

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

AMBASSADORS INTERNATIONAL, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-_____ (___)

Joint Administration Requested

**DEBTORS' APPLICATION TO EMPLOY AND RETAIN PHASE ELEVEN
CONSULTANTS, LLC, AS NOTICE, CLAIMS AND
BALLOTING AGENT TO THE DEBTORS**

The debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the “Debtors”) hereby submit this application (the “Application”) for entry of an order, pursuant to section 28 U.S.C. § 156(c), Rule 2002(f) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 2002-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), authorizing and approving the Debtors’ agreement with Phase Eleven Consultants, LLC (“PEC”) pursuant to which the Debtors seek to retain PEC as of the Petition Date as the official notice, claims and balloting agent of the Court in the above-captioned cases. The facts and circumstances supporting this Application are set forth in the concurrently filed Declaration of Mark Detillion, Chief Financial Officer of Ambassadors International, Inc., in Support of First Day Motions (the “Detillion Declaration”), which was filed with the Court concurrently herewith, and the Declaration of Claude Wm. Irmis, (the “Irmis Declaration”), a

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

copy of which is attached hereto as Exhibit A. In further support of the Application, the Debtors, by and through their proposed undersigned counsel, respectfully represent as follows:

JURISDICTION AND VENUE

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

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

3. The statutory and legal predicates for the relief sought herein are sections 105(a), 363(b), 507(a)(4), and 507(a)(5) of the Bankruptcy Code.

BACKGROUND

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

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

RELIEF REQUESTED

6. By this Application, the Debtors seek entry of an order authorizing them to retain PEC as the official notice, claims, and balloting agent (the “Claims Agent”) in

connection with these Chapter 11 Cases pursuant to the terms and conditions of the agreement between the Debtors and PEC, dated as of March 21, 2011 (the “Engagement Agreement”), annexed hereto as Exhibit B.

SERVICES TO BE PROVIDED²

7. The Debtors propose to retain PEC on the terms and conditions set forth in the Engagement Agreement. Pursuant to the Engagement Agreement, PEC will perform, among others, the following services, if necessary, as the Claims Agent, at the request of the Debtors or the Office of the Clerk of the United States Bankruptcy Court for the District of Delaware (the “Clerk’s Office”):

- (a) Prepare and serve required notices in these Chapter 11 Cases;
- (b) After the mailing of a particular notice, prepare for filing with the Court a certificate or affidavit of service that includes an alphabetical list of persons to whom the notice was mailed and the date and manner of mailing;
- (c) Receive and record proofs of claim and proofs of interest filed;
- (d) Create and maintain official claims registers;
- (e) Transmit to the Clerk’s Office a copy of the claims registers upon request and/or at agreed upon intervals;
- (f) Provide access to the public for examination of copies of the proofs of claim or interest without charge during regular business hours;
- (g) Record all transfers of claims pursuant to Bankruptcy Rule 3001(e) and provide notice of such transfers as required by Bankruptcy Rule 3001(e);
- (h) Comply with applicable federal, state, municipal, and local statutes, ordinances, rules, regulations, orders and other requirements;

² The following shall serve only as a summary of the services to be provided by PEC. If there are any discrepancies between the Application and the Engagement Agreement, the Engagement Agreement (as modified by the proposed retention order) shall govern.

- (i) Promptly comply with such further conditions and requirements as the Clerk's Office or the Court may at any time prescribe; and
- (j) Perform such other administrative and support services related noticing, claims, docketing, solicitation and distribution as the Debtors or the Clerk's Office may request.

8. In addition to the foregoing, the Debtors seek to retain PEC to assist with the administrative tasks associated with the following, if necessary, the: (a) reconciliation of claims; (b) preparation of their schedules of assets and liabilities and statement of financial affairs; and (c) preparation, mailing and tabulation of ballots for the purpose of voting to accept or reject any chapter 11 plan proposed by the Debtors in these cases.

PEC'S DISINTERESTEDNESS

9. Although the Debtors do not propose to retain PEC under section 327 of the Bankruptcy Code, to the best of the Debtors' knowledge, based on the Irmis Declaration, PEC is a "disinterested person" within the meaning of section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and does not hold or represent an interest adverse to the Debtors' estates.

10. If any new facts or relationships are discovered, the Debtors understand that PEC will supplement its disclosure to the Court.

PEC'S COMPENSATION

11. The Debtors propose to retain PEC at the rates set forth in the Engagement Agreement. The cost of PEC's services will be paid from the Debtors' estates as provided by 28 U.S.C. § 156(c) and section 503(b)(1)(A) of the Bankruptcy Code. The Debtors believe the proposed rates to be charged by PEC for the services to be performed are reasonable and appropriate for services of this nature. The Debtors reviewed the rates of other firms prior to selecting PEC and believe that PEC's rates are reasonable given the quality of its services.

12. The Debtors propose to pay PEC in the ordinary course of business after the submission of an invoice in reasonable detail describing the basis for the fees and expenses requested to be paid thereto, unless PEC is advised that the Debtors object to the invoice, in which case the Debtors either will consensually resolve the objection or promptly schedule a hearing before the Court to consider the disputed invoice. In such case, the Debtors will remit to PEC only the undisputed portion of the invoice and, if applicable, will pay the remainder to PEC upon resolution of the disputed portion, as mandated by this Court or otherwise resolved consensually.

13. The Debtors request that the undisputed fees and expenses PEC incurred in the performance of the above-described services be treated as an administrative expense of the Debtors' chapter 11 estates and be paid by the Debtors in the ordinary course of business without further application to the Court.

14. The Debtors understand, based on the Irmis Declaration, that PEC will not cease providing claims processing services within the scope of its appointment under 28 U.S.C. § 156(c) during the Debtors' Chapter 11 Cases for any reason without prior order of this Court authorizing PEC to do so; provided, however, that PEC or the Debtors may seek such an order on expedited notice by filing a request with the Court with notice of such request to be served on the Debtors, the U.S. Trustee and an unsecured creditors' committee appointed in these Chapter 11 Cases (the "Committee") by facsimile or overnight delivery; provided further, that except as expressly provided in an order approving this Application, the Debtors and PEC may otherwise terminate or suspend any other services provided by PEC under the Engagement Agreement pursuant to the terms set forth therein.

15. If PEC's services are terminated,³ PEC shall perform its duties until a complete transition with the Clerk's Office or any successor notice, claims and balloting agent occurs, provided, however, that the provision of such services shall be subject to the terms of the Engagement Agreement, including with respect to payment.

16. PEC will comply with all requests of the Clerk's Office and the guidelines promulgated by the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c).

INDEMNIFICATION

17. The Engagement Agreement further provides that the Debtors will indemnify and hold harmless PEC and its directors, officers, employees, members, affiliates and agents (collectively, the "Indemnified Persons") under certain circumstances set forth in the Engagement Agreement (such indemnification obligations, as modified by the proposed retention order annexed hereto, the "Indemnification Provisions").

18. The terms and conditions of the Engagement Agreement were negotiated by the Debtors and PEC at arms' length and in good faith. The Debtors respectfully submit that the Indemnification Provisions contained in the Engagement Agreement, viewed in conjunction with the other terms of the proposed retention, are reasonable and in the best interests of the Debtors and their estates.

19. Additionally, the Indemnification Provisions are standard provisions, both in chapter 11 cases and outside chapter 11, and reflect the qualifications and limits on indemnification provisions that are customary in Delaware and other jurisdictions. See, e.g., In

³ The Engagement Agreement will remain in force until terminated or suspended by either party (i) upon thirty (30) days' written notice to the other party or (ii) immediately upon written notice for cause. Cause is herein defined as (i) gross negligence or willful misconduct of PEC that causes serious and material harm to the Debtors' reorganization under Chapter 11 of the Bankruptcy Code or (ii) the failure of the Debtors to pay PEC invoices for more than sixty (60) days from date of invoice.

re Appleseed's Intermediate Holdings LLC, No. 11-10160 (KG) (Bankr. D. Del. Jan. 20, 2011) (approving indemnification for Kurtzman Carson Consultants LLC by the debtors); In re Constar Int'l Inc., No. 11-10109 (CSS) (Bankr. D. Del. Jan. 13, 2011) (same); In re Anchor Blue Holding Corp., No. 11-10110 (PJW) (Bankr. D. Del. Jan. 12, 2011) (approving indemnification of Epiq Bankruptcy Solutions, LLC); In re Trico Marine Servs., Inc., No. 10-12653 (BLS) (Bankr. D. Del. Aug. 27, 2010) (same).

BASIS FOR RELIEF

20. Bankruptcy Rule 2002 generally regulates what notices must be provided to creditors and other parties in interest in bankruptcy cases. Under Bankruptcy Rule 2002(f), the Court may direct that some person, other than the Clerk of the Court, give notice of the various matters described herein. Pursuant to Local Rule 2002-1(f), in cases with more than 200 creditors, a debtor is required to file with the court an application to retain a notice and/or claims clerk pursuant to 28 U.S.C. § 156(c).⁴

21. Although the Debtors have not yet filed their schedules of assets and liabilities, the Debtors anticipate that they will have thousands of potential parties-in-interest, many of whom are expected to file proofs of claim. As such, the Debtors respectfully submit that noticing and receiving, docketing, and maintaining proofs of claim would impose heavy administrative and other burdens upon the Court and the Clerk's Office. The Debtors propose to retain PEC to relieve the Court and the Clerk's Office of these burdens.

22. The Debtors believe that PEC is well-qualified to provide such services, expertise, consultation and assistance to the Debtors. PEC has substantial experience in the

⁴ Section 156(c) of title 28 of the United States Code provides in relevant part that "[a]ny court may utilize facilities or services, either on or off the court's premises, which pertain to the provision of notices, dockets, calendars, and other administrative information to parties in cases filed under the provision of title 11, United States Code, where the cost of such facilities or services are paid for out of the assets of the estate and are not charged to the United States."

matters upon which it is to be engaged, and has acted as official notice, claims and balloting agent in numerous recent chapter 11 cases. See, e.g., In re Geo. W. Park Seed Co., Inc., No. 10-02431 (Bankr. D.S.C. May 30, 2010); In re Reserve Golf Club, No. 09-09116 (Bankr. D.S.C. Dec. 28, 2009). In addition, PEC has acted as a post-confirmation claims reconciliation agent. See, e.g., In re Fairchild Corp., No. 09-10899 (Bankr. D. Del. Mar. 20, 2009).

23. By retaining PEC as the official notice, claims and balloting agent in these Chapter 11 Cases, the Debtors, their estates and creditors and other parties-in-interest will benefit from PEC's experience as a notice, claims and balloting agent and the efficient and cost-effective methods that PEC has developed.

24. For the foregoing reasons, the Debtors believe that their retention of PEC as Claims Agent is appropriate and in the best interest of the Debtors, their estates, creditors and equity security holders and other parties-in-interest.

NOTICE

25. Notice of this Motion has been provided to: (i) the Office of the United States Trustee; (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the District of Delaware; (iv) the Internal Revenue Service; (v) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis; (vi) counsel to the administrative agent for the Debtors' prepetition lenders; (vii) counsel to the administrative agent for the proposed post-petition lenders; (viii) counsel to the indenture trustee for the Debtors' prepetition secured noteholders; and (ix) the indenture trustee for the Debtors' prepetition unsecured noteholders. Notice of this Motion and any order entered hereon will be served in accordance with Local Rule 9013-1(m). In light of the nature of the relief requested herein, the Debtors believe no other or further notice is necessary.

NO PREVIOUS REQUEST

26. No previous application for the relief sought herein has been made to this or any other Court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that this Court enter an order, substantially in the form attached hereto as Exhibit C: (i) retaining PEC as the official notice, claims and balloting agent in these Chapter 11 Cases, (ii) approving the Engagement Agreement, and (iii) granting such other and further relief as is just or proper.

Dated: Wilmington, Delaware
April 1, 2011

Respectfully submitted,

RICHARDS, LAYTON & FINGER, P.A.

/s/ Daniel J. DeFranceschi

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Proposed Counsel to the
Debtors and Debtors-in-Possession

EXHIBIT A

IRMIS DECLARATION

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

AMBASSADORS INTERNATIONAL, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-_____ (___)

Joint Administration Requested

**DECLARATION OF CLAUDE WM IRMIS IN SUPPORT OF THE DEBTORS'
APPLICATION TO EMPLOY AND RETAIN PHASE ELEVEN CONSULTANTS, LLC,
AS NOTICE, CLAIMS AND BALLOTING AGENT TO THE DEBTORS**

Claude Wm. Irmis, being duly sworn, deposes and says:

1. I am the Managing Member of Phase Eleven Consultants, LLC ("PEC"), and I am authorized to make and submit this declaration on behalf of PEC. This declaration is submitted in support of the application (the "Application") of the debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors") for entry of an order, pursuant to section 28 U.S.C. § 156(c), Rule 2002(f) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 2002-1 (f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), authorizing and approving the Debtors' agreement (the "Engagement Agreement") with PEC, annexed to the Application as Exhibit B, pursuant to which the Debtors seek to retain PEC as of the Petition Date as an official claims and solicitation agent of the Court (the "Claims Agent") to, among other things: (i) perform certain noticing functions; (ii) assist the

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

Debtors in analyzing and reconciling proofs of claim filed against the Debtors' estates; and (iii) assist the Debtors with balloting in connection with any proposed chapter 11 plan.

2. PEC has expertise in noticing, claims processing, balloting and distribution. PEC is well qualified to provide experienced noticing, claims and balloting services in connection with these cases. PEC has acted as official notice, claims and balloting agent in several large, recent chapter 11 cases. In re Geo. W. Park Seed Co., Inc., No. 10-08431 (Bankr. D. S.C. May 30, 2010); In re Reserve Golf Club, No. 09-09116 (Bankr. D. S.C. December 28, 2009). In addition, PEC has acted as a post-confirmation claims reconciliation agent. See, e.g.; In re Fairchild Corp., No. 09-10899 (Bankr. D. Del. Mar. 20, 2009).

3. To the best of my knowledge, neither PEC, nor any of its professional personnel, have any relationship with the Debtors that would impair PEC's ability to serve as Claims Agent. In connection with its proposed retention in these cases, PEC undertook to determine whether it had any conflicts or other relationships that might cause it not to be disinterested or hold or represent an interest adverse to the Debtors. In connection with this inquiry, PEC obtained the names of certain interested parties from Stroock & Stroock & Lavan LLP, proposed counsel to the Debtors, and conducted an analysis based on those names. PEC has and will continue to represent clients in matters unrelated to these cases and has had and will continue to have relationships in the ordinary course of its business with certain vendors and professionals in connection with matters unrelated to these cases.

4. PEC is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code, in that PEC and its professional personnel:

- (a) are not creditors, equity security holders or insiders of the Debtors;
- (b) are not and were not, within two years before the date of the filing of these cases, directors, officers or employees of the Debtors; and

- (c) do not have an interest materially adverse to the interests of the Debtors' estates or any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors.

5. PEC has not been retained to assist any entity or person other than the Debtors on matters relating to, or in connection with, these cases. If PEC's proposed retention is approved by this Court, PEC will not accept any engagement or perform any service for any entity or person other than the Debtors in these cases. PEC may, however, provide professional services to entities or persons that may be creditors or parties in interest in these cases, which services do not relate to, or have any direct connection with, these cases or the Debtors.

6. PEC represents, among other things, that:

- (a) It will not consider itself employed by the United States government and shall not seek any compensation from the United States government in its capacity as Claims Agent;
- (b) By accepting employment in these cases, PEC waives any right to receive compensation from the United States government;
- (c) In its capacity as Claims Agent, PEC will not be an agent of the United States and will not act on behalf of the United States; and
- (d) PEC will not employ any past or present employees of the Debtors in connection with its work as Claims Agent.


7. Subject to the Court's approval, the Debtors have agreed to compensate PEC for professional services rendered in connection with these cases pursuant to the Engagement Agreement. Payments are to be based upon the submission to the Debtors by PEC of a billing statement, which includes a detailed listing of services and expenses, on a monthly basis.

8. PEC will not cease providing claims processing services during the Debtors' Chapter 11 Cases for any reason without prior order of this Court authorizing PEC to do so; provided, however, that PEC or the Debtors may seek such an order on expedited notice by filing a request with the Court with notice of such request to be served on the Debtors, the U.S. Trustee and the Committee by facsimile or overnight delivery; provided further, that except as expressly provided in the order approving the retention, the Debtors and PEC may otherwise terminate or suspend any other services provided by PEC under the Engagement Agreement pursuant to the terms set forth therein.

9. Among the terms and conditions in the Engagement Agreement is an indemnity (as modified in the proposed retention order, the "Indemnification Provisions") for the benefit of PEC and certain other indemnified persons. The Indemnification Provisions are reasonable terms and conditions of the PEC engagement. I have been informed that the Indemnification Provisions reflect the qualifications and limits on the indemnification provisions that are customary in Delaware and other jurisdictions.

10. PEC will comply with all requests of the Clerk of the Court and the guidelines promulgated by the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c).

Dated: March 29, 2011



Claude Wm. Irmis
Managing Member

Sworn to before me this
29th day of March 2011

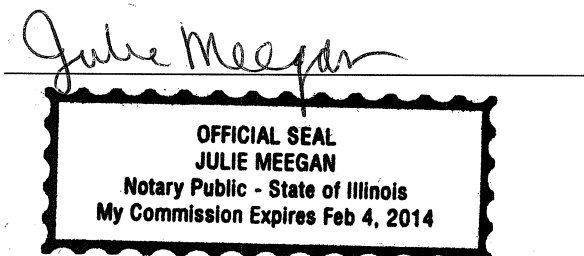


EXHIBIT B

ENGAGEMENT AGREEMENT

PEC AGREEMENT FOR SERVICES

This Agreement is entered into as of the 21 of March, 2011, between Ambassadors International, Inc. (together with its affiliates and subsidiaries, the "Company"), and Phase Eleven Consultants, LLC (together with its affiliates and subcontractors, "PEC").

In consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Terms and Conditions

1. SERVICES

- a. PEC agrees to provide the Company with consulting services regarding noticing, claims management and reconciliation, plan solicitation, balloting, disbursements and any other services agreed upon by the parties or otherwise required by applicable law, government regulations or court rules or orders.
- b. PEC further agrees to provide (i) computer software support and training in the use of the support software, (ii) PEC's standard reports as well as consulting and programming support for Company requested reports, (iii) program modifications, (iv) database modifications, and/or (v) other features and services in accordance with the fees (the "PEC Fee Structure") outlined on a pricing schedule provided to the Company.
- c. Without limiting the generality of the foregoing, PEC may, upon request by the Company, (i) provide a communications plan including, but not limited to, preparation of communications materials, dissemination of information and a call center staffed by PEC and/or (ii) provide confidential on-line workspaces or virtual data rooms and publish documents to such workspaces or data rooms (which publication shall not be deemed to violate the confidentiality provisions of this Agreement).
- d. The price listed for each service in the PEC Fee Structure represents a bona fide proposal for such services, which may be accepted in whole or in part. Services will be provided when requested by the Company or required by applicable law, government regulations or court rules or orders. Services are mutually exclusive and are deemed delivered and accepted by the Company when provided by PEC.
- e. The Company acknowledges and agrees that PEC will often take direction from the Company's representatives, employees, agents and/or professionals (collectively, the "Company Parties") with respect to the services being provided under this Agreement. The parties agree that PEC may reasonably rely upon, and the Company agrees to be bound by, any requests, advice or information provided by the Company Parties to the same extent as if such requests, advice or information were provided by the Company. For the purposes of clarity, PEC will only take direction from parties specified by the Company's management team. The Company agrees and understands that PEC shall not provide the Company or any other party with any legal advice.

¹The term Company shall include, to the extent applicable, the Company, as debtor and debtor in possession in its chapter 11 case, together with affiliated debtors and debtors in possession whose chapter 11 cases are jointly administered with the Company's chapter 11 case.

PEC AGREEMENT FOR SERVICES

2. PRICES, CHARGES AND PAYMENT

- a. PEC agrees to charge and the Company agrees to pay PEC for its services, expenses and supplies at the rates or prices set by PEC and in effect as of the date of this Agreement, in accordance with the PEC Fee Structure. PEC's prices are generally adjusted periodically to reflect changes in the business and economic environment. PEC reserves the right to reasonably increase its prices, charges and rates annually. If any prices increases exceed 10%, PEC will give thirty (30) days written notice to the Company.
- b. The Company agrees to pay reasonable (economy class airfare, preferred hotel rates, etc.) out of pocket expenses incurred by PEC in connection with services provided under this Agreement, including but not limited to transportation, lodging and meals.
- c. In addition to all fees for services and expenses hereunder, the Company shall pay to PEC (i) any fees and expenses related to, arising out of, or as a result of any error or omission made by the Company or the Company Parties, as mutually determined by PEC and the Company, and (ii) all taxes that are applicable to this Agreement or that are measured by payments made under this Agreement and are required to be collected by PEC or paid by PEC to a taxing authority.
- d. Where the Company requires services that are unusual or beyond the normal business practices of PEC, or are otherwise not provided for in the PEC Fee Structure, the cost of such services shall be charged to the Company at a competitive rate.
- e. PEC agrees to submit its invoices to the Company monthly and the Company agrees that the amount invoiced is due and payable upon the Company's receipt of the invoice. However, where total fees and expenses are expected to exceed \$10,000 in any single month, PEC may require advance payment which will be due and payable upon demand and prior to the performance of services hereunder. If any amount is unpaid as of thirty (30) days from the receipt of the invoice, Company further agrees to pay a late charge, calculated as one and one-half percent (1-1/2%) of the amount unpaid every thirty (30) days. In the case of a dispute in the invoice amount, the Company shall give written notice to PEC within ten (10) days of receipt of the invoice by the Company. The undisputed portion of the invoice will remain due and payable immediately upon receipt of the invoice. Late charges shall not accrue on any amounts in dispute. Unless otherwise agreed to in writing, the fees for print notice and media publication (including commissions) as well as certain expenses must be paid at least three (3) days in advance of those fees and expenses being incurred.
- f. In the event that the Company files for protection pursuant to chapter 11 of the United States Bankruptcy Code (a "Chapter 11 Filing"), the parties intend that PEC shall be employed pursuant to 28 U.S.C. § 156(c) ("Section 156(c)") and that all fees and expenses due under this Agreement shall be paid as administrative expenses of the Company's chapter 11 estate. As soon as practicable following a Chapter 11 Filing (and otherwise in accordance with applicable law and rules and orders of the Bankruptcy

PEC AGREEMENT FOR SERVICES

Court), the Company shall cause a motion to be filed with the Bankruptcy Court seeking entry of an order pursuant to Section 156(c) approving this Agreement in its entirety (the "Section 156(c) Order"). The form and substance of the motion and the Section 156(c) Order shall be reasonably acceptable to PEC. If any Company chapter 11 case converts to a case under chapter 7 of the Bankruptcy Code, PEC will continue to be paid for its services in accordance with Section 156(c) and under the terms of this Agreement.

3. RIGHTS OF OWNERSHIP

- a. The parties understand that the software programs and other materials furnished by PEC pursuant to this Agreement and/or developed during the course of this Agreement by PEC are the sole property of PEC. The term "program" shall include, without limitation, data processing programs, specifications, applications, routines, and documentation. The Company agrees not to copy or permit others to copy the source code from the support software or any other programs or materials furnished pursuant to this Agreement.
- b. The Company further agrees that any ideas, concepts, know-how or techniques relating to data processing or PEC's performance of its services developed or utilized during the term of this Agreement by PEC shall be the exclusive property of PEC. Fees and expenses paid by Company do not vest in the Company any rights in such property, it being understood that such property is only being made available for the Company's use during and in connection with the services provided by PEC under this Agreement.
- c. Furthermore, upon Company's request at any time or times while this Agreement is in effect, PEC shall immediately deliver to Company, at Company's sole expense, any or all of the non-proprietary data and records held by PEC pursuant to this Agreement in the form requested by Company.

4. NON-SOLICITATION

The Company agrees that neither it nor its subsidiaries or other affiliated companies shall directly or indirectly solicit for employment, employ or otherwise retain employees of PEC during the term of this Agreement and for a period of twelve (12) months after termination of this Agreement unless PEC provides prior written consent to such solicitation or retention.

5. CONFIDENTIALITY

Each of PEC and the Company, on behalf of themselves and their respective employees, agents, professionals and representative, agrees to keep confidential all non-public records, systems, procedures, software and other information received from the other party in connection with the services provided under this Agreement; provided, however, that if either party reasonably believes that it is required to produce any such information by order of any governmental agency or other regulatory body, it may, upon not less than five (5) business day's written notice to the other party, release the required information.

PEC AGREEMENT FOR SERVICES

6. SUSPENSION OF SERVICE AND TERMINATION

- a. This Agreement shall remain in force until terminated or suspended by either party (i) upon thirty (30) days' written notice to the other party or (ii) immediately upon written notice for Cause (defined herein). As used herein, the term "Cause" means (i) gross negligence or willful misconduct of PEC that causes serious and material harm to the Company's reorganization under Chapter 11 of the Bankruptcy Code or (ii) the failure of the Company to pay PEC invoices for more than sixty (60) days from the date of invoice.
- b. In the event that this contract is terminated, regardless of the reason for such termination, PEC shall coordinate with the Company and, to the extent applicable, the clerk of the Bankruptcy Court, to maintain an orderly transfer of record keeping functions and shall provide all necessary staff, services and assistance required for an orderly transfer. The Company agrees to pay for such services in accordance with PEC's then existing prices for such services. If such termination occurs following entry of the Section 156(c) Order, the Company shall immediately seek entry of an order (in form and substance reasonably acceptable to PEC) that discharges PEC from service and responsibility under Section 156(c) and this Agreement.
- c. Any data, programs, storage media or other materials furnished by the Company to PEC or received by PEC in connection with the services provided under the terms of this Agreement may be retained by PEC until the services provided are paid for, or until this Agreement is terminated with the services paid in full. The Company shall remain liable for all fees and expenses imposed under this Agreement as a result of data or physical media maintained or stored by PEC. PEC shall dispose of the data and media in the manner requested by the Company. The Company agrees to pay PEC for reasonable expenses incurred as a result of the disposition of data or media. If the Company has not utilized PEC's services under this Agreement for a period of at least ninety (90) days, PEC may dispose of the data or media, and be reimbursed by the Company for the expense of such disposition, after giving the Company thirty (30) days' notice. Notwithstanding any term herein to the contrary, following entry of the Section 156(c) Order, the disposition of any data or media by PEC shall be in accordance with any applicable instructions from the clerk of the Bankruptcy Court, local Bankruptcy Court rules and orders of the Bankruptcy Court.

7. SYSTEM IMPROVEMENTS

- a. PEC strives to provide continuous improvements in the quality of service to its clients. PEC, therefore, reserves the right to make changes in operating procedure, operating systems, programming languages, general purpose library programs, application programs, time period of accessibility, types of terminal and other equipment and the PEC data center serving the Company, so long as any such changes do not materially interfere with ongoing services provided to the Company in connection with the Company's chapter 11 case.

PEC AGREEMENT FOR SERVICES

8. BANK ACCOUNTS

- a. At the Company's request, PEC shall be authorized to establish accounts with financial institutions in the name of and as agent for the Company. To the extent that certain financial products are provided to the Company pursuant to PEC's agreement with financial institutions, PEC may receive compensation from such financial institutions for the services PEC provides pursuant to such agreement.

9. LIMITATIONS OF LIABILITY AND INDEMNIFICATION

- a. The Company shall indemnify and hold PEC, its affiliates, members, directors, officers, employees, consultants, subcontractors and agents (collectively, the "Indemnified Parties") harmless, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, judgments, liabilities and expenses (including reasonable counsel fees and expenses) (collectively, "Losses") resulting from, arising out of or related to PEC's performance under this Agreement. Such indemnification shall exclude Losses resulting from PEC's gross negligence or willful misconduct. Without limiting the generality of the foregoing, Losses include any liabilities resulting from claims by any third-parties against any Indemnified Party. The Company shall notify PEC in writing promptly upon the assertion, threat or commencement of any claim, action, investigation or proceeding that the Company becomes aware of with respect to the services provided by PEC under this Agreement. The Company's indemnification obligations hereunder shall survive the termination of this Agreement.
- b. Except as provided herein, PEC's liability to the Company or any person making a claim through or under the Company for any Losses of any kind, even if PEC has been advised of the possibility of such Losses, whether direct or indirect and unless due to gross negligence or willful misconduct of PEC, shall be limited to the total amount billed or billable to the Company for the portion of the particular work which gave rise to the alleged Loss. In no event shall PEC's liability to the Company for any Losses, whether direct or indirect, arising out of this Agreement exceed the total amount billed to the Company and actually paid to PEC for the services contemplated under the Agreement. In no event shall PEC be liable for any indirect, special or consequential damages such as loss of anticipated profits or other economic loss in connection with or arising out of the services provided for in this Agreement.
- c. The Company is responsible for the accuracy of the programs, data and information it or any Company Party submits for processing to PEC and for the output of such information. PEC does not verify information provided by the Company and, with respect to the preparation of schedules and statements, all decisions are at the sole discretion and direction of the Company. The Company reviews and approves all schedules and statements filed on behalf of, or by, the Company; PEC bears no responsibility for the accuracy of contents therein. The Company agrees to initiate and maintain backup files that would allow the Company to regenerate or duplicate all programs and data submitted by Company to PEC.

PEC AGREEMENT FOR SERVICES

- d. The Company agrees that except as expressly set forth herein, PEC makes no representations or warranties, express or implied, including, but not limited to, any implied or express warranty of merchantability, fitness or adequacy for a particular purpose or use, quality, productiveness or capacity.

10. FORCE MAJEURE

Whenever performance by PEC of any of its obligations hereunder is materially prevented or impacted by reason of any act of God, strike, lock-out or other industrial or transportation disturbance, fire, lack of materials, law, regulation or ordinance, war or war condition, or by reason of any other matter beyond PEC's reasonable control, then such performance shall be excused and this Agreement shall be deemed suspended during the continuation of such prevention and for a reasonable time thereafter.

11. INDEPENDENT CONTRACTORS

The Company and PEC are and shall be independent contractors or each other and no agency, partnership, joint venture or employment relationship shall arise, directly or indirectly, as a result of this agreement.

12. NOTICES

All notices and request in connection with this Agreement shall be given or made upon the respective parties in writing and shall be deemed as given as of the third day following the day it is deposited in the U.S. Mail, postage pre-paid or on the day it is given if sent by facsimile or electronic mail or on the day after the day it is sent if sent by overnight courier to the appropriate address set forth below:

Phase Eleven Consultants
11 S. LaSalle Street, 7th Floor
Chicago, IL 60603
Attn: Claude Wm. Irmis
Tel: (312) 878-3948, ext 701
Fax: (312) 488-3599

Ambassadors International, Inc.
2101 4th Avenue Suite 210
Seattle, WA 98121
Attn: Mark Detillion, CFO
Tel: 206-292-9606
Fax: 206-340-0975

Or to such other address as the party to receive the notice or request so designates by written notice to the other.

13. APPLICABLE LAW

The validity, enforceability, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

PEC AGREEMENT FOR SERVICES

14. ENTIRE AGREEMENT / MODIFICATIONS

Each party acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and further agrees that it is the complete and exclusive statement of the agreement between the parties, which supersedes and merges all prior proposals, understandings, other agreements, communications oral and written between the parties relating to the subject matter of this Agreement. The Company represents that it has the authority to enter into this Agreement, and the Agreement is non-dischargeable under any applicable statute or law. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby. This Agreement may be modified only by a written instrument duly executed by an authorized representative of Company and an officer of PEC.

15. COUNTERPARTS; EFFECTIVENESS

This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. This Agreement will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, which delivery may be made by exchange of copies of the signature page by facsimile or electronic mail.

16. ASSIGNMENT

This Agreement and the rights and duties hereunder shall not be assignable by the parties hereto except upon written consent of the other, with the exception that this Agreement can be assigned by PEC to a wholly owned subsidiary of PEC.

17. ARBITRATION

Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be brought before the United States Bankruptcy Court for the District of Delaware in the first instance; thereafter, the Bankruptcy Court may, in its sole discretion, refer any matter to arbitration in accordance with the rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) shall be entered in any court having jurisdiction thereof. For that purpose, the parties hereto consent to the jurisdiction and venue of an appropriate court located in the State of Delaware.

18. ATTORNEYS' FEES


In the event that any legal action, including an action for declaratory relief, is brought to enforce the performance or interpret the provisions of this Agreement, the parties agree to reimburse the prevailing party's reasonable attorneys' fees, court costs, and all other related expenses, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which the prevailing party may be entitled.



PEC AGREEMENT FOR SERVICES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the first date mentioned above.

Phase Eleven Consultants, LLC


By: Claude Wm. Irmis Date: 3/29/2011
Title: Managing Member

Debtor Company Authorized Signatory

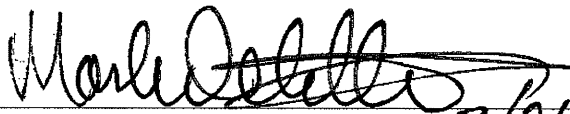

By: Mark Detillion Date: 3/26/11
Title: Chief Financial Officer

EXHIBIT C

PROPOSED ORDER

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

AMBASSADORS INTERNATIONAL, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-_____ (___)

Joint Administration Requested

**ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT
OF PHASE ELEVEN CONSULTANTS, LLC, AS NOTICE, CLAIMS
AND BALLOTING AGENT TO THE DEBTORS**

This matter having come before the Court upon consideration of the application (the “Application”)² of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), requesting entry of an order pursuant to 28 U.S.C. § 156(c), Rule 2002(f) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2002-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), approving the Debtors’ retention of Phase Eleven Consultants, LLC (“PEC”) as the official notice, claims and balloting agent in these Chapter 11 Cases; and upon the Declaration of Claude Wm. Irmis, a copy of which is attached to the Application as Exhibit A; and it appearing that this Court has jurisdiction to consider the Application pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these cases and the Application in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it

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

² All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Application.

appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and the Court being satisfied that PEC is a “disinterested person” as such term is defined under section 101 (14) of the Bankruptcy Code; and the Court having determined that the relief sought in the Application is in the best interests of the Debtors, their estates and creditors and all other parties-in-interest; and it appearing that no other or further notice need be provided; and that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED and DECREED that:

1. The Application is granted.
2. PEC is appointed, effective as of the Petition Date, as the official notice, claims and balloting agent in these Chapter 11 Cases, pursuant to 28 U.S.C. § 156(c), as supplemented by Bankruptcy Rule 2002(f) and is authorized to perform the services set forth in the Application on the terms and conditions of the Engagement Agreement, attached to the Application as Exhibit B, except as hereinafter provided.
3. PEC shall comply with all requests of the Clerk and the guidelines promulgated by the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c).
4. Pursuant to section 503(b)(1)(A) of the Bankruptcy Code, the fees and expenses of PEC incurred pursuant to the Engagement Agreement are to be treated as administrative expenses of the Debtors’ chapter 11 estates, and shall be paid by the Debtors in the ordinary course of business after the submission of an invoice with copies to the U.S. Trustee and any committees appointed in the Chapter 11 Cases in reasonable detail describing the basis for the fees and expenses requested to be paid thereto, unless PEC is advised that the Debtors

object to the invoice. In such case, the Debtors either will consensually resolve the objection or promptly schedule a hearing before the Court to consider the disputed invoice. The Debtors will remit to PEC only the undisputed portion of the invoice and, if applicable, will pay the remainder to PEC upon resolution of the disputed portion, as mandated by this Court or otherwise resolved consensually.

5. If PEC is unable to provide the services set forth in the Engagement Agreement, PEC will immediately notify the Clerk's Office, the Debtors and Debtors' counsel and cause all original proofs of claim and computer information turned over to another claims agent with the advice and consent of the Clerk, the Debtors and Debtors' counsel.

6. Notwithstanding anything to the contrary in the Engagement Agreement, PEC will not cease providing claims processing services during the Chapter 11 Cases for any reason without prior order of this Court authorizing PEC to do so; provided, however, that PEC or the Debtors may seek such an order on expedited notice by filing a request with the Court with notice of such request to be served on the Debtors, the U.S. Trustee and the Committee by facsimile or overnight delivery; provided further, that except as expressly provided herein, the Debtors and PEC may otherwise terminate or suspend any other services provided by PEC under the Engagement Agreement pursuant to the terms set forth therein.

7. Notwithstanding anything contained in the Engagement Agreement, section 8 of the Engagement Agreement is hereby stricken.

8. The indemnification obligations of the Debtors set forth in the Engagement Agreement is approved, subject during the pendency of these Chapter 11 Cases to the following:

- a. PEC shall not be entitled to indemnification, contribution or reimbursement pursuant to the Engagement Agreement for services, unless such services and

the indemnification, contribution or reimbursement therefore are approved by the Court;

- b. The Debtors shall have no obligation to indemnify PEC, or provide contribution or reimbursement to PEC, for any claim or expense that is either: (i) judicially determined (the determination having become final) to have arisen from PEC's gross negligence, willful misconduct, breach of fiduciary duty, if any, bad faith or self-dealing; (ii) for a contractual dispute in which the Debtors allege the breach of PEC's contractual obligations unless the Court determines that indemnification, contribution or reimbursement would be permissible pursuant to In re United Artists Theatre Company, et al., 315 F.3d 217 (3d Cir. 2003); or (iii) settled prior to a judicial determination as to PEC's gross negligence, willful misconduct, breach of fiduciary duty, or bad faith or self-dealing but determined by this Court, after notice and a hearing to be a claim or expense for which PEC should not receive indemnity, contribution or reimbursement under the terms of the Engagement Agreement as modified by this Order;
- c. If, before the earlier of (i) the entry of an order confirming a chapter 11 plan in these cases (that order having become a final order no longer subject to appeal), and (ii) the entry of an order closing these Chapter 11 Cases, PEC believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution and/or reimbursement obligations under the Engagement Agreement (as modified by this Order), including without limitation the advancement of defense costs, PEC must file an application therefore in this Court, and the Debtors may not pay any such amounts to PEC before the entry of an order by this Court approving the payment. This subparagraph (c) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for fees and expenses by PEC for indemnification, contribution or reimbursement, and not a provision limiting the duration of the Debtors' obligation to indemnify PEC. All parties in interest shall retain the right to object to any demand by PEC for indemnification, contribution or reimbursement; and
- d. Any limitation of liability or limitation on any amounts to be contributed by the parties to the Engagement Agreement shall be eliminated.

9. The Debtors and PEC are hereby authorized and empowered to take such steps and perform such acts as may be necessary to implement and effectuate the terms of this Order.

10. The Court shall retain jurisdiction over any matters arising from or related to the implementation or interpretation of this Order.

Dated: Wilmington, Delaware
_____, 2011

UNITED STATES BANKRUPTCY JUDGE