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Hearing Date & Time:
November 1, 2007 at 10:00 a.m.

Objection Deadline:
October 29, 2007 at 4:00 p.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

BEAR STEARNS HIGH-GRADE
STRUCTURED CREDIT STRATEGIES
MASTER FUND, LTD.
(IN PROVISIONAL LIQUIDATION)¹

Debtor in a Foreign Proceeding

Chapter 15

Case No.: 07-12383 (BRL)

In re:

BEAR STEARNS HIGH-GRADE
STRUCTURED CREDIT STRATEGIES
ENHANCED MASTER FUND, LTD.
(IN PROVISIONAL LIQUIDATION)

Debtor in a Foreign Proceeding

Chapter 15

Case No.: 07-12384 (BRL)

**MEMORANDUM OF LAW IN SUPPORT OF MOTION
FOR DETERMINATION THAT PRELIMINARY INJUNCTION
DOES NOT APPLY OR, IN THE ALTERNATIVE,
FOR RELIEF FROM PRELIMINARY INJUNCTION ORDER**

¹ On September 14, 2007, the Grand Court of the Cayman Islands, the Court presiding over the Foreign Proceedings, entered orders (the "Official Liquidation Orders") with respect to both Foreign Debtors converting the Foreign Proceedings from the provisional liquidation stage to the official liquidation stage.

Bank of America, N.A. (“BANA”), by its attorneys, Zeichner Ellman & Krause LLP, seeks a determination that the Court’s Preliminary Injunction Order dated August 9, 2007, as extended by this Court’s Order dated September 26, 2007 does not bar BANA from exercising certain of its voting rights or, in the alternative, modification of the Preliminary Injunction Order to permit such exercise of voting rights.

BANA and each of the Debtors entered into various derivative transactions (including without limitation interest rate, total return, credit spread, credit default and credit index swap transactions) (the “Derivative Transactions”) pursuant to ISDA Master Agreements (Multicurrency – Cross Border), dated as of November 4, 2003 and July 31, 2006 (the “ISDA Agreements”).

Bank of America Securities LLC (“BAS”) and each of the Debtors entered into repurchase and reverse repurchase transactions (the “Repurchase Transactions”) pursuant to Master Repurchase Agreements, dated as of December 5, 2003 and July 28, 2006 (the “Repurchase Agreements”).

Thereafter, due to the Debtors’ financial conditions, BANA and BAS exercised their respective contractual rights, within the meaning of Section 561(a) of the Bankruptcy Code, to terminate the Derivative Transactions, and to accelerate the repurchase dates for all of the Repurchase Transactions.

To effectuate the foregoing upon agreed terms, each of the Debtors, Bear Stearns Asset Management, Inc. (“BSAM”), BAS and BANA entered into a Termination and Purchase Agreement dated as of June 18, 2007 (the “TPA”).

Pursuant to and upon the terms set forth in the TPA:

(1) Each of the Debtors agreed to sell, and BAS agreed to purchase, each of the securities then the subject of Repurchase Transactions under each of the Repurchase Agreements, and further agreed that the purchase price set forth in the TPA be applied to the payment of the respective repurchase price under the respective Repurchase Agreements;

(2) BANA agreed to pay BAS, at the direction of each of the Debtors, all amounts owing to the Debtors resulting from the termination of the Derivative Transactions as payment of the remaining unpaid repurchase price under the respective Repurchase Agreements and to pay any excess owing in respect of the Derivative Transactions to the Debtors in accordance with the terms of the TPA;

(3) Each of the Debtors assigned, transferred and delegated to BANA or its designee all voting rights, consent rights and direction rights to which each of the Debtors was then entitled as a holder of “Preference Shares” (as such term is defined in the Private Placement Agency Agreement, dated May 24, 2007, as amended, supplemented or modified, [the “Placement Agreement”] between High Grade Structured Credit CDO 2007-1 [the “Issuer”] and BAS [all such rights, the “Rights”]);

(4) BSAM agreed to cause all then current holders of the Preference Shares to assign, transfer and delegate the Rights to BANA or its designee, with such assignment, transfer and delegation to continue in effect notwithstanding any subsequent disposition of the Preference Shares by such holder(s) to parties other than BANA, such that any such subsequent transferee shall take any such transferred Preference Shares subject to the rights and interests of BANA or its designee (to the extent any subsequent transfer may be permitted under, inter alia, the Indenture, as amended, the TPA and the Amended and Restated Preference Share Paying Agency Agreement); and

(5) Each of the Debtors and BSAM agreed that so long as BSAM is Collateral Manager within the meaning of the Placement Agreement, BANA shall have consent rights (which BANA may exercise in its absolute discretion) over each asset purchase, asset sale, entry into hedge transaction, or any other action taken or directed by BSAM in its capacity as Collateral Manager on behalf of Issuer relating to the management of Issuer's assets, and also shall have consent rights over any exercise by the Collateral Manager of any voting power, discretionary power or any other rights and powers that the Collateral Manager has in respect of Issuer.

In order to effectuate the assignment, transfer and delegation of the Rights to BANA, and pursuant to, inter alia, a Written Consent of the Holders of all the Outstanding Preference Shares to a Variation of Rights dated as of July 20, 2007:

- (1) the Issuer issued to BANA a “Voting Share,” pursuant to Issuer’s Amended and Restated Memorandum and Articles of Association, and
- (2) the Issuer and the Trustee under an Indenture between Issuer and LaSalle Bank National Association, as Trustee, dated as of May 24, 2007 (the “Indenture”) entered into the First Supplemental Indenture providing for, inter alia, the addition to the Indenture of the following new Clause:

“Notwithstanding any provision herein to the contrary, all of the voting, consent, approval and direction rights of the Preference Shares and/or the Preference Shareholders will be exercised solely by the Voting Shareholders (and references to the Preference Shares shall be deemed references to the Voting Shares for such purposes). Each other provision of this Indenture will be construed to give effect to the foregoing allocation of voting, consent, approval and direction rights.”

BANA is the holder of the Issuer’s sole outstanding Voting Share.

Pursuant to Section 8.02 of the Indenture, BANA proposes to exercise its Rights and consent rights to consent to and vote in favor of further amending the Indenture and related documents to provide that no payment shall be made to any holder of a Preference Share unless and until the entire indebtedness on all of Issuer’s outstanding Secured Floating Rate Notes of various classes and seniority have been paid and discharged and all of the Issuer’s discount commercial paper notes (the “CP Notes”) now or in the future outstanding, have been paid and discharged and no more CP Notes shall be issued by the Issuer.

A. The Preliminary Injunction Order Does Not Bar BANA's Proposed Exercise of Voting Rights Because Such Exercise Is Not Stayed by Cayman Islands Law

The stated bases for the preliminary injunctive relief sought by the Foreign Representatives were to avoid piecemeal distribution of the Foreign Debtors' assets, afford the Foreign Representatives the "breathing room" necessary to conduct an orderly review and wind-up of the Foreign Debtors' affairs, and to prevent unnecessary conflict with the Foreign Proceeding, in which the Foreign Court has issued an order staying commencement or continuation of legal proceedings against the Foreign Debtors. (Docket No. 4 in Case No. 07-12383): Ex Parte Application for Order to Show Cause With Temporary Restraining Order and, After Notice and a Hearing, a Preliminary Injunction, ¶¶18-20.)

Similarly, this Court stated that it "granted the preliminary injunction for the principle purpose of preservation of assets for appropriate distribution to the creditors."²

The relief BANA seeks does not contravene any of the purposes of the Preliminary Injunction Order. BANA's proposed exercise of its voting rights cannot be said to disrupt the Cayman Islands liquidation proceedings, as there is neither an order of the Grand Court of the Cayman Islands nor any provision of Cayman Islands law staying such act. (See accompanying Declaration of Aristotelis Alexandros

² Transcript of Hearing Held on August 9, 2007, at p. 27.

Galatopoulos at ¶15.) In short, the aim of preserving assets for orderly liquidation is not furthered by, and does not justify, an injunction under Chapter 15 that is broader and more burdensome on parties-in-interest than is required to maintain the orderliness of the liquidation that is presently proceeding in the Cayman Islands.

B. BANA's Proposed Exercise of Voting Rights Is An Exempted Action

The Preliminary Injunction Order expressly exempts actions described in, inter alia, Section 561(a) of the Bankruptcy Code.

Pursuant to the TPA, BANA and BAS closed out their positions with the Debtors; i.e. “exercised their contractual rights,” as swap participant and repo participant, respectively to “cause the liquidation, termination or acceleration or to offset or net termination values, payment amounts or other transfer obligations arising under or in connection with one or more (or the termination, liquidation or acceleration of one or more) swap agreements or repurchase agreements,” all within the meaning of Section 561(a) of the Bankruptcy Code.

As set forth above, BANA obtained the voting rights that it now proposes to exercise as part of that close-out agreement. Accordingly, BANA's proposed exercise of those rights is not, nor should it be, enjoined by the Preliminary Injunction Order.

CONCLUSION

For the foregoing reasons, the Court should determine that the Preliminary Injunction Order does not bar BANA from exercising its voting rights as proposed or, in the alternative, modify the Order to permit BANA to do so.

Dated: New York, New York
 October 17, 2007

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