

EXHIBIT C

PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT

between

FIG LLC

(the “Buyer”)

C-BASS INVESTMENT MANAGEMENT LLC

(the “Seller”)

November 9, 2010

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this “Agreement”) is made and entered into as of November 9, 2010, by and between FIG LLC, a Delaware limited liability company, on behalf of itself or one or more of its managed Affiliates (“Buyer”), and C-BASS Investment Management LLC, a Delaware limited liability company (“Seller”).

Recitals

Whereas, Seller is engaged in the business of managing private collateralized bond obligations (the “Business”);

Whereas, Seller intends to file a voluntary petition (the “Bankruptcy Case”) under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”); and

Whereas, Buyer, on behalf of itself or one or more of its managed Affiliates, desires to purchase and Seller desires to sell certain of the assets of Seller relating to the Business, subject to the terms and conditions set forth in this Agreement and in accordance with Sections 363 and 365 and other applicable provisions of the Bankruptcy Code.

Agreements

In consideration of the mutual covenants and promises in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows:

ARTICLE 1 Certain Definitions.

As used in this Agreement, the following terms, whether in singular or plural forms, shall have the following meanings:

“Advisers Act” means the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder.

“Affiliate” means with respect to any Person, any other Person controlling, controlled by or under common control with such Person, with “control” for such purpose meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or voting interests, by contract or otherwise.

“Agreement” has the meaning given in the preamble.

“Assets” has the meaning given in Section 2.1.

“Assignor” means Credit-Based Asset Servicing and Securitization LLC.

“Assumed Contracts” means the Investment Management Contracts assigned by the Assignor to the Seller pursuant to the terms of the Assignment and Assumption Agreement, dated as of January 28, 2005, between Assignor and Seller.

“Assignment and Assumption Agreement” has the meaning given in Section 6.2(d).

“Assumed Liabilities” has the meaning given in Section 2.3.

“Bankruptcy Case” has the meaning given in the recitals.

“Bankruptcy Code” has the meaning given in the recitals.

“Bankruptcy Court” has the meaning given in the recitals.

“Bidding Procedures” has the meaning given in Section 8.1(b).

“Bidding Procedures Order” has the meaning given in Section 8.1(b).

“Business” has the meaning given in the recitals.

“Business Day” means any day other than Saturday, Sunday or a day on which banking institutions in New York, New York are required or authorized to be closed.

“Buyer” has the meaning given in the preamble.

“CBOs” means those collateralized bond obligation issuances identified in Schedule 1.

“CBO Constituent Documents” means, for each CBO, the respective Indentures pursuant to which the CBOs were issued, as amended to date.

“Class E Securities” has the meaning given in Section 2.1.

“Closing” means the consummation and effectuation of the transactions contemplated by this Agreement pursuant to the terms and conditions of this Agreement, which shall be held one Business Day after each of the conditions to closing set forth in Article 6 have been satisfied or validly waived, at 10:00 a.m. Eastern Time in the offices of Hunton & Williams LLP in New York, New York or on such other date or at such other time or place as is mutually agreed by the parties hereto.

“Closing Date” means the date on which the Closing actually occurs.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor law, and the rules and regulations promulgated thereunder, all as the same may from time to time be in effect.

“Collateral Administration Agreement” has the meaning given in Section 2.1.

“Deposit” has the meaning given in Section 2.5(a).

“Drop Dead Date” has the meaning given in Section 7.1(b).

“Escrow Agreement” has the meaning given in Section 2.5(b).

“Employee Benefit Plans” means all “employee benefit plans” within the meaning of Section 3(3) of ERISA, and all bonus, stock option, stock purchase, retention, termination, phantom stock, other equity based compensation, employment, change in control, salary continuation, profit-sharing, vacation, medical, dental, life, cafeteria, flexible benefit, employee loan, educational assistance, fringe benefit, deferred compensation, supplemental retirement, severance and/or other employee benefit plans, programs, policies or arrangements, written, in each case for the benefit of, or relating to, any current employee or former employee, director, officer, leased employee, agent or consultant of Seller or its Affiliates.

“Encumbrance” means any security agreement, financing statement filed with any Governmental Authority, conditional sale or other title retention agreement, any lease, consignment or bailment given for purposes of security, any lien, mortgage, indenture, pledge, option, encumbrance, constructive trust or other trust, claim, attachment, exception to or defect in title or other ownership interest of any kind, which otherwise constitutes an interest in or claim against property, whether arising pursuant to any Legal Requirement, contract, or otherwise.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Escrow Agent” has the meaning given in Section 2.5(a).

“Excluded Liabilities” has the meaning given in Section 2.4.

“Expense Reimbursement” has the meaning given in Section 8.1(a).

“Fee Basis Reduction Amount” means (i) if the Fee Basis Amount is equal to or greater than \$1,000,000,000, zero, (ii) if the Fee Basis Amount is less than \$1,000,000,000 but equal to or greater than \$900,000,000, \$200,000, (iii) if the Fee Basis Amount is less than \$900,000,000 but equal to or greater than \$800,000,000, \$400,000, (iv) if the Fee Basis Amount is less than \$800,000,000 but equal to or greater than \$700,000,000, \$600,000, (v) if the Fee Basis Amount is less than \$700,000,000 but equal to or greater than \$600,000,000, \$800,000, (vi) if the Fee Basis Amount is less than \$600,000,000 but equal to or greater than \$500,000,000, \$1,000,000, (vii) if the Fee Basis Amount is less than \$500,000,000 but equal to or greater than \$400,000,000, \$1,200,000, (viii) if the Fee Basis Amount is less than \$400,000,000 but equal to or greater than \$300,000,000, \$1,400,000, (ix) if the Fee Basis Amount is less than \$300,000,000 but equal to or greater than \$200,000,000, \$1,600,000, (x) if the Fee Basis Amount is less than

\$200,000,000 but equal to or greater than \$100,000,000, \$1,800,000 and (xi) if the Fee Basis Amount is less than \$100,000,000, \$2,000,000.

“Fee Basis Amount” means the aggregate amount upon which the fees payable to the collateral manager pursuant to the Investment Management Contracts are calculated (after giving effect to any haircuts or other reductions to the actual amount used to calculate such fees, including, without limitation, as a result of reductions or haircuts to defaulted securities), which amount shall be determined on the Closing Date as if such date is the determination date for such fees.

“GAAP” means generally accepted accounting principles in the United States consistently applied.

“Governmental Authority” means the United States of America, any state, commonwealth, territory, or possession thereof and any political subdivision or quasi-governmental authority of any of the same, including but not limited to courts, tribunals, departments, commissions, boards, bureaus, agencies, counties, municipalities, provinces, parishes, and other instrumentalities.

“Governmental Entity” means any national, federal, state, local or foreign court, tribunal, arbitral body, administrative agency or commission or other governmental or regulatory authority or instrumentality.

“Investment Management Contract” has the meaning given in Section 2.1(a).

“Judgment” means any judgment, writ, order, injunction, award, or decree of any court, judge, justice, or magistrate, including any bankruptcy court or judge, any binding arbitration and any order of or by any Governmental Authority.

“Knowledge” of any Person of or with respect to any fact or matter means that such Person (if a natural person) has, actual awareness or knowledge of such matter or any of the officers, directors, and senior managers of such Person (if not a natural Person) has, actual awareness or knowledge of such matter; *provided* that the terms “Sellers’ Knowledge”, “to the Knowledge of the Sellers”, “Knowledge of Seller” or any variation of any of the foregoing means the actual awareness or knowledge of only Saul Sanders, Bruce Williams, David Mantell or Shari Kushner.

“Legal Requirements” means applicable common law and any statute, ordinance, code or other law, rule, regulation, order, technical or other standard, requirement, or procedure enacted, adopted, promulgated, applied, or followed by any Governmental Authority, including Judgments.

“Litigation” means any claim, action, suit, proceeding, arbitration, mediation, investigation, hearing, or other activity or procedure that could result in a Judgment.

“Permits” means permits, licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, orders, registrations, notices or other authorizations of any Governmental Authority.

“Person” means any natural person, Governmental Authority, corporation, general or limited partnership, joint venture, limited liability company, trust, association, or unincorporated entity of any kind.

“Petition Date” means the date on which the Bankruptcy Case is filed.

“Purchase Price” has the meaning given in Section 2.6.

“Sale Hearing” means the hearing conducted by the Bankruptcy Court to approve the transactions contemplated by this Agreement or a competing transaction.

“Sale Motion” means the motion substantially in the form attached hereto as Exhibit C to be filed by Seller pursuant to, inter alia, Sections 363 and 365 of the Bankruptcy Code to secure entry of the Sale Order by the Bankruptcy Court.

“Sale Order” has the meaning given in Section 8.1(b).

“SEC Review” has the meaning given in Section 5.11.

“Securities Act” means the Securities Act of 1933, as amended.

“Seller” has the meanings given in the preamble.

“Tax” and, with correlative meaning, “Taxes” means with respect to any Person (i) all federal, state, local, county, foreign and other taxes, assessments or other government charges, including, without limitation, any income, alternative or add-on minimum tax, estimated gross income, gross receipts, sales, use, ad valorem, value added, transfer, capital stock franchise, profits, license, registration, recording, documentary, intangibles, conveyancing, gains, withholding, payroll, employment, social security (or similar), unemployment, disability, excise, severance, stamp, occupation, premium, property (real and personal), custom duty or other tax, governmental fee or other like assessment, charge, or tax of any kind whatsoever, together with any interest, penalty, addition to tax or additional amount imposed by any Governmental Entity responsible for the imposition of any such tax (domestic or foreign) whether such Tax is disputed or not; and (ii) liability for the payment of any amounts of the type described in clause (i) above relating to any other Person as a result of being party to any agreement to indemnify such other Person, being a successor or transferee of such other Person, or being a member of the same affiliated, consolidated, combined, unitary or other group with such other Person.

“Tax Return” shall mean any return, declaration, report, claim for refund, or information return or statement or other form relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Termination Fee” has the meaning given in Section 8.1(a).

“Third Party Buyer” has the meaning given in Section 7.1(d).

“Transaction Documents” means the Escrow Agreement, the Assignment and Assumption Agreements, and the Closing certificates contemplated by Article 6 hereof.

“Transfer Taxes” has the meaning set forth in Section 5.13.

ARTICLE 2 Purchase and Sale.

2.1 Covenant of Purchase and Sale. Subject to the terms and conditions set forth in this Agreement, Seller shall sell, convey, assign, transfer and deliver or cause to be sold, conveyed, assigned, transferred and delivered to Buyer, and Buyer shall purchase and acquire from Seller, for the Purchase Price, free and clear of all Encumbrances, all of the Seller’s right, title and interest in and to or arising under (i) all the contracts described on Schedule 2.1(i) (the “Investment Management Contracts”), (ii) all the contracts described on Schedule 2.1(ii) (the “Collateral Administration Agreements”), (iii) the Class E Securities described on Schedule 2.1(iii) (the “Class E Securities”) and (iv) any other property in Seller’s possession that can be delivered to Buyer using commercially reasonable efforts that relates to the Seller’s management of the Business and its obligations under the Investment Management Contracts, Collateral Administration Agreements and CBO Constituent Documents, including, without limitation, all books, records, files, proprietary software, excel spreadsheets and proprietary modeling programs (to be delivered by Seller in the format currently maintained by Seller) (the “Ancillary Assets” and together with the Investment Management Contracts, the Collateral Administration Agreements and the Class E Securities, the “Assets”) in accordance with Section 363(f) of the Bankruptcy Code.

2.2 [Reserved].

2.3 Assumed Liabilities. Subject to the Sale Order, from and after the Closing, Buyer shall assume and pay, discharge, and perform all of the obligations and liabilities of Seller with respect to the Assets arising at or after the Closing, including without limitation, the obligations and liabilities as the investment manager of each CBO pursuant to the terms of the Investment Management Contracts, Collateral Administration Agreements and CBO Constituent Documents (the “Assumed Liabilities”). From and after the Closing, Seller shall have no liability with respect to any Assumed Liability.

2.4 Excluded Liabilities. Except for the Assumed Liabilities, it is expressly understood and agreed that Buyer is not assuming or becoming liable in any manner for any obligations and liabilities of Seller, including, without limitation, any obligations or liabilities of the Seller arising under the Investment Management Contracts, the Collateral Administration Agreements or the CBO Constituent Documents prior to the Closing Date (collectively, the “Excluded Liabilities”). Seller shall remain liable for and shall pay when due all of the Excluded Liabilities, and Buyer has no liability with respect to any Excluded Liability.

2.5 Deposit.

(a) Upon the execution of this Agreement, Buyer shall deliver One Hundred Thousand Dollars (\$100,000) (the “Deposit”) to be held in an escrow account that is administered by JPMorgan Chase Bank, N.A., as escrow agent (the “Escrow Agent”). The Deposit shall be held by the Escrow Agent in an interest-bearing account. The Deposit shall be paid to Seller at the Closing and, if the Closing does not occur, Article 7 of this Agreement and the Escrow Agreement (as defined below) shall govern the payment of the Deposit.

(b) Upon the execution of this Agreement, Buyer and Seller shall concurrently execute and deliver an escrow agreement with respect to the Deposit in the form of Exhibit A (the “Escrow Agreement”).

2.6 Purchase Price.

(a) At the Closing, Buyer shall pay to Seller, by wire transfer of immediately available funds to an account designated by Seller, the purchase price (the “Purchase Price”) equal to two million four hundred thousand Dollars (\$2,400,000) less (i) the Deposit (and any interest accrued thereon), (ii) the Fee Basis Reduction Amount (calculated based on the Fee Basis Amount as of the Closing Date) and (iii) any management fees paid to the Seller subsequent to January 1, 2011 but prior to the Closing.

(b) At the Closing, the Escrow Agent shall release the Deposit, and all interest accrued thereon, to Seller.

2.7 Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets in the manner required by Section 1060 of the Code as shown on the allocation schedule attached hereto as Schedule 2.7. After the Closing, the parties will make consistent use of the allocations set forth in such allocation schedule for all purposes, including for purposes of any Tax Returns required to be filed pursuant to Section 1060 of the Code (including Internal Revenue Service Form 8594), or any comparable provision of state, local or foreign law. Concurrently with the Closing, Buyer will prepare and deliver to Seller Internal Revenue Service Form 8594 to be filed with the Internal Revenue Service. Buyer and Seller agree that the form of the transactions, the consideration provided for in this Agreement and the allocation of the Purchase Price as provided above were arrived at on the basis of arm’s length negotiation

between Buyer and Seller, and shall be respected by each of them and their respective Affiliates for federal, state, local and other tax reporting purposes, including filings on Internal Revenue Service Form 8594, and that none of them will assert or maintain a position inconsistent with the foregoing.

ARTICLE 3

Buyer's Representations and Warranties.

Buyer represents and warrants to Seller, as of the date of this Agreement as follows:

3.1 Organization of Buyer. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware and has all requisite power and authority to own and lease the properties and assets it currently owns and leases and to conduct its activities as such activities are currently conducted. Buyer is duly qualified to do business as a foreign limited liability company and is in good standing in all jurisdictions in which the ownership or leasing of the properties and assets owned or leased by it or the nature of its activities makes such qualification necessary. Buyer is not in breach of any provision of its certificate of formation or limited liability company agreement.

3.2 Authority. Buyer has all requisite power and authority to execute, deliver, and perform this Agreement and each of the Transaction Documents to which Buyer will be a party and consummate the transactions contemplated hereby and thereby. The execution, delivery, and performance of this Agreement and each of the Transaction Documents to which Buyer will be a party and the consummation of the transactions contemplated hereby and thereby by Buyer have been duly and validly authorized by all necessary action on the part of Buyer. This Agreement has been duly and validly executed and delivered by Buyer, and is the valid and binding obligation of Buyer, and each of the Transaction Documents to which Buyer will be a party, upon execution and delivery by Buyer, will be valid and binding obligations of Buyer, in each case enforceable against Buyer in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization moratorium or similar laws affecting creditor's rights generally and by general principles of equity.

3.3 No Conflict; Consents. The execution, delivery, and performance by Buyer of this Agreement and each of the Transaction Documents to which Buyer will be a party do not and will not: (i) conflict with or violate any provision of the organizational documents of Buyer; (ii) violate any provision of any Legal Requirements; (iii) without regard to requirements of notice or lapse of time, conflict with, violate, result in a breach of, constitute a default under, accelerate, or permit the acceleration of the performance required by, any contract to which Buyer is a party; or (iv) require any consent, approval, or authorization of or filing of any certificate, notice, application, report, or other document with, any Governmental Authority or other Person, other than those that have been obtained or filed.

3.4 Accredited Investor. Buyer (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Assets and making an informed investment decision with respect thereto, and (ii) is an “accredited investor” as such term is defined in Regulation D, Rule 501 of the Securities Act. Buyer is acquiring the Class E Securities for its own account and not with a view to resale or distribution.

3.5 Litigation. There is no Litigation pending or, to the Buyer’s knowledge, threatened, or any Judgment outstanding, directly involving or affecting the ability of the Buyer to consummate the transactions contemplated herein.

3.6 No Broker. Except as set forth on Schedule 3.5, no brokers or financial advisers to whom any fees would be payable in connection with the transactions contemplated hereby have been engaged by Buyer or any of its Affiliates.

3.7 RIA Status. Buyer is a registered investment adviser under the Advisers Act or will become a registered investment adviser under the Advisers Act on or prior to the Closing Date.

ARTICLE 4

Seller’s Representations and Warranties.

Seller represents and warrants to Buyer, as of the date of this Agreement, as follows:

4.1 Organization and Qualification of Seller. Seller is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware, and has all requisite power and authority to own and lease the properties and assets it currently owns and leases and to conduct its activities as such activities are currently conducted. Seller is duly qualified to do business and is in good standing in all jurisdictions in which the ownership or leasing of the properties and assets owned or leased by it or the nature of its activities makes such qualification necessary. Seller is not in breach of any provision of its certificate of formation or operating agreement.

4.2 Authority. Seller has all requisite limited liability company power and authority to execute, deliver, and perform this Agreement and each of the Transaction Documents to which it will be a party and consummate the transactions contemplated hereby and thereby. The execution, delivery, and performance of this Agreement and each of the Transaction Documents to which the Seller will be a party and the consummation of the transactions contemplated hereby and thereby by Seller has been duly and validly authorized by all necessary action on the part of Seller. This Agreement has been duly and validly executed and delivered by Seller, and is the valid and binding obligation of Seller, and each of the Transaction Documents to which the Seller will be a party, upon execution and delivery by such Seller, will be valid and binding obligations of the Seller, in each case enforceable against the Seller in accordance with its terms, except as

enforcement may be limited by applicable bankruptcy, insolvency, reorganization moratorium or similar laws affecting creditor's rights generally and by general principles of equity.

4.3 No Conflict; Consents. Except for provisions rendered unenforceable or void by the Bankruptcy Code and the approval of the Bankruptcy Court, the execution, delivery, and performance by Seller of this Agreement do not and will not: (i) conflict with or violate any provision of the certificate of formation or operating agreement of Seller; (ii) violate any material provision of any Legal Requirements; (iii) without regard to requirements of notice or lapse of time, conflict with, violate, result in a breach of, constitute a default under, accelerate, or permit the acceleration of the performance required by, any Investment Management Contract; (iv) result in the creation or imposition of any Encumbrance against or upon any of the Assets; or (v) require any consent, approval or authorization of, or filing of any material certificate, notice, application, report, or other document with, any Governmental Authority or other Person.

4.4 Title to Assets. Upon entry of the Sale Order and execution and delivery by Seller to Buyer of the instruments of conveyance referred to in Article VI, Seller will deliver to Buyer good title to all of the Assets, free and clear of all Encumbrances. Upon Closing, Buyer shall become the successor to the Seller in all of Seller's capacities under each Investment Management Contract and Collateral Administration Agreement without the necessity for further action by Buyer, Seller or any other Person.

4.5 Investment Contracts. Seller has delivered to Buyer true and complete copies of each of the Investment Management Contracts and Collateral Administration Agreements, including any amendments thereto. Except for provisions rendered unenforceable or void by the Bankruptcy Code and the approval of the Bankruptcy Court, each of the Investment Management Contracts and Collateral Administration Agreements is valid, in full force and effect, and enforceable in accordance with its terms against Seller and, to Seller's Knowledge, the other parties thereto. Other than any representations and covenants as to financial matters or satisfaction of coverage tests or collateral quality tests, if any, Seller has not breached or defaulted under, and no event has occurred which with notice, lapse of time or both would constitute a breach or default thereunder and Seller has not received written notice of any alleged breach or default under any Investment Management Contract or Collateral Administration Agreement. No Person has sought to remove the Seller in any of its capacities under any Investment Management Contract or Collateral Administration Agreement and, to the Seller's Knowledge, no such action is contemplated by any Person.

4.6 CBO Constituent Documents. Schedule 4.6 contains a list of all of the CBO Constituent Documents with respect to any of the CBOs. Seller has delivered to Buyer true and complete copies of each such agreement, including amendments thereto.

4.7 Litigation. Except as listed in Schedule 4.7, and for the Bankruptcy Case, there is no Litigation pending or, to Sellers' Knowledge, threatened, or any Judgment outstanding, directly involving or affecting all or any part of the Business or Assets.

4.8 Tax Matters.

(a) The CBO issuers have not been and are not currently required to file any Tax Returns and are not liable for any unpaid Taxes.

(b) None of the CBO issuers or the Seller has been notified in writing that the Internal Revenue Service or any state, local or foreign taxing authority has raised any issues, or intends to raise any issues, in connection with any Tax Return of any CBO issuer; there are no pending U.S. federal income tax audits; and no waivers of statutes of limitations with respect to U.S. federal income taxes have been given or requested in writing with respect to each CBO issuer.

4.9 Compliance with Legal Requirements. Seller has operated and currently operates the Business in material compliance with all applicable Legal Requirements, including but not limited to the Advisers Act. Seller has received no notice claiming a violation by Seller or any CBO of any material Legal Requirement applicable to Seller or any CBO.

4.10 Books and Records. All of the books, records, and accounts of the Business are in all material respects true and complete, and are maintained in material compliance with all applicable Legal Requirements.

4.11 Broker. The fees payable to any brokers or financial advisers, if any, in connection with the transactions contemplated hereby that have been engaged by the Seller or any of its Affiliates shall be Excluded Liabilities.

4.12 No Delegation or Assignment. The Seller has not delegated or assigned any of its rights, duties or obligations under any of the Investment Management Contracts or Collateral Administration Agreements

4.13 Payment of Management Fees. All senior management fees required to be paid to the Seller pursuant to the Investment Management Contracts have been paid in full.

4.14 CBO Compliance. Except as disclosed on Schedule 4.14 hereof, the issuer of the CBOs are in compliance with all material terms of the related Investment Management Contracts, Collateral Administration Agreements and CBO Constituent Documents and no events of default (or events that with the lapse of time, notice or both would constitute an event of default) have occurred.

4.15 Assignment of Collateral Management Rights. The assignment to the Seller of all the rights, title and interest of the collateral manager under the Assumed Contracts and the assumption by it of all the duties of collateral manager under the Assumed Contracts did not constitute an "assignment" under the Advisers Act and did not cause adverse tax consequences to the related issuer or its interest holders. In connection with such assignments, notice was

provided to each Rating Agency (as defined in the related Assumed Contract) and the Rating Condition (as defined in the related Assumed Contract) was satisfied.

ARTICLE 5

Covenants.

5.1 Conduct of Business. Except as otherwise contemplated by this Agreement, other than those filings and proceedings before the Bankruptcy Court and the incurrence of expenses required thereunder, Seller covenants and agrees that from the date hereof to the Closing Date, Seller shall cause the Business to be conducted in the ordinary course of business consistent with past practices.

5.2 Reasonable Efforts; Further Assurances. Subject to the terms and conditions of this Agreement, Buyer and Seller will use their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable law to cause its representations and warranties to remain true and correct through the Closing Date, to cause the conditions to its obligations to close to be satisfied and to consummate the transactions contemplated by this Agreement. Seller and Buyer agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate the Closing. Prior to the date of the confirmation of a Chapter 11 plan in the Bankruptcy Case and for a period of up to 60 days following the Closing, Buyer shall have reasonable access to Seller's personnel during normal business hours to enable the Buyer to properly carry out its duties and obligations with respect to the Investment Management Contracts, the Collateral Administration Agreements and the CBO Constituent Documents, provided however, that Seller shall have no obligation to incur expenses in connection therewith other than *de minimus* expenditures.

5.3 Certain Filings. Seller and Buyer shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any Government Authority is required, or any actions, consents, approvals or waivers are required to be obtained in connection with the consummation of the transactions contemplated by this Agreement and (ii) in taking such actions, causing such actions to be taken, making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.

5.4 Adequate Assurances Regarding Required Orders. Between the date hereof and the Closing Date, Buyer agrees that it will promptly take all actions as are reasonably requested by Seller to assist in obtaining the Bankruptcy Court's entry of the Bidding Procedures Order and the Sale Order, including, without limitation, furnishing affidavits, financial information or other documents or information for filing with the Bankruptcy Court and making Buyer's employees and representatives available to testify before the Bankruptcy Court.

5.5 Employees. Seller shall be responsible for its employees both prior to and following the Closing. All of Seller's liabilities with respect to each employee are Excluded Liabilities. Without limiting the generality of the foregoing, Seller shall be responsible for all liabilities with respect to employees for all wages, salary, compensation, supplemental employee benefits, payroll taxes and all other liabilities attributable to the employees employment with Seller, including, without limitation, all amounts due with respect to the termination of employment with Seller, accrued vacation time, sick days and/or other benefits or compensation, if any. Seller agrees that Buyer is not assuming, and does not assume, any sponsorship, obligation or liability associated with, or arising under, any Employee Benefit Plan (whether or not covered by ERISA) that is or has ever been maintained, contributed to or sponsored by the Seller or any of its Affiliates. Any liability for the provision of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or any similar state statute or regulation with regard to qualifying events that occur with respect to employees shall be and remain the sole liability of Seller and the welfare benefit plans sponsored or maintained by Seller.

5.6 Notices. If at any time (i) Buyer becomes aware of any material breach by the Seller of any representation, warranty, covenant or agreement contained herein and such breach is capable of being cured by the Seller, or (ii) the Seller becomes aware of any breach by Buyer of any representation, warranty, covenant or agreement contained herein and such breach is capable of being cured by Buyer, the party becoming aware of such breach shall promptly notify the other party, in accordance with Section 9.3 in writing of such breach. Any disclosure of such breach will have no effect on a party's representations, warranties or covenants hereunder or otherwise relieve a party of liability for such breach.

5.7 Change of Name; Use of Name. Buyer hereby agrees that, after the Closing Date, neither Buyer nor any Affiliate of Buyer will for any reason, directly or indirectly, for itself or any other Person sell or lease the name "C-BASS" or any variation thereof or use the name "C-BASS" or any variation thereof to identify Buyer or any Affiliate thereof. Notwithstanding the foregoing, Buyer and its Affiliates shall be permitted to use the name "C-BASS" (i) for purposes of indicating Seller's role as investment adviser to the CBOs prior to the Closing, and (ii) with respect to the CBOs. For the avoidance of doubt, Buyer acknowledges and agrees that the name "C-BASS" is intellectual property that is owned by Seller or its Affiliates and is an Excluded Asset.

5.8 Management Fees. Subject to and conditioned upon the occurrence of the Closing, Buyer shall be entitled to all management fees paid under the CBO Constituent Documents from and after the earlier of (i) the Closing and (ii) January 1, 2011; provided that if any management fees are paid to the Seller subsequent to January 1, 2011 but prior to the Closing, Seller shall hold such fees in trust for the sole and exclusive benefit of the Buyer and shall apply such fees to the Purchase Price as contemplated by Section 2.6(a), subject to and conditioned upon the occurrence of the Closing.

5.9 Non-Disparagement. Following the Closing, neither party hereto will disparage the other party, or any of their shareholders, members, partners, representatives, directors, officers, employees, or agents; *provided*, that any statements made under oath in any legal proceeding or arbitration proceeding by either party, or any of their shareholders, members, partners, representatives, directors, officers, employees, or agents shall not be deemed a violation of this Section 5.10.

5.10 SEC Review. Following the Closing, in the event the Securities and Exchange Commission reviews, audits or otherwise investigates Seller in its capacity as a registered investment adviser for any period of time that includes a pre-Closing period (an “SEC Review”), the Buyer shall fully cooperate in all reasonable respects with Seller and its counsel in connection with such SEC Review.

5.11 Bankruptcy Court Approval.

(a) Seller and Buyer acknowledge that this Agreement and the sale of the Assets are subject to Bankruptcy Court approval. Seller and Buyer acknowledge that to obtain such approval, Seller must demonstrate that it has taken reasonable steps to obtain the highest or otherwise best offer possible for the Assets, including, but not limited to, giving notice of the transactions contemplated by this Agreement to creditors and certain other interested parties as ordered by the Bankruptcy Court.

(b) As soon as reasonably possible, but in any event no later than five (5) Business Days after the Petition Date, Seller shall file the Sale Motion with the Bankruptcy Court, together with required supporting papers and required notices substantially in the form of Exhibit C hereto or in such other form as may be reasonably acceptable to Buyer and Seller. The Seller shall give notice of the sale contemplated herein to all other parties to the Investment Management Contracts, Collateral Administration Agreements and CBO Constituent Documents, and any other Persons asserting a lien or other encumbrance on the Assets and seek findings regarding such agreements being in effect, any cure amounts required to be paid by the Seller under such agreements and adequate assurance of future performance under Section 365 of the Bankruptcy Code.

(c) In the event an appeal is taken or a stay pending appeal is requested, with respect to the Sale Order, Seller shall promptly notify Buyer of such appeal or stay request and shall promptly provide to Buyer a copy of the related notice of appeal or order of stay. Seller shall also provide Buyer with written notice of any motion or application filed in connection with any appeal from either of such orders. The Buyer may determine, in its sole and absolute discretion, to proceed with the Closing notwithstanding the taking of an appeal or the request for a stay pending appeal, and the Seller shall be bound by such determination.

(d) From and after the date hereof, Seller shall not take any action that is intended to result in, or fail to take any action the intent of which failure to act is to result in, the reversal, voiding, modification or staying of the Sale Order.

5.12 Tax Matters. The Seller shall pay all sales, use, value added, transfer, stamp, documentary, excise, real property transfer or gains, or similar taxes ("Transfer Taxes") incurred by reason of the transactions contemplated by this Agreement, and the Seller shall, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes, and, if required, the Buyer shall join in the execution of any such Tax Returns and other documentation.

ARTICLE 6 Conditions to Closing

6.1 Conditions to the Obligations of Buyer and Seller. The obligations of Buyer and Seller to consummate at Closing the transactions contemplated by this Agreement shall be subject to the following conditions:

(a) no preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission nor any statute, rule, regulation or executive order promulgated or enacted by any Government Authority shall be in effect that would make the acquisition or holding directly or indirectly by Buyer of the Assets illegal or otherwise prevent the consummation of the sale and purchase of the Assets; and

(b) the Bankruptcy Court shall have entered the Bidding Procedures Order and the Sale Order and provided such other relief as may be necessary or appropriate to allow the consummation of the transactions contemplated by this Agreement.

6.2 Conditions to the Obligations of Buyer. The obligations of Buyer to consummate at Closing the transactions contemplated by this Agreement shall be subject to the following conditions, which may be waived by Buyer:

(a) Seller shall have in all material respects performed their obligations and agreements and complied with their covenants to be performed and complied with by them hereunder on or prior to the Closing Date;

(b) the representations and warranties of Seller in this Agreement shall be correct in all material respects at the Closing Date with the same force and effect as though made at such time (except to the extent that such representations and warranties are qualified by a materiality qualifier, in which case such representations and warranties shall be true and correct in all respects at the Closing Date), except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date;

(c) Seller shall have furnished to Buyer a certificate, dated the Closing Date, signed by a responsible and authorized officer of Seller, to the effect that all conditions set forth in Sections 6.2(a) and (b) have been satisfied;

(d) Seller shall have executed and delivered the Assignment and Assumption Agreement in the form attached as Exhibit B (the “Assignment and Assumption Agreement”);

(e) Buyer shall have received a certificate of the assistant secretary of Seller, dated the Closing Date, as to the incumbency and signature of the officers of Seller executing this Agreement and any certificate, agreement or other documents to be delivered pursuant hereto, together with evidence of the incumbency of such secretary;

(f) Buyer shall have received a copy of the resolutions of Seller authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, certified by the assistant secretary of Seller as of the Closing Date;

(g) Buyer shall have received a certificate of good standing with respect to Seller issued by the Secretary of State of Delaware, dated within thirty (30) days prior to Closing; and

(h) Seller shall have cured, or shall use proceeds of the Purchase Price, to cure, any and all defaults under the Investment Management Contracts or Collateral Administration Agreements that are required to be cured under the Bankruptcy Code and pursuant to the Sale Order, so that such Investment Management Contracts and Investment Management Contracts may be assumed by Seller and assigned to Buyer in accordance with the provisions of Section 365 of the Bankruptcy Code.

6.3 Conditions to the Obligation of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the following conditions, which may be waived by Seller:

(a) Buyer shall have in all material respects performed its obligations and agreements and complied with its covenants to be performed and complied with by it hereunder on or prior to the Closing Date;

(b) the representations and warranties of Buyer in this Agreement shall be correct in all material respects when made and at the Closing Date with the same force and effect as though made at such time (except to the extent that such representations and warranties are so qualified by a materiality qualifier, in which case such representations and warranties shall be true and correct in all respects when made and at the Closing Date), except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date;

(c) Buyer shall have furnished to Seller a certificate, dated the Closing Date, signed by an authorized officer of Buyer, to the effect that all conditions set forth in Sections 6.3(a) and (b) above have been satisfied;

(d) Seller shall have received a copy of the resolutions of Buyer authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, certified by the secretary of Buyer on the Closing Date;

(e) Seller shall have received a certificate of good standing with respect to Buyer issued by the Secretary of State of its state of formation, dated within thirty (30) days prior to Closing;

(f) Seller shall have received a certificate of the secretary of Buyer, dated the Closing Date, as to the incumbency and signature of the officers of Buyer executing this Agreement and any certificate, agreement or other documents to be delivered pursuant hereto, together with evidence of the incumbency of such secretary;

(g) Buyer shall have paid the Purchase Price;

(h) Buyer shall have executed and delivered the Assignment and Assumption Agreement; and

(i) Buyer shall be a registered investment adviser under the Advisers Act.

ARTICLE 7

Termination

7.1 Conditions of Termination. This Agreement may be terminated at any time before the Closing:

(a) by mutual written consent of Seller and Buyer;

(b) by Seller, by notice to Buyer, if the Closing shall not have occurred on or before the date that is fifteen (15) days after the earlier of (i) the date upon which the Sale Order becomes final and not appealable and (ii) the date upon which the Buyer indicates its determination to proceed with the Closing notwithstanding the taking of an appeal or the request for a stay pending appeal (the "Drop Dead Date"), and the conditions set forth in Sections 6.1 and 6.2 of this Agreement (other than any condition that by its nature is to be satisfied by actions to be taken at the Closing by Seller if Seller is prepared to be able to take such actions as of such date) have been satisfied;

(c) by Buyer, by notice to Seller, if the Closing shall not have occurred on or before the Drop Dead Date and the conditions set forth in Sections 6.1 and 6.3 of this Agreement

(other than any condition that by its nature is to be satisfied by actions to be taken at the Closing by Buyer if Buyer is prepared to be able to take such actions as of such date) have been satisfied;

(d) by Buyer, by notice to Seller, if the Bankruptcy Court enters an order authorizing the sale or transfer of some or all of the Assets to a party other than Buyer (a "Third Party Buyer"); and

(e) by Buyer or Seller, by notice to the other party if the Drop Dead Date has not occurred on or prior to January 31, 2011.

7.2 Effect of Termination; Remedies.

(a) In the event of termination pursuant to Section 7.1, this Agreement shall become null and void and have no effect (other than Articles 7 and 9, which shall survive termination), with no liability on the part of Seller or Buyer, or their respective Affiliates, with respect to this Agreement, except for (i) the liability of a party for its own expenses pursuant to Section 9.1, (ii) liability of any party for any willful breach of this Agreement, and (iii) any liability provided for in Sections 7.2(b), (c) and (d) and Section 8.1(a), inclusive.

(b) If this Agreement is terminated pursuant to Section 7.1(b), then Seller shall be paid the Deposit, together with any interest accrued thereon, in accordance with the terms of the Escrow Agreement.

(c) If this Agreement is terminated pursuant to Sections 7.1(a), (c), (d) or (e), then the Deposit shall be returned to Buyer, together with any interest accrued thereon, in accordance with the terms of the Escrow Agreement.

(d) If this Agreement is terminated pursuant to Section 7.1(d), then Buyer, subject to Section 8.1(a), shall be paid the Termination Fee and Expense Reimbursement.

ARTICLE 8 Bankruptcy Matters.

8.1 Bankruptcy Court Approval of Bidding Procedures Order and Sale Order.

(a) Seller hereby confirms that it is integral to the process of arranging an orderly sale of the Assets to proceed by selecting Buyer to enter into this Agreement in order to present the Bankruptcy Court with arrangements for obtaining the highest realizable prices for the Assets and that, without Buyer having committed substantial time and effort to such process, the estate of Seller may have had to employ a less orderly sale process and thereby incur higher costs and risk attracting lower prices. Accordingly, the contributions of Buyer to the process have provided substantial benefit to the estate of Seller. Seller acknowledges that Buyer would not have invested the effort in negotiating and documenting the transaction provided for herein

and incurring duties to pay its outside advisers if Buyer were not entitled to a break-up fee in an amount equal to \$100,000 (the “Termination Fee”) and an expense reimbursement for the reasonable and documented out-of-pocket costs and expenses (incurred by Buyer or its Affiliates) in connection with negotiation, documentation and implementation of this Agreement up to a maximum amount of \$75,000 (the “Expense Reimbursement”). The Termination Fee and Expense Reimbursement shall be payable to Buyer in the event that each of the following occurs: (i) this Agreement is terminated by Buyer pursuant to Section 7.1(d) of this Agreement, (ii) Buyer is not in material default hereunder, (iii) Buyer does not purchase the Assets, (iv) the Bankruptcy Court enters an order authorizing the sale or transfer of some or all of the Assets to a Third Party Buyer, and (v) the Assets are in fact sold to a Third Party Buyer. The payment of the Termination Fee and Expense Reimbursement, if payable in accordance with the foregoing sentence, shall be made directly to Buyer solely from the proceeds of the sale to the Third Party Buyer (free and clear of any Encumbrance on such proceeds).

(b) As promptly as practicable but in any event not more than five (5) Business Days after the Petition Date, Seller shall file and serve a motion with the Bankruptcy Court in form and substance reasonably satisfactory to Buyer seeking: (i) an order approving the Termination Fee and Expense Reimbursement obligations of Seller having priority as an administrative expense in its case before the Bankruptcy Court under 11 U.S.C. Sections 503(b) and 507(a) which shall be payable directly to Buyer from the proceeds of the sale to a Third Party Buyer; approving the bidding procedures contained in the Sale Motion, with any amendments or modifications that may be required by the Bankruptcy Court, and provided that such amendments or modifications do not materially and adversely affect the interests of Buyer under this Agreement (the “Bidding Procedures”); approving procedures relating to the sale of the Assets under Sections 363 and 365 of the Bankruptcy Code, with any amendments or modifications that may be required by the Bankruptcy Court, and provided that such amendments or modifications do not materially and adversely affect the interests of Buyer under this Agreement; approving the adequacy of notice to creditors, counterparties to the Investment Management Contracts, Collateral Administration Agreements and CBO Constituent Documents and parties in interest for the approval of the transactions contemplated hereby and setting a date for a hearing on the asset sale no later than thirty (30) days after the approval of the Bidding Procedures (the “Bidding Procedures Order”); and (ii) an order authorizing Seller to sell the Assets to Buyer pursuant to this Agreement or to a Third Party Buyer and Sections 105, 363 and 365 of the Bankruptcy Code, free and clear of all Encumbrances in or on the Assets (including any and all “interests” in the Assets within the meaning of Section 363(f) of the Bankruptcy Code) and otherwise free and clear of claims and liabilities, such that Buyer or Third Party Buyer, as applicable, shall not, among other things, incur any liability as a successor to the Business and authorizing, among other things, Seller, pursuant to Section 365 of the Bankruptcy Code, to assume and to assign to Buyer or Third Party Buyer, as applicable, the Assets and Assumed Liabilities under Section 365 of the Bankruptcy Code, all in the manner and subject to the terms and conditions set forth in this Agreement or an agreement with a Third Party Buyer

and the Sale Order and in accordance with other applicable provisions of the Bankruptcy Code (the "Sale Order").

(c) The Bidding Procedures Order shall be in form and substance reasonably satisfactory to Seller and Buyer. The Sale Order shall be in form and substance reasonably satisfactory to Seller and Buyer and shall, among other things, contain a finding that Buyer is a good faith purchaser as that term is defined pursuant to Section 363(m) of the Bankruptcy Code.

(d) Subject to the Bidding Procedures Order, Seller shall promptly make any filings, take all actions, and use all reasonable efforts to obtain any and all other approvals and orders necessary or appropriate for consummation of the transactions contemplated hereby, subject to Seller's obligations to comply with any order of the Bankruptcy Court and other applicable laws.

8.2 Bidding Procedures. Seller (a) shall conduct the auction process of the Assets in material accordance with the Bidding Procedures, subject to the approval of the Bankruptcy Court and (b) shall not amend, waive, modify or supplement in a material respect the Bidding Procedures except as set forth herein or therein or as required by the Bankruptcy Court.

ARTICLE 9

Miscellaneous Provisions.

9.1 Expenses. Except as otherwise provided elsewhere in this Agreement, each of the parties shall pay its own expenses and the fees and expenses of its counsel, accountants, and all other experts or advisors in connection with this Agreement.

9.2 Waivers. No action taken pursuant to this Agreement, including any investigation by or on behalf of any party hereto, shall be deemed to constitute a waiver by the party taking the action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of any condition or of a breach of another provision of this Agreement shall not operate or be construed as a waiver of any other condition or subsequent breach. The waiver by any party of any of the conditions precedent to its obligations under this Agreement shall not preclude it from seeking redress for breach of this Agreement other than with respect to the condition so waived.

9.3 Notices. All notices, requests, demands, applications, services of process, and other communications which are required to be or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if sent by telecopy, electronic mail or facsimile transmission, or delivered by recognized overnight courier, to the parties hereto at the following addresses:

To Seller:

C-BASS INVESTMENT MANAGEMENT LLC
335 Madison Avenue, 19th Floor
New York, NY 10017
Attention: General Counsel
Facsimile: 212-850-7760
Telephone: 212-850-7700
E-Mail: Shari.Kushner@c-bass.com

Copies:

Hunton & Williams LLP
200 Park Avenue
New York, NY 10018
Attention: Peter S. Partee
Facsimile: (212) 355-3333
E-Mail: ppartee@hunton.com

To Buyer:

FIG LLC
1345 Avenue of the Americas
New York NY 10105
Attention: Cameron MacDougal
Phone: 212-479-1522
Facsimile: 917-591-8312

Copies:

SNR Denton US LLP
Two World Financial Center
New York, NY 10281
Attention: A. James Cotins
Phone: 212-768-6728
Facsimile: 212-768-6800
Email: james.cotins@snrdenton.com

or to such other address as any party shall have furnished to the other by notice given in accordance with this Section. Such notice shall be effective when received.

9.4 Lack of Survival. Except with respect to the last sentence of Section 5.2 and as expressly provided in Section 7.2(a), all representations and warranties herein and in any documents or certificates delivered in connection with this Agreement shall not survive the Closing and shall terminate upon the occurrence thereof.

9.5 Entire Agreement; Amendments. This Agreement embodies the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect thereto. This Agreement may not be modified orally, but only by an agreement in writing signed by the party or parties against whom any waiver, change, amendment, modification, or discharge may be sought to be enforced.

9.6 Binding Effect; Benefits. This Agreement shall inure to the benefit of and will be binding upon the parties hereto and their respective heirs, legal representatives, successors, and permitted assigns. Neither Buyer nor Seller shall assign this Agreement or delegate any of its duties hereunder to any other Person without the prior written consent of the other. For purposes of this Section any change in control of Buyer or Seller shall constitute an assignment of this Agreement.

9.7 Headings, Schedules, and Exhibits. The section and other headings in this Agreement are for reference purposes only and will not affect the meaning of interpretation of this Agreement. Reference to Schedules or Exhibits shall, unless otherwise indicated, refer to the Exhibits and Schedules attached to this Agreement, which shall be incorporated in and constitute a part of this Agreement by such reference. Any item that could be deemed to be properly disclosable on more than one Schedule to this Agreement shall be deemed to be properly disclosed on all such Schedules if it is disclosed in reasonable detail on any Schedule to the Agreement.

9.8 Counterparts and Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original and all of which together will be deemed to be one and the same instrument. Facsimile or pdf signatures to this Agreement shall be valid signatures.

9.9 Governing Law.

(a) The validity, performance, and enforcement of this Agreement and all transaction documents, unless expressly provided to the contrary, shall be governed by the laws of the State of New York, without giving effect to the principles of conflicts of law of such state (other than Section 5-1401), and the Bankruptcy Code, to the extent applicable.

(b) During the pendency of the Bankruptcy Case, any dispute, controversy or claim that arises between Buyer and Seller with respect to whether Buyer or Seller is in breach or default of its respective obligations under this Agreement (each a "Claim") may only be brought in the Bankruptcy Court, and each of the parties consents to the jurisdiction of the

Bankruptcy Court (and of the appropriate appellate courts) in any such action or proceeding and waive any objection to venue laid therein.

9.10 Severability. Any term or provision of this Agreement which is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining rights of the Person intended to be benefited by such provision or any other provisions of this Agreement.

9.11 Third Parties; Joint Ventures. This Agreement constitutes an agreement solely among the parties hereto, and, except as otherwise specifically provided herein, is not intended to and will not confer any rights, remedies, obligations, or liabilities, legal or equitable, including any right of employment, on any Person (including but not limited to any employee or former employee of the Seller) other than the parties hereto and their respective successors, or assigns, or otherwise constitute any Person a third party beneficiary under or by reason of this Agreement. Nothing in this Agreement, expressed or implied, is intended to or shall constitute the parties hereto partners or participants in a joint venture.


9.12 Construction. This Agreement has been negotiated by Buyer and Seller and their respective legal counsel, and legal or equitable principles that might require the construction of this Agreement or any provision of this Agreement against the party drafting this Agreement shall not apply in any construction or interpretation of this Agreement.

[Signature Page Follows]

Buyer and Seller have executed this Agreement as of the date first written above.

SELLER:

C-BASS INVESTMENT MANAGEMENT LLC

By: 
Name: DAVID MANTELL
Title: SVP

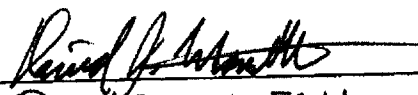
BUYER:

FIG LLC, on behalf of itself or one or more of its managed Affiliates

By: _____
Name:
Title:

Credit-Based Asset Servicing and Securitization LLC formerly had an interest in some of the Assets, but assigned all of its interest therein to the Seller on January 28, 2005, and no longer has any interest in the Assets or the Business. To the extent that Credit-Based Asset Servicing and Securitization LLC has any right (including any avoidance actions) related to the Business, it is hereby assigning all such rights to Buyer as part of this transaction.

CREDIT-BASED ASSET SERVICING AND
SECURITIZATION LLC

By: 
Name: DAVID MANTELL
Title: SVP

[Signature Page to Asset Purchase Agreement]

Buyer and Seller have executed this Agreement as of the date first written above.

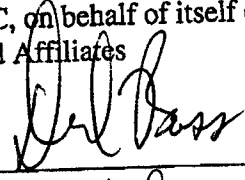
SELLER:

C-BASS INVESTMENT MANAGEMENT LLC

By: _____
Name:
Title:

BUYER:

FIG LLC, on behalf of itself or one or more of its
managed Affiliates

By: 
Name: Daniel Bass
Title: CFO

Credit-Based Asset Servicing and Securitization LLC formerly had an interest in some of the Assets, but assigned all of its interest therein to the Seller on January 28, 2005, and no longer has any interest in the Assets or the Business. To the extent that Credit-Based Asset Servicing and Securitization LLC has any right (including any avoidance actions) related to the Business, it is hereby assigning all such rights to Buyer as part of this transaction.

CREDIT-BASED ASSET SERVICING AND
SECURITIZATION LLC

By: _____
Name:
Title:

[Signature Page to Asset Purchase Agreement]

Schedule 1

CBOs

1. C-BASS CBO IV LTD
2. C-BASS CBO V LTD
3. C-BASS CBO VI LTD
4. C-BASS CBO VII LTD
5. C-BASS CBO VIII LTD
6. C-BASS CBO IX LTD
7. C-BASS CBO X LTD
8. C-BASS CBO XI LTD
9. C-BASS CBO XII LTD
10. C-BASS CBO XIII LTD
11. C-BASS CBO XIV LTD
12. C-BASS CBO XV LTD
13. C-BASS CBO XVI LTD
14. C-BASS CBO XVII LTD
15. C-BASS CBO XVIII LTD
16. C-BASS CBO XIX LTD
17. ABACUS 2005-CB1, LTD

Schedule 2.1(i)

Investment Management Contracts

C-BASS CBO IV LTD	Collateral Management Agreement, dated June 27, 2002, between C-Bass CBO IV LTD., as Issuer, and C-BASS Investment Management LLC, as Collateral Manager Amendment No. 1 to Collateral Management Agreement, dated October 7, 2005, between C-Bass CBO IV LTD., as Issuer, and C-BASS Investment Management LLC, as Collateral Manager
C-BASS CBO V LTD	Collateral Management Agreement dated December 20, 2002 between C-BASS CBO V Ltd., as Issuer, and Credit-Based Asset Servicing and Securitization LLC, as Collateral Manager
C-BASS CBO VI LTD	Collateral Management Agreement dated April 15, 2003, between C-BASS CBO VI Ltd., as Issuer, and Credit-Based Asset Servicing and Securitization LLC, as Collateral Manager
C-BASS CBO VII LTD	Collateral Management Agreement dated July 20, 2003, between C-BASS CBO VII Ltd., as Issuer, and Credit-Based Asset Servicing and Securitization LLC, as Collateral Manager
C-BASS CBO VIII LTD	Collateral Management Agreement dated November 10, 2003, between C-BASS CBO VIII Ltd., as Issuer, and Credit-Based Asset Servicing and Securitization LLC, as Collateral Manager
C-BASS CBO IX LTD	Collateral Management Agreement dated March 23, 2004, between C-BASS CBO IX Ltd., as Issuer, and Credit-Based Asset Servicing and Securitization LLC, as Collateral Manager
C-BASS CBO X LTD	Collateral Management Agreement dated May 27, 2004, between C-BASS CBO X Ltd., as Issuer, and Credit-Based Asset Servicing and Securitization LLC, as Collateral Manager
C-BASS CBO XI LTD	Collateral Management Agreement dated September 15, 2004, between C-BASS CBO XI Ltd., as Issuer, and Credit-Based Asset Servicing and Securitization LLC, as Collateral Manager
C-BASS CBO XII LTD	Collateral Management Agreement dated December 16, 2004, between C-BASS CBO XII Ltd., as Issuer, and C-BASS Investment Management LLC, as Collateral Manager
C-BASS CBO XIII LTD	Collateral Management Agreement dated March 17, 2005, between C-BASS CBO XIII Ltd., as Issuer, and C-BASS Investment Management LLC, as Collateral Manager
C-BASS CBO XIV LTD	Collateral Management Agreement dated September 22, 2005, between C-BASS CBO XIV Ltd., as Issuer, and C-BASS Investment Management LLC, as Collateral Manager
C-BASS CBO XV LTD	Collateral Management Agreement dated February 16, 2006, between C-BASS CBO XV Ltd., as Issuer, and C-BASS Investment Management LLC, as Collateral Manager
C-BASS CBO XVI LTD	Collateral Management Agreement dated June 1, 2006, between C-BASS CBO XVI Ltd., as Issuer, and C-BASS Investment Management, LLC, as Collateral Manager
C-BASS CBO XVII LTD	Collateral Management Agreement dated October 17, 2006, between C-BASS CBO XVII Ltd., as Issuer, and C-BASS Investment Management, LLC, as Collateral Manager
C-BASS CBO XVIII LTD	Collateral Management Agreement dated March 13, 2007, between C-BASS CBO XVIII Ltd., as Issuer, and C-BASS Investment Management, LLC, as Collateral Manager
C-BASS CBO XIX LTD	Collateral Management Agreement dated June 28, 2007, between C-BASS CBO XIX Ltd., as Issuer, and C-BASS Investment Management, LLC, as Collateral Manager
ABACUS 2005-CB1, LTD	Portfolio Advisory Agreement dated December 7, 2005, between ABACUS 2005-CB1, LTD., as Issuer, and C-BASS INVESTMENT MANAGEMENT LLC, as Portfolio Advisor
C-BASS CBO IV LTD C-BASS CBO V LTD C-BASS CBO VI LTD	Assignment and Assumption Agreement dated as of January 28, 2005, between Credit-Based Asset Servicing and Securitization LLC and C-BASS investment Management LLC.

C-BASS CBO VII LTD	
C-BASS CBO VIII LTD	
C-BASS CBO IX LTD	
C-BASS CBO X LTD	
C-BASS CBO XI LTD	

Schedule 2.1(ii)

Collateral Administration Agreements

C-BASS CBO IV LTD	Not Applicable
C-BASS CBO V LTD	Not Applicable
C-BASS CBO VI LTD	Collateral Administration Agreement, dated as of April 15, 2003, between C-BASS CBO VI Ltd., Credit-Based Asset Servicing and Securitization LLC, and JPMorgan Chase Bank
C-BASS CBO VII LTD	Collateral Administration Agreement, dated as of July 30, 2003, between C-BASS CBO VII Ltd., Credit-Based Asset Servicing and Securitization LLC, and JPMorgan Chase Bank
C-BASS CBO VIII LTD	Collateral Administration Agreement, dated as of November 10, 2003, between C-BASS CBO VIII Ltd., Credit-Based Asset Servicing and Securitization LLC, and JPMorgan Chase Bank
C-BASS CBO IX LTD	Collateral Administration Agreement, dated as of March 23, 2004, between C-BASS CBO IX Ltd., Credit-Based Asset Servicing and Securitization LLC, and JPMorgan Chase Bank
C-BASS CBO X LTD	Collateral Administration Agreement, dated as of May 27, 2004, between C-BASS CBO X Ltd., Credit-Based Asset Servicing and Securitization LLC, and JPMorgan Chase Bank
C-BASS CBO XI LTD	Collateral Administration Agreement, dated as of September 15, 2004, between C-BASS CBO XI Ltd., Credit-Based Asset Servicing and Securitization LLC, and JPMorgan Chase Bank
C-BASS CBO XII LTD	Collateral Administration Agreement, dated as of December 16, 2004, between C-BASS CBO XII Ltd., C-BASS Investment Management, LLC, and JPMorgan Chase Bank
C-BASS CBO XIII LTD	Collateral Administration Agreement, dated as of March 17, 2005, between C-BASS CBO XIII Ltd., C-BASS Investment Management, LLC, and JPMorgan Chase Bank, National Association
C-BASS CBO XIV LTD	Collateral Administration Agreement, dated as of September 22, 2005, between C-BASS CBO XIV Ltd., C-BASS Investment Management, LLC, and JPMorgan Chase Bank, National Association
C-BASS CBO XV LTD	Collateral Administration Agreement, dated as of February 16, 2006, between C-BASS CBO XV Ltd., C-BASS Investment Management, LLC, and JPMorgan Chase Bank, National Association
C-BASS CBO XVI LTD	Collateral Administration Agreement, dated as of June 1, 2006, between C-BASS CBO XVI Ltd., C-BASS Investment Management, LLC, and JPMorgan Chase Bank, National Association
C-BASS CBO XVII LTD	Collateral Administration Agreement, dated as of October 17, 2006, between C-BASS CBO XVII Ltd., C-BASS Investment Management, LLC, and The Bank of New York Trust Company, National Association
C-BASS CBO XVIII LTD	Collateral Administration Agreement, dated as of March 13, 2007, between C-BASS CBO XVIII Ltd., C-BASS Investment Management, LLC, and LaSalle Bank, National Association
C-BASS CBO XIX LTD	Collateral Administration Agreement, dated as of June 28, 2007, between C-BASS CBO XIX Ltd., C-BASS Investment Management, LLC, and LaSalle Bank, National Association
ABACUS 2005-CB1, LTD	Collateral Administration Agreement, dated as of December 7, 2005, between ABACUS 2005-CB1, Ltd., C-BASS Investment Management LLC, and LaSalle Bank, National Association

Schedule 2.1(iii)

Class E Securities

1. 100% of the C-BASS CBO XIV LTD, Class E Bonds
2. 100% of the C-BASS CBO XVII LTD, Class E Bonds

Schedule 2.7

Allocation Schedule

To be allocated to the CBO management rights, as agreed after execution of the Agreement consistent with the direction of the Buyer.

Schedule 3.5

Buyer Brokers

None.

Schedule 4.6

CBO Constituent Documents

C-BASS CBO IV LTD	Indenture, dated as of June 27, 2002 between C-BASS CBO IV Ltd., as Issuer, C-BASS CBO IV Corp., as Co-Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee Supplemental Indenture No. 1, dated as of October 7, 2005 between C-Bass CBO IV Ltd, as Issuer and C-BASS CBO IV CORP, as Co-Issuer and Wells Fargo Bank, National Association as Trustee
C-BASS CBO V LTD	Indenture, dated as of December 20, 2002 between C-BASS CBO V Ltd., as Issuer, C-BASS CBO V Corp., as Co-Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee
C-BASS CBO VI LTD	Indenture, dated as of April 15, 2003 between C-BASS CBO VI Ltd., as Issuer, C-BASS CBO VI Corp., as Co-Issuer, and JPMorgan Chase Bank, as Trustee
C-BASS CBO VII LTD	Indenture, dated as of July 20, 2003 between C-BASS CBO VII Ltd., as Issuer, C-BASS CBO VII Corp., as Co-Issuer, and JPMorgan Chase Bank, as Trustee
C-BASS CBO VIII LTD	Indenture, dated as of November 10, 2003 between C-BASS CBO VIII Ltd., as Issuer, C-BASS CBO VIII Corp., as Co-Issuer, and JPMorgan Chase Bank, as Trustee
C-BASS CBO IX LTD	Indenture, dated as of March 23, 2004 between C-BASS CBO IX Ltd., as Issuer, C-BASS CBO IX Corp., as Co-Issuer, and JPMorgan Chase Bank, as Trustee
C-BASS CBO X LTD	Indenture, dated as of May 27, 2004 between C-BASS CBO X Ltd., as Issuer, C-BASS CBO X Corp., as Co-Issuer, and JPMorgan Chase Bank, as Trustee
C-BASS CBO XI LTD	Indenture, dated as of September 15, 2004 between C-BASS CBO XI Ltd., as Issuer, C-BASS CBO XI Corp., as Co-Issuer, and JPMorgan Chase Bank, as Trustee
C-BASS CBO XII LTD	Indenture, dated as of December 16, 2004 between C-BASS CBO XII Ltd., as Issuer, C-BASS CBO XII Corp., as Co-Issuer, and JPMorgan Chase Bank, as Trustee
C-BASS CBO XIII LTD	Indenture, dated as of March 17, 2005 between C-BASS CBO XIII Ltd., as Issuer, C-BASS CBO XIII Corp., as Co-Issuer, and JPMorgan Chase Bank, National Association, as Trustee
C-BASS CBO XIV LTD	Indenture, dated as of September 22, 2005 between C-BASS CBO XIV Ltd., as Issuer, C-BASS CBO XIV Corp., as Co-Issuer, and JPMorgan Chase Bank, National Association, as Trustee

C-BASS CBO XV LTD	Indenture, dated as of February 16, 2006 between C-BASS CBO XV Ltd., as Issuer, C-BASS CBO XV Corp., as Co-Issuer, and JPMorgan Chase Bank, National Association, as Trustee
C-BASS CBO XVI LTD	Indenture, dated as of June 1, 2006 between C-BASS CBO XVI Ltd., as Issuer, C-BASS CBO XVI Corp., as Co-Issuer, and JPMorgan Chase Bank, National Association, as Trustee
C-BASS CBO XVII LTD	Indenture, dated as of October 17, 2006 between C-BASS CBO XVII Ltd., as Issuer, and The Bank of New York Trust Company, National Association, as Trustee
C-BASS CBO XVIII LTD	Indenture, dated as of March 13, 2007 between C-BASS CBO XVIII Ltd., as Issuer, and LaSalle Bank, National Association, as Trustee
C-BASS CBO XIX LTD	Indenture, dated as of June 28, 2007 between C-BASS CBO XVIII Ltd., as Issuer, and LaSalle Bank, National Association, as Trustee
ABACUS 2005-CB1, LTD	Indenture, dated as of December 7, 2005 between ABACUS 2005-CB1, Ltd., as Issuer, ABACUS 2005-CB1, Inc., as Co-Issuer, and LaSalle Bank, National Association, as Trustee

Schedule 4.7

Litigation

Lawsuit apparently filed with the New York State Supreme Court on Oct. 29, 2010 by plaintiffs, Loreley Financing (Jersey) No. 22 Ltd. and Loreley Financing (Jersey) No. 28 Ltd., against Credit -Based Asset Servicing and Securitization LLC and C-Bass Investment Management LLC (together, the C-BASS Parties"). As of 11/2/10, neither Defendant has been served with the summons or complaint by Plaintiffs. The C-BASS Parties are being sued for their roles as "collateral manager" in connection with three tranches of notes issued by Barramundi CDO I Ltd. In the aggregate, the plaintiffs purchased \$100 million of notes from Barramundi on December 12, 2006.

The causes of actions alleged are (1) fraud and misrepresentation, (2) aiding and abetting fraud, (3) conspiracy and (4) unjust enrichment. The relief being sought is (1) damages of \$100 million plus interest since 12/12/2006, (2) disgorgement of C-BASS's profits and fees, (3) punitive damages, (4) constructive trust, (5) attorney's fees, costs and expenses and (6) other relief as the Court deems proper.

Barramundi CDO I Ltd. liquidated in December 2009 and is not included in the Business or the Assets of the Seller.

Schedule 4.14

CBO Default Notices

C-BASS CBO XVII Ltd.	January 9, 2009	The Bank of New York Mellon Trust Company, National Association
C-BASS CBO XIX Ltd.	January 9, 2009	Bank of America, National Association, as successor by merger to LaSalle Bank National Association
C-BASS CBO XVI Ltd. C-BASS CBO XVI Corp.	June 11, 2009	The Bank of New York Mellon Trust Company, National Association
C-BASS CBO XVIII Ltd.	March 18, 2010	Bank of America, N.A., as successor by merger to LaSalle Bank National Association
C-BASS CBO XV Ltd. C-BASS CBO XV Corp.	May 20, 2010	The Bank of New York Mellon Trust Company, National Association
C-BASS CBO VI Ltd. C-BASS CBO VI Corp.	September 14, 2010	The Bank of New York Mellon Trust Company, National Association
Notice to C-BASS CBO Noteholders relating to the Collateral Manager's determination not to sell Defaulted Securities	Issued by C-BASS Investment Management LLC as collateral manager for C-BASS CBO	

EXHIBIT A ESCROW AGREEMENT

This Escrow Agreement is dated as of November __, 2010 (the “Agreement”) by and among FIG LLC, a Delaware limited liability company, on behalf of itself or one or more of its managed affiliates (“Buyer”), C-BASS Investment Management LLC, a Delaware limited liability company (the “Seller,” and together with the “Buyer” are sometimes referred to individually as “Party” or collectively as the “Parties”), and JP Morgan Chase Bank, N.A. as escrow agent (the “Escrow Agent”).

WHEREAS, Buyer and Seller entered into an Asset Purchase Agreement dated as of November __, 2010 (“APA”), whereby, subject to certain conditions, Buyer has agreed to acquire the collateralized bond obligation management business (the “Business”) of Seller;

WHEREAS, in connection with the execution and delivery of the APA, Buyer has delivered to the Escrow Agent a deposit in the amount of US\$100,000.00 (the “Escrow Deposit”), to be held in escrow in accordance with the terms and conditions of this Agreement;

WHEREAS, Seller is soliciting additional bidders for its Business, and intends to conduct an Auction therefor, as described in the Motion of Sale appended to the Asset Purchase Agreement as Exhibit C (the “Sale Motion”); and

WHEREAS, the Escrow Agent has agreed to serve as escrow agent pursuant to the terms hereof and to accept delivery of the Escrow Deposit, and to hold and disburse the Escrow Deposit (together with any interest earned thereon, the “Escrow Funds”) in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the Escrow Agent, Buyer and Seller do agree as follows, intending to be legally bound:

Section 1. Capitalized Terms

As used in this Agreement, the following terms, whether in singular or plural forms, shall have the following meanings:

“Alternative Investment” has the meaning set forth in Section 6.

“APA” has the meaning set forth in the Recitals.

“Auction” means the auction conducted by the Seller for the sale of its Business in accordance with the Sale Motion and related Orders.

“Back-up Bidder” means the Qualifying Bidder with the next highest or otherwise best bid at the Auction.

“Business” has the meaning set forth in the Recitals.

“Business Day” means any day other than a Saturday, Sunday or any other day on which the Escrow Agent located at the notice address set forth above is authorized or required by law or executive order to remain closed.

“Buyer” has the meaning set forth in the Preamble.

“Closing” means the consummation and effectuation of the transactions contemplated by the APA.

“Closing Date” means the date on which the Closing actually occurs.

“Escrow Agent” has the meaning set forth in the Preamble.

“Escrow Deposit” has the meaning set forth in the Recitals.

“Escrow Funds” has the meaning set forth in the Recitals.

“Executive Officers” has the meaning set forth in Section 15(b).

“Indemnitees” has the meaning set forth in Section 7(c).

“IRS” means the Internal Revenue Service.

“Losses” has the meaning set forth in Section 7(c).

“MMDA” has the meaning set forth in Section 6.

“Party” has the meaning set forth in the Preamble.

“Qualifying Bidder” means each potential bidder that submits a qualifying bid in a timely fashion in advance of the Auction.

“Sale Motion” has the meaning set forth in the Recitals.

“Seller” has the meaning set forth in the Preamble.

“Successful Bidder” means the proposed purchaser of the Seller’s Business that submits the highest and/or best offer from among the Qualifying Bidders submitted at the Auction.

“USA PATRIOT Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

Section 2. Appointment of the Escrow Agent

Buyer and Seller hereby appoint the Escrow Agent as escrow agent to receive, hold and disburse the Escrow Deposit delivered to it pursuant to this Agreement, and the Escrow Agent hereby accepts its appointment as escrow agent on the terms described herein.

Section 3. Deposits with the Escrow Agent

(a) Concurrently with the execution of this Agreement, Buyer has wired to the Escrow Agent the Escrow Deposit in immediately available funds, pursuant to wire instructions provided by the Escrow Agent.

(b) Buyer and Seller agree that the Escrow Funds will remain in escrow with the Escrow Agent according to the terms and conditions of this Agreement and neither Buyer nor Seller will withdraw or attempt to withdraw the Escrow Funds from the Escrow Agent, except as provided in this Agreement.

Section 4. Escrow Funds Disbursements

(a) If the Buyer is the Successful Bidder, and the Buyer and Seller close the transaction in accordance with the APA, the Escrow Funds shall be applied to the purchase price on the Closing Date. At the Closing, Seller and Buyer shall jointly advise the Escrow Agent in writing that the Closing has occurred, upon which notification the Escrow Agent shall pay the Escrow Funds to the Seller in immediately available funds, in accordance with wire instructions provided by the Seller.

(b) If the Buyer is the Successful Bidder, but the APA is terminated pursuant to Sections 7.1(a), (c), (d) or (e), the Buyer and Seller shall jointly notify the Escrow Agent in writing of the termination of the APA. Within one Business Day following such notice, the Escrow Agent shall pay the Escrow Funds to the Buyer in immediately available funds, in accordance with wire instructions provided by the Buyer.

(c) If the Buyer is the Successful Bidder, but the APA is terminated pursuant to Section 7.1(b), the Seller and Buyer shall jointly notify the Escrow Agent in writing of the termination of the APA. Within one Business Day following such notice, the Escrow Agent shall pay the Escrow Funds to the Seller in immediately available funds, in accordance with wire instructions provided by the Seller.

(d) If Buyer is not the Successful Bidder or the Back-up Bidder, Seller shall advise the Escrow Agent in writing no later than the Business Day following the Auction (and if the Seller fails to do so, the Buyer may) and direct the Escrow Agent to pay the Escrow Funds to the Buyer in immediately available funds, in accordance with wire instructions in accordance with wire instructions indicated in such notice.

(e) If Buyer is the Back-up Bidder, Seller shall advise the Escrow Agent in writing no later than the Business Day following the Auction. If Seller closes the sale of its Business with the Successful Bidder, it shall, on the same day, direct the Escrow Agent in writing to pay the Escrow Funds to the Buyer in immediately available funds, in accordance with wire instructions provided in such notice, no later than the following Business Day (and if the Seller fails to do so, the Buyer may so notify the Escrow Agent). If the Successful Bidder fails to consummate the sale, and Seller elects to close under the APA with Buyer, the Escrow Funds shall be applied to the purchase price on the Closing Date. The Seller and Buyer shall jointly advise the Escrow Agent in writing that the Closing has occurred, and direct the Escrow Agent to pay the Escrow

Funds to the Seller in immediately available funds, in accordance with wire instructions provided by the Seller.

Section 5. Term

The term of this Agreement shall expire upon the complete disbursement of the entire Escrow Funds in accordance with the terms hereof.

Section 6. Investments

During the term of this Agreement, the Escrow Funds shall be invested in a JPMorgan Money Market Deposit Account (“MMDA”), or a successor or similar investment offered by the Escrow Agent, unless otherwise instructed by the Parties and as shall be acceptable to the Escrow Agent. MMDA have rates of compensation that may vary from time to time based upon market conditions. Instructions to make any other investment (“Alternative Investment”) must be in writing and shall specify the type and identity of the investments to be purchased and/or sold. The Escrow Agent is hereby authorized to execute purchases and sales of investments through the facilities of its own trading or capital markets operations or those of any affiliated entity. The Escrow Agent or any of its affiliates may receive compensation with respect to any Alternative Investment directed hereunder including without limitation charging any applicable agency fee in connection with each transaction. The Parties recognize and agree that the Escrow Agent will not provide supervision, recommendations or advice relating to either the investment of moneys in the Escrow Fund or the purchase, sale, retention or other disposition of any investment described herein. The Escrow Agent shall not have any liability for any loss sustained as a result of any investment in an investment made pursuant to the terms of this Agreement or as a result of any liquidation of any investment prior to its maturity or for the failure of the Parties to give the Escrow Agent instructions to invest or reinvest the Escrow Funds. The Escrow Agent shall have the right to liquidate any investments held in order to provide funds necessary to make required payments under this Agreement.

Section 7. Concerning the Escrow Agent

(a) Notwithstanding any provision contained herein to the contrary, the Escrow Agent, including its officers, directors, employees and agents, shall:

(1) not be liable for any action taken or omitted under this Agreement so long as it shall have acted in good faith and without gross negligence or willful misconduct.

(2) have no responsibility to inquire into or determine the genuineness, authenticity, validity, accuracy or sufficiency of any documents, notices or requests submitted to it in connection with its duties hereunder;

(3) be entitled to deem the signatories of any documents or instruments submitted to it hereunder as being those purported to be authorized to sign such documents or instruments on behalf of the parties hereto, and shall be entitled to rely upon the genuineness of the signatures of such signatories without requiring substantiating evidence of any kind;

(4) be entitled to refrain from taking any action contemplated by this Agreement in the event that it becomes aware of any disagreement between the parties hereto as to any facts or as to the happening of any contemplated event precedent to such action. The Escrow Agent may rely upon and shall not be liable for acting or refraining from acting upon any written notice, document, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper Party or Parties without inquiry and without requiring substantiating evidence of any kind. The Escrow Agent shall not be liable to any Party, any beneficiary or other person for refraining from acting upon any instruction setting forth, claiming, containing, objecting to, or related to the transfer or distribution of the Fund, or any portion thereof, unless such instruction shall have been delivered to the Escrow Agent in accordance with Section 15 below and the Escrow Agent has been able to satisfy any applicable security procedures as may be required thereunder. The Escrow Agent shall have no duty to solicit any payments which may be due it or the Escrow Funds, nor shall the Escrow Agent have any duty or obligation to confirm or verify the accuracy or correctness of any amounts deposited with it hereunder;

(5) have only those duties as are specifically provided herein, which shall be deemed purely ministerial in nature, and shall under no circumstance be deemed a fiduciary for any of the parties to this Agreement. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument or document between the Parties hereto, in connection herewith, including without limitation the APA, nor shall the Escrow Agent be required to determine if any person or entity has complied with any Purchase Agreement, nor shall any additional obligations of the Escrow Agent be inferred from the terms of the APA, even though reference thereto may be made in this Agreement. In the event of any conflict between the terms and provisions of this Agreement, those of the APA or , any schedule or exhibit attached thereto, or any other agreement among the Parties, the terms and conditions of this Agreement shall control; This Agreement sets forth all matters pertinent to the escrow contemplated hereunder, and no additional obligations of the Escrow Agent shall be inferred from the terms of this Agreement or any other agreement. Anything in this Agreement to the contrary notwithstanding , IN NO EVENT SHALL THE ESCROW AGENT BE LIABLE, FOR SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND WHATSOEVER (INCLUDING BUT NOT LIMITED TO LOST PROFITS), EVEN IF THE ESCROW AGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES AND REGARDLESS OF THE FORM OF ACTION; and

(6) have the right, but not the obligation, to consult with counsel of choice and shall not be liable for action taken or omitted to be taken by the Escrow Agent in accordance with the advice of such counsel; and have the right to perform any of its duties hereunder through its agents, attorneys, custodians or nominees.

(b) The Parties agree (a) to pay, 50% by Buyer and 50% by Seller, the Escrow Agent upon execution of this Agreement and from time to time thereafter reasonable compensation for the services to be rendered hereunder, along with any fees or charges for accounts, including those levied by any governmental authority which the Escrow Agent may impose, charge or

pass-through, which unless otherwise agreed in writing shall be as described in Exhibit A attached hereto, and (b) to pay or reimburse the Escrow Agent upon request for all expenses, disbursements and advances, including, without limitation reasonable attorney's fees and expenses, incurred or made by it in connection with the performance, modification and termination of this Agreement. The obligations contained in this Section shall survive the termination of this Agreement and the resignation, replacement or removal of the Escrow Agent.

(c) The Parties shall jointly and severally indemnify, defend and hold harmless the Escrow Agent and its affiliates and their respective successors, assigns, directors, agents and employees (the "Indemnitees") from and against any and all losses, damages, claims, liabilities, penalties, judgments, settlements, litigation, investigations, costs or expenses (including, without limitation, the fees and expenses of outside counsel and experts and their staffs and all expense of document location, duplication and shipment) (collectively "Losses") arising out of or in connection with (i) the Escrow Agent's execution and performance of this Agreement, tax reporting or withholding, the enforcement of any rights or remedies under or in connection with this Agreement, or as may arise by reason of any act, omission or error of the Indemnatee, except in the case of any Indemnatee to the extent that such Losses are finally adjudicated by a court of competent jurisdiction to have been primarily caused by the gross negligence or willful misconduct of such Indemnatee, or (ii) its following any instructions or directions, whether joint or singular, from the Parties, except to the extent that its following any such instruction or direction is expressly forbidden by the terms hereof. The indemnity obligations set forth in this Section shall survive the resignation, replacement or removal of the Escrow Agent or the termination of this Agreement.

(d) In the event that (i) any dispute shall arise between the parties with respect to the disposition or disbursement of any of the assets held hereunder or (ii) the Escrow Agent shall be uncertain as to how to proceed in a situation not explicitly addressed by the terms of this Agreement whether because of conflicting demands by the other parties hereto or otherwise, the Escrow Agent shall be entitled to refrain from taking any action and its sole obligation shall be to keep safely all property held in escrow until it shall be given a direction in writing by the Parties which eliminates such ambiguity or uncertainty to the satisfaction of Escrow Agent or by a final and non-appealable order or judgment of a court of competent jurisdiction, or in its sole discretion to commence an interpleader action or seek other judicial relief or orders as it may deem, in its sole discretion, necessary and be fully relieved from any and all liability or obligation with respect to such interpleaded assets. The Parties further agree to pursue any redress or recourse in connection with such a dispute, without making the Escrow Agent a party to same;

(e) Any banking association or corporation into which the Escrow Agent may be merged, converted or with which the Escrow Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any banking association or corporation to which all or substantially all of the corporate trust business of the Escrow Agent shall be transferred, shall succeed to all of the Escrow Agent's rights, obligations and immunities hereunder without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8. Attachment of Escrow Account; Compliance with Legal Orders

In the event that any Escrow Funds shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the property deposited under this Agreement, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in the event that the Escrow Agent obeys or complies with any such writ order or decree it shall not be liable to any of the parties hereto or to any other person, firm or corporation, by reason of such compliance notwithstanding such writ, order or decree by subsequently reversed, modified, annulled, set aside or vacated.

Section 9. Tax Matters

The Parties have provided the Escrow Agent with their respective fully executed IRS Form W-8, or W-9 and/or other required documentation. All interest or other income earned under this Agreement shall be allocated to the Buyer and reported, as and to the extent required by law, by the Escrow Agent to the IRS, or any other taxing authority, on IRS Form 1099 or 1042S (or other appropriate form) as income earned from the Escrow Deposit by the Buyer whether or not said income has been distributed during such year. Escrow Agent shall withhold any taxes it deems appropriate in the absence of proper tax documentation or as required by law, and shall remit such taxes to the appropriate authorities. The Parties hereby represent to the Escrow Agent that (i) there is no sale or transfer of an United States Real Property Interest as defined under IRC Section 897(c) in the underlying transaction giving rise to this Agreement; and (ii) such underlying transaction does not constitute an installment sale requiring tax reporting or withholding of imputed interest or original issue discount to the IRS or other taxing authority

Section 10. Resignation or Removal of the Escrow Agent

The Escrow Agent may resign as such following the giving of thirty (30) calendar days prior written notice to the other parties hereto. Similarly, the Escrow Agent may be removed and replaced following the giving of thirty (30) days prior written notice to the Escrow Agent by the other parties hereto. In either event, the duties of the Escrow Agent shall terminate thirty (30) days after receipt of such notice (or as of such earlier date as may be mutually agreeable); and the Escrow Agent shall then deliver the balance of the moneys or assets then in its possession to a successor escrow agent as shall be appointed by the other parties hereto as evidenced by a written notice filed with the Escrow Agent.

If the Parties have failed to appoint a successor prior to the expiration of thirty (30) calendar days following receipt of the notice of resignation or removal, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor escrow agent or for other appropriate relief, and any such resulting appointment shall be binding upon all of the parties hereto. The Escrow Agent's sole responsibility after such thirty (30) day notice period expires shall be to hold the Escrow Funds (without any obligation to reinvest the same) and to deliver the same to a designated substitute escrow agent, if any, or in accordance with the

directions of a final order or judgment of a court of competent jurisdiction, at which time of delivery Escrow Agent's obligations hereunder shall cease and terminate.

Section 11. Notices

Any notice, consent or request to be given in connection with any of the terms or provisions of this Agreement and except for communications from the Parties setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to funds transfer instructions (all of which shall be specifically governed by Section 15 below) shall be in writing and be given by facsimile transmission, courier delivery service or by mail, and shall become effective (a) on the date of delivery if sent by facsimile or by courier delivery service, or (b) five Business Days after being deposited in the mail, with proper postage for first-class registered or certified mail, prepaid. Notices shall be addressed as follows or to such other address as a party shall have designated by notice in writing to the other party in the manner provided by this Section 11:

If to Buyer: FIG LLC
1345 Avenue of the Americas
New York NY 10105
Attention: Cameron MacDougal
Phone: 212-479-1522
Facsimile: 917-591-8312

With a copy to: SNR Denton US LLP
Two World Financial Center
New York, NY 10281
Attention: A. James Cotins
Phone: 212-768-6728
Facsimile: 212-768-6800
Email: james.cotins@snrdenton.com

If to Seller: C-BASS INVESTMENT MANAGEMENT LLC
335 Madison Avenue, 26th Floor
New York, NY 10017
Attention: General Counsel
Facsimile: 212-850-7760
Telephone: 212-850-7700
E-Mail: Shari.Kushner@c-bass.com

With a copy to: Hunton & Williams LLP
200 Park Avenue
New York, NY 10018
Attention: Peter S. Partee
Facsimile: (212) 355-3333
E-Mail: ppartee@hunton.com

If to the Escrow Agent:
JP Morgan Chase Bank N.A.
Escrow Services
4 New York Plaza, 21st Fl
New York, NY 10004
Attention: Ilona Kandarova/ Andy Jacknick
Fax Number: (212) 623-6168_
Phone Number: (212) 623-0046

Notwithstanding the above, in the case of communications delivered to the Escrow Agent, such communications shall be deemed to have been given on the date received by an officer of the Escrow Agent or any employee of the Escrow Agent who reports directly to any such officer at the above-referenced office. In the event that the Escrow Agent, in its sole discretion, shall determine that an emergency exists, the Escrow Agent may use such other means of communication as the Escrow Agent deems appropriate.

Section 12. Governing Law

This Agreement shall be construed in accordance with the laws of the State of New York. Each of the parties hereto, in respect of itself and its properties, agrees to be subject to (and hereby irrevocably submits to) the exclusive jurisdiction of any state or federal court situated in New York, New York, in respect of any suit, action or proceeding arising out of or relating to this Agreement, and irrevocably agrees that all claims in respect of any such suit, action or proceeding shall be heard and determined in any such court. To the extent that in any jurisdiction either Party may now or hereafter be entitled to claim for itself or its assets, immunity from suit, execution attachment (before or after judgment), or other legal process, such Party shall not claim, and it hereby irrevocably waives, such immunity. The Escrow Agent and the Parties further hereby waive any right to a trial by jury with respect to any lawsuit or judicial proceeding arising or relating to this Agreement.

Section 13. Amendment, Modification or Waiver

This Agreement may be amended or modified and any term of this Agreement may be waived if such amendment, modification or waiver is in writing and signed by all parties.

Section 14. Counterparts

This Agreement may be executed in several counterparts, each one of which shall constitute an original and all collectively shall constitute but one instrument.

Section 15. Security Procedures.

Notwithstanding anything to the contrary as set forth in Section 11, any instructions setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to any such funds transfer instructions that may otherwise be set forth in a written instruction permitted pursuant to Section 4 of this Agreement, may be given to the Escrow Agent only by confirmed facsimile and no instruction for or related to the transfer or distribution of the Fund, or any portion thereof, shall be deemed delivered and

effective unless the Escrow Agent actually shall have received such instruction by facsimile at the number provided to the Parties by the Escrow Agent in accordance with Section 11 and as further evidenced by a confirmed transmittal to that number.

(a) In the event funds transfer instructions are so received by the Escrow Agent by facsimile, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule 1 hereto, and the Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in a writing actually received and acknowledged by the Escrow Agent. If the Escrow Agent is unable to contact any of the authorized representatives identified in Schedule 1, the Escrow Agent is hereby authorized both to receive written instructions from and seek confirmation of such instructions by telephone call-back to any one or more of Buyer or Seller's executive officers ("Executive Officers"), as the case may be, which shall include the titles of Executive Vice President, as the Escrow Agent may select. Such "Executive Officer" shall deliver to the Escrow Agent a fully executed incumbency certificate, and the Escrow Agent may rely upon the confirmation of anyone purporting to be any such officer. The Escrow Agent and the beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by Buyer or Seller to identify (i) the beneficiary, (ii) the beneficiary's bank, or (iii) an intermediary bank. The Escrow Agent may apply any of the Fund for any payment order it executes using any such identifying number, even when its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank or an intermediary bank designated. The Parties acknowledge that the security procedures set forth in this Section 15 are commercially reasonable.

Section 16. Patriot Act Disclosure.

Section 326 of the USA PATRIOT Act requires the Escrow Agent to implement reasonable procedures to verify the identity of any person that opens a new account with it. Accordingly, the Parties acknowledge that Section 326 of the USA PATRIOT Act and the Escrow Agent's identity verification procedures require the Escrow Agent to obtain information which may be used to confirm the Parties identity including without limitation name, address and organizational documents ("identifying information"). The Parties agree to provide the Escrow Agent with and consent to the Escrow Agent obtaining from third parties any such identifying information required as a condition of opening an account with or using any service provided by the Escrow Agent.

Section 17. Force Majeure.

No party to this Agreement is liable to any other party for losses due to, or if it is unable to perform its obligations under the terms of this Agreement because of, acts of God, fire, war, terrorism, floods, strikes, electrical outages, equipment or transmission failure, or other causes reasonably beyond its control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have duly executed this Escrow Agreement as of the date first above written.

FIG LLC, on behalf of itself or one or more of its managed affiliates

By: _____

Name: _____

Its: _____

C-BASS INVESTMENT MANAGEMENT LLC

By: _____

Name: _____

Its: _____

JP MORGAN CHASE BANK, N.A., as the Escrow Agent

By: _____

Name: _____

Its: _____

EXHIBIT A

J.P.Morgan

Schedule of Fees for Escrow Agent Services

Based upon our current understanding of your proposed transaction, our fee proposal is as follows:

Account Acceptance Fee Waived

Encompassing review, negotiation and execution of governing documentation, opening of the account, and completion of all due diligence documentation. Payable upon closing.

Annual Administration Fee \$1,500

The Administration Fee covers our usual and customary ministerial duties, including record keeping, distributions, document compliance and such other duties and responsibilities expressly set forth in the governing documents for each transaction. Payable upon closing and annually in advance thereafter, without pro-rata for partial years.

Extraordinary Services and Out-of-Pocket Expenses

Any additional services beyond our standard services as specified above, and all reasonable out-of-pocket expenses including attorney's or accountant's fees and expenses will be considered extraordinary services for which related costs, transaction charges, and additional fees will be billed at the Bank's then standard rate. Disbursements, receipts, investments or tax reporting exceeding 25 items per year may be treated as extraordinary services thereby incurring additional charges. The Escrow Agent may impose, charge, pass-through and modify fees and/or charges for any account established and services provided by the Escrow Agent, including but not limited to, transaction, maintenance, balance-deficiency, and service fees and other charges, including those levied by any governmental authority.

Disclosure & Assumptions

- Please note that the fees quoted are based on a review of the transaction documents provided and an internal due diligence review. JPMorgan reserves the right to revise, modify, change and supplement the fees quoted herein if the assumptions underlying the activity in the account, level of balances, market volatility or conditions or other factors change from those used to set our fees.
- The escrow deposit shall be continuously invested in a JPMorgan Chase Bank money market deposit account ("MMDA") or a JPMorgan Chase Bank Cash Compensation account. MMDA and Cash Compensation Accounts have rates of compensation that may vary from time to time based upon market conditions. The Annual Administration Fee would include a supplemental charge up to 25 basis points on the escrow deposit amount if another investment option were to be chosen.
- The Parties acknowledge and agree that they are permitted by U.S. law to make up to six (6) pre-authorized withdrawals or telephonic transfers from an MMDA per calendar month or statement cycle or similar period. If the MMDA can be accessed by checks, drafts, bills of exchange, notes and other financial instruments ("Items"), then no more than three (3) of these six (6) transfers may be made by an Item. The Escrow Agent is required by U.S. law to reserve the right to require at least seven (7) days notice prior to a withdrawal from a money market deposit account.

- Payment of the invoice is due upon receipt.

Compliance

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account. We may ask for information that will enable us to meet the requirements of the Act.

Schedule 1

Telephone Number(s) and authorized signature(s) for
Person(s) Designated to give Funds Transfer Instructions

If from Buyer:

<u>Name</u>	<u>Telephone Number</u>	<u>Signature</u>
1. Jason Corn	(310) 228-5444	_____
2. Brian Sigman	(212) 479-5343	_____

If from Seller:

<u>Name</u>	<u>Telephone Number</u>	<u>Signature</u>
1. Andy Rickert	(212) 850.5075	_____
2. Shari Kushner	(212) 850.7740	_____
3. Darryl Chu	(212) 850. 7758	_____

Telephone Number(s) for Call-Backs and

Person(s) Designated to Confirm Funds Transfer Instructions

If from Buyer:

[Same as Above]

If from Seller:

[Same as Above.]

EXHIBIT B
FORM ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this “Assignment”) is made and entered into as of _____, 20__, by and between C-BASS Investment Management LLC, a Delaware limited liability company (hereinafter referred to as “Assignor”) and _____, a _____ (hereinafter referred to as “Assignee”).

WITNESSETH:

WHEREAS, Assignor and Assignee are parties to an Asset Purchase Agreement, dated as of _____, 2010 (the “Asset Purchase Agreement”); and

WHEREAS, pursuant to that certain Asset Purchase Agreement, Assignor has agreed to assign, transfer, sell and convey to Assignee all the right, title, interest and obligations of Assignor in and to or arising under certain contracts, specifically the Investment Management Contracts and Collateral Administration Agreements referenced therein (collectively, the “Contracts”), certain Class E Securities referenced therein and certain Ancillary Assets referenced therein, and Assignee has agreed to assume all of Assignor’s obligations under the Contracts.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, Assignor and Assignee hereby agree as follows:

1. Assignment and Assumption. Assignor does hereby grant, convey, transfer and assign to Assignee all of Assignor’s right, title, interest and obligations in and to or arising under the Contracts, the Class E Securities and the Ancillary Assets. Assignee does hereby accept the assignment and transfer of Assignor’s interest and obligations under the Contracts (to the extent arising on or after the date hereof) and assumes and agrees to perform all of the terms, covenants, obligations of Assignor under the Contracts (to the extent arising on or after the date hereof), except as set forth in Section 5 below.

2. Defined Terms. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Asset Purchase Agreement.

3. Counterparts. This Assignment may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

4. Relation to Asset Purchase Agreement. This Assignment is entered into pursuant to, and is subject to all of the terms, provisions and conditions of, the Asset Purchase Agreement, and nothing herein shall be deemed to modify any of the representations, warranties, covenants

or obligations of the parties thereunder. In the event of any conflict or inconsistency between the terms, provisions and conditions of this Assignment and the Asset Purchase Agreement, the terms, provisions and conditions of the Asset Purchase Agreement shall govern and control.

5. Limitations. Notwithstanding anything set forth herein or in the Asset Purchase Agreement to the contrary, Assignee assumes no obligations or liabilities with respect to (i) any representations or warranties in the Contracts, (ii) any indemnity obligations in the Contracts relating to information contained in any offering circular and (iii) any statements made in the Contracts concerning the Assignor's status under the Investment Advisers Act of 1940. [Insert regarding treatment of subordinated management fees.] Furthermore, Assignee assumes no liability with respect to the information concerning the Assignor and its affiliates set forth in any offering circular.

6. Assigns. This Assignment is binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

7. Governing Law. This Assignment and the transactions contemplated herein, and all disputes between the parties under or related to this Assignment or the facts and circumstances leading to its execution or performance, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the laws of the State of New York, without reference to the conflict of laws principles thereof other than Section 5-1401 of the New York General Obligations Law.

[Signature Page Attached Hereto.]

IN WITNESS WHEREOF, Assignor and Assignee have caused this instrument to be executed under seal, all the day and year first above written.

ASSIGNOR:

C-BASS INVESTMENT MANAGEMENT, LLC

By: _____

Name: _____

Title: _____

ASSIGNEE:

By: _____

Name: _____

Title: _____

Consented and Agreed to:

BANK OF AMERICA, N.A., as successor
by merger to LaSalle Bank National Association,
as trustee

By: _____

Name: _____

Title: _____

HUNTON & WILLIAMS LLP
DRAFT
ATTORNEY WORK PRODUCT
CONFIDENTIAL
SUBJECT TO COMMON INTEREST PRIVILEGE

Proposed Hearing Date and Time for Hearing on Approval of Bidding Procedures: 11/__/10 at 10:00 a.m. (prevailing Eastern Time)
Proposed Objection Deadline for Approval of Bidding Procedures: 11/__/10 at 4:00 p.m. (prevailing Eastern Time)

Proposed Hearing Date and Time for Hearing on Approval of Sale: 12/__/10 at 10:00 a.m. (prevailing Eastern Time)
Proposed Objection Deadline for Approval of Sale: 12/__/10 at 4:00 p.m. (prevailing Eastern Time)

Peter S. Partee, Sr.
Jack A. Molenkamp
Andrew Kamensky (to be admitted *pro hac vice*)
Scott H. Bernstein
HUNTON & WILLIAMS LLP
200 Park Avenue, 53rd Floor
New York, New York 10166-0136
(212) 309-1000

*Proposed Attorneys for Debtors
and Debtors-in-Possession*

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
CREDIT-BASED ASSET SERVICING	)	Case No. 10-____ (____)
AND SECURITIZATION LLC, <u>et al.</u>,	)	Joint Administration
Debtors. ¹	)	Requested

**MOTION OF DEBTOR AND DEBTOR-IN-POSSESSION C-BASS
INVESTMENT MANAGEMENT, LLC FOR (I) ENTRY OF AN ORDER (A)
APPROVING BIDDING AND AUCTION PROCEDURES FOR THE SALE OF
ITS COLLATERAL MANAGEMENT BUSINESS; AND (B) GRANTING
RELATED RELIEF; AND (II) ENTRY OF AN ORDER (A) AUTHORIZING
THE SALE OF ITS COLLATERAL MANAGEMENT BUSINESS FREE AND
CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS; (B)
AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF COLLATERAL
MANAGEMENT CONTRACTS; AND (C) GRANTING RELATED RELIEF**

¹ The other Debtors are C-BASS CBO Holding LLC, C-BASS Credit Corp., C-BASS Investment Management LLC, NIM I LLC, Pledged Property II LLC, Starfish Management Group LLC, and Sunfish Management Group LLC.

C-BASS Investment Management LLC (“CIM” or the “Seller”) and to the extent provided herein Credit-Based Asset Servicing and Securitization LLC (“C-BASS”), debtors and debtors-in-possession in the above-captioned cases, by and through their undersigned counsel, submit this motion (the “Motion”) for the entry of two orders: (a) a bidding procedures order (i) scheduling an auction, (ii) approving bidding procedures, (iii) approving a break-up fee and expense reimbursement, (iv) scheduling a sale hearing, (v) establishing an objection deadline in connection with the proposed sale, and (vi) approving the proposed form and manner of the sale hearing notice and the notice of assumption and assignment of certain contracts; and (b) a sale order (i) approving the sale of CIM’s collateral management business, (ii) authorizing the assumption and assignment of certain collateral management contracts in connection thereto, and (iii) granting related relief. In support of this Motion, CIM submits the *Declaration of Andrew Rickert in Support of the Motion of Debtor and Debtor-in-Possession C-BASS Investment Management, LLC for (I) Entry of an Order (A) Approving Bidding and Auction Procedures for the Sale of its Collateral Management Business; and (B) Granting Related Relief; and (II) Entry of an Order (A) Authorizing the Sale of its Collateral Management Business Free and Clear of all Liens, Claims, Encumbrances and Interests; (B) Authorizing the Assumption and Assignment of Collateral Management Contracts; and (C) Granting Related Relief* (the “Rickert Declaration”). In further support of the Motion, CIM respectfully represents as follows:

I. General Background

1. On November __, 2010 (the “Petition Date”), each of the debtors and debtors-in-possession in the above-captioned cases (collectively, the “Debtors”) filed a voluntary petition for relief under chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as

amended, the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Court”). The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or an examiner has been made in these chapter 11 cases and no statutory committees have been appointed or designated.

2. Concurrently with the filing of this Motion, the Debtors have sought procedural consolidation and joint administration of these chapter 11 cases under the case of C-BASS. A description of the Debtors’ businesses, the reasons for filing these chapter 11 cases and the relief sought from this Court to allow for a smooth transition into operations under chapter 11 is set forth in the *Declaration of Andrew Rickert in Support of Chapter 11 Petitions and First Day Motions* (the “First Day Declaration”), which is being filed contemporaneously with this Motion.

II. Jurisdiction, Venue and Predicates for Relief

3. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. § 1334 and the *Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York* dated July 10, 1984 (Ward, Acting C.J.). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O).

4. The predicates for the relief requested herein are sections 105(a), 363 and 365 of the Bankruptcy Code, Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rules 2002-1, 6004-1, 6006-1 and 9014-1 of the Local Rules of the Bankruptcy Court (the “Local Rules”).

III. Relief Requested

5. By this Motion, CIM requests the entry of an order (the “Bidding Procedures Order”), in substantially the form annexed hereto as **Exhibit A**, (a) authorizing and scheduling an auction (the “Auction”) for the sale (the “Sale”) of CIM’s collateral management business, including, without limitation, all of the Seller’s right, title and interest in and to or arising under (i) all of the Assigned Contracts (as defined below), (ii) the Class E Securities (as defined below), and (iii) the Ancillary Assets (as defined below) (collectively, the “CM Business”), free and clear of all claims (as defined in section 101(5) of the Bankruptcy Code) and any other interests, liens, mortgages, pledges, security interests, rights of first refusal, obligations and encumbrances of any kind whatsoever (collectively, the “Liens”); (b) approving bidding and auction procedures (the “Bidding Procedures”) in connection with the Auction; (c) approving the proposed bid protection to FIG LLC, on behalf of itself or one or more of its managed affiliates (the “Proposed Purchaser”), including the proposed Break-Up Fee (as defined below) and Expense Reimbursement (as defined below), in accordance with that certain Asset Purchase Agreement (the “Purchase Agreement”), dated November __, 2010, by and among CIM and the Proposed Purchaser, in the form annexed hereto as **Exhibit C**; (d) setting a date and time for a sale hearing (the “Sale Hearing”) to consider the Sale; (e) establishing a deadline to file objections to the Sale (the “Objection Deadline”); (f) approving the proposed form and manner of notice of the Sale Hearing and the Auction (the “Sale Hearing Notice”), in substantially the form annexed as Schedule 1 to the Bidding Procedures Order; and (g) approving the proposed form and manner of notice of assumption and assignment of certain executory contracts as part of the Sale transaction (the “Notice of Assumption and Assignment”), in substantially the form

annexed as Schedule 2 to the Bidding Procedures Order. CIM further requests the entry of an order (the “Sale Order”) after the Sale Hearing, in substantially the form annexed hereto as **Exhibit B**, (a) approving and authorizing the Sale of the CM Business free and clear of all Liens and on substantially the same terms and conditions set forth in the asset purchase agreement of the Successful Bidder (as defined below)²; (b) authorizing and approving the Purchase Agreement; (c) authorizing the assumption and assignment of certain executory contracts related thereto; and (d) granting related relief.

IV. Specific Background

A. Description of the Seller and its CM Business

6. CIM is registered with the Securities and Exchange Commission (the “SEC”) as an investment adviser under the Investment Advisers Act of 1940, (as amended, the “Advisers Act”).

7. Through the CM Business, CIM provides collateral management services to 17 privately offered collateralized bond obligations (collectively, “CBOs”). CIM’s current management duties with respect to the CBOs consist of (a) monitoring collateral for the CBOs, (b) effectuating dispositions of defaulted CBO collateral as required by the CBO documentation, and (c) exercising certain rights on behalf of the CBOs. CIM currently has no investment authority with respect to the CBOs, and since June 2007 has had no investment authority and has made no investment decisions with respect to all but one of the CBOs. CIM has had no

² If the Auction is held and a sale of the CM Business is agreed to according to a Modified Purchase Agreement (as defined herein), the Seller will submit a revised sale order reflecting the sale contemplated by the Modified Purchase Agreement, with a blackline against the Sale Order showing changes made.

investment authority and has made no investment decisions with respect to the final CBO since December 2007.

8. The CM Business is comprised of (a) investment management or portfolio advisory contracts and collateral administration agreements associated with 17 CBOs, as listed on Schedules 2.1(i) and (ii) to the Purchase Agreement (collectively, the “Assigned Contracts”); (b) the Class E Securities resulting from the C-BASS CBO XIV and C-BASS CBO XVII transactions, as listed on Schedule 2.1(iii) to the Purchase Agreement (collectively, the “Class E Securities”); and (c) any other property in CIM’s possession relating to its management of the CBOs and its obligations under the Assigned Contracts and the CBO Constituent Documents (as defined in the Purchase Agreement), including, without limitation, all books, records, files, proprietary software, excel spreadsheets and proprietary modeling programs (collectively, the “Ancillary Assets” and together with the Assigned Contracts and the Class E Securities, the “Assets”). The Class E Securities carry certain control rights which benefit the collateral manager under the Assigned Contracts, and are therefore being sold as part of the CM Business.

**B. The Debtors’ Capital Structure and the Restructuring Facilitation
Agreement**

9. As set forth in greater detail in the First Day Declaration, the Debtors financed their prepetition activities with multiple ISDA-based repurchase agreements of mortgage loans and mortgage-backed securities falling within the safe-harbor of section 559 of the Bankruptcy Code (collectively, the “Repurchase Agreements”) and a variety of secured and unsecured debt. The Debtors’ principal secured debt consisted of a \$1,855,000,000 senior secured credit facility (the “Senior Credit Facility”) syndicated among a number of lenders (the “Senior Lenders”) and secured by first liens on and security interests in substantially all of the Debtors’ assets other than

the assets covered by the Repurchase Agreements, and junior liens on and security interests in the Debtors' assets covered by the Repurchase Agreements (the "Senior Credit Facility Collateral").

10. As part of a large-scale forbearance and restructuring in the Summer and Fall of 2007, culminating in the execution of the Override Agreement (as defined in the First Day Declaration), the Debtors granted numerous subordinate liens and security interests, including without limitation subordinate liens and security interests on the Senior Credit Facility Collateral as additional collateral security for the Repurchase Agreements. Under the Intercreditor Agreement (as defined in the First Day Declaration) executed simultaneously with the Override Agreement, however, the Senior Lenders have the exclusive and unilateral right to enforce their liens and security interests against, and otherwise consent to dispositions of, the Senior Credit Facility Collateral.

11. Over the course of the past 40 months, based on defaults under the Senior Credit Facility triggered by the mortgage crisis in the United States and pursuant to multiple forbearance and related agreements, the vast majority of the collateral for the Senior Credit Facility has been sold and the proceeds thereof applied to reduce the balance of the Senior Credit Facility to its current principal balance of approximately \$[240 million]. The collateral remaining in the Debtors' possession and control as of the Petition Date (collectively, the "Remaining Collateral") consists principally of (i) various subordinated tranches of mortgage-backed securities, (ii) the CM Business, (iii) whole loans, (iv) REOs, (v) claims against third parties, (vi) deposits with surety bond purchasers, (vii) furniture, fixtures, equipment and various

forms of intellectual property, (viii) receivables for the unused amount, if any, of professional retainers, and (ix) cash collateral on deposit in the Debtors' centralized cash operating account.

12. Similarly, based on defaults under the Repurchase Agreements triggered by the mortgage crisis in the United States, all of the Repurchase Agreements have been terminated by the respective counterparties, and substantially all of the assets subject to the Repurchase Agreements have been sold or retained by such counterparties.

13. Pursuant to the Restructuring Facilitation Agreement, dated as of September 20, 2010 (the "RFA"), by and among the Debtors, JPMorgan Chase Bank, N.A., as administrative agent under the Senior Credit Facility (the "Administrative Agent"), and certain lenders under the Senior Credit Facility that are signatories to the RFA (collectively, the "Participant Lenders"), the Administrative Agent and Participant Lenders have agreed *inter alia* to permit the Debtors to use up to \$8.2 million of the cash proceeds of the Remaining Collateral in accordance with the terms and conditions of an adequate protection stipulation, interim approval of which the Debtors are seeking contemporaneously with the approval of the other first-day motions. The RFA provides a timeline pursuant to which the Debtors are to use their respective best efforts to liquidate the Remaining Collateral. Specifically with respect to the CM Business, the Debtors are required to use their respective best efforts to obtain entry of an order authorizing the sale of the CM Business by December 31, 2010, and to obtain entry of an order approving Bidding Procedures in connection with the sale of the CM Business on or before November 22, 2010.

C. The Proposed Sale of the CM Business to the Proposed Purchaser

14. CIM, as Seller, and FIG LLC, on behalf of itself or one or more of its managed affiliates, as Proposed Purchaser, have entered into the Purchase Agreement, whereby the Proposed Purchaser has agreed to purchase the CM Business from the Seller.

D. Summary of Purchase Agreement³

15. The salient terms of the Purchase Agreement are as follows:

- (a) **Assets to be Sold.** The assets to be sold consist of the Assigned Contracts, the Class E Securities and the Ancillary Assets that comprise the CM Business.
- (b) **Purchase Price.** At the Closing, the Proposed Purchaser shall pay to Seller, by wire transfer of immediately available funds to an account designated by the Seller, the purchase price (the "Purchase Price") equal to two million four hundred thousand Dollars (\$2,400,000), less (i) the deposit of \$100,000 (the "Deposit") (and any interest accrued thereon), (ii) the Fee Basis Reduction Amount, and (iii) any management fees paid to the Seller subsequent to January 1, 2011 but prior to the Closing.

At the Closing, the Escrow Agent shall release the Deposit, and all interest accrued thereon, to the Seller.

- (c) **Allocation of Purchase Price.** The Purchase Price shall be allocated among the Assets in the manner required by Section 1060 of the Internal Revenue Code as shown on the allocation schedule attached to the Purchase Agreement as Schedule 2.7. After the Closing, the parties will make consistent use of the allocations set forth in such allocation schedule for all purposes, including for purposes of any Tax Returns required to be filed pursuant to Section 1060 of the Internal Revenue Code (including Internal Revenue Service Form 8594), or any comparable provision of state, local or foreign law. Concurrently with the Closing, the Proposed Purchaser will prepare and deliver to Seller Internal Revenue Service Form 8594 to be filed with the Internal Revenue Service. The Proposed Purchaser and the Seller agree that the form of the transactions, the

³ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Purchase Agreement. To the extent there are any inconsistencies between the summary description of the Purchase Agreement contained herein and the terms and conditions of the Purchase Agreement, the terms of the Purchase Agreement control.

consideration provided for in this Agreement and the allocation of the Purchase Price as provided above were arrived at on the basis of arm's length negotiation between the Proposed Purchaser and the Seller, and shall be respected by each of them and their respective Affiliates for federal, state, local and other tax reporting purposes, including filings on Internal Revenue Service Form 8594, and that none of them will assert or maintain a position inconsistent with the foregoing.

- (d) **Break-Up Fee and Expense Reimbursement.** In the event each of the following occurs: (i) the Purchase Agreement is terminated by the Proposed Purchaser pursuant to Section 7.1(d) of the Purchase Agreement, (ii) the Proposed Purchaser is not in material default under the Purchase Agreement (provided that this clause (ii) shall not be applicable in the event that Seller is also in material default under the Purchase Agreement), (iii) the Proposed Purchaser does not purchase the Assets, (iv) the Bankruptcy Court enters an order authorizing the sale or transfer of some or all the Assets to a party other than the Proposed Purchaser (a "Third Party Buyer"), and (v) the Assets are in fact sold to a Third Party Buyer, the Proposed Purchaser shall be entitled to a break-up fee in an amount equal to \$100,000 (the "Break-Up Fee")⁴ and an expense reimbursement for the reasonable and documented out-of-pocket costs and expenses (incurred by the Proposed Purchaser or its Affiliates) in connection with negotiation, documentation and implementation of the Purchase Agreement up to a maximum amount of \$75,000 (the "Expense Reimbursement"). The payment of the Break-Up Fee and Expense Reimbursement, if payable in accordance with the foregoing sentence, shall be made directly to the Proposed Purchaser solely from the proceeds of the sale to the Third Party Buyer (free and clear of any Encumbrance on such proceeds) within three (3) Business Days of the closing of the sale.
- (e) **Termination of Purchase Agreement.** The Purchase Agreement may be terminated at any time before the Closing:
- i. by mutual written consent of the Seller and the Proposed Purchaser;
 - ii. by the Seller, by notice to the Proposed Purchaser, if the Closing shall not have occurred on or before the date that is fifteen (15) days after the earlier of (1) the date upon which the Sale Order becomes final and not appealable and (2) the date upon which

⁴ The Purchase Agreement defines the Break-Up Fee as the "Termination Fee" and the Proposed Purchaser as the "Buyer."

Proposed Purchaser indicates its determination to proceed with the Closing notwithstanding the taking of an appeal or the request for a stay pending appeal (the “Drop Dead Date”), and the conditions set forth in Sections 6.1 and 6.2 of the Purchase Agreement (other than any condition that by its nature is to be satisfied by actions to be taken at the Closing by Seller if the Seller is prepared to take such actions as of such date) have been satisfied;

- iii. by the Proposed Purchaser, by notice to the Seller, if the Closing shall not have occurred on or before the Drop Dead Date and the conditions set forth in Sections 6.1 and 6.3 of the Purchase Agreement (other than any condition that by its nature is to be satisfied by actions to be taken at the Closing by the Proposed Purchaser if the Proposed Purchaser is prepared to take such actions as of such date) have been satisfied;
- iv. by the Proposed Purchaser, by notice to the Seller, if the Bankruptcy Court enters an order authorizing the sale or transfer of some or all of the CM Business to a Third Party Buyer; or
- v. by the Proposed Purchaser or the Seller, by notice to the other party if the Drop Dead Date has not occurred on or prior to January 31, 2011.

16. In addition to the aforementioned salient features of the Purchase Agreement, in accordance with the *Amended Guidelines for the Conduct of Asset Sales* adopted by this Court’s General Order M-383 on November 18, 2009, the Seller notes the following with respect to the Purchase Agreement:

- (a) **No Sale to an Insider:** The Proposed Purchaser is not an insider of the Seller or the other Debtors within the meaning set forth in section 101(31) of the Bankruptcy Code.
- (b) **Agreements with Management:** The Proposed Purchaser is not offering employment to any employees of the Seller or its Affiliates.
- (c) **No Private Sale; Competitive Bidding:** As discussed above, the Seller intends to conduct an open bidding process for the Sale of the CM Business. Neither the Purchase Agreement nor any other agreement prohibits the Seller from soliciting competing offers for the CM Business and the Seller is not otherwise limited in marketing the CM Business.

- (d) **Closing and Other Deadlines:** As set forth in the Purchase Agreement, the closing is scheduled to occur one Business Day after each of the conditions to closing set forth in Article 6 of the Purchase Agreement have been satisfied or validly waived, at 10:00 a.m. (prevailing Eastern Time) in the offices of Hunton & Williams LLP in New York, New York, or on such other date or at such other time or place as is mutually agreed by the parties hereto. As set forth above, Seller or Proposed Purchaser may terminate the Purchase Agreement if Closing shall not have occurred and if the Drop Dead Date has not occurred on or prior to January 31, 2011.
- (e) **Good Faith Deposit:** The Purchase Agreement requires submission by the Proposed Purchaser of a good faith deposit in the amount of \$100,000.
- (f) **No Interim Arrangements with the Proposed Purchaser.** The Purchase Agreement does not provide for any interim arrangements with the Proposed Purchaser.
- (g) **Use of Proceeds:** Section 6.1(g) of the Purchase Agreement provides that, to the extent any defaults under Executory Contracts to be assumed and assigned are not cured by the Seller, the Seller shall use proceeds of the Purchase Price to cure any and all defaults under the Executory Contracts that are required to be cured as a condition to assumption under the Bankruptcy Code and pursuant to the Sale Order, so that the Executory Contracts may be assumed by the Seller and assigned to the Proposed Purchaser in accordance with the provisions of section 365 of the Bankruptcy Code.
- (h) **No Tax Exemption:** No provision of the Purchase Agreement addresses tax exemptions.
- (i) **Record Retention:** There is no specific provision in the Purchase Agreement governing record retention; however, both the Seller and the Proposed Purchaser are registered investment advisers under the Advisers Act (or in the case of the Proposed Purchaser, will become a registered investment adviser on or prior to the Closing), and therefore, Rule 204-2 of the Advisers Act governs the recordkeeping requirements.
- (j) **No Sale of Avoidance Actions:** The Purchase Agreement does not involve the sale of, or impose limitations on, any causes of action under Chapter 5 of the Bankruptcy Code.
- (k) **Sale Free and Clear of Unexpired Leases:** Pursuant to Section 2.1(a) of the Purchase Agreement, the Proposed Purchaser shall acquire the Seller's CM Business free and clear of all Liens, with such Liens attaching to the proceeds with the same validity and priority.

17. Additionally, the proposed form of Sale Order contains the following provisions which the Guidelines require to be separately disclosed.

- (a) **Requested Findings as to Successor Liability:** Pursuant to Section 2.1 of the Purchase Agreement, the Proposed Purchaser shall only be liable for the Assumed Liabilities, and not liable for any Excluded Liabilities, or any other obligation of any type or nature of any Debtor. Also, pursuant to section 6.1 of the Purchase Agreement, it is a condition of closing that this Court enter the Sale Order authorizing, among other things, the transfer of the Seller's CM Business to the Proposed Purchaser free and clear of all interests within the meaning of section 363(f) of the Bankruptcy Code, including free and clear of all Liens.
- (b) **Relief from Bankruptcy Rules 6004(h):** The Seller is requesting relief from the 14-day stay imposed by Rules 6004(h).
- (c) **Requested Findings as to Fraudulent Conveyance:** The Seller believes the consideration that will be provided by the Proposed Purchaser for the CM Business will constitute reasonably equivalent value for the CM Business under the Bankruptcy Code and other applicable law.

18. C-BASS formerly had an interest in some of the assets related to the CM Business, but assigned all of those assets to the Seller on January 28, 2005, and no longer has an interest in the CM Business. To the extent that C-BASS has any remaining interest in such assets, it assigns all such interest to the Proposed Purchaser pursuant to the Purchase Agreement.

E. Bidding Procedures and the Auction

19. As noted above, to maximize the value of the CM Business the Seller seeks to implement Bidding Procedures for the Sale of the CM Business pursuant to the Purchase Agreement, to solicit higher or better offers for the CM Business. The proposed Auction and Bidding Procedures are as follows:

- (a) **Assets to Be Sold:** The assets to be sold consist of the Assigned Contracts, the Class E Securities, and the Ancillary Assets that comprise the CM Business.

- (b) **Confidentiality Agreements:** Upon execution of a confidentiality agreement, in form and substance satisfactory to the Seller, any party that wishes to conduct due diligence in respect of the CM Business may be granted access to all material information that has been or will be provided to Proposed Purchaser and other bidders; *provided, however*, that prior to receipt by a party of any information from the Seller (including, but not limited to, the Purchase Agreement and its schedules and exhibits, business and financial information and access to representatives of the Seller), each such party will be required to deliver evidence reasonably satisfactory to the Seller establishing such party's financial capability to timely consummate a purchase of the CM Business.

The Administrative Agent shall be granted access to any such information provided to any bidders.

- (c) **Bid Deadline:** Any person or entity interested in participating in the Auction must submit a Qualifying Bid (as defined below) on or before December 13, 2010 at noon (prevailing Eastern Time) (the "**Bid Deadline**") in writing, to (i) counsel to the Debtors, Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136, Attention: Peter S. Partee, Sr. and Scott H. Bernstein; (ii) C-BASS Investment Management LLC, 335 Madison Avenue, 19th Floor, New York, New York 10017, Attention: General Counsel; (iii) counsel to the Administrative Agent, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attention: Damian S. Schaible; and (iv) counsel to the Official Committee of Unsecured Creditors "**Committee**"), if one is appointed in these chapter 11 cases.
- (d) **Qualifying Bids:** To participate in the bidding process and be deemed a "**Qualifying Bidder**," each potential bidder (other than the Proposed Purchaser) must submit a "**Qualifying Bid**" by the Bid Deadline. The Purchase Agreement is deemed a Qualifying Bid and the Proposed Purchaser is deemed a Qualifying Bidder. Otherwise, to constitute a Qualifying Bid, a bid must:
- i. be in writing and state that such bidder is prepared to enter into a legally binding asset purchase agreement or similar agreement for the acquisition of the CM Business on terms and conditions no less favorable to the Seller than the terms and conditions contained in the Purchase Agreement, and with a purchase price of no less than the Proposed Purchaser's purchase price plus the Break-Up Fee, the Expense Reimbursement, and \$100,000;
 - ii. provide details of any assumptions about the transaction that are key to the purchase price;

- iii. include a mark-up of the Purchase Agreement (a “Modified Purchase Agreement”) reflecting the variations from the Purchase Agreement, and a clean and executed Modified Purchase Agreement;
- iv. otherwise include terms and conditions substantially the same in all respects to the Purchase Agreement (including with respect to the representations and warranties);
- v. provide that such bidder’s offer is irrevocable until the closing of the purchase of the CM Business if such bidder is the Successful Bidder or the Back-Up Bidder (each as defined below);
- vi. state such bidder is financially capable of consummating the transactions contemplated by the Modified Purchase Agreement, and that there are no financing or due diligence contingencies for the bidder to consummate the Modified Purchase Agreement;
- vii. state such bidder is a registered investment adviser with the SEC;
- viii. provide that such bidder will close on the sale of the CM Business within the same time period provided for in the Purchase Agreement;
- ix. include such financial and other information that will allow the Seller to make a reasonable determination as to the bidder’s financial and other capabilities to consummate the transactions contemplated by the Modified Purchase Agreement and evaluate bidder’s demonstration of its experience as a fiduciary in the investment management business;
- x. include a statement that there are no conditions precedent to the bidder’s ability to enter into a definitive agreement and that all necessary internal and shareholder approvals have been obtained prior to the bid. The bidder’s bid and Modified Purchase Agreement should also highlight any governmental or third-party consents needed to consummate the acquisition of the CM Business to the extent they are not already contemplated in the Purchase Agreement;
- xi. not request or entitle the bidder to any transaction or break-up fee, expense reimbursement, or similar type of payment;

- xii. fully disclose the identity of each entity that will be bidding for the CM Business or otherwise participating in connection with such bid, and the complete terms of any such participation;
- xiii. include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Modified Purchase Agreement;
- xiv. include the names and contact information of members of the bidder who will be available to answer questions regarding the offer;
- xv. include the names of external advisors including financial, legal, and accounting firms, as well as industry consultants or other resources;
- xvi. include any other information or factors that may be relevant to the Seller and its advisors in consideration of the bid; and
- xvii. include a cash deposit by wire transfer equal to One Hundred Thousand Dollars (\$100,000) (the "Good Faith Deposit").

The Seller shall make a determination regarding whether a bid is a Qualifying Bid, after consultation with the Committee and the Administrative Agent, and shall notify bidders whether their bids have been determined to be Qualifying Bids by no later than one hour before the start of the Auction (as defined below);

- (e) **No Qualifying Bids:** If no timely, conforming Qualifying Bids, other than the Purchase Agreement, are submitted by the Bid Deadline, the Seller shall not hold an Auction (as defined below) and, instead, shall request at the Sale Hearing that the Court approve the Purchase Agreement with Proposed Purchaser.
- (f) **Right to Disseminate Information Relating to Bid.** At any time, whether before or after the Auction, the Seller may share or not share, in its sole discretion, any bid for the CM Business with the other bidders.
- (g) **Auction:** In the event the Seller timely receives one or more Qualifying Bids other than the Purchase Agreement, the Seller shall conduct the Auction with respect to the CM Business. The Auction will be held at the offices of Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136, on or before December 14, 2010, at 10:00 a.m. (prevailing Eastern Time), or such other location as designated by the

Debtors in a notice to all Qualifying Bidders. The Auction shall be governed by the following procedures (which may be amended, modified and waived, as applicable by the Seller at any time in its sole discretion after consultation with the Committee):

- i. The Proposed Purchaser and the Qualifying Bidders shall appear in person at the Auction, or through a duly authorized representative;
- ii. Only representatives of the Seller, the Proposed Purchaser, the Qualifying Bidders, counsel and other advisors selected by the Committee, the Administrative Agent and representatives from the Office of the U.S. Trustee shall be entitled to be present at the Auction;
- iii. Only the Proposed Purchaser and Qualifying Bidders shall be entitled to make any subsequent bids at the Auction;
- iv. A subsequent bid by the Proposed Purchaser will not be deemed to waive its right to the Break-Up Fee or Expense Reimbursement;
- v. Each Qualifying Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the Sale;
- vi. Bidding shall commence at the amount of the highest Qualifying Bid submitted by the Qualifying Bidders prior to the Auction and such Bid shall be announced prior to the start of the Auction (the “Initial Highest Bid”);
- vii. Qualifying Bidders may submit subsequent bids to the Initial Highest Bid and all such subsequent bids must be stated in an amount exceeding each prior bid by USD \$100,000 in purchase price consideration;
- viii. The Seller may determine the order in which Qualifying Bidders shall bid at the Auction;
- ix. All Qualifying Bidders and the Proposed Purchaser shall be able to submit additional bids and make additional modifications to the Purchase Agreement or Modified Purchase Agreement, at the Auction as applicable, as determined by the Seller at any time in its sole discretion after consultation with the Committee and the Administrative Agent;
- x. The Auction may include individual negotiations with the Qualifying Bidders and the Proposed Purchaser and/or open

bidding in the presence of all other Qualifying Bidders and the Proposed Purchaser;

- xi. The Seller may determine, in its sole discretion and after consulting with the Committee and the Administrative Agent, which portions of the Auction shall be transcribed on the record and which shall not be transcribed;
- xii. The Seller may, in its sole discretion and after consulting with the Committee and the Administrative Agent, discuss any Qualifying Bid with other Qualifying Bidders individually or together in any other group or groups of Qualifying Bidders, as determined by the Seller;
- xiii. The Auction shall continue until there is only one offer that the Seller determines, after consultation with the Committee and the Administrative Agent, and subject to Court approval, with respect to the CM Business, is the highest and/or best offer from among the Qualifying Bidders submitted at the Auction (the “Successful Bid”). In making this decision, the Seller may consider any factors it deems relevant, including without limitation, the amount of the purchase price, the form of consideration being offered, expense to the Seller of any obligation to pay the Break-Up Fee and Expense Reimbursement, the likelihood of the Qualifying Bidder’s ability to close a transaction and the timing thereof, the number, type, and nature of any changes to the Purchase Agreement requested by each Qualifying Bidder, any contingencies relating to a Qualifying Bidder’s offer, and the net benefit to the Seller’s estate. The Proposed Purchaser or Qualifying Bidder submitting such Successful Bid shall become the “Successful Bidder,” and shall have such rights and responsibilities of a purchaser, as set forth in the applicable Purchase Agreement or Modified Purchase Agreement; and
- xiv. Within three (3) days after conclusion of the Auction, but prior to the Sale Hearing, the Successful Bidder shall complete and execute all agreements, contracts, instruments, or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made and make and pay for all necessary filings with all applicable governmental or other authorities. Bids made after the close of the Auction shall not be considered by the Seller.

(h) **Back-Up Bidder and Return of Good Faith Deposits:**

- i. If an Auction is conducted, the Qualifying Bidder with the next highest or otherwise best Qualifying Bid, as determined by the Seller in the exercise of its business judgment at the Auction and in consultation with the Committee and the Administrative Agent, shall be required to serve as a back-up bidder (the “Back-Up Bidder”) and keep such bid open and irrevocable until 24 hours after the closing of the sale transaction with the Successful Bidder. Following the Sale Hearing, if the Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Back-Up Bidder will be deemed to be the new Successful Bidder, and the Seller will be authorized, but not required, to consummate the Sale with the Back-Up Bidder without further order of the Court.
- ii. Except as otherwise provided herein, Good Faith Deposits shall be returned to each bidder not selected by the Seller as the Successful Bidder or the Back-Up Bidder by no later than the fifth (5th) Business Day following the conclusion of the Auction. The Good Faith Deposit of the Back-Up Bidder shall be held by the Seller until one (1) Business Day after the closing of the Sale transaction with the Successful Bidder for the CM Business.

F. Approval of the Bidding Procedures and the Auction

20. Pursuant to Bankruptcy Rule 6004(f)(1), “[a]ll sales not in the ordinary course of business may be by private sale or by public auction.” Fed R. Bankr P. 6004(f)(1). The Seller believes that the Sale of the CM Business pursuant to a public auction governed by the proposed Bidding Procedures will maximize the sale proceeds received by the estate, which is the paramount goal in any proposed sale of property of the estate. *See In re Metaldyne Corp.*, 409 B.R. 661, 667-68 (Bankr. S.D.N.Y. 2009) (“It is the overarching objective of sales in bankruptcy to maximize value to the estate”).

21. The Bidding Procedures allow the Debtors 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 Seller receives the best possible consideration for the CM

Business. Bidding procedures should be approved when they provide a benefit to the estate by maximizing the value of the assets and enhance competitive bidding. *See Official Comm. of Subordinated Bondholders v. Integrated Resources, Inc. (In re Integrated Resources, Inc.)*, 147 B.R. 650, 657-58 (S.D.N.Y. 1992) (“*Integrated Resources*”) (bidding incentives are appropriate when, in the debtor’s business judgment, they provide a benefit to the estate), *appeal dismissed*, 3 F.3d 49 (2d Cir. 1993). The Seller believes that the proposed Bidding Procedures are consistent with procedures previously approved in this district and other bankruptcy courts.

22. Although the Seller believes the value to be provided pursuant to the terms set forth in the Purchase Agreement is fair and reasonable, the Seller further believes that the Bidding Procedures and the Auction will ensure that the Seller’s estate receives the most value possible by allowing the market to test the Purchase Price (as defined in the Purchase Agreement). The Seller thus requests the Court to approve the process and procedures set forth in the Bidding Procedures for the submission and consideration of competing bids for the CM Business from other interested parties.

G. Approval of the Sale Hearing Schedule and Sale Hearing Notice

23. Pursuant to the RFA, the Debtors are required to make their best efforts to obtain entry of an order approving the sale of the CM Business by December 31, 2010. The Senior Lenders have consented to the sale of the CM Business, subject to compliance with the RFA. Accordingly, the Seller requests that the Court schedule a Sale Hearing on or before December 22, 2010 at 10:00 a.m. (prevailing Eastern Time), but in no event later than December 29, 2010, to consider approval of the Purchase Agreement and the Sale contemplated thereby, or the approval of any higher or better offer, if any, resulting from an Auction.

24. Bankruptcy Rule 6004(a) provides that “[n]otice of a proposed use, sale, or lease of property, other than cash collateral, not in the ordinary course of business shall be given pursuant to Rule 2002(a)(2), (c)(1), (i), and (k), and if applicable, in accordance with section 363(b)(2) of the Code.” Fed. R. Bankr. P. 6004(a). Bankruptcy Rule 2002(a)(2) requires that Debtors give all creditors and certain other parties “at least 21 days’ notice by mail” of the Sale. Fed. R. Bankr. P. 2002(a)(2). Bankruptcy Rule 6004(b) also provides that objections to the proposed Sale “shall be filed and served not less than seven days before the date set for the proposed action or within the time fixed by the court.” Fed. R. Bankr. P. 6004(b).

25. The Sale Hearing Notice contains the type of information required under Bankruptcy Rule 2002(c), and also includes information regarding Auction procedures in the event a higher or better offer than the Purchase Agreement is received and an Auction is necessary. Therefore, the Seller requests that the Court approve the form and manner of the Sale Hearing Notice. The Seller proposes at least 21 days’ notice for the Sale Hearing, which complies with the notice procedures mandated by the Bankruptcy Rules, according to the following procedure:

The Seller shall serve, within 3 business days after entry of the Bidding Procedures Order (the “Mailing Deadline”), by overnight courier, electronic mail, or same-day messenger delivery, copies of the Sale Hearing Notice upon: (a) the U.S. Trustee; (b) counsel to the Committee; (c) the creditors holding the thirty (30) largest unsecured claims against the Debtors on a consolidated basis, as identified on the Debtors’ chapter 11 petitions; (d) counsel to the Proposed Purchaser; (e) any party who, in the past twelve (12) months, expressed to the Seller, in writing, an interest in acquiring the CM Business and who the Seller and its representatives reasonably and in good faith determine to potentially have the desire and financial wherewithal to effectuate the purchase; (f) counsel to the Administrative Agent; (g) all parties who are known to possess or assert a secured claim against the CM Business or any other Lien related to the CM Business; (h) the SEC; (i) the Internal Revenue Service; (j) all parties to any agreements sought to be assumed and assigned pursuant to the Purchase Agreement; (k) all parties

that have filed a notice of appearance or request for service in these chapter 11 cases; and (l) counsel to Loreley Financing (Jersey) No. 22 Ltd. and Loreley Financing (Jersey) No. 28 Ltd., Stern & Kilcullen, LLC, 75 Livingston Avenue, Roseland, New Jersey 07068, Attention: Stephen M. Plotnick.

26. The Seller submits that such notice shall constitute good and sufficient notice of the Auction and the Sale of the CM Business, and that no other or further notice is necessary. Accordingly, the Seller requests the Court to approve the form and manner of the Sale Hearing Notice.

H. Approval of Procedures for Assumption and Assignment of Assigned Contracts

27. To facilitate the Sale and the assumption and assignment of the Assigned Contracts, the Seller will serve the Notice of Assumption and Assignment on all nondebtor parties to the Assigned Contracts according to the following procedures:

- (a) On or before the Mailing Deadline, the Seller (or its agent) shall serve, by overnight courier, electronic mail, or same-day messenger delivery, the Notice of Assumption and Assignment upon all known nondebtor parties to the Assigned Contracts. The Notice of Assumption and Assignment shall set forth (i) the intent of the Seller to assume the Assigned Contracts and assign them to Proposed Purchaser (or to any Successful Bidder), and (ii) applicable cure amounts (the “Cure Amounts”), if any. The Notice of Assumption and Assignment shall identify the Assigned Contracts and the Cure Amounts that the Seller believes must be paid to cure all defaults under the Assigned Contracts. If no amount is listed on the Notice of Assumption and Assignment, the Seller believes that there is no Cure Amount due.
- (b) Bankruptcy Rule 6006(a) provides that “[a] proceeding to assume, reject, or assign an executory contract or unexpired lease other than as part of a plan, is governed by Rule 9014.” Any objections to (i) the assumption and assignment of an Assigned Contract, or (ii) the amount asserted as the Cure Amount (each, an “Assumption and/or Cure Objection”) must be in writing and set forth with specificity the nature of the objection and the cure amount that the objecting party believes should be paid in connection with the assumption of the Assigned Contract (the “Claimed Cure Amount”).

- (c) If an Assumption and/or Cure Objection is timely filed, the Seller requests that a hearing with respect to that objection shall be held before the Court at the Sale Hearing. If, however, an Assumption and/or Cure Objection is not timely filed and served, the assumption and assignment of the applicable Assigned Contract will proceed without further notice at the Sale Hearing to approve the Sale of the CM Business. The Seller also requests that parties failing to file and serve timely Assumption and/or Cure Objections shall be deemed to have waived and released any and all rights to assert Cure Amounts differing from those listed on the exhibit to the Notice of Assumption and Assignment and, subject to payment of the Cure Amount(s) listed on such contract with respect to their Assigned Contract(s), shall be forever barred and estopped from asserting or claiming against the Seller, Proposed Purchaser, or any Successful Bidder that any additional amounts are due or defaults exist, or prohibitions or conditions to assignment exist or must be satisfied, under such Assigned Contract.
- (d) If no Cure Amounts are due under the Assigned Contract, and the nondebtor party to the Assigned Contract does not otherwise object to the Seller's assumption and assignment of the Assigned Contract, no further action need be taken on the part of that nondebtor party. The Seller also requests that Assumption and/or Cure Objections that object solely to the Cure Amount may not prevent or delay the Seller's assumption and assignment of any Assigned Contracts. If a party objects solely to a Cure Amount, the Seller may, in its sole discretion, but in consultation with the Administrative Agent, hold the Claimed Cure Amount in reserve pending further order of the Court or mutual agreement of the parties. So long as the Seller holds the Claimed Cure Amount in reserve, and there are no other unresolved objections to assumption and assignment, the Seller can, without further delay, assume and assign the Assigned Contract that is the subject of the objection. Under such circumstances, the objecting party's recourse shall be limited to the funds held in reserve.

28. The Seller submits the aforementioned procedures provide good and sufficient notice to nondebtor parties to the Assigned Contracts and should be approved in all respects.

I. Approval of Objection Deadline

29. The Seller requests that, pursuant to Bankruptcy Rule 9014, objections, if any, to the Sale (a "Sale Objection") or an Assumption and/or Cure Objection (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Rules; (c) be filed with the Clerk of the

**HUNTON & WILLIAMS LLP
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Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004, on or before 4:00 p.m. (prevailing Eastern Time) on December 15, 2010 (the “Objection Deadline”), or on such later date and time as the Debtors may agree; and (d) be served with a copy on: (i) counsel for the Debtors, Hunton & Williams LLP, Attention: Peter S. Partee, Sr. and Scott H. Bernstein, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136; (ii) counsel for the Proposed Purchaser, SNR Denton U.S. LLP, Attention: Louis Curcio and A. James Cotins, Two World Financial Center, New York, New York 10281; (iii) the U.S. Trustee, Office of the United States Trustee for the Southern District of New York, Attention: Susan Golden, 33 Whitehall Street, 21st Floor, New York, New York 10004; (iv) counsel to the Administrative Agent, Davis Polk & Wardwell LLP, Attention: Damian S. Schaible, 450 Lexington Avenue, New York, New York 10017; (v) counsel to the Committee, if one has been appointed in these chapter 11 cases; and (vi) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases.

V. Basis for Requested Relief

A. Approval of the Sale under Sections 363(b) and 105(a) of the Bankruptcy Code is Warranted.

30. Section 363(b) of the Bankruptcy Code provides, in relevant part, that “the trustee, 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)(1); *see also* 11 U.S.C. § 1107(a) (providing that debtors-in-possession have “all the rights . . . of a trustee”). In addition, section 105(a) provides the authority for this Court to carry out the provisions of section 363(b). *See* 11 U.S.C. § 105(a) (“The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title”). Although section 363(b) 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, bankruptcy courts routinely authorize sales of a debtor's assets if such sale is based upon the sound business judgment of the debtor. *See, e.g., Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070-71 (2d Cir. 1983) ("*Lionel*") ("judge determining a § 363(b) application [must] expressly find from the evidence presented before him at the hearing a good business reason to grant such an application"); *Committee of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 615-16 (Bankr. S.D.N.Y. 1986) ("a presumption of reasonableness attaches to a debtor's management decisions"). Courts have made it clear that a debtor-in-possession's showing of a sound business justification need not be duly exhaustive, but rather a trustee is "simply required to justify the proposed disposition with sound business reasons." *In re Baldwin United Corp.*, 43 B.R. 888, 906 (Bankr. S.D. Ohio 1984); *see also Dai-Ichi Kangyo Bank, Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.)*, 242 B.R. 147, 153 (D. Del. 1999) ("In determining whether to authorize the use, sale or lease of property of the estate . . . courts require the debtor to show that a sound business purpose justifies such actions"). Whether or not there is sufficient business reasons to justify the use of assets of the estates depends upon the facts and circumstances of each case. *See Lionel*, 722 F.2d at 1071.

31. Courts routinely hold that chapter 11 debtors may sell their assets pursuant to section 363(b) of the Bankruptcy Code prior to confirmation of a chapter 11 plan, provided that the debtors have sound business reasons. *See, e.g., Licensing by Paolo v. Sinatra (In re Gucci)*, 126 F.3d 380, 387 (2d Cir. 1997) ("A sale of a substantial part of a Chapter 11 estate other than in the ordinary course of business may be conducted if a good business reason exists to support

it”); *Official Committee of Unsecured Creditors of LTV AeroSpace and Defense Co. v. LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 144 (2d Cir. 1992) (upheld the debtor’s sale of its subsidiaries because the Court found a “good business reason” supporting the sale); *Stephens Indus., Inc. v. McClung*, 789 F.2d 386, 390 (6th Cir. 1986) (holding that “a bankruptcy court can authorize a sale of all a Chapter 11 debtor’s assets under § 363(b)(1) when a sound business purpose dictates such action”).

32. The Seller submits that the proposed Sale of the CM Business in the proposed manner represents an exercise of Seller’s sound business judgment and is for a valid business purpose. Both before and after the Petition Date, the Seller and the other Debtors have worked diligently to explore alternatives to sell certain of their business assets where such sales would provide greater value to the estates, relieve the Seller of ongoing operational expenses, and mitigate any potential liability.

33. As described in the Rickert Declaration, the Seller engaged in extensive prepetition marketing efforts. Ten (10) potential third-party bidders expressed interest in the CM Business, with nine (9) potential bidders (including the Proposed Purchaser) executing non-disclosure agreements to conduct extensive pre-bid diligence. The Seller’s criteria for a potential acquirer of the CM Business included that the prospective acquirer possess a demonstrated high level of knowledge and expertise with respect to the mortgage market and CBOs and, more importantly, embrace the best practices of the investment adviser/fiduciary elements of the collateral management business as practiced by the Seller. The ten potential third-party bidders who expressed interest in the CM Business (inclusive of the nine parties who executed non-disclosure agreements) represented a cross-section of investment advisers, several of which are

currently managers of other collateralized bond obligations. Three (3) formal written bids were received (including from the Proposed Purchaser), with the Proposed Purchaser's bid being the highest and best offer. Continued arm's-length negotiations with the Proposed Purchaser after receipt of its offer resulted in the execution of the Purchase Agreement.

34. In addition, the Bidding Procedures contemplate an open auction process and are designed to ensure that the final purchase price of the CM Business is fair and reasonable, and the maximum amount possible for the CM Business. Thus, the Seller submits that the proposed Sale of the CM Business is within its sound business judgment. The Purchase Agreement was negotiated in good faith with a view towards maximizing the value of the Seller's Assets for the estate's creditors. Nevertheless, the Purchase Agreement is subject to Bidding Procedures designed to ensure that the highest or otherwise best offer has been or will be received.

B. Sale of the CM Business Free and Clear of Interests is Warranted.

35. Under section 363(f) of the Bankruptcy Code, a debtor-in-possession may sell property "free and clear of any interest in such property of an entity other than the estate" if any of the following conditions are satisfied:

- (1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;
- (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 aggregate 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.

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11 U.S.C. § 363(f); *see also In re Dundee Equity Corp.*, Case No. 89-B-10233 (FGC), 1992 Bankr. LEXIS 436, at *12 (Bankr. S.D.N.Y. Mar. 6, 1992) (a “sale free of the interest concerned may occur if any one of the conditions of § 363(f) have been met”); *Citicorp Homeowners Services, Inc. v. Elliot (In re Elliot)*, 94 B.R. 343, 345 (E.D. Pa. 1988) (section 363(f) is written in disjunctive; therefore, the court may approve a sale “free and clear” provided at least one of those subsections are met).

36. The Debtors believe one or more of these tests in section 363(f) of the Bankruptcy Code are easily satisfied with respect to the proposed Sale of the CM Business. The CM Business Assets are encumbered by a first priority lien in favor of the Senior Lenders under the Senior Credit Facility, and by certain subordinate liens pursuant to the Override Agreement. The Override Agreement, however, is subject to the Intercreditor Agreement which confers exclusive authority on the Senior Lenders to enforce liens against or consent to dispositions of the CM Business, and the Senior Lenders, representing more than 80% of the outstanding debt, have consented to the Sale of the CM Business in accordance with the procedures set forth herein.

37. Because the section 363(f) requirements have been met, Proposed Purchaser should not be liable, as a successor to the CM Business or otherwise, for any of the Seller’s pre-petition liabilities, unless expressly assumed. As a matter of logic, bankruptcy estates would be unable to sell assets for fair value if the estates’ liabilities followed the assets. Courts within the Second Circuit have held that a buyer of a debtor’s assets pursuant to sections 363(b) or 363(f) takes free from successor liability resulting from any pre-existing claims. *See, e.g., In re GMC*, 407 B.R. 463, 505 (Bankr. S.D.N.Y. 2009) (recognizing that, in the Second Circuit, section 363(f) may appropriately be invoked to sell free and clear of successor liability claims).

C. Assumption and Assignment of Executory Contracts is Warranted.

38. Section 365 of the Bankruptcy Code authorizes a debtor to assume and/or assign its executory contracts in certain circumstances, subject to court approval, provided any default under such contracts are cured and adequate assurance of future performance is provided. *See* 11 U.S.C. § 365(a). The standard applied by the Second Circuit in determining whether an executory contract or unexpired lease may be assumed is the debtor’s “business judgment” that the assumption is in its economic best interests. *See Orion Pictures Corp. v. Showtime Networks (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1099 (2d Cir 1993) (“[T]he process of deciding a motion to assume is one of the bankruptcy court placing itself in the position of the trustee or debtor-in-possession and determining whether assuming the contract would be a good business decision or a bad one”); *see also NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 523 (1984) (describing the business judgment test as “traditional”).

39. Section 365(f) of the Bankruptcy Code further authorizes the assignment of executory contracts notwithstanding provisions in those contracts or applicable law that prohibit, restrict or condition assignment. *See* 11 U.S.C. § 365(f)(1). The Assigned Contracts contain provisions (the “Assignment Restrictions”) which prohibit the assignment of the Assigned Contracts without consent of certain parties and without satisfaction of certain conditions.⁵ Pursuant to section 365(f), the Assigned Contracts may be assigned notwithstanding the

⁵ Section 18 of the Investment Management Contracts generally provides that “[A]ny assignment of this Agreement by operation of law or otherwise to any Person, in whole or in part, by the Collateral Manager shall be deemed null and void unless such assignment is consented to in writing by the Issuer . . . and the Holder of Notes of the Controlling Class . . . and satisfies the Rating Condition.” Section 13 of the Collateral Administration Agreements similarly provides that the “Agreement may not be assigned by the Collateral Administrator unless such assignment is previously consented to in writing by the Issuer, subject to receipt of Rating Agency Confirmation.”

Assignment Restrictions, unless precluded under section 365(c) of the Bankruptcy Code. *See In re Schick*, 235 B.R. 318, 322 (Bankr. S.D.N.Y. 1999) (holding that a partnership agreement could be assumed and assigned pursuant to section 365(f)(1) notwithstanding a restriction on assignment contained in the partnership agreement, unless section 365(c) precludes it).

40. Section 365(c) is not applicable to the Assigned Contracts, and therefore does not prohibit the assignment of the Assigned Contracts. Section 365(c)(1) provides an exception to the general rule permitting assignments where “applicable law” excuses a counterparty to a contract from “accepting performance from or rendering performance to an entity other than the debtor or the debtor in possession, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties.” 11 U.S.C. §365(c)(1)(A). The type of applicable laws covered by section 365(c) are “generally applicable laws which restrict or prohibit transfer of rights or duties under contracts *independent of any restriction contained within the contract itself*.” *In re Adelphia Communs. Corp.*, 359 B.R. 65, 77 (Bankr. S.D.N.Y. 2007) (“*Adelphia*”) (citation omitted) (emphasis in original). For example, “personal service” contracts are typically nondelegable even where a contract is silent, and therefore remain nondelegable in bankruptcy. *See id.* at 73. The exception to the general rule allowing assignment is to be narrowly construed. *See In re Compass Van & Storage Corp.*, 65 B.R. 1007, 1012 (Bankr. E.D.N.Y. 1986) (“The law is abundantly clear that Section 365(c)(1)(A) must be narrowly construed”).

41. The Assigned Contracts are clearly not “personal services” contracts which would be rendered nondelegable under generally applicable law. A personal services contract is one entered into on the basis of the “character, reputation, taste, skill, or discretion of the party that is to render performance.” *Metropolitan Airports Comm’n v. Northwest Airlines (In re Midway*

Airlines), 6 F.3d 492, 495 (7th Cir. 1993) (citation omitted); *see also In re Compass Van & Storage Corp.*, 65 B.R. at 1010 (“It is the *sui generis* attributes of a contract that place it in the context of a personal service contract which interdict its assignment and render it nondelegable”). First, the Assigned Contracts do not call for the discretion of the Seller, but require that the Seller perform in strict compliance with the terms of the Assigned Contracts. *See In re Compass Van & Storage Corp.*, 65 B.R. at 1012 (holding that agency agreement which required the debtor to perform in strict compliance with the principal’s rules and regulations was not a personal services contract for purposes of section 365). Second, the Assigned Contracts do not identify any of the Seller’s employees to perform any particular duties. *See In re Rooster, Inc.*, 100 B.R. 228, 234 (Bankr. E.D. Pa. 1989) (finding significant that “there were no contractual terms requiring the personal performance of any identified employee for a particular duty” in holding that sublicensing agreement was not a personal services contract for purposes of section 365).

42. Moreover, no other generally applicable law renders the Assigned Contracts nondelegable independent of any contractual provisions. Section 205 of the Advisers Act provides that no investment adviser shall enter into any investment advisory contract if it “fails to provide that no assignment of the contract shall be made by the investment adviser without the consent of the other party to the contract.” 15 U.S.C. §80b-5(a)(2). Although the Assigned Contracts include the Assignment Restrictions as required by the Advisers Act, these Assignment Restrictions are made part of the Assigned Contracts, and do not restrict assignment “independent of any restriction contained within the contract itself,” as required under the analysis promulgated by this Court in *Adelphia*. Moreover, in a No-Action Letter, the staff of

the Securities and Exchange Commission acknowledged that the Adviser's Act does not prohibit an adviser's assignment of an investment advisory contract without client consent. It "merely provides that the contract must contain the specified [non-assignment] provision." *American Century Companies, Inc./J.P. Morgan & Co. Incorporated* (No-Act Letter December 23, 1997) at page 7, a true and complete copy of which is annexed hereto as **Exhibit D**. Accordingly, the Advisers Act does not prohibit the Court from approving the assignment of the Assigned Contracts in accordance with Section 365(f) of the Bankruptcy Code.

43. To facilitate and effect the Sale of the CM Business, the Proposed Purchaser has agreed to take assignment of and assume the Seller's obligations under the Assigned Contracts. The Proposed Purchaser is a registered investment adviser with the Securities and Exchange Commission [and has experience with respect to the management of other collateralized bond obligations.] The Seller has evaluated the financial wherewithal of the Proposed Purchaser and, in its sound business judgment, believes that selling the CM Business and assuming and assigning the Assigned Contracts to Proposed Purchaser is in the best interests of its estate. Moreover, as noted above, each nondebtor party to an Assigned Contract will receive notice of the proposed assumption and assignment, and the proposed cure amount, and have a reasonable opportunity to object thereto.

D. Finding of Good Faith is Warranted.

44. Bankruptcy Code section 363(m) provides that a purchaser of property of a debtor's estate is protected from the effects of reversal on appeal of authorization to the debtor to sell such property as long as the purchaser acted in good faith and the appellant failed to obtain a

stay of the sale order.⁶ Bankruptcy Code section 363(m) “affords finality to judgments by protecting good faith purchasers, the innocent third parties who rely on the finality of bankruptcy judgments in making their offers and bids.” *In re Chateaugay Corp.*, Case No. 92 Civ. 7054 (PKL), 1993 U.S. Dist. LEXIS 6130, at *9 (S.D.N.Y. May 10, 1993) (internal quotation marks and citation omitted); *see also Allstate Ins. Co. v. Hughes*, 174 B.R. 884, 888 (S.D.N.Y. 1994) (“Section 363(m)... provides that good faith transfers of property will not be affected by the reversal or modification on appeal of an unstayed order, whether or not the transferee knew of the pendency of the appeal”).

45. The Bankruptcy Code does not define “good faith,” but courts have adopted various definitions. A good faith purchaser is “one who buys property...for value, without knowledge of adverse claims.” *In re Mark Bell Furniture Warehouse, Inc.*, 992 F.2d 7, 8 (1st Cir. 1993). The requirement that a purchaser act in good faith speaks to the integrity of the purchaser’s conduct in the course of the sale proceeding. *See In re Abbotts Dairies*, 788 F.2d 143, 147 (3d Cir. 1986); *see also In re Gucci*, 126 F.3d at 390 (a purchaser’s good faith is lost by “fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders”) (internal citations omitted). The Seventh Circuit, in *In re Andy Frain Serv., Inc.*, held that:

The requirement that a purchaser act in good faith . . . speaks to the integrity of his conduct in the course of the sale proceedings. Typically, the misconduct that

⁶ Section 363(m) of the Bankruptcy Code provides that:

The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

11 U.S.C. § 363(m).

would destroy a purchaser's good faith status at a judicial sale involves fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.

798 F.2d 1113, 1125 (7th Cir. 1986).

46. The terms of the Purchase Agreement were negotiated at arm's-length, without collusion or fraud, in good faith, and all of the terms of the Purchase Agreement have been disclosed. The Proposed Purchaser is an entity unrelated to the Debtors. The terms of the Purchase Agreement do not personally benefit any insider of the Debtors. These negotiations have involved substantial time and energy by the parties and their respective professionals, and the Purchase Agreement reflects give-and-take and compromise by both sides. Accordingly, the Seller requests that the Court determine that the Proposed Purchaser (or alternatively, the Successful Bidder in the event it is not the Proposed Purchaser, who will have then been required to participate in the Auction in accordance with the Court-approved Bidding Procedures) has acted in good faith, has bought for value and is entitled to the protections of a good faith purchaser under section 363(m) of the Bankruptcy Code. *See In re United Press Int'l, Inc.*, Case No. 91-B-13955 (FGC), 1992 Bankr. LEXIS 842, at **3, 10 (Bankr. S.D.N.Y. May 18, 1992).

E. The Purchase Agreement Does Not Dictate the Terms of a Plan of Reorganization.

47. The Purchase Agreement does not dictate the terms of a plan of reorganization, as it does not attempt to restructure the rights of creditors and equity security holders. The Seller recognizes that a sale of assets may not be approved where such a sale dictates the terms of a plan of reorganization, thereby denying creditors and equity security holders the procedural protections of the plan process. In the instant case, however, there are no conditions in the Purchase Agreement that determine the contours of a plan. The sole impact of the

consummation of the transactions under the Purchase Agreement is to convert a portion of the Seller's assets to cash. *See In re Naron & Wagnor, Chartered*, 88 B.R. 85, 88 (Bankr. D. Md. 1988) ("sale proposed here is not a *sub rosa* plan because it seeks only to liquidate assets, and the sale will not restructure the rights of creditors").

F. The Proposed Bid Protections are Reasonable and Appropriate.

48. Bidding incentives, such as the Break-Up Fee and Expense Reimbursement, encourage a potential purchaser to invest the requisite time, money, and effort to negotiate with a debtor and perform the necessary due diligence attendant to the acquisition of a debtor's assets, despite the inherent risks and uncertainties of the chapter 11 process. "Agreements to provide breakup fees or reimbursement of fees and expenses are meant to compensate the potential acquirer who serves as a catalyst or 'stalking horse' which attracts more favorable offers." *In re Marrose Corp.*, Case Nos. 89-B-12171-12180 (CB), 1991 Bankr. LEXIS 2177, at **13-14 (Bankr. S.D.N.Y. Feb. 14, 1991) (stating that "these strategies may be necessary to convince a party to become the initial bidder"); *see also In re 995 Fifth Ave. Assoc. L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1992) (bidding incentives may "be legitimately necessary to convince a 'white knight' to enter the bidding by providing some form of compensation for the risks it is undertaking") (citation omitted).

49. The Seller proposes that if overbidding occurs at the Auction, the Proposed Purchaser shall have the right, but not the obligation, to participate in overbidding subject only to the limitations provided by the Bidding Procedures. However, to compensate the Proposed Purchaser for serving as a "Stalking Horse," thereby subjecting its bid to higher or otherwise better offers, the Seller seeks authority to pay to the Proposed Purchaser the Break-Up Fee equal

to \$100,000, to be paid directly to the Proposed Purchaser from the proceeds of the sale of the CM Business to a Third Party Buyer as an administrative expense claim in the Seller's chapter 11 case pursuant to sections 503(b) and 507(a)(2) of the Bankruptcy Code.

50. The Seller submits that the Break-Up Fee (a) represents a sound exercise of its business judgment, (b) is the product of extensive arm's-length negotiations, (c) is fair and reasonable, given the benefits to the estate of having a definitive Purchase Agreement and the risk to the Proposed Purchaser that a third-party offer may ultimately be accepted, and (d) is necessary to preserve the value of the Seller's estate.

51. The Seller further submits that approval of break-up fees and other forms of bid protections in connection with the sale of a debtor's property pursuant to section 363 of the Bankruptcy Code is an established practice in chapter 11 cases. *See, e.g., Gey Assocs. Gen. P'ship v. 310 Assocs. (In re 310 Assocs.)*, 346 F.3d 31, 34 (2d Cir. 2003) (noting that "[b]reakup fees are sometimes authorized in the bankruptcy auction sale context because they provide an incentive for an initial bidder to serve as a so-called 'stalking horse,' whose initial research, due diligence, and subsequent bid may encourage later bidders"); *Integrated Resources*, 147 B.R. at 659 (stating that "[b]reak-up fees are important tools to encourage bidding and to maximize the value of the debtor's assets").

52. When analyzing the appropriateness of a break-up fee and other forms of bid protection, bankruptcy courts consider whether such bid protections serve any of three possible useful functions: (a) to attract or retain a potentially successful bid, (b) to establish a bid standard or minimum for other bidders to follow, or (c) to attract potential bidders. *See Integrated Resources*, 147 B.R. at 662. As part of the analysis regarding bid protections, courts

consider three questions: “(1) is the relationship of the parties who negotiated the break-up fee tainted by self-dealing or manipulation; (2) does the fee hamper, rather than encourage, bidding; [and] (3) is the amount of the fee unreasonable relative to the proposed purchase price?” *Id.* at 657.

53. The first prong of the analysis requires the Court to examine the relationship between the Seller and the Proposed Purchaser. The Seller’s decision to provide the Proposed Purchaser with the Break-Up Fee was reached by independent and disinterested managers. *See Integrated Resources*, 147 B.R. at 657-58. Thus, the “business judgment rule,” which proscribes judicial second guessing of the actions of a company’s board of directors taken in good faith in the exercise of honest judgment, applies. *See In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. at 28. The Seller was not self-tainted when it formulated the Break-Up Fee. The Seller and the Proposed Purchaser negotiated the amount of the Break-Up Fee at arm’s-length, with the assistance of financial and legal advisors.

54. To satisfy the second prong of the analysis, the Court must determine that the Break-Up Fee will not hamper bidding. As mentioned above, courts have found that break-up fees and expense reimbursements are necessary to create an incentive for a “stalking horse bidder” to spend the requisite time and money investigating a debtor’s assets before entering into an agreement to purchase those assets. *See, e.g., In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. at 28 (finding bidding incentives may be “legitimately necessary to convince a ‘white knight’ to enter the bidding by providing some form of compensation for the risks it is undertaking”) (internal quotation marks and citation omitted).

55. Here, the Break-Up Fee already has encouraged competitive bidding in that the Proposed Purchaser is unwilling to commit to hold open its offer to purchase the CM Business under the terms of the Purchase Agreement unless the Break-Up Fee is approved. The mere existence of the Break-Up Fee permits the Seller to insist that competing bids for the CM Business be materially higher or otherwise better than the Proposed Purchaser's initial bid, an unquestionable benefit to the Seller's estate. Moreover, the amount of the Break-Up Fee is reasonably calculated to compensate the Proposed Purchaser (a) for the time to perform due diligence, (b) for lost opportunity in being bound to a transaction that could be topped in a competitive auction process, and (c) for serving as a "stalking horse" to encourage the submission of other bids. Such efforts by the Proposed Purchaser are substantial regardless of the base purchase price.

56. To meet the final prong of analysis, the break-up fee should constitute a "fair and reasonable percentage of the proposed purchase price, and should be reasonably related to the risk, effort, and expenses of the prospective purchaser." *Integrated Resources*, 147 B.R. at 662. Although there are no specific rules relating to how large a break-up fee can be before it is considered unreasonable, courts regularly approve break-up fees approximating 2-4% of the consideration to be paid pursuant to the underlying transaction. *See, e.g., In re Cabrini Med. Ctr.*, Case No. 09-14398 (AJG) (Bankr. S.D.N.Y. Dec. 30, 2009) (approving \$3,000,000 (3.75%) break-up fee on \$80,000,000 purchase price); *In re Musicland Holding Corp.*, Case No. 06-10064 (SMB) (Bankr. S.D.N.Y. Mar. 3, 2006) (approving \$3,124,800 (3.0%) break-up fee plus expense reimbursement on \$104,160,000 purchase price); *Allegiance Telecom Inc.*, Case No. 03-13057 (RDD) (Bankr. S.D.N.Y. Jan. 15, 2004) (approving \$8,000,000 (2%) break-up fee plus

\$5,000,000 expense reimbursement on \$390,000,000 purchase price). Given the relatively small purchase price at issue in this sale, the Break-Up Fee of \$100,000 (4.17%) is justified and should be approved.

57. The Bidding Procedures, including the Break-Up Fee, have enabled the Seller to assure a Sale to a contractually committed bidder at a price the Seller believes is fair and reasonable, while providing the Seller with the opportunity to obtain even greater benefits for its estate through an auction process. Thus, approval of the Break-Up Fee may lead to further compensation and the establishment of a baseline against which higher or otherwise better offers will be measured. If an auction ensues, the Break-Up Fee is reasonably calculated to encourage higher or otherwise better bids. If no auction ensues, the Break-Up Fee is still appropriate in that it has encouraged the Proposed Purchaser to act as a Stalking Horse Bidder and to guarantee a minimum amount within the range of reasonably anticipated values for the CM Business. The Bidding Procedures, including the Break-Up Fee, satisfy all three prongs of the standard set forth in *Integrated Resources* and should be approved.

VI. Relief From Fourteen-Day Waiting Periods is Warranted

58. The Seller requests that the Court waive the fourteen-day stay period under Bankruptcy Rules 6004(h) and 6006(d) and order that, if and when entered, the Sale Order be effective immediately. 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.” Similarly, 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.”

59. The purpose of these Rules is to provide sufficient time for an objecting party to appeal before an order is effective. *See* Advisory Committee Notes to Bankruptcy Rules 6004(h) and 6006(d). Although these Rules and the Advisory Committee Notes are silent as to when a court should “order otherwise” and waive the fourteen-day stay period, *Collier on Bankruptcy* suggests the fourteen-day stay period should be waived to allow a transaction to close immediately “where there has been no objection to the procedure.” 10 *Collier on Bankruptcy* ¶ 6004.10 (15th Ed. Rev. 2008). Further, it suggests 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 necessary to file such appeal. *Id.*

VII. Notice

60. Notice of this Motion has been provided to (a) the U.S. Trustee; (b) counsel to the Administrative Agent; (c) counsel to the Proposed Purchaser; (d) the creditors holding the thirty (30) largest unsecured claims against the Debtors on a consolidated basis, as identified on the Debtors’ chapter 11 petitions⁷; (e) all parties who are known to possess or assert a secured claim against the CM Business or any other Lien related to the CM Business; (f) all parties to any agreements sought to be assumed and assigned pursuant to the Purchase Agreement; (g) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases; and (h) counsel to Loreley Financing (Jersey) No. 22 Ltd. and Loreley Financing (Jersey) No. 28 Ltd., Stern & Kilcullen, LLC, 75 Livingston Avenue, Roseland, New Jersey 07068, Attention: Stephen M. Plotnick. The Debtors submit that no other or further notice need be provided.

⁷ If a Creditors Committee is appointed in these chapter 11 cases, counsel to the Creditors Committee will be served with notice of this Motion.

VIII. No Previous Request

61. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request (a) entry of the proposed Bidding Procedures Order; (b) at the completion of the Sale Hearing, entry of the Sale Order approving the Sale of the CM Business to the Proposed Purchaser, or, in the event of a higher or better offer received at an Auction, the Successful Bidder; and (c) such other and further relief as the Court may deem just and appropriate.

Dated: New York, New York
November __, 2010

Respectfully submitted,

/s/ draft

Peter S. Partee, Sr.

Jack A. Molenkamp

Andrew Kamensky (to be admitted *pro hac vice*)

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and Debtors-in-Possession*

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
CREDIT-BASED ASSET SERVICING	)	Case No. 10-____ (____)
AND SECURITIZATION LLC, <u>et al.</u>,	)	Joint Administration
Debtors. ¹	)	Requested

**ORDER (I) SCHEDULING AN AUCTION IN CONNECTION WITH THE SALE
OF COLLATERAL MANAGEMENT BUSINESS OF C-BASS INVESTMENT
MANAGEMENT LLC; (II) APPROVING BIDDING PROCEDURES; (III) APPROVING
BREAK-UP FEE AND EXPENSE REIMBURSEMENT; (IV) SCHEDULING A SALE
HEARING; (V) ESTABLISHING OBJECTION DEADLINE; AND (VI) APPROVING
SALE HEARING NOTICE AND NOTICE OF ASSUMPTION AND ASSIGNMENT**

Upon consideration of the motion (the “Motion”)², dated as of November __, 2010, of C-BASS Investment Management LLC (the “Seller”) and to the extent provided therein Credit-Based Asset Servicing and Securitization LLC, debtors and debtors-in-possession in the above-captioned cases, for entry of an order (this “Order”), pursuant to sections 105(a), 363, and 365 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the “Bankruptcy Code”), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2002-1, 6004-1, 6006-1 and 9014-1 of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), granting the following relief from this Court:

¹ The other Debtors are C-BASS CBO Holding LLC, C-BASS Credit Corp., C-BASS Investment Management LLC, NIM I LLC, Pledged Property II LLC, Starfish Management Group LLC, and Sunfish Management Group LLC.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such term in the Motion.

- (a) scheduling a hearing (the “Sale Hearing”) to consider approval of the proposed sale (the “Sale”) by the Seller of certain of the Seller’s assets, which comprise the Seller’s CM Business, free and clear of all claims (as defined in section 101(5) of the Bankruptcy Code) and any other interests, liens, mortgages, pledges, security interests, rights of first refusal, obligations and encumbrances of any kind whatsoever (collectively, the “Liens”) (with such Liens attaching to the proceeds with the same validity and priority), to (i) FIG LLC, on behalf of itself or one or more of its managed affiliates (the “Proposed Purchaser”) under that certain Purchase Agreement (the “Purchase Agreement”), between the Seller and Proposed Purchaser, dated as of November __, 2010, attached to the Motion as Exhibit C, or (ii) another Successful Bidder (as defined below);
- (b) approving the bidding and auction procedures (the “Bidding Procedures”), as set forth herein;
- (c) approving the break up fee (the “Break-Up Fee”) and expense reimbursement (“Expense Reimbursement”), in accordance with the Purchase Agreement;
- (d) scheduling an auction (“Auction”) to the extent the Seller receives additional higher or better offers for the CM Business;
- (e) establishing an objection deadline in connection with the Sale; and
- (f) approving the form of, and notice procedures relating to, the (i) Sale Hearing Notice (as defined below), and (ii) Notice of Assumption and Assignment (as defined below);

and upon consideration of the Rickert Declaration in support of the Motion and the Court having held a hearing on November __ 2010 (the “Hearing”) on the Motion and having considered the arguments of counsel made, and the evidence submitted, proffered or adduced at the Hearing; and due and proper notice of the Motion having been provided to (i) the Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”), (ii) counsel to JPMorgan Bank, N.A., as administrative agent under the Debtors’ Senior Credit Facility (the “Administrative Agent”), (iii) counsel to the Proposed Purchaser, (iv) the creditors holding the thirty (30) largest unsecured claims against the Debtors on a consolidated basis, as identified on

the Debtors' chapter 11 petitions, and to the Official Committee of Unsecured Creditors (the "Committee") if one has been formed in these chapter 11 cases, (v) all parties who are known to possess or assert a secured claim against the CM Business or any other Lien related to the CM Business, (vi) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases, (vii) all parties to any agreements sought to be assumed and assigned pursuant to the Purchase Agreement, and (viii) counsel to Loreley Financing (Jersey) No. 22 Ltd. and Loreley Financing (Jersey) No. 28 Ltd., Stern & Kilcullen, LLC, 75 Livingston Avenue, Roseland, New Jersey 07068, Attention: Stephen M. Plotnick; and it appearing that no other or further notice need be provided; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates and their creditors, and all parties in interest; and that the legal and factual bases set forth in the Motion and the Rickert Declaration and at the Hearing establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:³

A. The Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. § 1334 and the *Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York* dated July 10, 1984 (Ward, Acting C.J.). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

³ 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. Any and all findings of fact shall constitute findings of fact even is stated as conclusions of law, and any and all conclusions of law shall constitute conclusions of law even if stated as findings of fact.

B. Good and sufficient notice of the Motion has been given under the circumstances, and no further or other notice is required. A reasonable opportunity to object or be heard regarding the relief requested in the Motion has been afforded to all interested persons.

C. The Seller's notice of auction and sale (the "Sale Hearing Notice"), annexed hereto as Schedule 1, is appropriate and reasonably calculated to provide interested parties with timely and proper notice of the Auction and Sale and related deadlines, and no other or further notice is required.

D. The Debtors' notice of the assumption and assignment of the Assigned Contracts (the "Notice of Assumption and Assignment"), annexed hereto as Schedule 2, is appropriate and reasonably calculated to provide interested parties with timely and proper notice of the assumption and assignment of the Assigned Contracts and related deadlines and cure amounts, and no other or further notice is required.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED** in its entirety.
2. The Bidding Procedures, as set forth below, are approved and shall apply with respect to the proposed sale of the CM Business (provided the Seller may modify, amend and waive, as applicable, the Bidding Procedures in its sole discretion after consultation with the Committee and the Administrative Agent):

- (a) **Assets to Be Sold:** The assets to be sold shall consist of the Assigned Contracts (as defined in the Purchase Agreement), the Class E Securities (as defined in the Purchase Agreement), and the Ancillary Assets (as defined in the Purchase Agreement) that comprise the CM Business.
- (b) **Confidentiality Agreements:** Upon execution of a confidentiality agreement, in form and substance satisfactory to the Seller, any party that wishes to conduct due diligence in respect of the CM Business may be granted access to all material

information that has been or will be provided to Proposed Purchaser and other bidders; *provided, however*, that prior to receipt by a party of any information from the Seller (including, but not limited to, the Purchase Agreement and its schedules and exhibits, business and financial information and access to representatives of the Seller), each such party will be required to deliver evidence reasonably satisfactory to the Seller establishing such party's financial capability to timely consummate a purchase of the CM Business.

The Administrative Agent shall be granted access to any such information provided to any bidders.

- (c) **Bid Deadline**: Any person or entity interested in participating in the Auction must submit a Qualifying Bid (as defined below) on or before December 13, 2010 at noon (Eastern Standard Time) (the "**Bid Deadline**") in writing, to (i) counsel to the Debtors, Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136, Attention: Peter S. Partee, Sr. and Scott H. Bernstein; (ii) C-BASS Investment Management LLC, 335 Madison Avenue, 19th Floor, New York, New York 10017, Attention: General Counsel; and (iii) counsel to the Administrative Agent, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attention: Damian S. Schaible; and (iv) counsel to the Committee.
- (d) **Qualifying Bids**: To participate in the bidding process and be deemed a "**Qualifying Bidder**," each potential bidder (other than the Proposed Purchaser) must submit a "**Qualifying Bid**" by the Bid Deadline. The Purchase Agreement is deemed a Qualifying Bid and Proposed Purchaser is deemed a Qualifying Bidder. Otherwise, to constitute a Qualifying Bid, a bid must:
 - i. be in writing and state that such bidder is prepared to enter into a legally binding asset purchase agreement or similar agreement for the acquisition of the CM Business on terms and conditions no less favorable to the Seller than the terms and conditions contained in the Purchase Agreement, and with a purchase price of no less than the Proposed Purchaser's purchase price plus the Break-Up Fee, the Expense Reimbursement, and \$100,000;
 - ii. provide details of any assumptions about the transaction that are key to the purchase price;
 - iii. include a mark-up of the Purchase Agreement (a "**Modified Purchase Agreement**") reflecting the variations from the Purchase Agreement, and a clean and executed Modified Purchase Agreement;
 - iv. otherwise include terms and conditions substantially the same in all respects to the Purchase Agreement (including with respect to the representations and warranties);

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- v. provide that such bidder's offer is irrevocable until the closing of the purchase of the CM Business if such bidder is the Successful Bidder or the Back-Up Bidder (each as defined below);
- vi. state such bidder is financially capable of consummating the transactions contemplated by the Modified Purchase Agreement, and that there are no financing or due diligence contingencies for the bidder to consummate the Modified Purchase Agreement;
- vii. state such bidder is a registered investment adviser with the Securities and Exchange Commission (the "SEC");
- viii. provide that such bidder will close on the sale of the CM Business within the same time period provided for in the Purchase Agreement;
- ix. include such financial and other information that will allow the Seller to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated by the Modified Purchase Agreement and evaluate bidder's demonstration of its experience as a fiduciary in the investment management business;
- x. include a statement that there are no conditions precedent to the bidder's ability to enter into a definitive agreement and that all necessary internal and shareholder approvals have been obtained prior to the bid. The bidder's bid and Modified Purchase Agreement should also highlight any governmental or third-party consents needed to consummate the acquisition of the CM Business to the extent they are not already contemplated in the Purchase Agreement;
- xi. not request or entitle the bidder to any transaction or break-up fee, expense reimbursement, or similar type of payment;
- xii. fully disclose the identity of each entity that will be bidding for the CM Business or otherwise participating in connection with such bid, and the complete terms of any such participation;
- xiii. include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Modified Purchase Agreement;
- xiv. include the names and contact information of members of the bidder who will be available to answer questions regarding the offer;
- xv. include the names of external advisors including financial, legal, and accounting firms, as well as industry consultants or other resources;

- xvi. include any other information or factors that may be relevant to the Seller and its advisors in consideration of the bid; and
- xvii. include a cash deposit by wire transfer equal to One Hundred Thousand Dollars \$100,000 (the “Good Faith Deposit”).

The Seller shall make a determination regarding whether a bid is a Qualifying Bid, after consultation with the Committee and the Administrative Agent, and shall notify bidders whether their bids have been determined to be Qualifying Bids by no later than one hour before the start of the Auction (as defined below);

- (e) **No Qualifying Bids**: If no timely, conforming Qualifying Bids, other than the Purchase Agreement, are submitted by the Bid Deadline, the Seller shall not hold an Auction (as defined below) and, instead, shall request at the Sale Hearing that the Court approve the Purchase Agreement with Proposed Purchaser.
- (f) **Right to Disseminate Information Relating to Bid**. At any time, whether before or after the Auction, the Seller may share or not share, in its sole discretion, any bid for the CM Business with the other bidders.
- (g) **Auction**: In the event the Seller timely receives one or more Qualifying Bids other than the Purchase Agreement, the Seller shall conduct the Auction with respect to the CM Business. The Auction will be held at the offices of Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136, on or before December 14, 2010 at 10:00 a.m. (prevailing Eastern Time), or such other location as designated by the Debtors in a notice to all Qualifying Bidders. The Auction shall be governed by the following procedures (which may be amended, modified and waived, as applicable, by the Seller at any time in its sole discretion after consultation with the Committee):
 - i. The Proposed Purchaser and the Qualifying Bidders shall appear in person at the Auction, or through a duly authorized representative;
 - ii. Only representatives of the Seller, the Proposed Purchaser, Qualifying Bidders, counsel and other advisors selected by the Committee, the Administrative Agent and representatives from the Office of the U.S. Trustee shall be entitled to be present at the Auction;
 - iii. Only the Proposed Purchaser and Qualifying Bidders shall be entitled to make any subsequent bids at the Auction;
 - iv. A subsequent bid by the Proposed Purchaser will not be deemed to waive its right to the Break-Up Fee or Expense Reimbursement;

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- v. Each Qualifying Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the Sale;
- vi. Bidding shall commence at the amount of the highest Qualifying Bid submitted by the Qualifying Bidders prior to the Auction and such Bid shall be announced prior to the start of the Auction (the “Initial Highest Bid”);
- vii. Qualifying Bidders may submit subsequent bids to the Initial Highest Bid and all such subsequent bids must be stated in an amount exceeding each prior bid by USD \$100,000 in purchase price consideration;
- viii. The Seller may determine the order in which Qualifying Bidders shall bid at the Auction;
- ix. All Qualifying Bidders and the Proposed Purchaser shall be able to submit additional bids and make additional modifications to the Purchase Agreement or Modified Purchase Agreement, as applicable, at the Auction as determined by the Seller at any time in its sole discretion after consultation with the Committee and the Administrative Agent;
- x. The Auction may include individual negotiations with the Qualifying Bidders and the Proposed Purchaser and/or open bidding in the presence of all other Qualifying Bidders and the Proposed Purchaser;
- xi. The Seller may determine, in its sole discretion and after consulting with the Committee and the Administrative Agent, which portions of the Auction shall be transcribed on the record and which shall not be transcribed;
- xii. The Seller may, in its sole discretion and after consulting with the Committee and the Administrative Agent, discuss any Qualifying Bid with other Qualifying Bidders individually or together in any other group or groups of Qualifying Bidders, as determined by the Seller;
- xiii. The Auction shall continue until there is only one offer that the Seller determines, after consultation with the Committee and the Administrative Agent, and subject to Court approval, with respect to the CM Business, is the highest and/or best offer from among the Qualifying Bidders submitted at the Auction (the “Successful Bid”). In making this decision, the Seller may consider any factors it deems relevant, including, without limitation, the amount of the purchase price, the form of consideration being offered, the expense to the Seller of any obligation to pay the Break-Up Fee and Expense Reimbursement, the likelihood of the Qualifying Bidder’s ability to close a transaction and the timing thereof, the number, type, and nature

of any changes to the Purchase Agreement requested by each Qualifying Bidder, any contingencies relating to a Qualifying Bidder's offer, and the net benefit to the Seller's estate. The Proposed Purchaser or Qualifying Bidder submitting such Successful Bid shall become the "Successful Bidder," and shall have such rights and responsibilities of a purchaser, as set forth in the applicable Purchase Agreement or Modified Purchase Agreement; and

- xiv. Within three (3) days after conclusion of the Auction, but prior to the Sale Hearing, the Successful Bidder shall complete and execute all agreements, contracts, instruments, or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made and make and pay for all necessary filings with all applicable governmental or other authorities. Bids made after the close of the Auction shall not be considered by the Seller.

(h) **Back-Up Bidder and Return of Good Faith Deposits:**

- i. If an Auction is conducted, the Qualifying Bidder with the next highest or otherwise best Qualifying Bid, as determined by the Seller in the exercise of its business judgment at the Auction and in consultation with the Committee and the Administrative Agent, shall be required to serve as a back-up bidder (the "Back-Up Bidder") and keep such bid open and irrevocable until 24 hours after the closing of the sale transaction with the Successful Bidder. Following the Sale Hearing, if the Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Back-Up Bidder will be deemed to be the new Successful Bidder, and the Seller will be authorized, but not required, to consummate the Sale with the Back-Up Bidder without further order of the Court.
- ii. Except as otherwise provided herein, Good Faith Deposits shall be returned to each bidder not selected by the Seller as the Successful Bidder or the Back-Up Bidder by no later than the fifth (5th) Business Day following the conclusion of the Auction. The Good Faith Deposit of the Back-Up Bidder shall be held by the Seller until one (1) Business Day after the closing of the Sale transaction with the Successful Bidder for the CM Business.

3. The Break-Up Fee and Expense Reimbursement are approved. The Seller is hereby authorized and directed to pay the Break-Up Fee and Expense Reimbursement in the event all or substantially all of the CM Business is sold to another bidder and the Purchase

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Agreement is terminated as a result of entry of an Order approving an alternative transaction. Upon closing of the alternative transaction, the Break-Up Fee and Expense Reimbursement shall be paid in cash directly to the Proposed Purchaser from the proceeds of the alternative transaction as an administrative expense claim in the Seller's chapter 11 case pursuant to sections 503(b) and 507(a)(2) of the Bankruptcy Code.

4. The form and manner of providing the Sale Hearing Notice is hereby approved. Service of the Sale Hearing Notice, as set forth below, constitutes good and sufficient notice of the Auction and Sale Hearing.

5. The Court shall hold the Sale Hearing on December __, 2010 at 10:00 a.m. (prevailing Eastern Time) at which time the Court will consider approval of the Sale of the CM Business, including the Seller's assumption and assignment of the Assigned Contracts to Proposed Purchaser or the Successful Bidder.

6. Any objection (an "Objection") to the Sale of the CM Business, the assumption and assignment of any Assigned Contracts, or the Cure Amounts shall (a) be in writing; (b) comply with the Bankruptcy Rules and Local Rules; (c) be filed with the Clerk of the Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004, on or before 4:00 p.m. (prevailing Eastern Time) on December __, 2010 or on such later date and time as the Debtor may agree; and (d) be served with a copy on (i) counsel for the Debtors, Hunton & Williams LLP, Attention: Peter S. Partee, Sr. and Scott H. Bernstein, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136; (ii) counsel for the Proposed Purchaser, SNR Denton U.S. LLP, Attention: Louis Curcio and A. James Cotins, Two World Financial Center, New York, New York 10281; (iii) the U.S.

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Trustee, Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Susan Golden); (iv) counsel to the Administrative Agent, Davis Polk & Wardwell LLP, Attention: Damian S. Schaible, 450 Lexington Avenue, New York, New York 10017; (v) counsel to the Committee, if one is appointed in these chapter 11 cases; and (vi) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases. Each Objection must state with specificity the factual and legal bases of such Objection.

7. The notices described in the subparagraphs below (collectively, the “Notices”) shall be sufficient and no further notice shall be required if given as follows:

- (a) The Seller shall serve, within 3 business days after entry of the Bidding Procedures Order (the “Mailing Deadline”), by overnight courier, electronic mail, or same-day messenger delivery, copies of the Sale Hearing Notice upon: (i) the U.S. Trustee; (ii) counsel to the Committee, if one is appointed in these chapter 11 cases; (iii) the creditors holding the thirty (30) largest unsecured claims against the Debtors on a consolidated basis, as identified on the Debtors’ chapter 11 petitions; (iv) counsel to the Proposed Purchaser; (v) any party who, in the past 12 (twelve) months, expressed in writing to the Seller an interest in acquiring the CM Business, and who the Seller and its representatives reasonably and in good faith determine potentially have the desire and financial wherewithal to effectuate the Sale; (vi) counsel to the Administrative Agent; (vii) all parties who are known to possess or assert a secured claim against the CM Business or any other Lien related to the CM Business; (viii) the SEC; (ix) the Internal Revenue Service; (x) all parties to any agreements sought to be assumed and assigned pursuant to the Purchase Agreement; (xi) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases; and (xii) counsel to Loreley Financing (Jersey) No. 22 Ltd. and Loreley Financing (Jersey) No. 28 Ltd., Stern & Kilcullen, LLC, 75 Livingston Avenue, Roseland, New Jersey 07068, Attention: Stephen M. Plotnick.
- (b) On or before the Mailing Deadline, the Seller (or its agent) shall serve, by overnight courier, electronic mail, or same-day messenger delivery, the Notice of Assumption and Assignment, substantially in the form attached hereto as Schedule 2, upon all known nondebtor parties to the Assigned

Contracts. The Notice of Assumption and Assignment shall set forth (i) the intent of the Seller to assume the Assigned Contracts and assign them to Proposed Purchaser (or to any Successful Bidder), and (ii) applicable Cure Amounts, if any. The Notice of Assumption and Assignment shall identify the Assigned Contracts and the Cure Amounts that the Seller believes must be paid to cure all defaults under the Assigned Contracts. If no amount is listed on the Notice of Assumption and Assignment, the Seller believes that there is no Cure Amount due.

8. Any objections to (a) the assumption and assignment of an Assigned Contract, or (b) the amount asserted as the Cure Amount (each, an “Assumption and/or Cure Objection”) must be in writing and set forth with specificity the nature of the objection and the cure amount that the objecting party believes should be paid in connection with the assumption of the Assigned Contract (the “Claimed Cure Amount”).

9. If an Objection challenges a Cure Amount, the Objection must set forth the Claimed Cure Amount with appropriate documentation in support thereof. Upon receipt of an Objection to a Cure Amount, the Seller may, in its sole discretion, but in consultation with the Administrative Agent, hold an amount equal to the Claimed Cure Amount in reserve pending further order of the Court or agreement between the applicable Debtor and the objecting party. So long as the Seller holds the Claimed Cure Amount in reserve and otherwise satisfies the requirements for assumption under section 365 of the Bankruptcy Code, the Seller may, without further delay, assume and assign the Assigned Contract that is the subject of an Objection relating to that Assigned Contract’s Cure Amount.

10. If no Objection to the Cure Amount or the proposed assumption and assignment of an Assigned Contract is timely filed and served, the Seller may assume and assign the Assigned Contract to Proposed Purchaser or the Successful Bidder and the Cure Amount set forth in the Notice of Assumption and Assignment shall be binding upon the respective

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nondebtor party to the Assigned Contract for all purposes in the Seller's chapter 11 case and otherwise. The respective nondebtor party shall be forever barred from objecting to the assumption and assignment of the relevant Assigned Contract and the Cure Amount, including, without limitation, the right to assert any condition to assignment and/or additional cure or other amount with respect to their respective Assigned Contracts.

11. Failure of any objecting person or entity to timely file its Objection shall be an absolute bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Motion or the Seller's assumption and assignment of any of the Assigned Contracts (including the Proposed Purchaser becoming collateral manager under the Assigned Contracts), or the consummation and performance of the Sale (including the transfer free and clear of all Liens).

12. The Court shall retain exclusive jurisdiction over any matter or dispute arising from or relating to the implementation of this Bidding Procedures Order. The Seller is hereby authorized and empowered to take such steps, expend such sums of money, and do such other things as may be necessary to implement and effect the terms and requirements of this Bidding Procedures Order.

13. Notwithstanding any other provision contained herein, the Seller, after consultation with the Committee and the Administrative Agent, may adjourn or cancel the Auction or Sale at any time as an exercise of its sound business judgment.

14. Notwithstanding any potential applicability of Bankruptcy Rules 6004(h) and 6006(d) or other Rule, this Bidding Procedures Order shall not be stayed for fourteen (14) days after the entry hereof and shall be effective and enforceable upon signature hereof.

Dated: _____, 2010

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New York, New York

THE HONORABLE
UNITED STATES BANKRUPTCY JUDGE

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SCHEDULE 1

(Proposed Form of Sale Hearing Notice)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
CREDIT-BASED ASSET SERVICING	)	Case No. 10-____ (____)
AND SECURITIZATION LLC, <u>et al.</u>,	)	Joint Administration
Debtors. ¹	)	Requested

**NOTICE OF AUCTION AND SALE HEARING FOR SALE
OF COLLATERAL MANAGEMENT BUSINESS ASSETS**

PLEASE TAKE NOTICE THAT:

1. On _____, 2010, C-BASS Investment Management LLC (the “Seller”), one of the debtors and debtors-in-possession in the above-captioned cases of Credit-Based Asset Servicing and Securitization LLC (“C-BASS”) and certain of its subsidiaries and affiliates, as debtors and debtors-in-possession (collectively, the “Debtors”), filed a motion (the “Motion”)² pursuant to sections 105(a), 363, and 365 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2002-1, 6004-1, 6006-1 and 9014-1 of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), seeking approval of, among other things, (a) the establishment of bidding procedures (the “Bidding Procedures”), (b) the scheduling of an auction (the “Auction”), as necessary, and (c) the scheduling of a sale hearing (the “Sale Hearing”) in connection with the proposed sale (the “Sale”) by the Seller, of the Seller’s CM Business (as defined below). On _____, 2010, the United States Bankruptcy Court for the Southern District of New York (the “Court”) entered an order (the “Bidding Procedures Order”) approving, among other things, the Bidding Procedures and the Sale Hearing schedule.

2. The Seller and FIG LLC, on behalf of itself or one or more of its managed affiliates (the “Proposed Purchaser”) have entered into a Purchase Agreement, dated as of _____, 2010 (the “Purchase Agreement”), regarding the Sale of certain of the Seller’s assets which comprise the Seller’s CM Business, pursuant to which the Seller has agreed to sell the CM Business to Proposed Purchaser, subject to higher and better offers.

¹ The other Debtors are C-BASS CBO Holding LLC, C-BASS Credit Corp., C-BASS Investment Management LLC, NIM I LLC, Pledged Property II LLC, Starfish Management Group LLC, and Sunfish Management Group LLC.

² Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Motion.

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3. Pursuant to the Bidding Procedures Order, if the Seller receives any higher or better bids for the CM Business, the Auction for the CM Business shall take place on _____, 2010 at noon (prevailing Eastern Time), at the offices of Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136. Only parties that have submitted a Qualified Bid, as set forth in the Bidding Procedures Order, by no later than _____, 2010 at noon (prevailing Eastern Time) (the “Bid Deadline”) may participate at the Auction. Any party that wishes to take part in this process and submit a bid for the CM Business must submit their competing bid prior to the Bid Deadline and in accordance with the Bidding Procedures.

4. The Bidding Procedures Order provides that a Sale Hearing will be held on _____, 2010 at 10:00 a.m. (prevailing Eastern Time) before the Honorable _____, United States Bankruptcy Judge, in Room __ of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004.

5. At the Sale Hearing, the Seller shall request the Court to enter an order, among other things, authorizing the Sale of the CM Business to Proposed Purchaser pursuant to the Purchase Agreement, or authorizing the Sale of the CM Business to the Successful Bidder (as defined in the Bidding Procedures Order) at the Auction, free and clear of Liens (as defined in the Motion) and any successor liability claims.

6. At the Sale Hearing, the Court may enter such orders as it deems appropriate under the applicable law and as required by the circumstances and equities of these chapter 11 cases. Any objection (an “Objection”) to the Sale of the CM Business pursuant to the terms of the Purchase Agreement shall be in writing, shall conform to Bankruptcy Rules and the Local Rules, shall set forth the name of the objecting party, the nature and amount of any claims or interests held or asserted against the Seller’s estate or properties, the basis for the Objection and the specific grounds therefor, and shall be served upon (a) counsel for the Debtors, Hunton & Williams LLP, Attention: Peter S. Partee, Sr. and Scott H. Bernstein, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136; (b) counsel for Proposed Purchaser, SNR Denton U.S. LLP, Attention: Louis Curcio and A. James Cotins, Two World Financial Center, New York, New York 10281; (c) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Susan Golden); (d) counsel to JPMorgan Chase Bank, N.A., as Administrative Agent under the Senior Credit Facility, Davis Polk & Wardwell LLP, Attention: Damian S. Schaible, 450 Lexington Avenue, New York, New York 10017; (e) counsel to the Committee, _____; and (f) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases, so as to be actually received no later than _____, 2010 at 4:00 p.m. (prevailing Eastern Time).

7. A copy of the Purchase Agreement is attached as Exhibit C to the Motion. A copy of the Purchase Agreement may be requested by contacting _____.

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Dated: _____, 2010
New York, New York

/s/ draft

Peter S. Partee, Sr.

Jack A. Molenkamp

Andrew Kamensky (to be admitted *pro hac vice*)

Scott H. Bernstein

HUNTON & WILLIAMS LLP

200 Park Avenue, 53rd Floor

New York, New York 10166-0136

(212) 309-1000

*Proposed Attorneys for Debtors
and Debtors-in-Possession*

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SCHEDULE 2

(Proposed Form of Notice of Assumption and Assignment)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
CREDIT-BASED ASSET SERVICING	)	Case No. 10-____ (____)
AND SECURITIZATION LLC, <u>et al.</u>,	)	Joint Administration
Debtors. ¹	)	Requested

**NOTICE OF INTENT TO ASSUME AND ASSIGN CERTAIN EXECUTORY
CONTRACTS IN CONNECTION WITH THE PROPOSED SALE OF THE
COLLATERAL MANAGEMENT BUSINESS ASSETS AND THE FIXING
OF CURE AMOUNTS AND PROCEDURES ASSOCIATED THEREWITH**

PLEASE TAKE NOTICE THAT:

1. On _____, 2010, the United States Bankruptcy Court for the Southern District of New York (the "Court") entered an order (the "Bidding Procedures Order"), pursuant to sections 105(a), 363, and 365 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rules 2002-1, 6004-1, 6006-1 and 9014-1 of the Local Bankruptcy Rules for the Southern District of New York (the "Local Rules") in the above-captioned chapter 11 cases of Credit-Based Asset Servicing and Securitization LLC and certain of its subsidiaries and affiliates, as debtors and debtors-in-possession (collectively, the "Debtors"), approving, among other things, this notice, the scheduling of the Sale Hearing, and the procedures for the fixing of cure amounts (the "Cure Amounts") related to the assumption and assignment of certain executory contracts, unexpired leases, and other agreements (the "Assigned Contracts") with respect to each counterparty listed on Exhibit A attached hereto, in connection with the sale of assets which comprise the Seller's (as defined below) collateral management business (the "CM Business"). C-BASS Investment Management LLC (the "Seller") will assume the Assigned Contracts and assign them to FIG LLC, on behalf of itself or one or more of its managed affiliates (the "Proposed Purchaser"), pursuant to the terms of that certain Purchase Agreement, dated as of _____, 2010 (the "Purchase Agreement")², between the Seller and the Proposed Purchaser, or to another Successful Bidder (as defined in the Bidding Procedures

¹ The other Debtors are C-BASS CBO Holding LLC, C-BASS Credit Corp., C-BASS Investment Management LLC, NIM I LLC, Pledged Property II LLC, Starfish Management Group LLC, and Sunfish Management Group LLC.

² Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

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Order) at an Auction (as defined in the Bidding Procedures Order) for the sale of the CM Business.

2. The Seller believes any and all defaults (other than the filing of these chapter 11 cases) under the Assigned Contracts can be cured by the payment of the Cure Amounts listed on Exhibit A.

3. Any objections to (a) the assumption and assignment of an Assigned Contract (including the Proposed Purchaser becoming collateral manager under each Assigned Contract), or (b) the amount asserted as the Cure Amount (each, an “Assumption and/or Cure Objection”) must be in writing and set forth with specificity the nature of the objection and the cure amount that the objecting party believes should be paid in connection with the assumption of the Assigned Contracts (the “Claimed Cure Amount”).

4. To be considered a timely Assumption and/or Cure Objection, the Assumption and/or Cure Objection must be filed with the Court and served upon (a) counsel for the Debtors, Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136, Attention: Peter S. Partee, Sr. and Scott H. Bernstein; (b) counsel for Proposed Purchaser, SNR Denton U.S. LLP, Attention: Louis Curcio and A. James Cotins, Two World Financial Center, New York, New York 10281; (c) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Susan Golden); (d) counsel to JPMorgan Chase Bank, N.A., as Administrative Agent under the Senior Credit Facility, Davis Polk & Wardwell LLP, Attention: Damian S. Schaible, 450 Lexington Avenue, New York, New York 10017; (e) counsel to the Committee, _____; and (f) all parties that have filed a notice of appearance or request for service in these chapter 11 cases, so as to be actually received no later than _____, 2010 at 4:00 p.m. (prevailing Eastern Time).

5. If an Assumption and/or Cure Objection is timely filed, a hearing with respect to that objection shall be held before the Honorable _____, United States Bankruptcy Judge, United States Bankruptcy Court for the Southern District of New York (the “Sale Hearing”).

6. Unless the Assumption and/or Cure Objection is timely filed and served, the assumption and assignment of the applicable Assigned Contract will proceed without further notice at the Sale Hearing to approve the sale of the CM Business.

7. Parties that fail to file and serve timely Assumption and/or Cure Objections shall be deemed to have waived and released any and all rights to assert Cure Amounts different from those listed on Exhibit A and, subject to payment of the cure amount(s) listed on Exhibit A with respect to their Assigned Contract(s), shall be forever barred and estopped from asserting or claiming against the pertinent Debtor, Proposed Purchaser, or any assignee of any Assigned Contract that any additional amounts are due or defaults exist, or prohibitions or conditions to assignment exist or must be satisfied, under such Assigned Contract.

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8. If no Cure Amounts are due under the Assigned Contract, and the nondebtor party to the Assigned Contract does not otherwise object to the Seller's assumption and assignment of the Assigned Contract, no further action need be taken on the part of that nondebtor party.

9. Assumption and/or Cure Objections that object solely to the Cure Amount may not prevent or delay the Seller's assumption and assignment of any Assigned Contracts. If a party objects solely to a Cure Amount, the Seller may, in its sole discretion, hold the Claimed Cure Amount in reserve pending further order of the Court or mutual agreement of the parties. So long as the Seller holds the Claimed Cure Amount in reserve, and there are no other unresolved objections to assumption and assignment, the Seller can, without further delay, assume and assign the Assigned Contract that is the subject of the objection. Under such circumstances, the objecting party's recourse is limited to the funds held in reserve.

10. The Seller's decision to assume and assign to Proposed Purchaser (or the Successful Bidder) the Assigned Contracts is subject to Court approval and the closing of the Purchase Agreement (the "Closing"). Accordingly, absent such Closing, any of the Assigned Contracts shall not be deemed assumed nor assigned, and shall in all respects be subject to further administration under the Bankruptcy Code. The inclusion of any document on the list of Assigned Contracts shall not constitute or be deemed to be a determination or admission by any Debtor or Proposed Purchaser (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).

Dated: _____, 2010
New York, New York

/s/ draft

Peter S. Partee, Sr.

Jack A. Molenkamp

Andrew Kamensky (to be admitted *pro hac vice*)

Scott H. Bernstein

HUNTON & WILLIAMS LLP

200 Park Avenue, 53rd Floor

New York, New York 10166-0136

(212) 309-1000

*Proposed Attorneys for Debtors
and Debtors-in-Possession*

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
CREDIT-BASED ASSET SERVICING	)	Case No. 10-____ (____)
AND SECURITIZATION LLC, <u>et al.</u>,	)	Joint Administration
Debtors. ¹	)	Requested

**ORDER (I) SCHEDULING AN AUCTION IN CONNECTION WITH THE SALE
OF COLLATERAL MANAGEMENT BUSINESS OF C-BASS INVESTMENT
MANAGEMENT LLC; (II) APPROVING BIDDING PROCEDURES; (III) APPROVING
BREAK-UP FEE AND EXPENSE REIMBURSEMENT; (IV) SCHEDULING A SALE
HEARING; (V) ESTABLISHING OBJECTION DEADLINE; AND (VI) APPROVING
SALE HEARING NOTICE AND NOTICE OF ASSUMPTION AND ASSIGNMENT**

Upon consideration of the motion (the “Motion”)², dated as of November __, 2010, of C-BASS Investment Management LLC (the “Seller”) and to the extent provided therein Credit-Based Asset Servicing and Securitization LLC, debtors and debtors-in-possession in the above-captioned cases, for entry of an order (this “Order”), pursuant to sections 105(a), 363, and 365 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the “Bankruptcy Code”), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2002-1, 6004-1, 6006-1 and 9014-1 of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), granting the following relief from this Court:

¹ The other Debtors are C-BASS CBO Holding LLC, C-BASS Credit Corp., C-BASS Investment Management LLC, NIM I LLC, Pledged Property II LLC, Starfish Management Group LLC, and Sunfish Management Group LLC.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such term in the Motion.

- (a) scheduling a hearing (the “Sale Hearing”) to consider approval of the proposed sale (the “Sale”) by the Seller of certain of the Seller’s assets, which comprise the Seller’s CM Business, free and clear of all claims (as defined in section 101(5) of the Bankruptcy Code) and any other interests, liens, mortgages, pledges, security interests, rights of first refusal, obligations and encumbrances of any kind whatsoever (collectively, the “Liens”) (with such Liens attaching to the proceeds with the same validity and priority), to (i) FIG LLC, on behalf of itself or one or more of its managed affiliates (the “Proposed Purchaser”) under that certain Purchase Agreement (the “Purchase Agreement”), between the Seller and Proposed Purchaser, dated as of November __, 2010, attached to the Motion as Exhibit C, or (ii) another Successful Bidder (as defined below);
- (b) approving the bidding and auction procedures (the “Bidding Procedures”), as set forth herein;
- (c) approving the break up fee (the “Break-Up Fee”) and expense reimbursement (“Expense Reimbursement”), in accordance with the Purchase Agreement;
- (d) scheduling an auction (“Auction”) to the extent the Seller receives additional higher or better offers for the CM Business;
- (e) establishing an objection deadline in connection with the Sale; and
- (f) approving the form of, and notice procedures relating to, the (i) Sale Hearing Notice (as defined below), and (ii) Notice of Assumption and Assignment (as defined below);

and upon consideration of the Rickert Declaration in support of the Motion and the Court having held a hearing on November __ 2010 (the “Hearing”) on the Motion and having considered the arguments of counsel made, and the evidence submitted, proffered or adduced at the Hearing; and due and proper notice of the Motion having been provided to (i) the Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”), (ii) counsel to JPMorgan Bank, N.A., as administrative agent under the Debtors’ Senior Credit Facility (the “Administrative Agent”), (iii) counsel to the Proposed Purchaser, (iv) the creditors holding the thirty (30) largest unsecured claims against the Debtors on a consolidated basis, as identified on

the Debtors' chapter 11 petitions, and to the Official Committee of Unsecured Creditors (the "Committee") if one has been formed in these chapter 11 cases, (v) all parties who are known to possess or assert a secured claim against the CM Business or any other Lien related to the CM Business, (vi) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases, (vii) all parties to any agreements sought to be assumed and assigned pursuant to the Purchase Agreement, and (viii) counsel to Loreley Financing (Jersey) No. 22 Ltd. and Loreley Financing (Jersey) No. 28 Ltd., Stern & Kilcullen, LLC, 75 Livingston Avenue, Roseland, New Jersey 07068, Attention: Stephen M. Plotnick; and it appearing that no other or further notice need be provided; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates and their creditors, and all parties in interest; and that the legal and factual bases set forth in the Motion and the Rickert Declaration and at the Hearing establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:³

A. The Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. § 1334 and the *Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York* dated July 10, 1984 (Ward, Acting C.J.). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

³ 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. Any and all findings of fact shall constitute findings of fact even is stated as conclusions of law, and any and all conclusions of law shall constitute conclusions of law even if stated as findings of fact.

B. Good and sufficient notice of the Motion has been given under the circumstances, and no further or other notice is required. A reasonable opportunity to object or be heard regarding the relief requested in the Motion has been afforded to all interested persons.

C. The Seller's notice of auction and sale (the "Sale Hearing Notice"), annexed hereto as Schedule 1, is appropriate and reasonably calculated to provide interested parties with timely and proper notice of the Auction and Sale and related deadlines, and no other or further notice is required.

D. The Debtors' notice of the assumption and assignment of the Assigned Contracts (the "Notice of Assumption and Assignment"), annexed hereto as Schedule 2, is appropriate and reasonably calculated to provide interested parties with timely and proper notice of the assumption and assignment of the Assigned Contracts and related deadlines and cure amounts, and no other or further notice is required.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED** in its entirety.
2. The Bidding Procedures, as set forth below, are approved and shall apply with respect to the proposed sale of the CM Business (provided the Seller may modify, amend and waive, as applicable, the Bidding Procedures in its sole discretion after consultation with the Committee and the Administrative Agent):

- (a) **Assets to Be Sold:** The assets to be sold shall consist of the Assigned Contracts (as defined in the Purchase Agreement), the Class E Securities (as defined in the Purchase Agreement), and the Ancillary Assets (as defined in the Purchase Agreement) that comprise the CM Business.
- (b) **Confidentiality Agreements:** Upon execution of a confidentiality agreement, in form and substance satisfactory to the Seller, any party that wishes to conduct due diligence in respect of the CM Business may be granted access to all material

information that has been or will be provided to Proposed Purchaser and other bidders; *provided, however*, that prior to receipt by a party of any information from the Seller (including, but not limited to, the Purchase Agreement and its schedules and exhibits, business and financial information and access to representatives of the Seller), each such party will be required to deliver evidence reasonably satisfactory to the Seller establishing such party's financial capability to timely consummate a purchase of the CM Business.

The Administrative Agent shall be granted access to any such information provided to any bidders.

- (c) **Bid Deadline**: Any person or entity interested in participating in the Auction must submit a Qualifying Bid (as defined below) on or before December 13, 2010 at noon (Eastern Standard Time) (the "**Bid Deadline**") in writing, to (i) counsel to the Debtors, Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136, Attention: Peter S. Partee, Sr. and Scott H. Bernstein; (ii) C-BASS Investment Management LLC, 335 Madison Avenue, 19th Floor, New York, New York 10017, Attention: General Counsel; and (iii) counsel to the Administrative Agent, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attention: Damian S. Schaible; and (iv) counsel to the Committee.
- (d) **Qualifying Bids**: To participate in the bidding process and be deemed a "**Qualifying Bidder**," each potential bidder (other than the Proposed Purchaser) must submit a "**Qualifying Bid**" by the Bid Deadline. The Purchase Agreement is deemed a Qualifying Bid and Proposed Purchaser is deemed a Qualifying Bidder. Otherwise, to constitute a Qualifying Bid, a bid must:
 - i. be in writing and state that such bidder is prepared to enter into a legally binding asset purchase agreement or similar agreement for the acquisition of the CM Business on terms and conditions no less favorable to the Seller than the terms and conditions contained in the Purchase Agreement, and with a purchase price of no less than the Proposed Purchaser's purchase price plus the Break-Up Fee, the Expense Reimbursement, and \$100,000;
 - ii. provide details of any assumptions about the transaction that are key to the purchase price;
 - iii. include a mark-up of the Purchase Agreement (a "**Modified Purchase Agreement**") reflecting the variations from the Purchase Agreement, and a clean and executed Modified Purchase Agreement;
 - iv. otherwise include terms and conditions substantially the same in all respects to the Purchase Agreement (including with respect to the representations and warranties);

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- v. provide that such bidder's offer is irrevocable until the closing of the purchase of the CM Business if such bidder is the Successful Bidder or the Back-Up Bidder (each as defined below);
- vi. state such bidder is financially capable of consummating the transactions contemplated by the Modified Purchase Agreement, and that there are no financing or due diligence contingencies for the bidder to consummate the Modified Purchase Agreement;
- vii. state such bidder is a registered investment adviser with the Securities and Exchange Commission (the "SEC");
- viii. provide that such bidder will close on the sale of the CM Business within the same time period provided for in the Purchase Agreement;
- ix. include such financial and other information that will allow the Seller to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated by the Modified Purchase Agreement and evaluate bidder's demonstration of its experience as a fiduciary in the investment management business;
- x. include a statement that there are no conditions precedent to the bidder's ability to enter into a definitive agreement and that all necessary internal and shareholder approvals have been obtained prior to the bid. The bidder's bid and Modified Purchase Agreement should also highlight any governmental or third-party consents needed to consummate the acquisition of the CM Business to the extent they are not already contemplated in the Purchase Agreement;
- xi. not request or entitle the bidder to any transaction or break-up fee, expense reimbursement, or similar type of payment;
- xii. fully disclose the identity of each entity that will be bidding for the CM Business or otherwise participating in connection with such bid, and the complete terms of any such participation;
- xiii. include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Modified Purchase Agreement;
- xiv. include the names and contact information of members of the bidder who will be available to answer questions regarding the offer;
- xv. include the names of external advisors including financial, legal, and accounting firms, as well as industry consultants or other resources;

- xvi. include any other information or factors that may be relevant to the Seller and its advisors in consideration of the bid; and
- xvii. include a cash deposit by wire transfer equal to One Hundred Thousand Dollars \$100,000 (the “Good Faith Deposit”).

The Seller shall make a determination regarding whether a bid is a Qualifying Bid, after consultation with the Committee and the Administrative Agent, and shall notify bidders whether their bids have been determined to be Qualifying Bids by no later than one hour before the start of the Auction (as defined below);

- (e) **No Qualifying Bids:** If no timely, conforming Qualifying Bids, other than the Purchase Agreement, are submitted by the Bid Deadline, the Seller shall not hold an Auction (as defined below) and, instead, shall request at the Sale Hearing that the Court approve the Purchase Agreement with Proposed Purchaser.
- (f) **Right to Disseminate Information Relating to Bid.** At any time, whether before or after the Auction, the Seller may share or not share, in its sole discretion, any bid for the CM Business with the other bidders.
- (g) **Auction:** In the event the Seller timely receives one or more Qualifying Bids other than the Purchase Agreement, the Seller shall conduct the Auction with respect to the CM Business. The Auction will be held at the offices of Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136, on or before December 14, 2010 at 10:00 a.m. (prevailing Eastern Time), or such other location as designated by the Debtors in a notice to all Qualifying Bidders. The Auction shall be governed by the following procedures (which may be amended, modified and waived, as applicable, by the Seller at any time in its sole discretion after consultation with the Committee):
 - i. The Proposed Purchaser and the Qualifying Bidders shall appear in person at the Auction, or through a duly authorized representative;
 - ii. Only representatives of the Seller, the Proposed Purchaser, Qualifying Bidders, counsel and other advisors selected by the Committee, the Administrative Agent and representatives from the Office of the U.S. Trustee shall be entitled to be present at the Auction;
 - iii. Only the Proposed Purchaser and Qualifying Bidders shall be entitled to make any subsequent bids at the Auction;
 - iv. A subsequent bid by the Proposed Purchaser will not be deemed to waive its right to the Break-Up Fee or Expense Reimbursement;

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- v. Each Qualifying Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the Sale;
- vi. Bidding shall commence at the amount of the highest Qualifying Bid submitted by the Qualifying Bidders prior to the Auction and such Bid shall be announced prior to the start of the Auction (the “Initial Highest Bid”);
- vii. Qualifying Bidders may submit subsequent bids to the Initial Highest Bid and all such subsequent bids must be stated in an amount exceeding each prior bid by USD \$100,000 in purchase price consideration;
- viii. The Seller may determine the order in which Qualifying Bidders shall bid at the Auction;
- ix. All Qualifying Bidders and the Proposed Purchaser shall be able to submit additional bids and make additional modifications to the Purchase Agreement or Modified Purchase Agreement, as applicable, at the Auction as determined by the Seller at any time in its sole discretion after consultation with the Committee and the Administrative Agent;
- x. The Auction may include individual negotiations with the Qualifying Bidders and the Proposed Purchaser and/or open bidding in the presence of all other Qualifying Bidders and the Proposed Purchaser;
- xi. The Seller may determine, in its sole discretion and after consulting with the Committee and the Administrative Agent, which portions of the Auction shall be transcribed on the record and which shall not be transcribed;
- xii. The Seller may, in its sole discretion and after consulting with the Committee and the Administrative Agent, discuss any Qualifying Bid with other Qualifying Bidders individually or together in any other group or groups of Qualifying Bidders, as determined by the Seller;
- xiii. The Auction shall continue until there is only one offer that the Seller determines, after consultation with the Committee and the Administrative Agent, and subject to Court approval, with respect to the CM Business, is the highest and/or best offer from among the Qualifying Bidders submitted at the Auction (the “Successful Bid”). In making this decision, the Seller may consider any factors it deems relevant, including, without limitation, the amount of the purchase price, the form of consideration being offered, the expense to the Seller of any obligation to pay the Break-Up Fee and Expense Reimbursement, the likelihood of the Qualifying Bidder’s ability to close a transaction and the timing thereof, the number, type, and nature

of any changes to the Purchase Agreement requested by each Qualifying Bidder, any contingencies relating to a Qualifying Bidder's offer, and the net benefit to the Seller's estate. The Proposed Purchaser or Qualifying Bidder submitting such Successful Bid shall become the "Successful Bidder," and shall have such rights and responsibilities of a purchaser, as set forth in the applicable Purchase Agreement or Modified Purchase Agreement; and

- xiv. Within three (3) days after conclusion of the Auction, but prior to the Sale Hearing, the Successful Bidder shall complete and execute all agreements, contracts, instruments, or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made and make and pay for all necessary filings with all applicable governmental or other authorities. Bids made after the close of the Auction shall not be considered by the Seller.

(h) **Back-Up Bidder and Return of Good Faith Deposits:**

- i. If an Auction is conducted, the Qualifying Bidder with the next highest or otherwise best Qualifying Bid, as determined by the Seller in the exercise of its business judgment at the Auction and in consultation with the Committee and the Administrative Agent, shall be required to serve as a back-up bidder (the "Back-Up Bidder") and keep such bid open and irrevocable until 24 hours after the closing of the sale transaction with the Successful Bidder. Following the Sale Hearing, if the Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Back-Up Bidder will be deemed to be the new Successful Bidder, and the Seller will be authorized, but not required, to consummate the Sale with the Back-Up Bidder without further order of the Court.
- ii. Except as otherwise provided herein, Good Faith Deposits shall be returned to each bidder not selected by the Seller as the Successful Bidder or the Back-Up Bidder by no later than the fifth (5th) Business Day following the conclusion of the Auction. The Good Faith Deposit of the Back-Up Bidder shall be held by the Seller until one (1) Business Day after the closing of the Sale transaction with the Successful Bidder for the CM Business.

3. The Break-Up Fee and Expense Reimbursement are approved. The Seller is hereby authorized and directed to pay the Break-Up Fee and Expense Reimbursement in the event all or substantially all of the CM Business is sold to another bidder and the Purchase

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Agreement is terminated as a result of entry of an Order approving an alternative transaction. Upon closing of the alternative transaction, the Break-Up Fee and Expense Reimbursement shall be paid in cash directly to the Proposed Purchaser from the proceeds of the alternative transaction as an administrative expense claim in the Seller's chapter 11 case pursuant to sections 503(b) and 507(a)(2) of the Bankruptcy Code.

4. The form and manner of providing the Sale Hearing Notice is hereby approved. Service of the Sale Hearing Notice, as set forth below, constitutes good and sufficient notice of the Auction and Sale Hearing.

5. The Court shall hold the Sale Hearing on December __, 2010 at 10:00 a.m. (prevailing Eastern Time) at which time the Court will consider approval of the Sale of the CM Business, including the Seller's assumption and assignment of the Assigned Contracts to Proposed Purchaser or the Successful Bidder.

6. Any objection (an "Objection") to the Sale of the CM Business, the assumption and assignment of any Assigned Contracts, or the Cure Amounts shall (a) be in writing; (b) comply with the Bankruptcy Rules and Local Rules; (c) be filed with the Clerk of the Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004, on or before 4:00 p.m. (prevailing Eastern Time) on December __, 2010 or on such later date and time as the Debtor may agree; and (d) be served with a copy on (i) counsel for the Debtors, Hunton & Williams LLP, Attention: Peter S. Partee, Sr. and Scott H. Bernstein, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136; (ii) counsel for the Proposed Purchaser, SNR Denton U.S. LLP, Attention: Louis Curcio and A. James Cotins, Two World Financial Center, New York, New York 10281; (iii) the U.S.

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Trustee, Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Susan Golden); (iv) counsel to the Administrative Agent, Davis Polk & Wardwell LLP, Attention: Damian S. Schaible, 450 Lexington Avenue, New York, New York 10017; (v) counsel to the Committee, if one is appointed in these chapter 11 cases; and (vi) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases. Each Objection must state with specificity the factual and legal bases of such Objection.

7. The notices described in the subparagraphs below (collectively, the “Notices”) shall be sufficient and no further notice shall be required if given as follows:

- (a) The Seller shall serve, within 3 business days after entry of the Bidding Procedures Order (the “Mailing Deadline”), by overnight courier, electronic mail, or same-day messenger delivery, copies of the Sale Hearing Notice upon: (i) the U.S. Trustee; (ii) counsel to the Committee, if one is appointed in these chapter 11 cases; (iii) the creditors holding the thirty (30) largest unsecured claims against the Debtors on a consolidated basis, as identified on the Debtors’ chapter 11 petitions; (iv) counsel to the Proposed Purchaser; (v) any party who, in the past 12 (twelve) months, expressed in writing to the Seller an interest in acquiring the CM Business, and who the Seller and its representatives reasonably and in good faith determine potentially have the desire and financial wherewithal to effectuate the Sale; (vi) counsel to the Administrative Agent; (vii) all parties who are known to possess or assert a secured claim against the CM Business or any other Lien related to the CM Business; (viii) the SEC; (ix) the Internal Revenue Service; (x) all parties to any agreements sought to be assumed and assigned pursuant to the Purchase Agreement; (xi) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases; and (xii) counsel to Loreley Financing (Jersey) No. 22 Ltd. and Loreley Financing (Jersey) No. 28 Ltd., Stern & Kilcullen, LLC, 75 Livingston Avenue, Roseland, New Jersey 07068, Attention: Stephen M. Plotnick.
- (b) On or before the Mailing Deadline, the Seller (or its agent) shall serve, by overnight courier, electronic mail, or same-day messenger delivery, the Notice of Assumption and Assignment, substantially in the form attached hereto as Schedule 2, upon all known nondebtor parties to the Assigned

Contracts. The Notice of Assumption and Assignment shall set forth (i) the intent of the Seller to assume the Assigned Contracts and assign them to Proposed Purchaser (or to any Successful Bidder), and (ii) applicable Cure Amounts, if any. The Notice of Assumption and Assignment shall identify the Assigned Contracts and the Cure Amounts that the Seller believes must be paid to cure all defaults under the Assigned Contracts. If no amount is listed on the Notice of Assumption and Assignment, the Seller believes that there is no Cure Amount due.

8. Any objections to (a) the assumption and assignment of an Assigned Contract, or (b) the amount asserted as the Cure Amount (each, an “Assumption and/or Cure Objection”) must be in writing and set forth with specificity the nature of the objection and the cure amount that the objecting party believes should be paid in connection with the assumption of the Assigned Contract (the “Claimed Cure Amount”).

9. If an Objection challenges a Cure Amount, the Objection must set forth the Claimed Cure Amount with appropriate documentation in support thereof. Upon receipt of an Objection to a Cure Amount, the Seller may, in its sole discretion, but in consultation with the Administrative Agent, hold an amount equal to the Claimed Cure Amount in reserve pending further order of the Court or agreement between the applicable Debtor and the objecting party. So long as the Seller holds the Claimed Cure Amount in reserve and otherwise satisfies the requirements for assumption under section 365 of the Bankruptcy Code, the Seller may, without further delay, assume and assign the Assigned Contract that is the subject of an Objection relating to that Assigned Contract’s Cure Amount.

10. If no Objection to the Cure Amount or the proposed assumption and assignment of an Assigned Contract is timely filed and served, the Seller may assume and assign the Assigned Contract to Proposed Purchaser or the Successful Bidder and the Cure Amount set forth in the Notice of Assumption and Assignment shall be binding upon the respective

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nondebtor party to the Assigned Contract for all purposes in the Seller's chapter 11 case and otherwise. The respective nondebtor party shall be forever barred from objecting to the assumption and assignment of the relevant Assigned Contract and the Cure Amount, including, without limitation, the right to assert any condition to assignment and/or additional cure or other amount with respect to their respective Assigned Contracts.

11. Failure of any objecting person or entity to timely file its Objection shall be an absolute bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Motion or the Seller's assumption and assignment of any of the Assigned Contracts (including the Proposed Purchaser becoming collateral manager under the Assigned Contracts), or the consummation and performance of the Sale (including the transfer free and clear of all Liens).

12. The Court shall retain exclusive jurisdiction over any matter or dispute arising from or relating to the implementation of this Bidding Procedures Order. The Seller is hereby authorized and empowered to take such steps, expend such sums of money, and do such other things as may be necessary to implement and effect the terms and requirements of this Bidding Procedures Order.

13. Notwithstanding any other provision contained herein, the Seller, after consultation with the Committee and the Administrative Agent, may adjourn or cancel the Auction or Sale at any time as an exercise of its sound business judgment.

14. Notwithstanding any potential applicability of Bankruptcy Rules 6004(h) and 6006(d) or other Rule, this Bidding Procedures Order shall not be stayed for fourteen (14) days after the entry hereof and shall be effective and enforceable upon signature hereof.

Dated: _____, 2010

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New York, New York

THE HONORABLE
UNITED STATES BANKRUPTCY JUDGE

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SCHEDULE 1

(Proposed Form of Sale Hearing Notice)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
CREDIT-BASED ASSET SERVICING	)	Case No. 10-____ (____)
AND SECURITIZATION LLC, <u>et al.</u>,	)	Joint Administration
Debtors. ¹	)	Requested

**NOTICE OF AUCTION AND SALE HEARING FOR SALE
OF COLLATERAL MANAGEMENT BUSINESS ASSETS**

PLEASE TAKE NOTICE THAT:

1. On _____, 2010, C-BASS Investment Management LLC (the “Seller”), one of the debtors and debtors-in-possession in the above-captioned cases of Credit-Based Asset Servicing and Securitization LLC (“C-BASS”) and certain of its subsidiaries and affiliates, as debtors and debtors-in-possession (collectively, the “Debtors”), filed a motion (the “Motion”)² pursuant to sections 105(a), 363, and 365 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2002-1, 6004-1, 6006-1 and 9014-1 of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), seeking approval of, among other things, (a) the establishment of bidding procedures (the “Bidding Procedures”), (b) the scheduling of an auction (the “Auction”), as necessary, and (c) the scheduling of a sale hearing (the “Sale Hearing”) in connection with the proposed sale (the “Sale”) by the Seller, of the Seller’s CM Business (as defined below). On _____, 2010, the United States Bankruptcy Court for the Southern District of New York (the “Court”) entered an order (the “Bidding Procedures Order”) approving, among other things, the Bidding Procedures and the Sale Hearing schedule.

2. The Seller and FIG LLC, on behalf of itself or one or more of its managed affiliates (the “Proposed Purchaser”) have entered into a Purchase Agreement, dated as of _____, 2010 (the “Purchase Agreement”), regarding the Sale of certain of the Seller’s assets which comprise the Seller’s CM Business, pursuant to which the Seller has agreed to sell the CM Business to Proposed Purchaser, subject to higher and better offers.

¹ The other Debtors are C-BASS CBO Holding LLC, C-BASS Credit Corp., C-BASS Investment Management LLC, NIM I LLC, Pledged Property II LLC, Starfish Management Group LLC, and Sunfish Management Group LLC.

² Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Motion.

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3. Pursuant to the Bidding Procedures Order, if the Seller receives any higher or better bids for the CM Business, the Auction for the CM Business shall take place on _____, 2010 at noon (prevailing Eastern Time), at the offices of Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136. Only parties that have submitted a Qualified Bid, as set forth in the Bidding Procedures Order, by no later than _____, 2010 at noon (prevailing Eastern Time) (the “Bid Deadline”) may participate at the Auction. Any party that wishes to take part in this process and submit a bid for the CM Business must submit their competing bid prior to the Bid Deadline and in accordance with the Bidding Procedures.

4. The Bidding Procedures Order provides that a Sale Hearing will be held on _____, 2010 at 10:00 a.m. (prevailing Eastern Time) before the Honorable _____, United States Bankruptcy Judge, in Room __ of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004.

5. At the Sale Hearing, the Seller shall request the Court to enter an order, among other things, authorizing the Sale of the CM Business to Proposed Purchaser pursuant to the Purchase Agreement, or authorizing the Sale of the CM Business to the Successful Bidder (as defined in the Bidding Procedures Order) at the Auction, free and clear of Liens (as defined in the Motion) and any successor liability claims.

6. At the Sale Hearing, the Court may enter such orders as it deems appropriate under the applicable law and as required by the circumstances and equities of these chapter 11 cases. Any objection (an “Objection”) to the Sale of the CM Business pursuant to the terms of the Purchase Agreement shall be in writing, shall conform to Bankruptcy Rules and the Local Rules, shall set forth the name of the objecting party, the nature and amount of any claims or interests held or asserted against the Seller’s estate or properties, the basis for the Objection and the specific grounds therefor, and shall be served upon (a) counsel for the Debtors, Hunton & Williams LLP, Attention: Peter S. Partee, Sr. and Scott H. Bernstein, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136; (b) counsel for Proposed Purchaser, SNR Denton U.S. LLP, Attention: Louis Curcio and A. James Cotins, Two World Financial Center, New York, New York 10281; (c) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Susan Golden); (d) counsel to JPMorgan Chase Bank, N.A., as Administrative Agent under the Senior Credit Facility, Davis Polk & Wardwell LLP, Attention: Damian S. Schaible, 450 Lexington Avenue, New York, New York 10017; (e) counsel to the Committee, _____; and (f) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases, so as to be actually received no later than _____, 2010 at 4:00 p.m. (prevailing Eastern Time).

7. A copy of the Purchase Agreement is attached as Exhibit C to the Motion. A copy of the Purchase Agreement may be requested by contacting _____.

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Dated: _____, 2010
New York, New York

/s/ draft

Peter S. Partee, Sr.

Jack A. Molenkamp

Andrew Kamensky (to be admitted *pro hac vice*)

Scott H. Bernstein

HUNTON & WILLIAMS LLP

200 Park Avenue, 53rd Floor

New York, New York 10166-0136

(212) 309-1000

*Proposed Attorneys for Debtors
and Debtors-in-Possession*

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SCHEDULE 2

(Proposed Form of Notice of Assumption and Assignment)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
CREDIT-BASED ASSET SERVICING	)	Case No. 10-____ (____)
AND SECURITIZATION LLC, <u>et al.</u>,	)	Joint Administration
Debtors. ¹	)	Requested

**NOTICE OF INTENT TO ASSUME AND ASSIGN CERTAIN EXECUTORY
CONTRACTS IN CONNECTION WITH THE PROPOSED SALE OF THE
COLLATERAL MANAGEMENT BUSINESS ASSETS AND THE FIXING
OF CURE AMOUNTS AND PROCEDURES ASSOCIATED THEREWITH**

PLEASE TAKE NOTICE THAT:

1. On _____, 2010, the United States Bankruptcy Court for the Southern District of New York (the "Court") entered an order (the "Bidding Procedures Order"), pursuant to sections 105(a), 363, and 365 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rules 2002-1, 6004-1, 6006-1 and 9014-1 of the Local Bankruptcy Rules for the Southern District of New York (the "Local Rules") in the above-captioned chapter 11 cases of Credit-Based Asset Servicing and Securitization LLC and certain of its subsidiaries and affiliates, as debtors and debtors-in-possession (collectively, the "Debtors"), approving, among other things, this notice, the scheduling of the Sale Hearing, and the procedures for the fixing of cure amounts (the "Cure Amounts") related to the assumption and assignment of certain executory contracts, unexpired leases, and other agreements (the "Assigned Contracts") with respect to each counterparty listed on Exhibit A attached hereto, in connection with the sale of assets which comprise the Seller's (as defined below) collateral management business (the "CM Business"). C-BASS Investment Management LLC (the "Seller") will assume the Assigned Contracts and assign them to FIG LLC, on behalf of itself or one or more of its managed affiliates (the "Proposed Purchaser"), pursuant to the terms of that certain Purchase Agreement, dated as of _____, 2010 (the "Purchase Agreement")², between the Seller and the Proposed Purchaser, or to another Successful Bidder (as defined in the Bidding Procedures

¹ The other Debtors are C-BASS CBO Holding LLC, C-BASS Credit Corp., C-BASS Investment Management LLC, NIM I LLC, Pledged Property II LLC, Starfish Management Group LLC, and Sunfish Management Group LLC.

² Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

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Order) at an Auction (as defined in the Bidding Procedures Order) for the sale of the CM Business.

2. The Seller believes any and all defaults (other than the filing of these chapter 11 cases) under the Assigned Contracts can be cured by the payment of the Cure Amounts listed on Exhibit A.

3. Any objections to (a) the assumption and assignment of an Assigned Contract (including the Proposed Purchaser becoming collateral manager under each Assigned Contract), or (b) the amount asserted as the Cure Amount (each, an “Assumption and/or Cure Objection”) must be in writing and set forth with specificity the nature of the objection and the cure amount that the objecting party believes should be paid in connection with the assumption of the Assigned Contracts (the “Claimed Cure Amount”).

4. To be considered a timely Assumption and/or Cure Objection, the Assumption and/or Cure Objection must be filed with the Court and served upon (a) counsel for the Debtors, Hunton & Williams LLP, 200 Park Avenue, 53rd Floor, New York, New York, 10166-0136, Attention: Peter S. Partee, Sr. and Scott H. Bernstein; (b) counsel for Proposed Purchaser, SNR Denton U.S. LLP, Attention: Louis Curcio and A. James Cotins, Two World Financial Center, New York, New York 10281; (c) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Susan Golden); (d) counsel to JPMorgan Chase Bank, N.A., as Administrative Agent under the Senior Credit Facility, Davis Polk & Wardwell LLP, Attention: Damian S. Schaible, 450 Lexington Avenue, New York, New York 10017; (e) counsel to the Committee, _____; and (f) all parties that have filed a notice of appearance or request for service in these chapter 11 cases, so as to be actually received no later than _____, 2010 at 4:00 p.m. (prevailing Eastern Time).

5. If an Assumption and/or Cure Objection is timely filed, a hearing with respect to that objection shall be held before the Honorable _____, United States Bankruptcy Judge, United States Bankruptcy Court for the Southern District of New York (the “Sale Hearing”).

6. Unless the Assumption and/or Cure Objection is timely filed and served, the assumption and assignment of the applicable Assigned Contract will proceed without further notice at the Sale Hearing to approve the sale of the CM Business.

7. Parties that fail to file and serve timely Assumption and/or Cure Objections shall be deemed to have waived and released any and all rights to assert Cure Amounts different from those listed on Exhibit A and, subject to payment of the cure amount(s) listed on Exhibit A with respect to their Assigned Contract(s), shall be forever barred and estopped from asserting or claiming against the pertinent Debtor, Proposed Purchaser, or any assignee of any Assigned Contract that any additional amounts are due or defaults exist, or prohibitions or conditions to assignment exist or must be satisfied, under such Assigned Contract.

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8. If no Cure Amounts are due under the Assigned Contract, and the nondebtor party to the Assigned Contract does not otherwise object to the Seller's assumption and assignment of the Assigned Contract, no further action need be taken on the part of that nondebtor party.

9. Assumption and/or Cure Objections that object solely to the Cure Amount may not prevent or delay the Seller's assumption and assignment of any Assigned Contracts. If a party objects solely to a Cure Amount, the Seller may, in its sole discretion, hold the Claimed Cure Amount in reserve pending further order of the Court or mutual agreement of the parties. So long as the Seller holds the Claimed Cure Amount in reserve, and there are no other unresolved objections to assumption and assignment, the Seller can, without further delay, assume and assign the Assigned Contract that is the subject of the objection. Under such circumstances, the objecting party's recourse is limited to the funds held in reserve.

10. The Seller's decision to assume and assign to Proposed Purchaser (or the Successful Bidder) the Assigned Contracts is subject to Court approval and the closing of the Purchase Agreement (the "Closing"). Accordingly, absent such Closing, any of the Assigned Contracts shall not be deemed assumed nor assigned, and shall in all respects be subject to further administration under the Bankruptcy Code. The inclusion of any document on the list of Assigned Contracts shall not constitute or be deemed to be a determination or admission by any Debtor or Proposed Purchaser (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).

Dated: _____, 2010
New York, New York

/s/ draft

Peter S. Partee, Sr.

Jack A. Molenkamp

Andrew Kamensky (to be admitted *pro hac vice*)

Scott H. Bernstein

HUNTON & WILLIAMS LLP

200 Park Avenue, 53rd Floor

New York, New York 10166-0136

(212) 309-1000

*Proposed Attorneys for Debtors
and Debtors-in-Possession*

EXHIBIT B

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
CREDIT-BASED ASSET SERVICING	)	Case No. 10-____ (____)
AND SECURITIZATION LLC, <u>et al.</u>,	)	Joint Administration
Debtors. ¹	)	Requested

**ORDER AUTHORIZING SALE OF COLLATERAL MANAGEMENT
BUSINESS OF C-BASS INVESTMENT MANAGEMENT LLC
(INCLUDING ASSUMPTION AND ASSIGNMENT OF CONTRACTS),
FREE AND CLEAR OF ALL LIENS, CLAIMS AND INTERESTS**

Upon consideration of the motion (the “Motion”)², dated as of _____, 2010 of C-BASS Investment Management LLC (the “Seller”) and to extent provided therein Credit-Based Asset Servicing and Securitization LLC (“C-BASS”), debtors and debtors-in-possession in the above-captioned cases, pursuant to sections 105(a), 363, and 365 of title 11, United States Code (the “Bankruptcy Code”), Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2002-1, 6004-1, 6006-1 and 9014-1 of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”) requesting, upon completion of the Sale Hearing, entry of an order (this “Sale Order”), approving, (a) if no higher or better offers have been received, the Seller’s entry into the Purchase Agreement without conducting an Auction; or (b) if a higher or better offer is received, and therefore an Auction is held, authorizing the Sale of the CM Business to the Proposed Purchaser, or to another

¹ The other Debtors are C-BASS CBO Holding LLC, C-BASS Credit Corp., C-BASS Investment Management LLC, NIM I LLC, Pledged Property II LLC, Starfish Management Group LLC, and Sunfish Management Group LLC.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such term in the Motion.

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Successful Bidder at the Auction, free and clear of any and all liens, encumbrances, claims, and interests of any kind, nature or description (collectively, the “Liens”) pursuant to section 363(f) of the Bankruptcy Code, pursuant to the Purchase Agreement, or a Modified Purchase Agreement; and upon consideration of the Rickert Declaration in support of the Motion; and due and proper notice of the Motion having been provided to (a) the Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”), (b) counsel to JPMorgan Bank, N.A., as administrative agent under the Debtors’ Senior Credit Facility (the “Administrative Agent”); (c) counsel to the Proposed Purchaser; (d) the creditors holding the thirty (30) largest unsecured claims against the Debtors on a consolidated basis, as identified on the Debtors’ chapter 11 petitions, and counsel to the Official Committee of Unsecured Creditors (the “Committee”) if a Committee has been appointed in these chapter 11 cases; (e) all parties that have filed a notice of appearance or have requested service in these chapter 11 cases; and (f) all parties to any agreements sought to be assumed and assigned pursuant to the Purchase Agreement, and it appearing that no other or further notice need be provided; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates and creditors, and all parties in interest and that the legal and factual bases set forth in the Motion and the Rickert Declaration establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:³

A. The Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. § 1334 and the *Standing Order of Referral of Cases to Bankruptcy Court*

³ 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.

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Judges of the District Court for the Southern District of New York dated July 10, 1984 (Ward, Acting C.J.). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. Time is of the essence in consummating a Sale of the CM Business and it is in the best interests of the Seller and its estate to sell the CM Business within the time constraints set forth in the Motion and the Purchase Agreement. The terms of the Purchase Agreement are the highest and best terms that have been offered for the Sale of the CM Business.

C. Upon the closing of the Purchase Agreement (the “Closing”), the CM Business to be sold and the executory contracts to be assumed and assigned will have been acquired by the Proposed Purchaser after adequate marketing and in good faith and as the result of arms’-length negotiations.

D. Reasonable notice of the Sale and a reasonable opportunity to object or be heard with respect to the Sale of the CM Business and assumption and assignment of the Assigned Contracts has been afforded to all interested persons and entities, including: (a) the U.S. Trustee; (b) counsel to the Committee; (c) the creditors holding the thirty (30) largest unsecured claims against the Debtors on a consolidated basis, as identified on the Debtors’ chapter 11 petitions; (d) counsel to the Proposed Purchaser; (e) any party who, in the past twelve (12) months, expressed to the Seller, in writing, an interest in acquiring the CM Business and who the Seller and its representatives reasonably and in good faith determine to potentially have the desire and financial wherewithal to effectuate the purchase; (f) counsel to the Administrative Agent; (g) all parties who are known to possess or assert a secured claim against the CM Business or any other Lien related to the CM Business; (h) the Securities and Exchange Commission; (i) the Internal

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Revenue Service; (j) all parties to any agreements sought to be assumed and assigned pursuant to the Purchase Agreement; and (k) all parties that have filed a notice of appearance or request for service in these chapter 11 cases.

E. No third-party approval is necessary in order for the contracts to be assigned. Further, neither the execution of the Purchase Agreement nor the consummation of the Sale of the CM Business, in accordance with the terms of the Purchase Agreement, shall constitute a violation of any provision of the organizational documents of the Seller or any other instrument, law, regulation, or ordinance by which the Seller is bound.

F. Upon entry of this Sale Order, the Seller shall have full power and authority to consummate the Sale and all related transactions contemplated by the Purchase Agreement. The Purchase Agreement and the Sale have been duly and validly authorized by all necessary action of the Seller and no shareholder vote, board resolution, or other corporate action is required of the Seller in order for the Seller to consummate such Sale.

G. This Sale Order and consummation of the Sale are supported by good business reasons and will serve the best interests of the Seller, its estate, and its creditors by maximizing the value received for the CM Business.

H. The Purchase Agreement was negotiated, proposed, and entered into by the Proposed Purchaser without collusion, in good faith, and from an arm's-length bargaining position. There is no relationship between affiliates of the Proposed Purchaser and the Seller or the other Debtors. The Seller and the Proposed Purchaser have not engaged in any conduct that would cause or permit the Purchase Agreement to be avoided under section 363(n) of the Bankruptcy Code.

I. The Proposed 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 acted in good faith in all respects in connection with this proceeding, in that: (a) the Proposed Purchaser recognized that the Seller was free to deal with other parties interested in acquiring the Seller's CM Business; (b) the Proposed Purchaser agreed to provisions in the Purchase Agreement that would enable the Seller to accept a higher and better offer for the CM Business; (c) all payments to be made by the Proposed Purchaser and other agreements entered into by the Proposed Purchaser in connection with the Sale have been disclosed; (d) the negotiation and execution of the Purchase Agreement and related agreements was in good faith and an arm's-length transaction; and (e) the disclosure requirements required by the *Amended Guidelines for the Conduct of Asset Sales*, adopted by this Court's General Order M-383, have been satisfied.

J. The consideration to be paid by the Proposed Purchaser to Seller for the CM Business pursuant to the Purchase Agreement (a) is fair and reasonable; (b) is the highest or otherwise best offer for the CM Business; and (c) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and the Uniform Fraudulent Conveyance Act and the Uniform Fraudulent Transfer Act or any similar laws of any state or jurisdiction whose law is applicable to the Sale.

K. The Seller is authorized to assume and assign the Assigned Contracts pursuant to Section 365(f) of the Bankruptcy Code and such assignment will cause the Proposed Purchaser to be substitute collateral manager thereunder. Applicable law does not prohibit or restrict the

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assignment, and the contractual provisions are not appropriately characterized as personal service contracts.

L. The consummation of the Sale pursuant to the Purchase Agreement will be a legal, valid, and effective sale of the CM Business to the Proposed Purchaser and will vest the Proposed Purchaser with all right, title, and interest in and to the CM Business, free and clear of all Liens in accordance with section 363(f) of the Bankruptcy Code (including but not limited to any causes of action arising under chapter 5 of the Bankruptcy Code that otherwise would run to the purchaser of the CM Business), with such Liens attaching to the proceeds of the Sale with the same priority and validity, because one or more of the standards set forth in sections 363(f)(1)-(5) of the Bankruptcy Code has been satisfied.

M. All parties with Liens against the CM Business, if any, who did not object to the Motion and the relief requested therein, or who withdrew their objections to the Motion, are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code and are enjoined from taking any action against the Proposed Purchaser, its affiliates, or any agent of the foregoing to recover any claim which such person or entity has solely against the Seller or any of the Debtors. All other objections to the Sale of the CM Business are overruled. A failure to sell the Seller's CM Business free and clear of Liens would be substantially less beneficial to the Seller's estate.

N. All objections thereto having been resolved, the amounts set forth on Exhibit A to the Notice of Assumption and Assignment, dated as of _____, 2010 (the "Cure Amounts") are deemed the necessary amounts to "cure" all "defaults" under section 365(b) of the Bankruptcy Code.

O. C-BASS formerly had an interest in some of the assets related to the CM Business but assigned those assets to the Seller on January 28, 2005 and no longer has any interest in the CM Business. To the extent C-BASS has any remaining interest in such assets, it assigns all such interest to the Proposed Purchaser pursuant to the Purchase Agreement.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED** in its entirety.
2. Pursuant to sections 363(b), (f) and 365 of the Bankruptcy Code, the Seller's sale, conveyance, and assignment of the CM Business to the Proposed Purchaser, including the assumption and assignment of the Assigned Contracts, the Class E Securities, the Ancillary Assets, and all related transactions, pursuant to the Purchase Agreement, is approved, and the Seller is authorized to assume the Purchase Agreement and all agreements contemplated thereunder, and execute any and all documents and take all actions necessary and appropriate to effectuate and consummate the Sale in consideration of the purchase price specified therein, including assigning and transferring to the Proposed Purchaser all of the Seller's right, title, and interest in and to all of the Seller's tangible and intangible property included as part of the CM Business except as otherwise explicitly provided by the Purchase Agreement.
3. The transfer of the CM Business by the Seller to the Proposed Purchaser is a legal, valid, and effective transfer and shall vest the Proposed Purchaser with all right, title, and interest in the Seller's CM Business pursuant to section 363(f) of the Bankruptcy Code, free and clear of any and all Liens (including but not limited to any and all "claims" as defined in section 101(5) of the Bankruptcy Code and any causes of action arising under chapter 5 of the Bankruptcy Code that otherwise would run to the purchaser of the CM Business) and any and all

rights and claims under any bulk transfer statutes and related laws, whether arising by agreement, statute, or otherwise and whether arising before or after the commencement of these chapter 11 cases, whether known or unknown, including Liens of any of the creditors, vendors, employers, suppliers, or lessors of the Seller or any other third party. Any and all such Liens shall attach to the net proceeds of the Sale, with the same priority, validity, force, and effect as they now have against the assets comprising the CM Business.

4. The Sale pursuant to this Sale Order shall be binding upon the Seller, the Proposed Purchaser, all creditors, members, and owners of the Seller, all persons having or asserting a Lien against the Seller or the CM Business, all counterparties to contracts related to the CM Business, all holders of any securities issued pursuant to the CBO Constituent Documents, and all parties to any actions or proceedings that directly or indirectly contest the power or authority of the Seller to sell, assign, and convey the CM Business or that seek to enjoin any such sale, assignment, or conveyance.

5. Any party having the right to consent to the assumption or assignment of the Assigned Contracts that has failed to object to such assumption or assignment is deemed to have consented to such assumption and assignment, as required by section 365(c) of the Bankruptcy Code, and to the substitution of the Proposed Purchaser as collateral manager under the Assigned Contracts. In addition, adequate assurance of future performance has been demonstrated by or on behalf of the Proposed Purchaser with respect to the Assigned Contracts.

6. There shall be no accelerations, assignment fees, increases, or any other fees charged to the Seller or its affiliates or designees as a result of the assumption or assignment by the Seller to the Proposed Purchaser of the Assigned Contracts, and the validity of such

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assumption or assignment shall not be affected by any dispute between the Seller or its respective affiliates and any counterparty to any Assigned Contract, and the Assigned Contracts, upon assignment to the Proposed Purchaser, shall be deemed valid and binding and in full force and effect in accordance with their terms.

7. Without limiting the generality of the provisions of the Purchase Agreement or other provisions of this Sale Order, the Proposed Purchaser shall not be deemed to have assumed any liability under, or otherwise be deemed liable in any manner whatsoever with respect to, any contract or lease of the Seller that is not explicitly designated as an Assigned Contract or an Assumed Liability, or any other obligation of any type or nature of any of the Debtors, absent the Proposed Purchaser's written agreement as to the subsequent inclusion of any specifically identified contract or lease as an Assigned Contract or an Assumed Liability and the satisfaction of the requirements of section 365 of the Bankruptcy Code with respect to any such contract or lease.

8. The contemplated Sale has been undertaken by the Proposed Purchaser and the Seller at arm's-length, without collusion, and the Proposed Purchaser shall acquire the CM Business pursuant to the Purchase Agreement in good faith, under section 363(m) of the Bankruptcy Code, and hereby is, and shall be entitled to all of the protections in accordance therewith. The consideration provided by the Proposed Purchaser for the CM Business under the Purchase Agreement is fair and reasonable, and the Sale may not be avoided under section 363(n) of the Bankruptcy Code.

9. This Sale Order and all provisions of the Purchase Agreement shall be binding upon any successors and assigns of the Seller, including, without limitation, any trustee

appointed for the Seller in its chapter 11 case or in any superseding proceeding under chapter 7 of the Bankruptcy Code.

10. Nothing contained in any chapter 11 plan confirmed in these chapter 11 cases shall conflict with or derogate the provisions of the Purchase Agreement, to the extent modified by this Sale Order.

11. The Purchase Agreement may be modified, amended, or supplemented by the parties thereto, in a writing signed by such parties and 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 Seller or its estate.

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

13. To the extent any inconsistency exists between the provisions of the Purchase Agreement and this Sale Order, the provisions contained herein shall govern. The failure specifically to include any provisions of the Purchase Agreement in this Sale Order does not diminish or impair the effectiveness of such provisions, it being the intent of the Court that the Purchase Agreement be authorized and approved in its entirety.

14. Without limiting in any manner the effect of the other provisions of this Sale Order, any person or entity (other than the Administrative Agent or the Senior Lenders) that has filed financing statements, mortgages, mechanics' liens, lis pendens, or other documents evidencing or otherwise asserting a Lien against the CM Business shall be, and hereby is, directed to deliver to the Seller prior to Closing, in proper form for filing after Closing, and

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executed by the appropriate parties, termination statements, instruments of satisfaction, mortgage or deed of trust releases, or similar instruments as appropriate to cause the release of any such Lien, and in the event any such person or entity fails to comply with the direction set forth in this paragraph, then, at the option of the Proposed Purchaser, the Proposed Purchaser either may seek to have such person or entity held in contempt of this Court or shall be hereby authorized, without the requirement of any further action (including Order of this Court) either to execute and file or record such statements, instruments, releases, and other documents on behalf of such person or entity releasing such asserted Lien in, to, or against the CM Business or to file, register, or otherwise record a certified copy of this Order, which shall constitute conclusive evidence of the termination or release of any such Lien in, to, or against the CM Business.

15. Consistent with, but not in limitation of the foregoing, each and every federal, state, and local government agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the Sale.

16. All persons or entities in possession of some or all of the assets comprising the CM Business on the Closing are hereby directed to surrender possession of those assets to the Proposed Purchaser at Closing.

17. Without limiting the generality of the other provisions of this Sale Order, and to the extent provided by federal law, the Proposed Purchaser, under no circumstances, shall be deemed to be a successor of the Seller (and the Proposed Purchaser expressly has disclaimed any such liability with respect to the Seller). Accordingly, the Proposed Purchaser shall have no successor or vicarious liabilities of any kind with respect to the CM Business, and all persons and entities shall be hereby enjoined from asserting any such claims against the Proposed

Purchaser. The Proposed Purchaser and its affiliates shall have no liability of whatever nature or kind for (a) any potential responsibility or liability to any Seller, or any other person, for Excluded Liabilities, and (b) any potential liability for a claim that the transactions contemplated by the Purchase Agreement constitute a fraudulent conveyance, fraudulent transfer, or similar claim.

18. The Court shall retain exclusive jurisdiction to interpret, construe, and enforce the provisions of the Purchase Agreement and this Sale Order in all respects, and further, to hear and determine any and all disputes between the Seller and/or the Proposed Purchaser, as the case may be, and any non-debtor party to, among other things, any Assigned Contracts, concerning, *inter alia*, assignment thereof by the Seller to the Proposed Purchaser under the Purchase Agreement and any dispute between the Proposed Purchaser and the Seller as to their respective obligations with respect to any asset, liability, or claim arising hereunder.

19. The automatic stay of section 362(a) of the Bankruptcy Code shall not apply to and otherwise shall not prevent the exercise or performance by any party of its rights or obligations under the Purchase Agreement, including, without limitation, with respect to any cash held in escrow pursuant to the provisions thereof.

20. To the extent C-BASS has any interest in assets related to the CM Business, such interest is assigned to the Proposed Purchaser pursuant to the Purchase Agreement.

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21. This Sale Order shall take effect immediately and shall not be stayed pursuant to Bankruptcy Rules 6004(g), 6006(d), 7062, or otherwise.

Dated: _____, 2010
New York, New York

THE HONORABLE _____
UNITED STATES BANKRUPTCY JUDGE

AMENDMENT TO
ASSET PURCHASE AGREEMENT

This Amendment, dated as of November 11, 2010 (the "Amendment"), to the Asset Purchase Agreement (the "APA"), dated as of November 9, 2010, by and between FIG LLC, a Delaware limited liability company, on behalf of itself or one or more of its managed Affiliates), and C-BASS Investment Management LLC, a Delaware limited liability company.

Recitals

Whereas, the Seller proposed to sell certain Assets to the Buyer; and

Whereas, the parties have since realized that Credit-Based Asset Servicing and Securitization ("C-BASS") is the owner of the Class E Securities, and certain of the Ancillary Assets; and

Whereas, C-BASS is willing to sell such Assets, and the Buyer is willing to purchase such Assets, on the terms set forth in the APA.

Agreements

In consideration of the mutual covenants and promises in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and each Seller agree as follows:

1. C-BASS shall be a Seller under the APA, and all references to Seller in the APA shall be deemed to refer to both C-BASS and C-BASS Investment Management LLC.
2. Without limiting the foregoing, C-BASS shall at the Closing convey any interest that it has in the Assets pursuant to an Assignment and Assumption Agreement. At the Closing, each Seller shall provide the Buyer with the applicable Closing documentation set forth in Section 6.2 of the APA.
3. Any notice to C-BASS Investment Management LLC under the APA shall be sufficient notice to C-BASS.
4. The Sale Motion shall be revised to reflect that C-BASS is a Seller under the APA.
5. Capitalized terms set forth herein but not defined herein shall have the respective meanings assigned to them in the APA.
6. Except as modified herein, the APA is confirmed, ratified and approved in all respects.

[Signature Page Follows]

Buyer and each Seller have executed this Amendment as of the date first written above.

SELLER:

C-BASS INVESTMENT MANAGEMENT LLC

By: 

Name: *Andrew Rickert*

Title: *EVP*

CREDIT-BASED ASSET SERVICING AND
SECURITIZATION LLC

By: 

Name: *Andrew Rickert*

Title: *EVP*

BUYER:

FIG LLC, on behalf of itself or one or more of its
managed Affiliates

By: _____

Name: _____

Title: _____

[Signature Page to APA Amendment]

Buyer and each Seller have executed this Amendment as of the date first written above.

SELLER:

C-BASS INVESTMENT MANAGEMENT LLC

By: _____

Name:

Title:

CREDIT-BASED ASSET SERVICING AND
SECURITIZATION LLC

By: _____

Name:

Title:

BUYER:

FIG LLC, on behalf of itself or one or more of its
managed Affiliates

By: _____ 

Name:

David N. Brooks

Title:

Vice President

[Signature Page to APA Amendment]