the Sellers are a party or by which such Seller or any of the Purchased Assets are bound (such Contracts set forth below are collectively referred to as the "Domestic Material Contracts"):

(i) all Assigned Contracts requiring payments by or to the Sellers in excess of $75,000 during the twelve-month period ending December 31, 2011;

(ii) Contracts pursuant to which the Sellers would be required to make payments in excess of $100,000 from and after the Petition Date and prior to the end of the earlier of (A) the term of the applicable Contract; and (B) the twelve-month anniversary of the Petition Date;

(iii) employment agreements, severance agreements and collective bargaining agreements with any labor unions;

(iv) Contracts to which any Seller is a party, and any officer or director of the Sellers or any Affiliate of any such officer or director, is a party;

(v) leases for any real property or any material Equipment used or held for use in the Business;

(vi) Contracts that: (A) limit or restrict the Sellers or any of their Affiliates from engaging in any business or other activity in any jurisdiction; or (B) create or purport to create any exclusive relationship or arrangement;

(vii) Contracts relating to the Domestic Business (i) with respect to Seller Intellectual Property licensed or transferred to any third party; or (ii) pursuant to which a third party has licensed or transferred any Intellectual Property to a Seller (in the case of both (i) and (ii), except for off the shelf software and licenses implied in the sale of such software);

(viii) joint venture or partnership Contracts or Contracts entitling any Person to any profits, revenues or cash flows of the Sellers or requiring payments or other distributions based on such profits, revenues or cash flows;

(ix) Contracts with any Governmental Body; and

(x) Contracts for the charter of any Domestic Vessel requiring payments to the Sellers in excess of $75,000.

(b) Schedule 4.9(b) of the Disclosure Schedule sets forth the following types of Contracts that are unexpired as of the Execution Date relating to the International Business to which any of the Marshall Islands Subsidiaries are a party or by which such Marshall Islands Subsidiary is bound (such Contracts set forth below are collectively referred to as the "International Material Contracts" and together with the Domestic Material Contracts, the "Material Contracts"):

(i) all Contracts requiring payments by or to any Marshall Islands Subsidiary in excess of $75,000 during the twelve-month period ending December 31, 2011;

(ii) employment agreements, severance agreements and collective bargaining agreements with any labor unions;

(iii) Contracts to which any Marshall Islands Subsidiary is a party, and any officer or director of any Marshall Islands Subsidiary or any Affiliate of any such officer or director, is a party;

(iv) leases for any real property or any material Equipment used or held for use in the Business of the Marshall Islands Subsidiaries;

(v) Contracts that: (A) limit or restrict any Marshall Islands Subsidiary from engaging in any business or other activity in any jurisdiction; or (B) create or purport to create any exclusive relationship or arrangement;

(vi) Contracts relating to the International Business (i) with respect to Seller Intellectual Property licensed or transferred to any third party; or (ii) pursuant to which a third party has licensed or transferred any Intellectual Property to a Seller (in the case of both (i) and (ii), except for off the shelf software and licenses implied in the sale of such software);

(vii) joint venture or partnership Contracts or Contracts entitling any Person to any profits, revenues or cash flows of any Marshall Islands Subsidiary or requiring payments or other distributions based on such profits, revenues or cash flows;

(viii) Contracts with any Governmental Body; and

(ix) Contracts for the charter of any International Vessel requiring payments to the Marshall Islands Subsidiaries in excess of $75,000.

(c) Except as set forth on Schedule 4.9(c) of the Disclosure Schedule, each Material Contract is a valid and binding agreement of such Seller or Marshall Islands Subsidiary, as the case may be, and is in full force and effect, and neither the Sellers nor any Marshall Islands Subsidiary have received any written notice of (i) any default or event that with notice or lapse of time or both would constitute such a default by such Seller or Marshall Islands Subsidiary under any Material Contract or (ii) a counterparties' intention to terminate any Material Contract.

(d) Except as set forth on Schedule 4.9(d) of the Disclosure Schedule, the Sellers have heretofore delivered or made available to the Purchaser true and complete copies (or in the case of any Material Contracts that are not in writing, a summary) of all Material Contracts, including all amendments, modifications, schedules and supplements thereto and all waivers with respect thereto.

4.10 Regulatory Matters; Permits.

(a) All of the Permits that are necessary for the operation of the Business as currently conducted and the ownership of the Purchased Assets are held by the Sellers or the Marshall Islands Subsidiaries in full force and effect (collectively, the "Permits"). Schedule 4.10 of the Disclosure Schedule sets forth a true, complete and correct list of all material Permits held

by the Sellers or the Marshall Islands Subsidiaries as of the Execution Date (collectively, the "Material Permits"), categorized as relating to the Domestic Business or International Business.

(b) The Sellers are in compliance in all material respects with their obligations under each of the Material Permits and the rules and regulations of the Governmental Body issuing such Material Permits.

(c) Each Permit is valid and in full force and effect and there is no proceeding, notice of violation, order of forfeiture or complaint or investigation against the Sellers or any Marshall Islands Subsidiary relating to any of the Material Permits pending or to the Knowledge of the Sellers, threatened, before any Governmental Body.

4.11 Brokers and Finders. Except as set forth in Schedule 4.11 of the Disclosure Schedule, the Sellers have not employed, and to the Knowledge of the Sellers, no other Person has made any arrangement by or on behalf of the Sellers with any investment banker, broker, tinder, consultant or intermediary in connection with the transactions contemplated by this Agreement which would be entitled to any investment banking, brokerage, finder's or similar fee or commission in connection with this Agreement or the transactions contemplated hereby.

4.12 Title to Purchased Assets. At Closing, the Sellers will have (and shall convey to the Purchaser at the time of the transfer of the Purchased Assets to the Purchaser) good and marketable title or a valid leasehold interest in and to each of the Purchased Assets (including, unless sold prior to the Closing Date in accordance with Section 8.1(b)(ii), the Majestic Vessels), free and clear of all Encumbrances except Permitted Encumbrances. At Closing, the Sellers will have (and shall convey to the Purchaser at the time of the transfer of the Purchased Assets to the Purchaser) valid leasehold interests in the Assumed Personal Property Leases and the Assumed Real Property Leases, free and clear of all Encumbrances except Permitted Encumbrances.

4.13 Tangible Personal Property; Equipment. Schedule 4.13(a) of the Disclosure Schedule sets forth all leases involving annual payments in excess of $50,000 relating to personal property, including Equipment, used by the Sellers or the Marshall Islands Subsidiaries in the Business or to which the Sellers or any Marshall Islands Subsidiary is a party or by which the personal property, including Equipment, of the Sellers or the Marshall Islands Subsidiaries are bound ("Personal Property Leases"). Except as set forth in Schedule 4.13(b) of the Disclosure Schedule, the Sellers have not received any written notice, or to the Knowledge of the Sellers, oral notice, of any default or event that with notice or lapse of time or both would constitute such a default by such Seller under any of the Personal Property Leases. All material personal property of the Sellers (other than any Excluded Asset but including material personal property subject to Personal Property Leases) and the Marshall Islands Subsidiaries is in good operating condition and repair (ordinary and reasonable wear and tear excepted), and suitable for the purposes for which it is currently used.

4.14 Real Property.

(a) Neither the Sellers nor the Marshall Islands Subsidiaries own any real property.

(b) Schedule 4.14(b)(i) of the Disclosure Schedule sets forth a complete and correct list of the Leased Real Property and the real property leased by the Marshall Islands Subsidiaries, specifying the address or other information sufficient to identify all such real property. The Sellers have provided the Purchaser with, or access to, true, correct, accurate and complete copies of all leases relating to the real property listed on Schedule 4.14(b)(i) of the Disclosure Schedule. Each Assumed Real Property Lease grants the Sellers the right to use and occupy the applicable Assumed Leased Real Property, in accordance with the terms thereof, subject to Permitted Encumbrances. Each real property lease relating to the International Business grants the applicable Marshall Islands Subsidiary the right to use and occupy the applicable real property, in accordance with the terms thereof, subject to Permitted Encumbrances. Except as set forth on Schedule 4.14(b)(ii) of the Disclosure Schedule, neither the Sellers nor any Marshall Islands Subsidiaries have leased or granted to any Person the right to access, enter upon, use, occupy, lease, manage, operate, maintain, broker or purchase any portion of the Sellers' interest in the Leased Real Property or any real property lease relating to the International Business, that is not otherwise a Permitted Encumbrance or that will not otherwise be terminated on or prior to the Closing Date. To the Knowledge of the Sellers, except as set forth on Schedule 4.14(b)(iii), there are no physical defects in the buildings or other facilities or machinery or equipment located at any of the properties subject to any of the real property leases set forth on Schedule 4.14(b)(ii) of the Disclosure Schedule that would materially interfere with the continued use and operation of the properties subject to such leases as currently used and operated.

4.15 Tax Returns; Taxes. Except as set forth in Schedule 4.15 of the Disclosure Schedule:

(a) All Tax Returns required to have been filed by the Sellers and the Marshall Islands Subsidiaries have been duly filed and are true, correct and complete in all material respects, and no material fact has been omitted therefrom. No extension of time in which to file any such Tax Returns is in effect.

(b) All Taxes due and payable by the Sellers and the Marshall Islands Subsidiaries (whether or not shown on any Tax Return) have been paid in full or are accrued as Liabilities for Taxes on the books and records of the Sellers or the Marshall Islands Subsidiaries, as applicable. The accruals and reserves with respect to Taxes (other than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth in the 2010 Financial Statements are adequate to cover all Taxes of the Sellers and the Marshall Islands Subsidiaries, accruing or payable with respect to Tax periods (or portions thereof) ending on or before December 31, 2010. All Taxes of the Sellers and the Marshall Islands Subsidiaries attributable to Tax periods (or portions thereof) commencing after December 31, 2010 have arisen in the ordinary course of business.

(c) The Sellers and the Marshall Islands Subsidiaries have withheld and paid all Taxes required to have been withheld and paid by them to the appropriate Government Body in connection with amounts paid or owing to any employee, independent contractor, creditor or shareholder thereof or other third party.

(d) There are no Encumbrances for Taxes with respect to the Sellers, the Marshall Islands Subsidiaries or their respective assets, nor is there any such Encumbrance that is pending or, to the Knowledge of the Sellers, threatened other than Permitted Encumbrances.

(e) There is no dispute or claim concerning any Tax liability of the Sellers or the Marshall Islands Subsidiaries claimed or raised by any Government Body in writing and, to the Sellers' Knowledge, no such dispute or claim is pending or threatened. Neither the Sellers nor the Marshall Islands Subsidiaries have waived any statute of limitations in respect of Taxes beyond the date hereof or agreed to any extension of time beyond the date hereof with respect to a Tax assessment or deficiency.

(f) None of the Marshall Islands Subsidiaries (i) has ever been a member of a group of corporations with which it has filed (or been required to file) consolidated, combined or unitary Tax Returns, other than a group of which the Parent is a common parent or (ii) has any liability for Taxes of any Person (other than the Parent and its subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor, by contract or otherwise. None of the Marshall Islands Subsidiaries is a party to or bound by any Tax sharing, allocation or indemnification agreement or arrangement that will remain in effect after the Closing.

(g) None of the transactions contemplated by this Agreement are part of a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4(b).

(h) No jurisdiction in which the Sellers or the Marshall Islands Subsidiaries do not file Tax Returns has made a claim that any Seller or Marshall Islands Subsidiary is required to file a Tax Return in such jurisdiction.

(i) Each Marshall Islands Subsidiary is disregarded as an entity separate from its owner for United States federal income Tax purposes under Treasury Regulation Section 301.7701-3.

(j) No income derived by any Marshall Islands Subsidiary (including but not limited to Cruise Group USA) for any taxable period ending on or before December 31, 2010 is considered "United States source gross transportation income" as defined in Section 887 of the Code and the Treasury Regulations promulgated thereunder.

(k) All gross income derived by each Marshall Islands Subsidiary (including but not limited to Cruise Group USA) for all taxable periods ending on or before December 31, 2010 is exempt from U.S. federal income taxation pursuant to Section 883 of the Code and the Treasury Regulations promulgated thereunder.

4.16 Employees.

(a) Each of the Sellers and the Marshall Islands Subsidiaries have complied in all material respects with all material Laws relating to the employment and termination of employment of current and former employees, and neither the Sellers nor any Marshall Islands Subsidiary has (i) any direct or indirect material Liability with respect to any misclassification of any Person as an independent contractor rather than as an employee, or (ii) except with respect to

those employees of the International Business provided under agreements with third party manning agencies, with respect to any employee leased from another employer.

(b) There are no material claims or proceedings pending or, to the Knowledge of the Sellers, threatened, between the Sellers or the Marshall Islands Subsidiaries, on the one hand, and any current or former employee, on the other hand. There are no strikes, slowdowns, work stoppages, lockouts, or, to the Knowledge of the Sellers, threats thereof, by or with respect to any Employees of the Sellers or the Marshall Islands Subsidiaries

(c) Schedule 4.16(c)(i) of the Disclosure Schedule contains a true and complete list, as of the Petition Date, of all Employees of the Parent or the other Sellers and the Marshall Islands Subsidiaries (identifying the entity that employs each such Employee), together with information regarding the position, length of service, and compensation payable to each such Employee. Schedule 4.16(c)(ii) of the Disclosure Schedule contains a true and complete list, as of the Petition Date, of all senior officers of the International Vessels.

4.17 Benefit Plans; ERISA. Schedule 4.17 of the Disclosure Schedule contains a list of all Benefit Plans maintained by the Sellers or the Marshall Islands Subsidiaries (the "Employee Plans"). The Sellers and the Marshall Islands Subsidiaries have complied in all material respects with the provisions of each such Benefit Plan and the applicable provisions of the Code and ERISA, have administered each such Plan in material compliance with the provisions of each such Plan and the applicable requirements of the Code and ERISA, have timely made all required contributions thereto and have not directly or indirectly withdrawn or borrowed against any amounts in any such Plan. No Employee Plan is subject to Title IV of ERISA or is a multiemployer plan (within the meaning of Section 3(37) of ERISA), and neither the Sellers nor any Marshall Islands Subsidiary have any liability with respect to any such plan. With respect to each Employee Plan that is intended to be tax-qualified within the meaning of Section 401(a) of the Code, a favorable determination or opinion letter has been obtained for such Plan, and such Plan is so qualified. Neither the Sellers nor the Marshall Islands Subsidiaries are subject to any obligation to pay or provide retiree or other post-employment medical or other retiree or other post-employment welfare or similar benefits.

4.18 Labor Matters. Except as provided in Schedule 4.18 of the Disclosure Schedule, (i) neither the Sellers nor the Marshall Islands Subsidiaries are party to or bound by, either directly or by operation of Law, any collective bargaining agreement, labor contract, letter of understanding, letter of intent, voluntary recognition agreement or legally binding commitment or written communication to any labor union, trade union or employee organization or group which may qualify as a trade union in respect of or affecting any Employees nor are the Sellers or any Marshall Islands Subsidiaries subject to any union organization effort, nor are the Sellers or any Marshall Islands Subsidiaries engaged in any labor negotiation. There are no (i) strikes, work stoppages, work slowdowns or lockouts pending or, to the Knowledge of the Sellers, threatened against or involving the Sellers or the Marshall Islands Subsidiaries, or (ii) unfair labor practice charges, grievances or complaints pending or, to the Knowledge of the Sellers, threatened by or on behalf of any Employee or group of Employees involving the Sellers or the Marshall Islands Subsidiaries, and there have been no such strikes, work stoppages, work slowdowns, lockouts or unfair labor practice charges in the past two years. Except as set forth in Schedule 4.18 of the Disclosure Schedule, neither the Sellers nor the Marshall Islands

Subsidiaries have an obligation to make any severance or termination payment to any present or former employee.

4.19 Insurance Policies. Schedule 4.19 of the Disclosure Schedule lists all insurance policies owned or held by the Sellers, the Marshall Islands Subsidiaries or otherwise applicable to the Business (the "Insurance Policies"). Except as provided in Schedule 4.19 of the Disclosure Schedule, all such policies (or substitute policies with substantially similar terms and underwritten by insurance carriers with substantially similar or higher ratings) are in full force and effect, all premiums with respect thereto covering all periods up to and including the Closing Date have been paid, and no written notice of cancellation or termination (or any other threatened termination) has been received with respect to any such policy. The Sellers and the Marshall Islands Subsidiaries each maintain sufficient insurance with reputable insurers for their respective Businesses, properties and assets against all risks normally insured against.

4.20 Environmental Matters.

(a) (i) The Sellers and the Marshall Islands Subsidiaries have been and are in compliance in all material respects with all Environmental Laws, (ii) during the past three (3) years, there has been no material investigation, suit, claim, action or judicial or administrative proceeding relating to or arising under Environmental Laws that is pending or, to the Knowledge of the Sellers, threatened against the Sellers, the Marshall Islands Subsidiaries or any real or other property owned, operated or leased by the Sellers or the Marshall Islands Subsidiaries and (iii) during the past three (3) years, neither the Sellers nor the Marshall Islands Subsidiaries have entered into any Order involving uncompleted, outstanding or unresolved material obligations, liabilities or requirements relating to or arising under, Environmental Laws.

(b) To the Knowledge of the Sellers, the Purchased Assets are in material compliance with all applicable Environmental Laws. Without limiting the generality of the preceding sentence, the Sellers have not received any written notice of failure to comply with any Environmental Laws with regard to the Purchased Assets.

(c) To the Knowledge of the Sellers, there has been no use, storage, treatment, generation, transportation or Release of any Hazardous Materials by the Sellers or the Marshall Islands Subsidiaries except in compliance with Environmental Law, or by any other person or entity for which the Sellers or the Marshall Islands Subsidiaries are or may be held responsible, at any property, facility or Vessel in violation of, or which could give rise to any obligation or liability under, Environmental Laws.

(d) The Sellers and the Marshall Islands Subsidiaries hold all Environmental Permits, and are and have been in material compliance therewith. Neither the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated hereby will (i) require any notice to or consent of any Governmental Body or other Person pursuant to any applicable Environmental Law or Environmental Permit or (ii) subject any Environmental Permit to suspension, cancellation, modification, revocation or nonrenewal.

(e) The Sellers have provided to the Purchaser all reports, including "Phase I," "Phase II" or other environmental assessments, and environmental documents in its

possession or to which it has reasonable access addressing all locations, facilities or properties owned, operated or leased by or on behalf of the Business or the Sellers or the Marshall Islands Subsidiaries.

4.21 Financial Statements. The Sellers have delivered or made available to the Purchaser the following financial statements (collectively the "Financial Statements"): (i) audited consolidated balance sheets and statements of income, changes in stockholders' equity, and cash flow as of and for the fiscal year ended December 31, 2009 for Parent and each of its subsidiaries (the "2009 Audited Financial Statements"), and (ii) an unaudited consolidated balance sheet and statement of income, changes in stockholders; equity and cash flow as of and for the year ended December 31, 2010 (the "2010 Financial Statements") for Parent and each of its subsidiaries as set forth in Schedule 4.21 of the Disclosure Schedule. The 2009 Audited Financial Statements and the 2010 Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved, present fairly, in all material respects, the financial condition of Parent and its subsidiaries as of such dates and the results of operations and cash flows of Parent and its subsidiaries for such periods, and are consistent, in all material respects, with the books and records of Parent and its subsidiaries (which books and records are correct and complete in all material respects).

4.22 Vessels.

(a) Each Vessel is duly documented under the laws applicable to such Vessel. The Sellers and Marshall Islands Subsidiaries lawfully own and are lawfully possessed of each of the Vessels, free from any commitment to make any of the Vessels available for charter, sale or use by any Governmental Body other than charter agreements currently in effect that are set forth on Schedule 4.22(a)(i) to the Disclosure Schedules. The delivery to the Purchaser of the instruments of transfer of ownership of the Vessels contemplated by Sections 3.2(j) and (k) will vest good, marketable and exclusive title to the Vessels in the Purchaser, free and clear of any and all Encumbrances, except for Permitted Encumbrances and Encumbrances listed on Schedule 4.22(a)(ii) of the Disclosure Schedule. The Sellers have made available to the Purchaser true and complete operation and repair logs with respect to the Vessels.

(b) Schedule 4.22(b)(i) of the Disclosure Schedule sets forth, for each International Vessel, its (i) name, (ii) owner, (iii) official number and call sign, (iv) port of registration and flag, (v) vessel type, (vi) class description, (vii) year in which the Vessel was constructed, (viii) date of the Vessel's last special survey as of the date hereof, (ix) date of the Vessel's last drydocking as of the date hereof, (x) the scheduled date of the Vessel's next drydocking for purposes of the next scheduled special survey as of the date hereof and (xi) Gross Tonnage. Schedule 4.22(b)(ii) of the Disclosure Schedule sets forth, for each Majestic Vessel, its (i) name, (ii) owner, (iii) location and (iv) jurisdiction of registration and registration number.

(c) Each of the International Vessels: (i) is adequate and suitable for use in the Ordinary Course of Business, ordinary wear and tear and depreciation excepted; (ii) is seaworthy in all material respects for hull and machinery insurance purposes and in every way fit for its intended service; (iii) in compliance with all relevant laws, regulations and requirements (including environmental laws, regulations, and requirements), statutory or otherwise, as are applicable to (A) vessels documented under Bahamas flag and (B) vessels engaged in a trade

similar to that performed or to be performed by such International Vessel, including (but not limited to) the maintenance and renewal of valid certificates pursuant thereto, or such International Vessel has a currently effective exemption from such requirements; (iv) holds a valid Certificate of Documentation with coastwise endorsement pursuant to 46 U.S.C. Section 12112; and (vi) is classed in the highest classification and rating for vessels of the same age and type with Bureau Veritas without any outstanding conditions or recommendations. Neither the entry into this Agreement by the Sellers nor the consummation of the transactions contemplated hereby will violate any Law relating to the business and operation of the Vessels in the manner in which the Vessels have been operated heretofore. The Sellers of the Majestic Vessels are citizens of the United States for purposes of 46 U.S.C. §50501 and the regulations promulgated thereunder for purposes of engaging in the coastwise trade. The Sellers and their Subsidiaries have made available to the Purchaser true and complete copies, in all material respects, of all outstanding Notices of Merchant Marine Inspection Requirements (Forms CG-835), if any, or any equivalent notices received under any alternate compliance program established by the USCG for each Vessel.

4.23 Intellectual Property. Schedule 1.1(v) of the Disclosure Schedule includes all material Seller Intellectual Property. All of the Seller Intellectual Property is valid and enforceable. To the Sellers' Knowledge, no third party has infringed, violated or misappropriated or is currently infringing, violating or misappropriating any of the Seller Intellectual Property. Neither the Sellers and the Marshall Islands Subsidiaries nor the Business nor any of the Sellers' and the Marshall Islands Subsidiaries' products or services has infringed, violated or misappropriated or is currently infringing, violating or misappropriating any Intellectual Property of any third party. No third party has made any assertion, claim or allegation that, if true, would constitute, reflect or describe a violation of any provision of this Section 4.23. The Sellers' have taken all reasonable steps to protect and maintain the Seller Intellectual Property.

4.24 Exclusivity of Representations and Warranties. The representations and warranties made by the Sellers in this Article 4 are the exclusive representations and warranties made by the Sellers. The Sellers hereby disclaim any other express or implied representations and warranties. The Purchaser acknowledges and represents that it (a) has had a full opportunity to conduct due diligence regarding the Purchased Assets, (b) has relied solely upon the representations set forth in this Agreement and its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets, (c) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Purchased Assets, or the completeness of any information provided in connection therewith, except as expressly stated in this Agreement.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby makes the representations and warranties in this Article 5 to the Sellers as follows:

5.1 Organization and Qualification. The Purchaser is an entity duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization. The Purchaser has all requisite power and authority to own its properties and to carry on its business as it is now being conducted except as would not have or reasonably be expected to have a Material Adverse Effect on the Purchaser's ability to consummate the transactions contemplated by this Agreement.

5.2 Authority Relative to This Agreement. The Purchaser has the requisite limited liability company power and authority to (a) execute and deliver this Agreement, (b) execute and deliver each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by the Purchaser in connection with the consummation of the transactions contemplated hereby and thereby (the "Purchaser's Documents"), and (c) perform its obligations hereunder and thereunder and consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Purchaser of this Agreement and each Purchaser's Document have been duly authorized by all necessary limited liability company action on behalf of the Purchaser. This Agreement has been, and at or prior to the Closing each Purchaser's Document will be, duly and validly executed and delivered by the Purchaser and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and each Purchaser's Document when so executed and delivered will constitute, legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, subject to the Bankruptcy Exceptions.

5.3 Consents and Approvals; No Violation.

(a) None of the execution and delivery by the Purchaser of this Agreement or the Purchaser's Documents, the consummation of the transactions contemplated hereby or thereby, or the compliance by the Purchaser with any of the provisions hereof or thereof will conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of acceleration, payment, amendment, termination or cancellation under any provision of (i) the certificate of formation and the limited liability agreement (or similar organizational documents) of the Purchaser, (ii) any Contract (including but not limited to any Contracts related to financing) or Permit to which the Purchaser is a party or by which the Purchaser or its properties or assets are bound, (iii) any order of any Governmental Body applicable to the Purchaser or by which any of the properties or assets of the Purchaser are bound, or (iv) any applicable Law, other than, in the case of clauses (ii), (iii), and (iv), except as would not have or reasonably be expected to have a Material Adverse Effect on the Purchaser's ability to consummate the transactions contemplated by this Agreement.

(b) No consent, waiver, approval, order, Permit or authorization of, or declaration or filing with, or notification to, any Governmental Body or other Person nor any other Regulatory Approval is required on the part of the Purchaser in connection with the execution and delivery of this Agreement or the Purchaser's Documents, the compliance by the Purchaser with any of the provisions hereof or thereof the consummation of the transactions contemplated hereby or thereby or the taking by the Purchaser of any other action contemplated hereby or thereby, or for the Purchaser to operate the Purchased Assets.

5.4 Brokers and Finders. The Purchaser has not employed, and to the knowledge of the Purchaser, no other Person has made any arrangement by or on behalf of the Purchaser with, any investment banker, broker, finder, consultant or intermediary in connection with the transactions contemplated by this Agreement which would be entitled to any investment banking, brokerage, finder's or similar fee or commission in connection with this Agreement or the transactions contemplated hereby.

5.5 Adequate Assurances Regarding Assigned Contracts. As of the Closing, Purchaser will be capable of satisfying the conditions contained in Sections 365(b)(l)(C) and 365(f) of the Bankruptcy Code with respect to the Assigned Contracts.

5.6 Sufficiency of Financial Resources. The Purchaser has and will have, on the Closing Date, the financial resources necessary to consummate the transactions contemplated by this Agreement.

5.7 Investigation. The Purchaser has conducted its own independent review and analysis of the Business, the Purchased Assets and the Assumed Liabilities, of the value of such Purchased Assets and of the business, operations, technology, assets, Liabilities, financial condition and prospects of the Business, and the Purchaser acknowledges that the Sellers have provided the Purchaser with access to the personnel, properties, premises and records of the Business for this purpose. The Purchaser has conducted its own independent review of all orders of, and all motions, pleadings, and other, submissions to, the Bankruptcy Court in connection with the Chapter 11 Case. In entering into this Agreement, the Purchaser has relied upon its own investigation and analysis as well as the representations and warranties made by the Sellers in Article 4, and the Purchaser acknowledges that neither the Sellers nor any of their Affiliates makes or has made any representation or warranty, either express or implied, as to the accuracy or completeness of any of the information provided or made available to the Purchaser or any of its Affiliates, except as and only to the extent expressly set forth in Article 4.

ARTICLE 6.

EMPLOYEES

6.1 [Reserved.]

6.2 Continuation of Employee Plans. For the six (6) month period immediately following the Closing Date, the Purchaser agrees to continue to maintain, for the benefit of the Employees who remain actively employed by the Purchaser and its Affiliates (the (the "Retained Employees"), any Employee Plans assumed by the Purchaser in accordance with Section 1.3(c), without modification or amendment, except as may be required to comply with applicable Law. To the extent that a new or replacement plan is provided thereafter, each Retained Employee shall be given credit for all service with the Sellers (and any predecessor employer) to the same extent as such service was credited for such purpose by the Sellers under the Employee Plans, under each applicable Purchaser employee benefit plan, policy program or arrangement for purposes of eligibility, vesting and solely with respect to paid time off and severance benefits, benefits accrual (other than which would result in the duplication of benefits accrual for the same period of service).

6.3 [Reserved.]

6.4 [Reserved.]

6.5 No Third-Party Beneficiaries.

(a) Notwithstanding anything set forth in this Article 6, nothing contained herein, whether express or implied, (i) shall be treated as an amendment or other modification of any Seller Plans or any employee benefit plan, program or arrangement of the Purchaser or its Affiliates or (ii) shall limit the right of the Purchaser or any of its Affiliates to amend, terminate or otherwise modify any Employee Plans following the Closing Date, provided that the Purchaser complies with its obligations under Section 6.2.

(b) The Sellers and the Purchaser acknowledge and agree that all provisions contained in this Article 6 with respect to current or former Employees (including the Retained Employees) are included for the sole benefit of the Sellers and the Purchaser, and that nothing herein, whether express or implied, shall create any third party beneficiary or other rights (i) in any other Person, including, without limitation, any current or former employees, directors, officers or consultants of the Sellers, any participant in any Seller Plan, or any dependent or beneficiary thereof, or (ii) to continued employment with the Purchaser or any of its Affiliates.

6.6 Employees of the Business. Notwithstanding anything to the contrary contained in this Agreement, the Purchaser and the Sellers acknowledge and agree that each of the Employees listed on Schedule 4.16(c)(i) to the Disclosure Schedule is an employee of Cruise Group USA and, unless the Purchaser notifies the Sellers in writing at any time on or prior to the fifth (5th) Business Day prior to the Sale Hearing, such employee shall be a Retained Employee hereunder. If any such Retained Employee is deemed to be an employee of any Seller (and not an Employee of Cruse Group USA or any other Marshall Islands Subsidiary), the Purchaser, in its discretion, shall use commercially reasonable efforts to cause Cruise Group USA to offer employment to such employee, it being the intent of the parties hereto that unless otherwise notified by the Purchaser as set forth above, the Employees listed on Schedule 4.16(c)(i) to the Disclosure Schedule continue to be employees with respect to the International Business following the Closing of the transactions contemplated hereby.

ARTICLE 7.

BANKRUPTCY COURT MATTERS

7.1 Petition, Competing Bids and Other Matters.

(a) On or within one (1) Business Day following the date of execution and delivery of this Agreement, the Sellers shall file voluntary petitions under the Bankruptcy Code with the Bankruptcy Court commencing the Chapter 11 Case under the Bankruptcy Code. The Company shall, pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code, continue after the Petition Date to operate its business and manage its properties, and administer the estate created by Section 541 of the Bankruptcy Code on the Petition Date (the "Estate").

(b) Not later than the close of business on the Petition Date, the Sellers shall file with the Bankruptcy Court an application or motion seeking approval of (i) the Bidding Procedures Order and (ii) the Sale Order and the transactions contemplated in this Agreement.

(c) This Agreement and the transactions contemplated hereby are subject to the Sellers' right and ability to consider higher or better competing bids with respect to the Business and a material portion of the Purchased Assets pursuant to the Bidding Procedures Order (each a "Competing Bid"). The Sellers are permitted to, and may cause their representatives and Affiliates to, initiate contact with or solicit or encourage submission of any inquiries, proposals or offers by, any Person (in addition to the Purchaser and its Affiliates, agents and representatives) in connection with any sale or other disposition of the Business or a material portion of the Purchased Assets or the continuation of the Business as a reorganized, going-concern.

(d) The Sellers shall respond to any inquiries or offers to purchase all or any part of the Business, and perform any and all other acts related thereto which are required under the Bankruptcy Code or other applicable Law, including, without limitation, supplying information relating to the Business and the assets of the Sellers to prospective purchasers, subject only to the provisions of the Bidding Procedures Order. Sellers shall use commercially reasonable efforts to promptly provide, or identify and make available to Purchaser, any non-public information concerning Sellers, any of their Subsidiaries, the Purchased Assets or the Business provided to any other Person after the date hereof which was not previously provided to Purchaser.

(e) The Sellers shall promptly serve true and correct copies of the Sale Motion and all related pleadings in accordance with the Bidding Procedures Order, the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Rules for the United States Bankruptcy Court for the District of Delaware and any other applicable order of the Bankruptcy Court.

7.2 Sale Order. The Sale Order shall be entered by the Bankruptcy Court substantially in the form attached hereto as Exhibit D or otherwise in form and substance reasonably acceptable to the Sellers and the Purchaser. The Sale Order shall, among other things, (i) approve, pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, (A) the execution, delivery and performance by the Sellers of this Agreement, (B) the sale of the Purchased Assets to the Purchaser on the terms set forth herein and free and clear of all Encumbrances (other than Encumbrances included in the Assumed Liabilities and Permitted Encumbrances), and (C) the performance by the Sellers of their respective obligations under this Agreement; (ii) authorize and empower the Sellers to assume and assign to the Purchaser the Assigned Contracts; and (iii) find that the Purchaser is a "good faith" buyer within the meaning of Section 363(m) of the Bankruptcy Code and not a successor to the Sellers and grant the Purchaser the protections of Section 363(m) of the Bankruptcy Code. In the event that the Bankruptcy Court's approval of the Sale Order shall be appealed, the Sellers shall use reasonable best efforts to defend such appeal. Sellers shall not amend, supplement, or modify, or cause to be amended, supplemented or modified, the Sale Order and/or the Bidding Procedures Order, in any manner adverse to Purchaser without Purchaser's prior written consent (which consent may be withheld in Purchaser's sole discretion).

ARTICLE 8.

COVENANTS AND AGREEMENTS

8.1 Conduct of Business of Sellers.

(a) During the period from the Petition Date and continuing until the earlier of the termination of this Agreement in accordance with Section 3.4 or the Closing Date, except (i) for any limitations on operations imposed by, or actions required by, the Bankruptcy Court or the Bankruptcy Code, (ii) as required by applicable Law, (iii) as otherwise expressly contemplated by this Agreement or as set forth on Schedule 8.1 of the Disclosure Schedule or (iv) with the prior written consent of the Purchaser (such consent not to be unreasonably withheld, conditioned or delayed), the Sellers shall:

(i) conduct the Business and operate and maintain the Purchased Assets in the Ordinary Course of Business; and

(ii) use commercially reasonable efforts to (x) preserve the goodwill of and relationships with Governmental Bodies, customers, suppliers, vendors, lessors, licensors, licensees, contractors, distributors, agents, Employees and others having business dealings with the Business; and (y) comply with all applicable Laws and, to the extent consistent therewith, preserve their assets (tangible and intangible).

(b) During the period from the Petition Date and continuing until the earlier of the termination of this Agreement in accordance with Section 3.4 or the Closing Date, except (i) for any limitations on operations imposed by, or actions required by, the Bankruptcy Court or the Bankruptcy Code, (ii) as required by applicable Law, (iii) as otherwise expressly contemplated by this Agreement or as set forth on Schedule 8.1 of the Disclosure Schedule, or (iv) with the prior written consent of the Purchaser (such consent not to be unreasonably withheld, conditioned or delayed), the Sellers shall not:

(i) mortgage, pledge or subject to any Encumbrance (other than a Permitted Encumbrance) any of the Purchased Assets or any assets of the Marshall Islands Subsidiaries;

(ii) sell, assign, license, transfer, convey, lease, surrender, relinquish or otherwise dispose of any of the Purchased Assets or any assets of the Marshall Islands Subsidiaries except (x) a sale of one or more of the Majestic Vessels or (y) to the extent permitted by the DIP Loan Documents;

(iii) cancel or compromise any material debt or material claim or waive or release any material right of the Sellers or the Marshall Islands Subsidiaries that constitutes a Purchased Asset or otherwise relates to the Business;

(iv) (A) enter into any new Contract or renew any existing Contract requiring payments by or to the Sellers or the Marshall Islands Subsidiaries in excess of $50,000 over the twelve-month period immediately following the

execution thereof or (B) cancel, terminate, rescind or materially amend, modify or supplement any Material Contract, except for the purpose of effecting any changes in applicable Law or implementing regulatory requirements or in response to a breach or default by the other party thereto;

(v) abandon any rights under any Material Contract;

(vi) incur any long term expenditure associated with (A) the Purchased Assets that would be an Assumed Liability or (B) the International Business, except to the extent permitted by the DIP Loan Documents;

(vii) incur or permit to be incurred, or materially increase the amount of, any Liability that would be an Assumed Liability (other than in connection with the performance of any Non-Assigned Contracts or execution of any Contracts that are not Material Contracts in the Ordinary Course of Business), except to the extent permitted by the DIP Loan Documents;

(viii) fail to replenish the Inventory of the Business in the Ordinary Course of Business in any material respect;

(ix) institute, settle or agree to settle or modify in any manner that is adverse to the Business or the Purchased Assets, any litigation, action or proceeding before any court or Governmental Body relating to (A) the Purchased Assets that is or will be an Assumed Liability or (B) the International Business, except any such litigation, action or proceeding involving payment by or to any Seller or any Marshall Islands Subsidiary that is less than $25,000 individually and $100,000 in the aggregate;

(x) make, commit to make or incur any material Liability for capital expenditures, except to the extent permitted by the DIP Loan Documents; or

(xi) enter into any Contract to do any of the foregoing or agree to do anything prohibited by this Section 8.1(b).

(c) Prior to the Closing, and except as provided herein or on Schedule 8.1 of the Disclosure Schedule, neither Parent nor any Subsidiary will engage in any transaction with any officer, director or Affiliate of Parent or any such Subsidiary outside the Ordinary Course of Business.

8.2 Access to Information.

(a) The Sellers agree that, between the Petition Date and the earlier of the Closing Date and the date on which this Agreement is terminated in accordance with Section 3.4, the Purchaser shall be entitled, through its officers, employees, counsel, accountants and other authorized representatives, agents and contractors ("Representatives"), to have such reasonable access to and make such reasonable investigation and examination of the books and records, properties, businesses, assets, Employees, accountants, auditors, counsel and operations of the Sellers and the Marshall Islands Subsidiaries as the Purchaser's Representatives may reasonably

request. Any such investigations and examinations shall be conducted during regular business hours upon reasonable advance notice and under reasonable circumstances, including the Sellers' right to have its Representative accompany the Purchaser upon the Leased Real Property at the time of any inspection or examination and shall be subject to restrictions under applicable Law. Pursuant to this Section 8.2, the Sellers shall furnish to the Purchaser and its Representatives such financial, operating and property related data and other information as such Persons reasonably request. The Sellers shall use commercially reasonable efforts to cause its Representatives to reasonably cooperate with the Purchaser and the Purchaser's Representatives in connection with such investigations and examinations, and the Purchaser shall, and use its commercially reasonably efforts to cause its Representatives to, reasonably cooperate with such Seller and its respective Representatives and shall use its reasonable efforts to minimize any disruption to the Business.

(b) From and after the Closing Date, the Sellers shall give the Purchaser and the Purchaser's Representatives reasonable access during normal business hours to the offices, facilities, plants, properties, assets, Employees, Documents (including, without limitation, any Documents included in the Excluded Assets), personnel files and books and records of the Sellers pertaining to the Business. In connection with the foregoing, the Sellers shall use commercially reasonable efforts to cause their Representatives to furnish to the Purchaser such financial, technical, operating and other information pertaining to the Business as the Purchaser's Representatives shall from time to time reasonably request and to discuss such information with such Representatives. Without limiting the generality of the foregoing, the Sellers shall, and shall use commercially reasonable efforts to cause each of their Affiliates to, cooperate with the Purchaser as may reasonably be requested by the Purchaser for purposes of (i) enabling an independent accounting firm selected by the Purchaser to conduct an audit of the Business, including access to Parent's independent auditors' working papers pertaining to the Business or the Purchased Assets including any environmental assessment; (ii) undertaking, with the consent of Parent, which consent shall not be unreasonably withheld or delayed, any study of the condition or value of the Purchased Assets or the assets of the Marshall Islands Subsidiaries; and (iii) undertaking any study relating to the compliance by the Sellers or the Marshall Islands Subsidiaries with Laws; and the Sellers acknowledge that information or access may be requested and used for such purpose.

(c) From and after the Closing Date, the Purchaser shall give the Sellers and the Sellers' Representatives reasonable access during normal business hours to the offices, facilities, plants, properties, assets, Employees, Documents (including, without limitation, any Documents included in the Purchased Assets), personnel files and books and records of the Purchaser pertaining to (i) the conduct of the Business or ownership of the Purchased Assets prior to the Closing Date or (ii) the Excluded Assets and Excluded Liabilities. In connection with the foregoing, the Purchaser shall use commercially reasonable efforts to cause its Representatives to furnish to the Sellers such financial, technical, operating and other information pertaining to (i) the conduct of the Business or ownership of the Purchased Assets prior to the Closing Date or (ii) the Excluded Assets and Liabilities, in each case, as the Sellers' Representatives shall from time to time reasonably request and to discuss such information with such Representatives.

(d) No information received pursuant to an investigation made under this Section 8.2 shall be deemed to (i) qualify, modify, amend or otherwise affect any representations, warranties, covenants or other agreements of the Sellers set forth in this Agreement or any certificate or other instrument delivered to the Purchaser in connection with the transactions contemplated hereby, (ii) amend or otherwise supplement the information set forth in the Disclosure Schedule, (iii) limit or restrict the remedies available to the parties under applicable Law arising out of a breach of this Agreement or otherwise available at Law or in equity, or (iv) limit or restrict the ability of either party to invoke or rely on the conditions to the obligations of the parties to consummate the transactions contemplated by this Agreement set forth in Article 9.

8.3 Assignability of Certain Contracts, Etc. To the extent that the assignment to the Purchaser of any Assigned Contract pursuant to this Agreement is not permitted without the consent of a third party and such restriction cannot be effectively overridden or canceled by the Sale Order or other related order of the Bankruptcy Court, then this Agreement will not be deemed to constitute an assignment of or an undertaking or attempt to assign such Assigned Contract or any right or interest therein unless and until such consent is obtained; provided, however, that the parties hereto will use their commercially reasonable efforts, before the Closing, to obtain all such consents; provided, further, that if any such consents are not obtained prior to the Closing Date, the Sellers and the Purchaser will reasonably cooperate with each other in any lawful and feasible arrangement designed to provide the Purchaser (such arrangement to be at the sole cost and expense of the Purchaser) with the benefits and obligations of any such Assigned Contract and the Purchaser shall be responsible for performing all obligations under such Assigned Contract required to be performed by the Sellers on or after the Closing Date to the extent that if such Assigned Contract were assumed by the Purchaser as of the Closing Date the obligations thereunder would have constituted an Assumed Liability.

8.4 Rejected Contracts. The Sellers shall not reject any Assigned Contract in the Chapter 11 Case without the prior written consent of the Purchaser.

8.5 Further Agreements. The Purchaser authorizes and empowers the Sellers from and after the Closing Date to receive and to open all mail received by the Sellers relating to the Purchased Assets, the Business or the Assumed Liabilities and to deal with the contents of such communications in accordance with the provisions of this Section 8.5. The Sellers shall (i) promptly deliver to the Purchaser any mail or other communication received by them after the Closing Date and relating to the Purchased Assets, the Business or the Assumed Liabilities, (ii) promptly transfer in immediately available funds to the Purchaser any cash, electronic credit or deposit received by such Seller but solely to the extent that such cash, electronic credit or deposit are Purchased Assets or otherwise relate to the International Business and (iii) promptly forward to the Purchaser any checks or other instruments of payment that it receives but solely to the extent that such checks or other instruments are Purchased Assets or otherwise relate to the International Business. The Purchaser shall (x) promptly deliver to the Sellers any mail or other communication received by it after the Closing Date and relating to the Excluded Assets or the Excluded Liabilities, (y) promptly wire transfer in immediately available funds to the Sellers, any cash, electronic credit or deposit received by the Purchaser but solely to the extent that such cash, electronic credit or deposit are Excluded Assets and (z) promptly forward to the Sellers any checks or other instruments of payment that it receives but solely to the extent that such checks

or other instruments are Excluded Assets. From and after the Closing Date, the Sellers shall refer all inquiries with respect to the International Business, the Purchased Assets and the Assumed Liabilities to the Purchaser, and the Purchaser shall refer all inquiries with respect to the Excluded Assets and the Excluded Liabilities to the Sellers.

8.6 Further Assurances.

(a) Subject to the terms and conditions of this Agreement and applicable Law, the Sellers and the Purchaser shall use their respective commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement as soon as practicable, and shall coordinate and cooperate with each other in exchanging information, keeping the other party reasonably informed with respect to the status of the matters contemplated by this Section 8.6 and supplying such reasonable assistance as may be reasonably requested by the other party in connection with the matters contemplated by this Section 8.6. Without limiting the foregoing, following the Petition Date and until the date on which this Agreement is terminated in accordance with Section 3.4, the parties shall use their commercially reasonable efforts to take the following actions but solely to the extent that such actions relate to the transactions contemplated by this Agreement:

(i) obtain any required consents, approvals (including Regulatory Approvals), waivers, Permits, authorizations, registrations, qualifications or other permissions or actions by, and give all necessary notices to, and make all filings with, and applications and submissions to, any Governmental Body or third party and provide all such information concerning such party as may be necessary or reasonably requested in connection with the foregoing;

(ii) avoid the entry of, or have vacated or terminated, any injunction, decree, order, or judgment that would restrain, prevent, or delay the consummation of the transactions contemplated hereby;

(iii) take any and all reasonably necessary steps to avoid or eliminate every impediment under any applicable Law that is asserted by any Governmental Body with respect to the transactions contemplated hereby so as to enable the consummation of such transactions to occur as expeditiously as possible;

(iv) execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and acquaintances and such other instruments, and cooperate and take such further actions, as may be reasonably necessary or appropriate to transfer and assign fully to the Purchaser and its successors and assigns, all of the Purchased Assets, and for the Purchaser and its successors and assigns, to assume the Assumed Liabilities, and to otherwise make effective the transactions contemplated hereby and thereby; and

(v) take any and all actions necessary to effect the transfer all of the Permits and include all such Permits in the Purchased Assets.

(b) Subject to the terms and conditions of this Agreement, the parties shall not take any action or refrain from taking any action the effect of which would be to delay or impede the ability of the Sellers and the Purchaser to consummate the transactions contemplated by this Agreement, unless in such party's reasonable judgment, taking such action or refraining from taking such action is consistent with achieving the ultimate objective or consummating the transactions contemplated hereby or is required by applicable Law.

(c) Following the Execution Date and until the earlier of the Closing Date and the date on which this Agreement is terminated in accordance with Section 3.4, the Sellers, on the one hand, and the Purchaser, on the other hand, shall keep each other reasonably informed as to the status of matters relating to the completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by the Sellers or the Purchaser or by any of their respective Affiliates (as the case may be), from any third party and/or any Governmental Body with respect to the transactions contemplated by this Agreement.

(d) The obligations of the Sellers pursuant to this Section 8.6 shall be subject to any orders entered, or approvals or authorizations granted or required, by or under the Bankruptcy Court or the Bankruptcy Code (including in connection with the Chapter 11 Case), and the Sellers' obligations as a debtor in possession to comply with any order of the Bankruptcy Court (including the Bidding Procedures Order and the Sale Order) and the Sellers' duty to seek and obtain the highest or otherwise best price for the Business as required by the Bankruptcy Code.

8.7 Preservation of Records. The Sellers and the Purchaser agree that each of them shall preserve and keep the records held by them or their Affiliates relating to the Business, the Purchased Assets and Assumed Liabilities for a period ending on the earlier of (i) five (5) years from the Closing Date and (ii) the liquidation and winding up of the Sellers' estates, in the case of the Purchaser, and until the closing of the Chapter 11 Case or the liquidation and winding up of the Sellers' estates, in the case of the Sellers, and shall make such records available to the other party as may be reasonably required by such other party in connection with, among other things, any insurance claims by, actions or tax audits against or governmental investigations of the Sellers or the Purchaser or any of their respective Affiliates or in order to enable the Sellers or the Purchaser to comply with their respective obligations under this Agreement and each other agreement, document or instrument contemplated hereby or thereby.

8.8 Publicity. The Sellers or the Purchaser may issue a press release or public announcement concerning this Agreement or the transactions contemplated hereby only with the prior written approval of the other parties hereto, which approval will not be unreasonably withheld, conditioned or delayed, unless, in the sole judgment of the disclosing party, such disclosure is otherwise required to comply with applicable Law or the regulations of the Securities and Exchange Commission or by the Bankruptcy Court with respect to filings to be made with the Bankruptcy Court in connection with this Agreement. Without limiting the generality of the foregoing sentence, the party intending to make such release shall use its commercially reasonable efforts, consistent with such applicable Law or Bankruptcy Court requirement, to consult with the other parties with respect to the text thereof.

8.9 Communication with Acquired Customers. If requested by the Purchaser, the Sellers shall send a letter to the Acquired Customers, in form and substance reasonably satisfactory to the Purchaser, at a mutually satisfactory time after the Bankruptcy Court's entry of the Sale Order, which shall include, but not be limited to, advising the Acquired Customers about the existence of (but not the terms of) this Agreement and the pending transfer of the Acquired Customers' Assigned Contracts from the Sellers to the Purchaser. In addition, the Purchaser shall have the right to contact and meet with any parties to any Assigned Contract with respect to any Purchased Assets or Assumed Liabilities; provided, however, that a representative of the Sellers shall have the right to participate in any such contact or meeting.

8.10 Notification of Certain Matters.

(a) To the extent permitted by applicable Law, the Sellers shall give prompt written notice to the Wilmington Trust Company, in its capacity as Indenture Trustee and Collateral Trustee in connection with the Senior Secured Notes due 2012, and the Purchaser of (i) the receipt by any Seller of any notice or other communication from any Person alleging that the consent of such Person which is or may be required in connection with the transactions contemplated by this Agreement is not likely to be obtained prior to Closing, (ii) the receipt by any Seller of any written objection or proceeding that challenges the transactions contemplated hereby or the entry of the approval of the Bankruptcy Court, (iii) the receipt by any Seller of any notice of any alleged violation of Law applicable to the Sellers or the Business, (iv) the commencement of any investigation, inquiry or review by any Governmental Body with respect to the Business, and (v) the execution of any Material Contract entered into other than in the Ordinary Course of Business (and the Sellers shall deliver or make available a copy thereof to the Purchaser).

(b) To the extent permitted by applicable Law, the Purchaser shall give prompt written notice to the Parent of (i) the receipt by the Purchaser of any notice or other communication from any Person alleging that the consent of such Person which is or may be required in connection with the transactions contemplated by this Agreement is not likely to be obtained prior to Closing, (ii) the receipt by the Purchaser of any written objection or proceeding that challenges the transactions contemplated hereby or the entry of the approval of the Bankruptcy Court, and (iii) the receipt by the Purchaser of any notice of any alleged violation of Law applicable to the Sellers or the Business.

8.11 DIP Loan Documents. Notwithstanding anything in this Agreement to the contrary, between the date of this Agreement and the earlier of the termination of this Agreement in accordance with Section 3.4 and the Closing Date, it shall not be a breach of this Agreement for, and nothing in this Agreement shall (or shall be deemed to) limit or affect the ability of the Sellers to incur Indebtedness or borrow funds under the DIP Facility, including, without limitation, for the purpose of funding the Wind Down Budget, in accordance with the terms and conditions of the DIP Loan Documents.

8.12 [Reserved.]

ARTICLE 9.

CONDITIONS TO CLOSING

9.1 Conditions Precedent to the Obligations of the Purchaser and the Sellers. The respective obligations of each party to this Agreement to consummate the transactions contemplated by this Agreement are subject to the satisfaction or written waiver, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived in writing by the Sellers and the Purchaser in whole or in part to the extent permitted by applicable Law):

(a) there shall not be in effect any statute, rule, regulation, executive order enacted, issued, entered or promulgated by a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby; and

(b) the Bankruptcy Court shall have entered the Bidding Procedures Order and the Sale Order (as provided in Article 7) and each of such orders shall be a Final Order and in form and substance satisfactory to the Sellers and the Purchaser and the Bidding Procedures Order and the Sale Order have not been stayed, reversed, modified or amended in any respect without the prior written consent of the Purchaser and the Sellers.

9.2 Conditions Precedent to the Obligations of the Sellers. The obligations of the Sellers to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived in writing by the Sellers in whole or in part to the extent permitted by applicable Law):

(a) the representations and warranties of the Purchaser set forth in Article 5 hereof shall be true and correct in all material respects on the date hereof and as of the Closing Date as though made on and as of the Closing Date (except for such representations and warranties made as of a certain date, which shall be true and correct as of such date as though made on and as of such date);

(b) the Purchaser shall have performed and complied in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by the Purchaser on or prior to the Closing Date;

(c) the Purchaser shall have delivered, or caused to be delivered, to the Sellers all of the items set forth in Section 3.3; and

(d) the Purchaser shall have provided the Purchase Price in accordance with Section 2.1.

9.3 Conditions Precedent to the Obligations of the Purchaser. The obligations of the Purchaser to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of

which may be waived in writing by the Purchaser in whole or in part to the extent permitted by applicable Law):

(a) the Sellers shall have delivered to the Purchaser (i) a certified copy of the Sale Order (which shall contain the terms described in Section 7.2) and (ii) copies of all affidavits of service of the Sale Motion or notice of such motion filed with the Bankruptcy Court by or on behalf of the Sellers (which service shall comply with Section 7.1(e));

(b) the Bidding Procedures Order shall have been approved by the Bankruptcy Court by the close of business on the day that is fifteen (15) days after the Petition Date unless such date is waived or extended by the Purchaser in its sole discretion and (B) following its entry, the Bidding Procedures Order shall continue be in full force and effect and shall not have been stayed, vacated, reversed, modified, amended, or supplement in any material respect without the prior written consent of the Purchaser and the Sellers;

(c) the Sale Order shall have been approved by the Bankruptcy Court by the close of business on the day that is forty (40) days after the Petition Date unless such date is waived or extended by the Purchaser in its sole discretion and (B) following its entry, the Sale Order shall continue to be in full force and effect and shall not have been stayed, vacated, reversed, modified, amended, or supplement in any material respect without the prior written consent of the Purchaser and the Seller;

(d) the Sale Order shall have become a Final Order and shall be in full force and effect;

(e) the Bankruptcy Court shall not have entered an order (i) dismissing any Chapter 11 Case or converting any Chapter 11 Case into a case or cases under Chapter 7 of the Bankruptcy Code, or (ii) appointing a trustee or examiner with expanded powers to operate or manage the financial affairs, the business or the reorganization of the Sellers in any Chapter 11 Case;

(f) the representations and warranties of the Sellers set forth in Article 4 hereof shall be true and correct in all material respects on the date hereof and as of the Closing Date as though made on and as of the Closing Date (except for such representations and warranties made as of a certain date, which shall be true and correct as of such date as though made on and as of such date);

(g) the Sellers shall have performed and complied in all material respects with all obligations and agreements required in this Agreement to be performed or complied with by them on or prior to the Closing Date;

(h) except as provided in Section 8.3, all of the Assigned Contracts shall (i) be in full force and effect on the Closing Date, and (ii) be assignable to the Purchaser without the consent of the counterparty to such Assigned Contract for such assignment (or such consent shall have been received prior to the Closing Date);

(i) the Sellers shall have delivered, or caused to be delivered, to the Purchaser all of the items set forth in Section 3.2;

(j) the Bankruptcy Court shall have, within twenty-five (25) calendar days after the Petition Date, entered a final order in form and substance mutually acceptable to the Purchaser and the Sellers approving the DIP Facility and such final order shall be in full force and effect and shall not have been stayed, vacated, reversed, modified, amended, or supplement in any material respect without the prior written consent of the Purchaser and the Sellers;

(k) the DIP Lenders shall not have terminated the DIP Financing Agreement and accelerated the repayment obligations of the Debtors under the DIP Financing Agreement, and the DIP Financing Agreement shall otherwise be in full force and effect;

(l) all required governmental or regulatory approvals and consents, if any, shall have been received;

(m) between the Petition Date and the Closing Date, there shall not have occurred a Material Adverse Effect; and

(n) the Sellers and the Marshall Islands Subsidiaries shall have filed all Tax Returns, including Internal Revenue Service Form 1120-F, for all taxable periods ending on or before December 31, 2009; and

(o) the Purchaser shall have completed its due diligence review of the Purchased Assets and Assumed Liabilities to its satisfaction.

9.4 Frustration of Closing Conditions. Neither the Sellers nor the Purchaser may rely on the failure of any condition set forth in Sections 9.1, 9.2 or 9.3, as the case may be, if such failure was caused directly by such party's failure to comply with any provision of this Agreement.

ARTICLE 10.

ADDITIONAL DEFINITIONS

10.1 Certain Definitions. As used herein:

(a) "Accounts Receivable" means (i) any and all accounts receivable, trade accounts and other amounts receivable (including overdue accounts receivable) owed to the Sellers relating to, or arising in connection with the operation and conduct of, the Business and any other rights of the Sellers to payment from third parties including, but not limited to those reflected in the books and records of the Company, and the full benefit of all security for such accounts or rights to payment, including all accounts receivable representing amounts receivable in respect of goods shipped, products sold or services rendered, in each case owing to the Sellers; (ii) all other accounts or notes receivable of the Sellers and the full benefit of all security for such accounts or notes receivable arising in the conduct of the Business; and (iii) any and all claims, remedies or other right relating to any of the foregoing, together with any interest or unpaid financing charges accrued thereon, in each case existing on the Execution Date or arising in the Ordinary Course of Business after the Execution Date and in each case that have not been satisfied or discharged prior to the close of business on the Business Day immediately preceding the Closing Date or have not been written off or sent to collection prior to the close of business

on the Business Day immediately preceding the Closing Date (it being understood that the receipt of a check prior to the close of business on the Business Day immediately preceding the Closing Date shall constitute satisfaction or discharge of the applicable account or note receivable to the extent of the payment represented thereby).

(b) "Affiliate" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

(c) "Alternative Transaction" means (i) a sale or sales to a Person other than the Purchaser (or an Affiliate thereof) of (A) a material portion of the Purchased Assets (other than the Majestic Vessels), (B) equity securities of any Sellers or any Marshall Islands Subsidiary, or (C) a material portion of the assets of any Marshall Islands Subsidiary or (ii) the filing of a plan of reorganization that does not contemplate the sale of the Purchased Assets (other than the Majestic Vessels) to the Purchaser in accordance with the terms hereof.

(d) "Auction" has that meaning ascribed to such term by the Bidding Procedures Order.

(e) "Benefit Plan" means each plan, program, arrangement, agreement or commitment sponsored or maintained by or on behalf of the Sellers or the Marshall Islands Subsidiaries or to which any Seller or Marshall Islands Subsidiary makes or is obligated to make contributions or which is a pension, profit sharing, savings, thrift or other retirement plan, deferred compensation, stock purchase, stock option, performance share, bonus or other incentive plan, severance pay plan, policy or procedure, life, health, disability or accident insurance plan, including each "employee benefit plan" as defined in section 3(3) of ERISA, or vacation or other employee benefit plan, program, arrangement, agreement or commitment, whether or not written.

(f) "Bidding Procedures Order" means an order substantially in the form attached hereto as Exhibit G and otherwise in form and substance satisfactory to the Sellers and the Purchaser.

(g) "Business" means any and all business activities of any kind that are conducted by Parent and its Subsidiaries, including, among other things, operating and managing luxury cruise ship travel for customers of the Domestic Business and the International Business.

(h) "Business Day" means any day other than a Saturday, Sunday or other day on which the Bankruptcy Court is closed or on which commercial banks in New York City, New York are authorized or required by Law to be closed.

(i) "Cash and Cash Equivalents" means all of the Sellers' cash (including petty cash and checks received prior to the close of business on the Closing Date) checking account balances, marketable securities, certificates of deposits, time deposits, bankers' acceptances, commercial paper and government securities and other cash equivalents (but

specifically excluding any cash in the Wind Down Budget and any cash payable by the Purchaser to the Sellers pursuant to this Agreement).

(j) "Claim" has the meaning set forth in section 101(5) of the Bankruptcy Code.

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

(l) "Contract" means any written or oral contract, purchase order, service order, sales order, indenture, note, bond, lease, license, commitment or instrument or other agreement, arrangement or commitment that is binding upon a Person or its property.

(m) "Convertible Notes" means the 3.75% Convertible Senior Notes due 2027 issued under the indenture dated April 3, 2007, as amended, between Parent and Wells Fargo Bank, National Association, as trustee

(n) "Credit Card Receivables" means all accounts receivables and other amounts owed to any of the Sellers or other Debtors (whether current or non-current) in connection with any customer purchases from any of the Sellers or Debtors that are made with credit cards or any other amounts owing from the credit card processors to the Sellers or other Debtors, in each case which are not subject to offset, chargeback or other reduction.

(o) "Cure Costs" means the amounts necessary to cure all defaults, if any, and to pay all actual pecuniary losses, if any, that have resulted from such defaults, under the Assigned Contracts, in each case as of the Petition Date and to the extent required by Section 365 of the Bankruptcy Code and any order of the Bankruptcy Court, which amounts (if not already paid or to be paid in the Ordinary Course of Business pursuant to an order of the Bankruptcy Court) shall be identified to Purchaser on Schedule 10.1(m) of the Disclosure Schedule at least three (3) days prior to the Auction.

(p) "DIP Facility" means that certain Senior Secured Superpriority Debtor-in-Possession Credit Facility provided by Whippoorwill under the DIP Credit Agreement and the other DIP Loan Documents.

(q) "DIP Credit Agreement" means that certain Senior Secured Superpriority Debtor-in-Possession Credit and Guaranty Agreement, dated as of [April __], 2011, by and among the Parent and the Parent's subsidiaries, the lenders from time to time party thereto (the "DIP Lenders"), and Law Debenture Trust Company of New York, as Administrative Agent (in its capacity as Administrative Agent, the "DIP Agent") as amended, modified, supplemented or restated from time to time in accordance with its terms.

(r) "DIP Loan Documents" means the "Loan Documents" as defined in the DIP Credit Agreement, as such Loan Documents are amended, modified, supplemented or restated from time to time in accordance with their terms.

(s) "DIP Order" means the interim order or final order, as applicable, of the Bankruptcy Court approving the DIP Credit Agreement and authorizing the Debtors' incurrence of post-petition secured financing under Section 364 of the Bankruptcy Code.

(t) "Documents" means all of the Sellers' written files, documents, instruments, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, plans, operating records, safety and environmental reports, data, studies and documents, Tax Returns, ledgers, journals, title policies, customer lists, regulatory filings, operating data and plans, research material, technical documentation (design specifications, engineering information, test results, maintenance schedules, functional requirements, operating instructions, logic manuals, processes, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), and other similar materials, in each case whether or not in electronic form.

(u) "Domestic Business" means the business conducted in North America by the Sellers.

(v) "Employee" means an individual who, as of the applicable date, is employed by any of the Sellers or the Marshall Islands Subsidiaries in connection with the Business.

(w) "Employment and Withholding Taxes" means any and all required federal, state and local income and bonus withholding, social security, federal, state and local unemployment insurance, Medicare, backup withholding and other payroll taxes that are associated with wage and nonemployee payments and are required by or imposed by any Governmental Body, including any interest, penalties or additional amounts relating thereto.

(x) "Encumbrance" means any lien, encumbrance, claim (as defined in Section 101(5) of the Bankruptcy Code), right, demand, charge, mortgage, deed of trust, option, pledge, security interest or similar interests, title defects, hypothecations, easements, rights of way, restrictive covenants, encroachments, rights of first refusal, preemptive rights, judgments, conditional sale or other title retention agreements and other impositions, imperfections or defects of title or restrictions on transfer or use of any nature whatsoever.

(y) "Environmental Laws" means all Laws of any Governmental Body (including common law) relating to pollution or protection of health, safety, natural resources or the environment, or the generation, use, treatment, storage, handling, transportation or Release of, or exposure to or threatened exposure to, Hazardous Materials, including, without limitation, the Federal Water Pollution Control Act (33 U.S.C. §1251 et seq.), Resource Conservation and Recovery Act (42 U.S.C. §6901 et seq.), Safe Drinking Water Act (42 U.S.C. §3000(f) et seq.), Toxic Substances Control Act (15 U.S.C. §2601 et seq.), Clean Air Act (42 U.S.C. §7401 et seq.), Hazardous Materials Transportation Act (49 U.S.C. §5101 et seq.) and other similar federal, state, provincial and local statutes, as each may be amended from time to time, and all regulations thereunder.

(z) "Environmental Permits" means all Permits required under any Environmental Law.

(aa) "Equipment" means all equipment, machinery, vehicles, storage tanks, furniture, fixtures and other tangible personal property of every kind and description and

improvements and tooling used, or held for use, in connection with the operation of the Business and owned by the Sellers, wherever located, including but not limited to, communications equipment, the IT Assets, and any attached and associated hardware, routers, devices, panels, cables, manuals, cords, connectors, cards, and vendor documents, and including all warranties of the vendor applicable thereto, to the extent such warranties are transferable, but excluding software and any other intangibles associated therewith except to the extent embedded in such Equipment and required to operate it.

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

(cc) "ERISA Affiliate" means any entity which is, or at any relevant time was, a member of (A) a controlled group of corporations (as defined in Section 414(b) of the Code), (B) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), (C) an affiliated service group (as defined under Section 414(m) of the Code) or (D) any group specified in regulations under Section 414(o) of the Code, any of which includes or included the Sellers.

(dd) "Final Order" means an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction entered by the Clerk of the Bankruptcy Court or such other court on the docket in the Chapter 11 Case or the docket of such other court, which has not been modified, amended, reversed, vacated or stayed and as to which (a) the time to appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for *certiorari* or motion for new trial, reargument or rehearing shall then be pending or (b) if an appeal, writ of *certiorari* new trial, reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court or other court of competent jurisdiction shall have been affirmed by the highest court to which such order was appealed, or *certiorari* shall have been denied, or a new trial, reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for *certiorari* or move for a new trial, reargument or rehearing shall have expired, as a result of which such order shall have become final in accordance with Rule 8002 of the Federal Rules of Bankruptcy Procedure; provided, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause an order not to be a Final Order.

(ee) "GAAP" means United States generally accepted accounting principles as in effect from time to time.

(ff) "Governmental Body" means any government, quasi governmental entity, or other governmental or regulatory body, agency or political subdivision thereof of any nature, whether foreign, federal, state or local, or any agency, branch, department, official, entity, instrumentality or authority thereof, or any court or arbitrator (public or private) of applicable jurisdiction.

(gg) "Hazardous Materials" means (A) petroleum, including crude, and all derivatives thereof or synthetic substitutes therefor, (B) asbestos and asbestos containing materials, (C) polychlorinated biphenyls ("PCBs") and PCB-containing equipment, (D) lead and

lead-containing materials and (E) any and all materials, substances, or chemicals now or hereafter regulated, defined, listed, designated or classified as, or otherwise determined to be, "pollutants," "contaminants," "hazardous wastes," "hazardous substances," "radioactive," "solid wastes," or "toxic" (or words of similar meaning) under or pursuant to or otherwise listed or regulated pursuant to any Environmental Law.

(hh) "Income Taxes" shall mean all Taxes based upon, measured by, or calculated with respect to gross or net income or gross or net receipts or profits, including any interest, penalty or addition thereto.

(ii) "Indebtedness" of any Person means, without duplication, (i) the interest in respect of, principal of and premium (if any) in respect of (x) indebtedness of such Person for money borrowed and (y) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person issued or assumed as the deferred purchase price of property (other than for services and goods acquired in the Ordinary Course of Business); (iii) all obligations of such Person under leases required to be capitalized in accordance with GAAP; (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) of any Persons for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Encumbrance (other than Permitted Encumbrances), on any property or asset of such Person (whether or not such obligation is assumed by such Person).

(jj) "Intellectual Property" means all United States or foreign intellectual property and proprietary rights of any kind, including the following: (i) trademarks, service marks, trade names, slogans, logos, trade dress, internet domain names, uniform resource identifiers, rights in design, brand names, and other similar designations of source, origin sponsorship, endorsement or certification, together with all goodwill, registrations and applications related to the foregoing; (ii) patents, utility models and industrial design registrations (together with applications for any of the foregoing and all continuations, divisionals, continuations in part, provisionals, renewals, reissues and re-examined patents); (iii) copyrights and works of authorship and other copyrightable subject matter (including without limitation any registration and applications for any of the foregoing); (iv) trade secrets and other confidential or proprietary business information (including technology, drawings, specifications, designs, plans, proposals, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans, customer, vendor, employee and supplier lists and information), know how, proprietary processes, formulae, algorithms, models, and methodologies; (v) computer software, computer programs, and databases (whether in source code, object code or other form) other than off-the-shelf computer software programs; and (vi) all rights to sue for past, present and future infringement, misappropriation, dilution or other violation of any of the foregoing and all remedies at law or equity associated therewith.

(kk) "International Business" means the business conducted by the Marshall Islands Subsidiaries.

(ll) "International Vessels" means, collectively (i) *Wind Surf*, a Bahamian vessel with Registration Number 716016 and Call Sign PHHZ, (ii) *Wind Spirit*, a Bahamian vessel with Registration Number 711121 and Call Sign C6CY9 and (iii) *Wind Star*, a Bahamian vessel with Registration Number 710711 and Call Sign C6CA9, owned by Marshall Islands Subsidiaries, together with their respective registries, logs (including maintenance logs), maintenance schedules, life safety, firefighting and abandon ship procedures, blueprints, correspondence with Governmental Bodies, plans, mechanicals and other specifications, furniture, fixtures, engines, parts, inventory (including food, liquor and other consumable goods), fittings, décor (including artwork) and related property and tackle, whether on board or ashore, and all other appurtenances owned by Marshall Islands Subsidiaries.

(mm) "Inventory" means all of the Sellers' inventories of raw materials, office supplies, works in progress, goods, spare parts and replacement and component parts and fuel that are used, or held for use, in connection with the operation of the Business.

(nn) "IT Assets" means all of the Sellers' computers, computer software and databases (including source code, object code and all related documentation), firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines, and all other information technology equipment and elements, and all associated documentation that are used, or held for use, in connection with the operation of the Business.

(oo) "Knowledge of the Seller" (or "Sellers' Knowledge") means the actual knowledge, after due inquiry, of Hans Birkholz or Mark Detillion, in each case, including facts of which such individuals should be aware in the reasonably prudent exercise of their duties.

(pp) "Laws" means all federal, state, local or foreign laws, statutes, common law, rules, codes, regulations, restrictions, ordinances, orders, decrees, approvals, directives, judgments, rulings, injunctions, writs and awards of, or issued, promulgated, enforced or entered by, any and all Governmental Bodies, or court of competent jurisdiction, or other requirement or rule of law.

(qq) "Leased Real Property" means all of the real property leased, subleased, licensed, used or occupied by the Sellers or the Marshall Islands Subsidiaries, together with all buildings, structures, fixtures and improvements erected thereon, and any and all rights privileges, easements, licenses, hereditaments and other appurtenances relating thereto, and used, or held for use, in connection with the operation of the Business.

(rr) "Liability" means, as to any Person, any debt, adverse claim, liability, duty, responsibility, obligation, commitment, assessment, cost, expense, loss, expenditure, charge, fee, penalty, fine, contribution or premium of any kind or nature whatsoever, whether known or unknown, asserted or unasserted, absolute or contingent, direct or indirect, accrued or unaccrued, liquidated or unliquidated, or due or to become due, and regardless of when sustained, incurred or asserted or when the relevant events occurred or circumstances existed, including all costs and expenses relating thereto

(ss) "Majestic Vessels" means the U.S.-flagged (i) *Delta Queen* paddlewheel riverboat, Official No. 225875, which is leased under a bareboat charter agreement under which

the lessee is operating a fixed location hotel on the vessel in Chattanooga, Tennessee, and (ii) *Columbia Queen* paddlewheel riverboat, Official No. 1023608, together with their respective registries, logs (including maintenance logs), maintenance schedules, life safety, firefighting and abandon ship procedures, blueprints, correspondence with Governmental Bodies (including the United States Coast Guard), plans, mechanicals and other specifications, furniture, fixtures, engines, parts, inventory (including food, liquor and other consumable goods), fittings, décor (including artwork) and related property and tackle, whether on board or ashore, and all other appurtenances owned by the Sellers.

(tt) "Marshall Islands Balance Sheet" means the consolidated balance sheet of the Marshall Islands Subsidiaries at December 31, 2010.

(uu) "Marshall Islands Subsidiaries" means Marshall Islands and its direct and indirect Subsidiaries (including but not limited to Cruise Group USA).

(vv) "Material Adverse Effect" means any event, circumstance, change, occurrence or state of facts that has had, or would reasonably be expected to have, a material adverse effect on the (i) the Acquired Assets, (ii) the Business, taken as a whole, or (iii) the ability of the Sellers to consummate the transactions contemplated by this Agreement or perform their obligations under this Agreement, except, in each case, for any such effect resulting from any of the following: (A) changes in conditions in the U.S. or global economy or capital or financial markets generally, including changes in interest or exchange rates, except to the extent such changes disproportionately affect the Sellers relative to other Persons in the industry in which the Business is engaged, (B) changes after the date hereof in general legal, tax, regulatory, political or business conditions in the geographic regions in which the Business operates, except to the extent such changes disproportionately affect the Business relative to other Persons in the industry in which the Business is engaged, (C) changes after the date hereof in any applicable Law or in GAAP, (D) the announcement or pendency of this Agreement or the transactions contemplated hereby on relationships, contractual or otherwise, with customers, suppliers, vendors or employees, (E) acts of war, armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war, armed hostilities, sabotage or terrorism threatened or underway as of the date of this Agreement, except to the extent such events disproportionately affect the Business relative to other Persons in the industry in which the Business is engaged, (F) earthquakes, hurricanes, floods, or other natural disasters, except to the extent such events disproportionately affect the Business relative to other Persons in the industry in which the Business engaged, (G) any failure by the Business to meet any internal or external projections, forecasts or estimates of revenues or earnings, in and of itself, for any period ending on or after the date hereof; provided, however, that the exception in this clause (G) shall not apply to the facts and circumstances underlying any such failure, (H) any action taken by the Sellers with the prior written consent of the Purchaser or (I) the commencement and continuation of the Chapter 11 Case.

(ww) "Order" means any order, writ, judgment, injunction, decree, rule, ruling, directive, determination or award made, issued or entered by or with any Governmental Body, whether preliminary, interlocutory or final, including any Order entered by the Bankruptcy Court in the Bankruptcy Case (including the Sale Order).

(xx) "Ordinary Course of Business" means the ordinary and usual course of normal day to day operations of the Business consistent with past practice.

(yy) "Permits" means all notifications, licenses, permits (including environmental, construction and operation permits), franchises, certificates, approvals, consents, waivers, clearances, exemptions, classifications, registrations, variances, orders, tariffs, rate schedules and other similar documents and authorizations issued by any Governmental Body to the Sellers and used, or held for use, in connection with the operation of the Business or applicable to ownership of the Purchased Assets or assumption of the Assumed Liabilities.

(zz) "Permitted Encumbrances" means (i) Encumbrances related to the DIP Facility, all of which shall remain outstanding notwithstanding the purchase of the Purchased Assets, (ii) Encumbrances for utilities and current Taxes not yet due and payable or being contested in good faith, (iii) easements, rights of way, restrictive covenants, encroachments and similar non-monetary encumbrances or non-monetary impediments against any of the Purchased Assets which do not, individually or in the aggregate, adversely affect the operation of the Business and, in the case of the Assumed Leased Real Property, which do not, individually or in the aggregate, adversely affect the use or occupancy of such Assumed Leased Real Property as it relates to the operation of the Business or materially detract from the value of the Assumed Leased Real Property, (iv) applicable zoning Laws, building codes, land use restrictions and other similar restrictions imposed by Law, (v) materialmans', mechanics', artisans', shippers', warehousemans' or other similar common law or statutory liens incurred in the Ordinary Course of Business, and (vi) such other Encumbrances as the Purchaser may approve in writing in its sole discretion.

(aaa) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, labor union, estate, Governmental Body or other entity or group.

(bbb) "Petition Date" means the date on which the Sellers commence the Chapter 11 Case.

(ccc) "Prepetition Working Capital Facility" means that certain Credit and Guaranty Agreement, dated as of March 23, 2010, by and among the Parent and the Parent's subsidiaries, the lenders from time to time party thereto, and Law Debenture Trust Company of New York, as Administrative Agent and Collateral Agent, as amended, modified, supplemented or restated from time to time in accordance with its terms, together with all documents and instruments securing the obligations of Parent and its Subsidiaries thereunder.

(ddd) "Regulatory Approvals" means any consents, waivers, approvals, orders Permits or authorizations of any Governmental Body required in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereunder.

(eee) "Release" means, with respect to any Hazardous Material, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching,

dumping, disposing or migrating into or through any surface or ground water, drinking water supply, soil, surface or subsurface strata or medium, or the ambient air.

(fff) "Sale Hearing" means the hearing to approve this Agreement and seeking entry of the Sale Order.

(ggg) "Sale Motion" means the motion or motions of the Sellers, in form and substance acceptable to the Sellers and the Purchaser, seeking approval and entry of the Bidding Procedures Order and Sale Order.

(hhh) "Sale Order" means an order approving the transaction contemplated in this Agreement and providing, among other things, for the dismissal of the chapter 11 case of Cruise Group USA, substantially in the form attached hereto as Exhibit D and otherwise in form and substance satisfactory to the Sellers and the Purchaser,

(iii) "Secured Noteholders" means the holders of the Senior Secured Notes as of the Petition Date.

(jjj) "Secured Notes Obligations" means all outstanding obligations under the Senior Secured Notes and the Secured Notes Indenture Documents.

(kkk) "Secured Notes Indenture Documents" means the Indenture dated as of November 13, 2009, as amended, between Parent and its Subsidiaries and Wilmington Trust Company, as indenture trustee, together with all documents and instruments securing the obligations of Parent and its Subsidiaries thereunder.

(lll) "Secured Parties" means, collectively, the DIP Lenders and the holders of the Senior Secured Notes.

(mmm)"Seller Plans" means (i) all "employee benefit plans" (as defined in Section 3(3) of ERISA), including all employee benefit plans which are "pension plans" (as defined in Section 3(2) of ERISA) and any other written employee benefit arrangements or payroll practices (including, without limitation, severance pay, vacation pay, company awards, salary continuation for disability, sick leave, death benefit, hospitalization, welfare benefit, group or individual health, dental, medical, life, insurance, survivor benefit, deferred compensation, profit sharing, retirement, retiree medical, supplemental retirement, bonus or other incentive compensation, stock purchase, stock option, stock appreciation rights, restricted stock and phantom stock arrangements or policies) and (ii) all material written employment, termination, bonus, severance, change in control or other similar contracts or agreements, in each case to which any of the Sellers is a party, with respect to which any of the Sellers have any Liability or obligation or which are maintained by the Sellers and to which any of the Sellers contribute or are obligated to contribute with respect to current or former directors, officers, consultants and employees of the Sellers.

(nnn) "Seller Intellectual Property" means any Intellectual Property that is owned by or licensed to the Sellers or any Marshall Islands Subsidiary.

(ooo) "Senior Secured Notes" means the 10% senior secured notes due 2012 issued by Parent pursuant to that certain indenture dated as of November 13, 2009, as amended.

(ppp) "Subsidiary" means, with respect to a Person, (a) any corporation or similar entity of which at least 50% of the securities or interests having, by their terms, ordinary voting power to elect members of the board of directors, or other persons performing similar functions with respect to such corporation or similar entity, is held, directly or indirectly by such Person, and (b) any partnership, limited liability company or similar entity of which (i) such Person is a general partner or managing member or (ii) such Person possesses a 50% or greater interest in the total capitalization or total income of such partnership, limited liability company or similar entity. As used herein, unless the context otherwise requires, "Subsidiary" shall refer to a direct or indirect Subsidiary of Parent.

(qqq) "Tax" and "Taxes" mean any and all taxes, charges, fees, tariffs, duties, impositions, levies, excises or other assessments, imposed by any Governmental Body, and include any interest, penalties or additional amounts attributable to, or imposed upon, or with respect to, Taxes.

(rrr) "Tax Period" means any period prescribed by any Governmental Body for which a Tax Return is required to be filed or a Tax is required to be paid.

(sss) "Tax Return" means any return, report, information return, declaration, claim for refund or other document (including any schedule or related or supporting information) supplied or required to be supplied to any Governmental Body with respect to Taxes, including amendments thereto.

(ttt) "Transaction Documents" means this Agreement and all other agreements, instruments, certificates and other documents contemplated or required hereunder to be entered into by the parties hereto, including the Equity Interest Transfer, the Bill of Sale, the Vessel Bills of Sale and the Assignment and Assumption Agreement.

(uuu) "Transferred Employee" means any Employee of any of the Sellers who becomes a Retained Employee pursuant to Section 6.6 of this Agreement.

(vvv) "USCG" means the United States Coast Guard.

(www) "Vessels" means, collectively, the Domestic Vessels and the International Vessels, and each, a "Vessel".

(xxx) "WARN Act" means the United States Worker Adjustment and Retraining Notification Act, and the rules and regulations promulgated thereunder.

10.2 Other Definitions. Each of the following defined terms has the meaning given to such term in the Section set forth opposite such defined term:

2009 Audited Financial Statements	Section 4.21
2010 Financial Statements	Section 4.21
Acquired Customers	Section 1.1(d)

Actions	Section 4.7
Additional Assumed Contracts	Section 1.1(w)
Allocation	Section 11.1(b)
Assigned Contracts	Section 1.1(v)
Assignment and Assumption Agreement	Section 3.2(c)
Assumed Credit Agreement Obligations	Section 2.1(a)(i)
Assumed Customer Contracts	Section 1.1(d)
Assumed Independent Contractor Contracts	Section 1.1(n)
Assumed Intellectual Property	Section 1.1(v)
Assumed Intellectual Property Licenses	Section 1.1(v)
Assumed Leased Real Property	Section 1.1(m)
Assumed Liabilities	Section 1.3
Assumed Permits	Section 1.1(o)
Assumed Personal Property Leases	Section 1.1(k)
Assumed Real Property Leases	Section 1.1(m)
Assumed Vendor Contracts	Section 1.1(h)
Bankruptcy Code	Recitals
Bankruptcy Court	Recitals
Bankruptcy Exceptions	Section 4.3
Bill of Sale	Section 3.2(b)
Chapter 11 Case	Recitals
Closing	Section 3.1
Closing Date	Section 3.1
COBRA Continuation Coverage	Section 6.3
Company	Recitals
Competing Bid	Section 7.1(c)
CQ Boat	Preamble
Credit Bid and Release	Section 2.1(a)(ii)
Credit Bid Consideration	Section 2.1(b)
Cruise Group	Preamble
Cruise Group USA	Recitals
Debtors	Recitals
DIP Agent	Section 10.1(q)
DIP Lenders	Section 10.1(q)
Domestic Material Contracts	Section 4.9(a)
DQ Boat	Preamble
Employee Plans	Section 4.17
Equity Interest Transfer	Section 3.2(a)
Estate	7.1(a)
Execution Date	Preamble
Excluded Assets	Section 1.2
Excluded Liabilities	Section 1.4
Excluded Plans	Section 1.2(h)
Excluded Policies	Section 1.2(d)
Financial Statements	Section 4.21
Insurance Policies	Section 4.19

Intercompany Notes	Section 1.1(b)
International Material Contracts	Section 4.9(b)
Marshall Islands	Section 1.1(a)
Marshall Islands Equity	Section 1.1(a)
Material Contracts	Section 4.9(b)
Material Permits	Section 4.10(a)
Non-Assigned Contracts	Section 1.2(a)
Outside Date	Section 3.4(b)
Parent	Preamble
Parent Bylaws	Section 4.1
Parent Certificate	Section 4.1
Permitted Assign	Section 12.8
Permits	Section 4.10(a)
Personal Property Leases	Section 4.13
Professional Services	Section 1.4(i)
Purchase Price	Section 2.1(a)(2)
Purchased Assets	Section 1.1
Purchaser	Preamble
Purchaser's Documents	Section 5.2
Representatives	Section 8.2(a)
Retained Employee	Section 6.2
Sellers	Preamble
Sellers' Documents	Section 4.3
Subsidiary Organizational Documents	Section 4.1
Transfer Taxes	Section 11.1
Vessel Bill of Sale	Section 3.2(j)
Wind Down Budget	Section 8.12
Whippoorwill	Preamble

ARTICLE 11.

TAXES

11.1 Tax Allocation; Additional Tax Matters.

(a) The Sellers and the Purchaser recognize and acknowledge that the sale, transfer, assignment and delivery of the Purchased Assets may be exempt under Section 1146 of the Bankruptcy Code and the Sale Order from all state and local transfer, recording, stamp or other similar transfer Taxes that may be imposed by reason of the sale, transfer, assignment and delivery of the Purchased Assets. Notwithstanding the foregoing, any sales, transfer, use (including gains and income taxes) or other similar Taxes not exempt under Section 1146 of the Bankruptcy Code that may be imposed as a direct result of the transactions contemplated by this Agreement (collectively, "Transfer Taxes") will be borne solely by the Sellers, and the Sellers shall indemnify, defend (with counsel reasonably satisfactory to the Purchaser), protect, and save and hold the Purchaser harmless from and against any and all claims, charges, interest or penalties assessed, imposed or asserted in relation to any such Transfer Taxes.

(b) The Purchaser shall, within thirty (30) days after the Closing Date, prepare in accordance with Section 1060 of the Code and deliver to the Parent for its consent (which consent shall not be unreasonably withheld, delayed or conditioned) a schedule allocating the Purchase Price (and any other items that are required for federal income tax to be treated as Purchase Price) among the Purchased Assets (such schedule, the "Allocation"). The Purchaser and the Parent shall report and file all Tax Returns (including amended Tax Returns and claims for refund) consistent with the Allocation as finally agreed upon, and shall take no position contrary thereto or inconsistent therewith (including, without limitation, in any audits or examinations by any Governmental Body or any other proceeding) unless otherwise required by applicable Law. The Purchaser and Parent shall cooperate in the filing of any forms (including Form 8594 under Section 1060 of the Code) with respect to such Allocation, including any amendments to such forms required pursuant to this Agreement with respect to any adjustment to the Purchase Price. Notwithstanding any other provision of this Agreement, the terms and provisions of this Section 11.1(b) shall survive the Closing without limitation.

ARTICLE 12.

MISCELLANEOUS

12.1 Payment of Expenses. The Sellers and the Purchaser shall bear their own expenses incurred or to be incurred in connection with the negotiation and execution of this Agreement and each other agreement, document and instrument contemplated by this Agreement and the consummation of the transactions contemplated hereby and thereby.

12.2 Survival of Representations and Warranties; Survival of Confidentiality. The parties hereto agree that the representations and warranties contained in this Agreement shall expire upon the Closing Date. The parties hereto agree that the covenants contained in this Agreement to be performed at or after the Closing shall survive in accordance with the terms of the particular covenant or until fully performed.

12.3 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof. This Agreement may be amended, supplemented or changed, and any provision hereof may be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by applicable Law.

12.4 Counterparts. For the convenience of the parties hereto, this Agreement may be executed (by facsimile or PDF signature) in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

12.5 Governing Law. THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES THEREOF, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

12.6 Jurisdiction, Waiver of Jury Trial. THE BANKRUPTCY COURT WILL HAVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN OR AMONG THE PARTIES, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENT CONTEMPLATED HEREBY; PROVIDED, HOWEVER, THAT IF THE BANKRUPTCY COURT IS UNWILLING OR UNABLE TO HEAR ANY SUCH DISPUTE, THE COURTS OF THE STATE OF NEW YORK AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE SOUTHERN DISTRICT OF THE STATE OF NEW YORK WILL HAVE SOLE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN OR AMONG THE PARTIES, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENT CONTEMPLATED HEREBY.

(a) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

12.7 Notices. Unless otherwise set forth herein, any notice, request, instruction or other document to be given hereunder by any party to the other parties shall be in writing and shall be deemed duly given (i) upon delivery, when delivered personally, (ii) one (1) Business Day after being sent by overnight courier or when sent by facsimile transmission (with a confirming copy sent by overnight courier), and (iii) three (3) Business Days after being sent by registered or certified mail, postage prepaid, as follows:

If to the Sellers:

c/o Ambassadors International, Inc.
2101 4th Avenue, Suite 210
Seattle, Washington 98121
Attn: Chief Financial Officer
Facsimile No.: 206-340-0975

With a copy (which shall not constitute effective notice) to:

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038

Attn: Kris Hansen, Esq.
Facsimile No.: 212-806-2509

If to the Purchaser:

[NEWCO]
c/o Whippoorwill Associates, Inc.
11 Martine Avenue, 11th Floor
White Plains, NY 10606
Attn: Steven Gendal
Facsimile: (914) 286-2512
Telephone: (914) 683-1002

With a copy (which shall not constitute effective notice) to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166
Attn: Matt Williams, Esq.
Facsimile No.: 212-351-5232

or to such other Persons or addresses as may be designated in writing by the party to receive such notice.

12.8 Binding Effect; Assignment. This Agreement shall be binding upon the Purchaser and, subject to entry of the Bidding Procedures Order (with respect to the matters covered thereby) and the Sale Order, the Sellers, and inure to the benefit of the parties and their respective successors and permitted assigns, including, without limitation, any trustee or estate representative appointed in the Chapter 11 Case or any successor Chapter 7 case. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any Person or entity not a party to this Agreement except as provided below. No assignment of this Agreement or of any rights or obligations hereunder may be made by the Sellers or the Purchaser (by operation of law or otherwise) without the prior written consent of the other parties hereto and any attempted assignment without the required consents shall be void; provided that the Purchaser may assign its rights and obligations hereunder in whole or in part to one or more wholly owned subsidiaries of the Purchaser or to an entity controlled by Whippoorwill (each, a "Permitted Assign") (subject to the next succeeding sentence). No assignment of any obligations hereunder shall relieve the parties hereto of any such obligations. Upon any such permitted assignment, the references in this Agreement to the Purchaser shall also apply to any such assignee unless the context otherwise requires.

12.9 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this

Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

12.10 Injunctive Relief. The parties agree that damages at Law may be an inadequate remedy for the breach of any of the covenants, promises and agreements contained in this Agreement by the Purchaser or the Sellers, and, accordingly, the Purchaser or the Sellers, as applicable, shall be entitled to injunctive relief with respect to any such breach, including without limitation, specific performance of such covenants, promises or agreements or an order enjoining the other party or parties from any threatened, or from the continuation of any actual, breach of the covenants, promises or agreements contained in this Agreement by the Purchaser or the Sellers. The rights set forth in this Section 12.10 shall be in addition to any other rights which the Purchaser or the Sellers may have at Law or in equity pursuant to this Agreement.

12.11 Non-Recourse. Except as expressly contemplated by this Agreement, no past, present or future director, officer, employee, incorporator, member, partner or equityholder of the Sellers or the Purchaser shall have any liability for any obligations or liabilities of the Sellers or the Purchaser under this Agreement or the Sellers' Documents or the Purchaser's Documents of or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby and thereby.

12.12 No Waiver or Release. Notwithstanding anything herein to the contrary, all terms, conditions, covenants, representations and warranties contained in the DIP Loan Documents and all rights, powers and remedies of the DIP Agent, the DIP Lenders, and all of the obligations of the Debtors (as defined in the DIP Loan Documents) thereunder, are reserved and are not amended, modified, limited or otherwise affected by the terms and conditions of this Agreement.

12.13 Time of the Essence. Time is of the essence in the performance of each of the obligations of the parties and with respect to all covenants and conditions to be satisfied by the parties in this Agreement and all documents, acknowledgments and instruments delivered in connection herewith.

12.14 Certain Interpretations. Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

(i) All references in this Agreement to Articles, Sections, Schedules and Exhibits shall be deemed to refer to Articles, Sections, Schedules and Exhibits to this Agreement.

(ii) All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement.

(iii) The Article, Section and paragraph captions herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

(iv) The words "include," includes" and "including," when used herein shall be deemed in each case to be followed by the words "without limitation" (regardless of whether such words or similar words actually appear).

(v) When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period in question shall end on the next succeeding Business Day.

(vi) Any reference in this Agreement to $ shall mean U.S. dollars.

(vii) Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

(viii) The words such as "herein," "hereinafter," "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

(b) The parties hereto agree that they have been represented by legal counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document shall be construed against the party drafting such agreement or document.

[Remainder of page intentionally left blank]

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

SELLERS:

AMBASSADORS INTERNATIONAL, INC.,
AMBASSADORS CRUISE GROUP, LLC,
AMBASSADORS, LLC,
AMERICAN WEST STEAMBOAT COMPANY LLC,
EN BOAT LLC,
AQ BOAT, LLC,
MQ BOAT, LLC,
DQ BOAT, LLC,
QW BOAT COMPANY LLC,
CONTESSA BOAT, LLC, and
CQ BOAT, LLC

By: _____
Name:
Title:

PURCHASER:

[NEWCO]

By: _____
Name:
Title:

EXHIBIT C

COMMITMENT LETTER

EXECUTION VERSION

March 31, 2011

Via Electronic Mail and Federal Express

Ambassadors International, Inc.
2101 4th Avenue, Suite 210
Seattle, WA 98121
(206) 292-9606

Attention: Hans Birkholz
President and Chief Executive Officer

Dear Mr. Birkholz:

As you know, Whippoorwill Associates Inc. ("**Whippoorwill**"), through certain of its discretionary funds and accounts, is currently the sole lender under that certain Credit and Guaranty Agreement, dated as of March 23, 2010, among Ambassadors International Inc. ("**Ambassadors**"), Degrees Limited, Wind Star Limited and Wind Spirit Limited as borrowers, certain subsidiaries of Ambassadors as guarantors, and Law Debenture Trust Corporation as Administrative Agent (the "**Prepetition Working Capital Facility**"). In addition, Whippoorwill, through certain of its discretionary funds and accounts, is the beneficial owner of approximately $17,264,962 principal amount of the $19,671,500 aggregate outstanding principal amount of 10% senior secured notes ("**Second Lien Notes**") issued pursuant to that certain indenture (as supplemented by that certain First Supplemental Indenture, dated as of March 23, 2010, and as further amended, supplemented, restated or otherwise modified, the "**Second Lien Indenture**"), dated as of November 13, 2009 by and between Wilmington Trust FSB (Wilmington Trust FSB or any successor thereto in such capacity, the "**Indenture Trustee**"), Ambassadors as issuer, and the subsidiary guarantors named therein.

In response to your request for a commitment to purchase substantially all of the assets of Ambassadors and certain of its subsidiaries, Whippoorwill is pleased to present you with this letter agreement (**"Letter Agreement**") constituting our commitment to purchase (through a newly-created designee of Whippoorwill to be formed prior to the consummation of the transaction ("**Purchaser**")) certain assets pursuant to Section 363 of the Bankruptcy Code in accordance with the terms and conditions set forth herein and in the attached form Asset Purchase Agreement (as amended, supplemented or otherwise modified from time to time, the "**Purchase Agreement"**).[1]

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[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

1. Transaction Overview. Pursuant to and subject to the conditions contained in this Letter Agreement and the Purchase Agreement, Sellers will agree to sell, and Purchaser will agree to purchase, the Purchased Assets for consideration estimated to be approximately forty million dollars ($40,000,000), payable in the form of the following:

(i) payment in full in cash and/or assumption by the Purchaser of all of Sellers' outstanding obligations under the Prepetition Working Capital Facility and all of Sellers' outstanding obligations under a debtor in possession financing facility ("**DIP Facility**" to be provided by Whippoorwill ("**Assumed Credit Agreement Obligations**");[2]

(ii) a credit bid and release of the Sellers pursuant to section 363(k) of the Bankruptcy Code, of obligations, claims, rights, actions, causes of action, suits, liabilities, damages, debts, costs, expenses and demands whatsoever, in law or in equity, arising under, or otherwise relating to, the Senior Secured Notes (the "**Credit Bid and Release**") in an amount of not less than nineteen million dollars ($19,000,000); and

(iii) assumption of the other Assumed Liabilities as further set forth in the Purchase Agreement (clauses (i) through (iii) the "**Purchase Price Consideration**").

2. Direction to Indenture Trustee / Conditions Precedent. Subject to the terms and conditions precedent set forth in this Letter Agreement and the Purchase Agreement (including but not limited to Article 9 of the Purchase Agreement), Whipporwill, as holder of approximately 87.8% of the outstanding Secured Lien Notes, agrees to use commercially reasonable best efforts to direct the Indenture Trustee to submit the Credit Bid and Release as a component of the Purchase Price Consideration. It is expressly agreed that Whippoorwill's and Purchaser's obligations to consummate the transactions contemplated in this Letter Agreement and the Purchase Agreement are and remain subject to the Indenture Trustee's submission of a valid and binding Credit Bid and Release.

3. Commitment to Consummate the Transaction / Termination. Upon receipt of a fully executed counterpart to this Letter Agreement, both parties agree, after obtaining any necessary approval of the Bankruptcy Court (which both parties agree to use commercially reasonable efforts to obtain), to enter into (or in the case of Whippoorwill, to cause Purchaser to enter into) the Purchase Agreement and thereafter to consummate the transactions described herein, subject to the terms and conditions set forth herein and in the Purchase Agreement (including but not limited to Article 9 of the Purchase Agreement). This Letter Agreement may be terminated on the same terms and conditions for termination as are set forth in the Purchase

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[2] This Letter Agreement is not an agreement or proposal to provide financing. Any agreement to provide financing by Whippoorwill or any of its affiliates shall be agreed upon pursuant to a separate agreement, and nothing herein should be construed nor shall be deemed a commitment by Whippoorwill or any of its affiliates to provide financing on any terms.

Agreement provided that, prior to the formation of Purchaser, Whippoorwill shall be deemed to have the authority to act as Purchaser under the Purchase Agreement with respect to such termination rights. Without limiting the generality of the foregoing, regardless of whether Purchaser is formed or whether Purchaser has executed the Purchase Agreement, Whippoorwill shall be entitled to terminate this Letter Agreement upon the occurrence of any event set forth in Article 3 of the Purchase Agreement that would give the Purchaser the authority to terminate the Purchase Agreement as if Purchaser had executed the Purchase Agreement. In addition, Whippoorwill shall be entitled to terminate this Letter Agreement in the event that any Seller has breached any representation, warranty, covenant or agreement set forth in the Purchase Agreement, to be determined as if the Purchase Agreement had been executed as of the date hereof.

4. Effect of Termination. If this Letter Agreement is validly terminated in accordance with its terms, other than with respect to paragraph 11 below, each of the parties shall be relieved of its duties and obligations arising under this Letter Agreement and the Purchase Agreement effective as of the date of such termination and, other than as set forth in the last sentence of Section 3.6 of the Purchase Agreement, such termination shall be without liability to Whippoorwill or Sellers.

5. Higher and Better Offers. Subject to the terms and conditions of the Bidding Procedures Order and the Purchase Agreement, Whippoorwill expressly agrees that the transactions contemplated in this Letter Agreement and the Purchase Agreement shall be subject to higher and better offers.

6. No Modification; Entire Agreement. This Letter Agreement may not be amended or otherwise modified except in a writing signed by each of the parties hereto. This Letter Agreement and the attachments hereto constitutes the sole agreement, and supersedes all prior agreements, understandings and statements, written or oral, between Whippoorwill on the one hand, and Ambassadors or any of its affiliates, on the other, with respect to the transactions contemplated hereby.

7. Governing Law. This Letter Agreement shall be deemed to be made in accordance with and in all respects shall be interpreted, construed and governed by the internal Laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflict of laws in the State of New York.

8. Waiver of Jury Trial. Each party acknowledges and agrees that any controversy which may arise under this Letter Agreement is likely to involve complicated and difficult issues, and, therefore, each such party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or relating to this Letter Agreement, or any of the transactions contemplated by this Letter Agreement.

9. Counterparts. This Letter Agreement may be executed in any number of counterparts (including by facsimile), each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement. Delivery of an executed counterpart of a signature page of this Letter Agreement by facsimile or other

electronic transmission (in pdf or similar format) will be as effective as delivery of a manually executed counterpart hereof.

10. Third Party Beneficiaries. The parties hereto hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other parties hereto, and this Letter Agreement is not intended to, and does not, confer upon any person other than the parties hereto, any rights or remedies to enforce, or any other benefit of, or any right to rely upon, the Purchase Agreement or any provision of this Letter Agreement.

11. Indemnification. Ambassadors agrees to indemnify and hold harmless Whippoorwill and its affiliates, and each of their respective directors, officers, partners, members, employees, agents, counsel, financial advisors, accountants, tax advisors, reserve engineers and assignees (including affiliates of such assignees), in their capacities as such (each, an "**Indemnified Party**"), for and against any and all losses, claims, damages, liabilities or other expenses ("**Losses**") to which such Indemnified Party may become subject from third party claims, insofar as such Losses (or actions or other proceedings commenced or threatened in respect thereof) or other expenses arise out of or in any way relate to or result from this Letter Agreement or the Purchase Agreement, and Ambassadors agrees to reimburse (on an as-incurred monthly basis) each Indemnified Party for any reasonable and documented legal or other reasonable and documented expenses incurred in connection with investigating, defending or participating in, or defending against or mitigating, any such loss, claim, damage, liability or action or other proceeding (whether or not such Indemnified Party is a party to any action or proceeding out of which indemnified expenses arise); provided, however, that Ambassadors shall not indemnify any Indemnified Party from any Losses arising out of such Indemnified Party's gross negligence or willful misconduct. In the event of any litigation or dispute involving this Letter Agreement, neither Whippoorwill nor any other Indemnified Party shall be responsible or liable for any special, indirect, consequential, incidental or punitive damages. The Indemnification Obligations shall remain effective whether or not any of the transactions contemplated in this Letter Agreement are consummated and notwithstanding any termination of the Purchase Agreement or this Letter Agreement, and the parties hereto acknowledge and agree that all such Indemnification Obligations shall be secured obligations under the Prepetition Working Capital Facility and, subject to approval of the Bankruptcy Court, the DIP Facility.

12. No Recourse. Notwithstanding anything that may be expressed or implied in this Letter Agreement, or any document or instrument delivered in connection herewith, by its execution of this Letter Agreement, each party hereto covenants, agrees and acknowledges that no liability arising from the other party's breach of this Letter Agreement shall attach to, the former, current or future equity holders, controlling persons, directors, officers, employees, agents, affiliates, members, managers, general or limited partners, or counsel of such party or any former, current or future equity holder, controlling person, director, officer, employee, general or limited partner, member, manager, affiliate, counsel agent or assignee of any of the foregoing, whether by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute, regulation or applicable law, or otherwise.

13. Assignment. This Letter Agreement may not be assigned by Whippoorwill to any person or entity other than the Purchaser without the prior and express written consent of Ambassadors, which consent may be withheld in Ambassadors' sole discretion. Any attempted

assignment without such consent shall be void. Any assignment by Whippoorwill to the Purchaser shall not release Whippoorwill from its obligations hereunder.

[Signature Page Follows]

Sincerely,

Whippoorwill Associates, Inc., as agent for certain of its discretionary funds and accounts

By:
Name: Steven K. Gendal
Title: Principal

Sincerely,

Whippoorwill Associates, Inc., as agent for certain of its discretionary funds and accounts

_____

By:
Name:
Title:

Acknowledged and Agreed:

AMBASSADORS INTERNATIONAL, INC,

By: _____
Name: Hans Birkholz
Title: President ~~and Chief~~ Executive Officer