

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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IN RE:	:	Chapter 11
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ARCAPITA BANK B.S.C.(c), et al.,	:	Case No. 12-11076 (SHL)
	:	
Debtors.	:	Jointly Administered
	:	
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**DECLARATION OF MATTHEW KVARDA IN SUPPORT OF
CONFIRMATION OF SECOND AMENDED JOINT PLAN OF REORGANIZATION
OF ARCAPITA BANK B.S.C.(c) AND RELATED DEBTORS UNDER
CHAPTER 11 OF THE BANKRUPTCY CODE**

I, Matthew Kvarda, hereby declare as follows:

1. I am a Managing Director of Alvarez & Marsal North America, LLC (together with employees of its affiliates (all of which are wholly-owned by its parent company and employees), its wholly owned subsidiaries, and its independent contractors collectively, “*A&M*”), a professional services firm that has been retained by the Debtors (defined below) in the above-captioned chapter 11 cases (the “*Chapter 11 Cases*”). My business address is 2029 Century Park East, Suite 2060, Los Angeles, California 90067. I am one of the A&M professionals leading A&M’s engagement by Arcapita Bank B.S.C.(c) (“*Arcapita Bank*”) and its affiliated debtors and debtors in possession (collectively, with Arcapita Bank, the “*Debtors*” and each a “*Debtor*”).

2. As Managing Director of A&M and one of the people responsible for A&M’s engagement by Arcapita Bank, I am duly authorized to make this Declaration on behalf of A&M in support of confirmation of the *Second Amended Joint Plan of Reorganization of Arcapita*

Bank B.S.C.(c) and related Debtors under Chapter 11 of the Bankruptcy Code [Docket No. 1036] (as amended and including all exhibits and supplements thereto, the “*Plan*”).¹

3. Except as otherwise indicated herein, all facts set forth in this Declaration are based upon my personal knowledge, information learned from my review of relevant documents and information supplied to me by A&M professionals who are acting under my supervision. If called upon to testify, I could and would testify competently to the facts set forth herein.

BACKGROUND AND QUALIFICATIONS

4. Founded in 1983, A&M is a global professional services firm specializing in turnaround and interim management, performance improvement and business advisory services. A&M delivers specialist operational, consulting and industry expertise to management and investors seeking to accelerate performance, overcome challenges and maximize value across the corporate and investment lifecycles. A&M has been engaged in numerous large chapter 11 restructurings including Lehman Brothers Holdings, Inc., et al., Washington Mutual Inc., et al., Visteon Corporation, et al. and Blockbuster Inc., et al., amongst others, to provide services similar to the services it is providing to the Debtors in the Chapter 11 Cases.

5. I have extensive experience with chapter 11 cases and other distressed restructurings, principally advising debtors and various other stakeholders in the chapter 11 process. I have approximately 17 years of experience in advising troubled companies and their stakeholders with restructuring their operational and financial positions. Since joining A&M in 2004, I have advised companies on numerous in-court and out-of-court restructurings, recapitalizations, and reorganizations.

¹ Capitalized terms used herein but not otherwise defined herein have the meanings ascribed to them in the Plan.

6. The Debtors retained A&M pursuant to an engagement letter dated March 24, 2012 (the “**Engagement Letter**”). Pursuant to the Engagement Letter, the Debtors engaged A&M to provide a number of services targeted at stabilizing and improving the company’s financial position. A&M’s scope of services includes developing cash forecasts, business plans and related assessments of a business’s strategic position; monitoring and managing cash flows; assessing and recommending cost reduction strategies; and designing and negotiating financial restructuring packages. Among other things, A&M agreed to assist the Debtors with their preparation of cash flow forecasts, analysis of deal funding requirements, and creation of statements of financial affairs, schedules of assets and liabilities and monthly operating reports and perform other financial and operational matters for the Debtors. Since its initial retention by the Debtors, A&M has provided financial advisory services to the Debtors in connection with their chapter 11 filing and associated liquidation analyses. A&M also provided general advice as it relates to the chapter 11 process.

7. As a result of its work with the Debtors, A&M has developed a significant reserve of institutional knowledge about the Debtors’ business, operations, capital structure, and other material information.

8. Among the financial analyses and reports that A&M has evaluated, reviewed, and/or assisted in the preparation of is the analysis of the liquidation value of the Debtors in a chapter 7 liquidation attached as Exhibit B to the Disclosure Statement (the “**Liquidation Analysis**”) and hereto as **Exhibit A**. Additionally, attached hereto as **Exhibit B** is an updated version of the Liquidation Analysis (the “**Updated Liquidation Analysis**”) that primarily reflects additional Claims and financial information received since the Disclosure Statement was filed

with the Court on April 26, 2013. Additionally, the Updated Liquidation Analysis has been revised to reflect the updated projections filed with the Plan Supplement.

LIQUIDATION ANALYSIS

9. I oversaw and assisted in the preparation of, and have reviewed and analyzed, the Liquidation Analysis and the Updated Liquidation Analysis to determine whether the Plan will provide a recovery to Creditors that is at least as much as the recovery Creditors would receive in a liquidation under chapter 7 of the Bankruptcy Code.

10. The Updated Liquidation Analysis is assumed to be representative of the Debtors' assets and liabilities on or about June 30, 2013, the assumed chapter 7 bankruptcy filing date for purposes of the analysis.² I am not aware of any facts or circumstances that have occurred since the Liquidation Analysis was filed with the Court on April 26, 2013 as an Exhibit to the Disclosure Statement that would materially increase the projected recovery to any Class of Creditors from the amounts set forth in the Liquidation Analysis.

11. The Liquidation Analysis and the Updated Liquidation Analysis are subject to all the assumptions, qualifications, and limitations set forth therein and in the Debtors' Disclosure Statement. The Liquidation Analysis and the Updated Liquidation Analysis assume a chapter 7 liquidation in which a trustee appointed by the Court would liquidate the assets of the Debtors' estates, as compared to the reorganization of the Debtors' estates contained in the Plan. Underlying the Liquidation Analysis and the Updated Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by the Debtors' management and their professionals, including myself, are inherently subject to significant

² The Liquidation Analysis was based on the Debtors' assets and liabilities as of May 31, 2013 and assumed a conversion of the cases to a hypothetical chapter 7 on May 31, 2013 as well.

business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors and their management, and are also based upon assumptions with respect to certain liquidation decisions that could be subject to change. Accordingly, there can be no assurance that the values reflected in the Liquidation Analysis and the Updated Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such a liquidation, and actual results could vary significantly from those shown therein.

12. Based on the assumptions described in the Liquidation Analysis and the Updated Liquidation Analysis, Holders of Super-Subordinated Claims in Classes 10(a) and 10(g), which are receiving no Distribution under the Plan, would likewise receive nothing if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

13. Under the Plan, SCB is projected to recover 100% of its Secured Claim, which is equal to the projected recovery in a hypothetical chapter 7 liquidation.³ Holders of Syndicated Facility and Arcsukuk Claims are projected to recover 66.5% under the Plan, compared to a total recovery of 18.7%% to 22.8% in a hypothetical chapter 7 liquidation.⁴ Holders of General Unsecured Claims against Arcapita Bank are projected to recover 7.6% under the Plan, compared to a recovery of 3.3% to 4.1% in a hypothetical chapter 7 liquidation. Holders of General Unsecured Claims against AIHL are projected to recover 58.9% under the Plan, compared to a recovery of 15.4% to 18.7% in a hypothetical chapter 7 liquidation. Holders of General Unsecured Claims and Subordinated Claims against Falcon are not projected to receive

³ As explained in the “Assumptions” to the Liquidation Analysis, the individual liquidation analyses for AEID II, RailInvest, and WindTurbine (collectively, the “*SCB Portfolio Company Debtors*”) are incorporated into the analyses for AIHL and ALTHL due to the Debtors’ concerns regarding the confidential nature of the Debtors’ valuation assumptions for the SCB Portfolio Company Debtors.

⁴ The estimated range of recovery percentages referenced herein reflects the estimated Syndicated Facility and Arcsukuk recoveries from both Arcapita Bank and AIHL.

a Distribution under the Plan or in a hypothetical chapter 7 liquidation. However, depending on the outcome of the District Court Action, Holders of General Unsecured Claims and Subordinated Claims against Falcon could receive a Distribution under the Plan, and that Distribution would likely be greater than or equal to any Distribution in a hypothetical chapter 7 liquidation, if for no other reason than under the Plan such Distribution would not be subject to chapter 7 trustee fees.

14. Based on the foregoing, I believe that, as of the Effective Date, the estimated recoveries for each Impaired Class of Claims and Interests under the Plan are likely to be greater than or equal to the Distributions they would likely receive in a hypothetical chapter 7 liquidation.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on this 6th day of June, 2013.

/s/ Matthew Kvarda
Matthew Kvarda,
Managing Director,
Alvarez & Marsal North America, LLC

Exhibit A

Liquidation Analysis

Arcapita Bank B.S.C.(c), et al. Liquidation Analysis¹

Pursuant to section 1129(a)(7) of the Bankruptcy Code (the “Best Interests Test”), each holder of an impaired Claim or equity Interest must either: (i) accept the Plan; or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

In determining whether the Best Interests Test has been met, the first step is to determine the recovery to each Class of creditors would receive in a hypothetical liquidation of the Debtors’ assets in a chapter 7 proceeding. The gross amount of Cash available would be the sum of the proceeds from the disposition of the Debtors’ assets and the Cash held by the Debtors at the commencement of their hypothetical chapter 7 cases. The gross amount of Cash would be reduced by the costs and expenses of the liquidation, the amount attributable to collateral pledged to a claimant on account of an allowed Secured Claim and/or super-priority secured claim arising post-petition, and the amounts necessary to satisfy, among other things, chapter 11 Administrative Expense Claims and Priority Tax Claims. Any remaining Cash would be available for distribution to Holders of Allowed General Unsecured Claims and Equity Interest Holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The Debtors’ liquidation analyses (collectively, the “Liquidation Analyses”) reflect management’s projection of the proceeds that may be realized by the Debtors’ Estates and the potential recoveries that may be realized by the Holders of Allowed Claims if the assets of the Debtors were liquidated and the proceeds distributed in accordance with chapter 7 of the Bankruptcy Code (“Chapter 7”).

A number of projections, estimates and assumptions underlie the Liquidation Analyses that, although developed and considered to be reasonable, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of management, and that are based upon present assumptions as to liquidation decisions which could change based upon a change in circumstances. Accordingly, there can be no assurance that the values and the costs reflected in the Liquidation Analyses will be realized if the Debtors were, in fact, to undergo a liquidation under chapter 7.

The Liquidation Analyses may be helpful to holders of Claims entitled to vote in reaching a determination of whether to vote to accept or reject the Plan. Holders of Claims entitled to vote are encouraged to compare the estimated recovery shown in the Liquidation Analyses to those estimated under the Plan as detailed in the Disclosure Statement.

The Liquidation Analyses should be read in conjunction with the following notes and assumptions.

¹ Unless separately defined herein, all capitalized terms have the meanings ascribed to them in the *Joint Plan of Reorganization of Arcapita Bank B.S.C. (c) and Related Debtors Under Chapter 11 of the Bankruptcy Code, dated April 15, 2013* (the “Plan”) or the *Disclosure Statement in Support of the Joint Plan of Reorganization of Arcapita Bank B.S.C. (c) and Related Debtors Under Chapter 11 of the Bankruptcy Code, dated April 15, 2013* (the “Disclosure Statement”).

Assumptions:

For the purpose of the Liquidation Analyses, the Debtors considered many factors and made certain assumptions. Those assumptions that the Debtors consider significant are described below.²

1. General

- a. **Conversion:** Each of the Chapter 11 cases is converted to a hypothetical Chapter 7 on May 31, 2013 (the "Conversion Date"). While individual liquidation analyses were prepared for each of the Debtors, only the liquidation analyses for Arcapita Bank, AIHL, LT Holdings and Falcon Gas Storage Company, Inc. have been included in the Disclosure Statement. The individual liquidation analyses for WTHL, AEID II Holdings and Rail Invest (collectively, the "Portfolio Company Debtors") have been incorporated into the liquidation analyses for AIHL and LT Holdings due to the Debtors' concerns regarding the confidential nature of the Debtors' valuation assumptions for the Portfolio Company Debtors (either on a liquidation basis or as a going concern). The Debtors are concerned that if such information were made public, it could have a material adverse effect on the Debtors' ability to maximize the net proceeds from the ultimate monetization of the Portfolio Company Debtors. The liquidation analyses for the Portfolio Company Debtors show that the recovery of the Portfolio Company Debtors' creditors in the context of a hypothetical chapter 7 would be no greater than what Portfolio Company Debtors' creditors would receive under the Plan. See the separate liquidation analysis for Falcon Gas Storage Company, Inc.
- b. **Consolidation:** The Liquidation Analyses assume that the Debtors are consolidated for administrative purposes in Chapter 7 cases pending in the United States ("US".) Since the Debtors have operations and assets throughout the world, it is possible that liquidation proceedings as to the Debtors' assets could occur in the US, Cayman Islands, Bahrain, certain parts of Europe and potentially other countries where the Debtors may have assets.

Due to the myriad of uncertainties associated with multiple hypothetical liquidation proceedings throughout the world (including, without limitation, costly litigation amongst the various liquidation proceedings as to control), for the purpose of the Liquidation Analyses, it is assumed that the least costly and most efficient liquidation (and the one that would theoretically generate the highest net proceeds) would be one where the Debtors' assets are liquidated on a consolidated basis by one Chapter 7 trustee. If the Debtors were instead to be liquidated by multiple parties throughout the world and outside of Chapter 7, it is likely that, among other things, the costs of such an uncoordinated approach would be materially greater, the total time to liquidate all of the Debtors' assets would be materially longer, the net proceeds of the liquidation of the Debtors' assets would be materially less and the ultimate amount of Allowed Claims would be materially greater than the estimated amounts in the Liquidation Analyses.

² The information contained herein primarily relates to the liquidation analyses for Arcapita Bank, AIHL, LT Holdings, WTHL, AEID II Holdings and Rail Invest. A separate liquidation analysis for Falcon Gas Storage Company, Inc. (the "Falcon Liquidation Analysis"). The Falcon Liquidation Analysis is also included as a separate exhibit to the Disclosure Statement.

- c. **Potential Cayman Islands Liquidation Proceeding:** As described in Section I.B.2. of the Disclosure Statement, the conditions precedent to the occurrence of the Effective Date include the entry of an order from the Cayman Court validating the AIHL Sale. Therefore, in addition to satisfying the “best interests” test of section 1129(a)(7) of the Bankruptcy Code, the Liquidation Analyses assume that in order to obtain orders from the Cayman Court so as to ensure that the Plan is rendered effective, AIHL must demonstrate to the Cayman Court that AIHL receives full value in return for any property transferred by it, and that the rights of each holder of an impaired Claim against the AIHL Estate (an “AIHL Holder”) will be, as of the Effective Date, no less valuable than the rights which an AIHL Holder would receive or retain if the AIHL Estate’s assets were liquidated through a hypothetical stand-alone Cayman Islands Liquidation proceeding.

The Debtors believe that, compared to the Plan, the liquidation of the AIHL Estate through a Cayman Islands liquidation proceeding would be detrimental to the recovery of AIHL Holders because, among other things, a Cayman Islands liquidation: (i) would likely trigger change of control provisions under various contracts entered into by the Debtors’ portfolio companies, potentially resulting in “events of default”, the prosecution of remedies by the contract counterparties and a material deterioration in the value of the effected portfolio companies; (ii) would likely trigger an event of default under the Lease and Option Agreement related to the Lusail Land (as described in Section VI.B.4. of the Disclosure Statement), potentially leading to the termination of those agreements and the loss of one of the most valuable assets in the AIHL Estate; (iii) would reduce or eliminate the current level of inter-company cooperation related to AIHL, on the one hand, and Arcapita Bank, the Syndication Companies, the PNVs, the PVs, the Transaction Holdcos and the portfolio companies, on the other hand; which could potentially restrict AIHL’s access to the books and records of these companies and lead to other operational inefficiencies; (iv) would result in a default under the DIP Facility, which, if not cured through negotiation with the DIP Participants or through a refinancing of the DIP Facility, could lead to the exercise of remedies by the DIP Participants against the assets of the AIHL Estate pledged as collateral; and (v) would fail to resolve the secured and administrative claims held by SCB against LT Holdings (the primary asset of the AIHL Estate), in a manner that would preserve any value for the AIHL Holders.

Taking into account each of the issues described above, the Debtors and the JPLs believe that they will be able to demonstrate that a liquidation proceeding in the Cayman Islands is not likely to lead to a greater recovery to the AIHL Holders than what is projected under the Plan and, indeed, the recovery in a Cayman Islands liquidation proceeding could be far worse.

- d. **DIP Claims and SCB Claims:** A conversion of the Debtors’ Chapter 11 cases to Chapter 7 proceedings would be an event of default under the DIP Agreement and the SCB Facilities. If upon conversion to a Chapter 7, Fortress and/or SCB were to exercise their rights and remedies, they could foreclose on their collateral separately and apart from any actions that a Chapter 7 trustee may take. Actions by Fortress and/or SCB to realize upon their collateral could lead to costly litigation and potentially higher costs and reduced asset recoveries relative to an orderly liquidation overseen by one Chapter 7 trustee. Accordingly, the Liquidation Analyses assume that the Chapter 7 trustee is able to reach agreement with

Fortress and SCB to liquidate their collateral as part of the Chapter 7 liquidation and without Fortress and/or SCB separately trying to foreclose on their collateral. If an agreement cannot be reached or if the Chapter 7 trustee is forced to expedite the sale process to satisfy Fortress and/or SCB, the ultimate recovery from the sale of the Debtors' assets may be materially less than the amounts estimated in the Liquidation Analyses.

- e. **Duration of Liquidation:** The Liquidation Analyses assume that the liquidation of the Debtors' assets would continue through May 31, 2014 (the "Sale Period"). During the Sale Period, all of the Debtors' significant assets would either be sold or conveyed to the applicable Lien Holders and the Cash proceeds, net of liquidation-related costs, administrative costs and reserves, would be available for distribution to Holders of Allowed Claims.

There are over 3,000 Claims in the Debtors' Chapter 11 cases, including the Claims of Debtor-controlled entities against other Debtors and Claims among Debtors. It is unlikely that a Chapter 7 trustee could adequately reconcile all of the Claims during the Sale Period. Therefore, a large number of the Claims will be reconciled, valued, negotiated, settled, and/or litigated to conclusion after the Sale Period. The Liquidation Analyses assume that the period to distribute any proceeds to Holders of Allowed Claims would take place over a twelve-month period after the Sale Period; however, any additional time required to reconcile, settle and distribute proceeds will reduce the amount of net proceeds available to distribute on account of Allowed Claims and/or require the establishment of reserves which may significantly increase the amount of time before certain distributions can be made.

It is not uncommon in large, complex cases such as this for a liquidation to last many years while a Chapter 7 trustee prosecutes difficult Claims and resolves other litigation.

- f. **Plan Settlements:** The Plan, and the distribution scheme set forth in the Plan, reflects not only a compromise and settlement of an appropriate allocation among the Debtors of the asset values, but also the compromise and settlement of a number of other potential disputes among the Debtors' estates.

Through the Plan and its incorporated Plan Settlements, the Debtors have endeavored to avoid costly and protracted litigation related to the various Potential Plan Disputes, including but not limited to disputes related to investment portfolio value and cost allocation, administrative expense allocation, substantive consolidation, characterization of intercompany balances, value of Arcapita Bank's control over portfolio company investments, characterization of the Arcapita Bank Bahrain headquarters lease, potential avoidance action value, and the prepetition Lusail funding.

Litigation of the Potential Plan Disputes in either a chapter 11 or chapter 7 scenario would be costly, complex and time consuming. While the Liquidation Analyses assume that these issues are also not litigated in the context of a chapter 7 proceeding, such litigation, if initiated, would not be finally resolved for many years and would likely materially delay and erode the value of the ultimate realizable value of the Debtors' assets. Accordingly, the corresponding distributions to the Debtors' creditors would likely be materially less than the estimated amounts in the Plan and the Liquidation Analyses.

- g. **Contingency Reserve:** The estimated *Net Distributable Assets* are reduced by a 10% “Contingency Reserve” to account for, among other things, the uncertainties inherent in: (i) implementing and managing the liquidation process (particularly a multi-country hypothetical liquidation such as the Debtors); (ii) uncertainty regarding the ability to consensually implement the Plan Settlements in the context of a hypothetical chapter 7; (iii) ability to quantify a variety of valuation related issues buyers would demand in the context of a hypothetical chapter 7 including, but not limited to, those discussed in paragraph 2.(e).(i.) herein; (iv) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (v) providing for disputed Claims to the extent the Debtors do not ultimately prevail in litigating them. Due to the uncertainty associated with the issues, the actual amount of the reduction in liquidation value related to these issues could be much greater than the estimated amounts shown herein for the Contingency Reserve.

2. Assets

- a. **Cash:** Unless otherwise noted, Cash is based on unrestricted Cash balances.
- b. **“IPP Converted to Investments”:** The Global Settlement provides for the settlement of claims of the Arcapita Group against certain management Employees arising from co-investment incentive plans. Historically, the Debtors maintained two equity incentive programs: the Investment Participation Program (the “IPP”) for non-U.S. citizens and the Investment Incentive Program (the “IIP” and with the IPP, the “IPP/IIP”) for U.S. citizens. In sum, the IPP/IIP afforded certain management level Employees the opportunity to co-invest with the Arcapita Group in portfolio companies and obtain shares (the “Investment Shares”) using the proceeds of loans from the Arcapita Group which are repaid over time from future Employee bonus payments (with respect to the IPP) or through deferred compensation (with respect to the IIP). For more information, please see the “Severance Program” section of the Disclosure Statement. The estimated recovery from the IPP in the Liquidation Analyses is assumed to equal the expected recovery from the IPP under the Plan.
- c. **“Other Receivables”:** Certain Debtor and non-Debtor Affiliates are owed amounts that generally fall into the following categories:
- i. **Management Fees:** In many instances, there are (a) management agreements (the “Management Agreements”) between Arcapita Bank’s management company affiliates (the “Management Companies”) and the portfolio companies and (b) Administration Agreements between Arcapita Bank’s subsidiary, AIML, and the Syndication Companies, PVs and PNVs. These agreements generate annual and deal exit related fees, some of which are paid currently and some of which are accrued and paid only on exit from particular investments. Unlike the value from portfolio equity interests and WCF financing which must flow through AIHL for Arcapita Bank to receive any value from its equity interest in AIHL, the value attributable to the Management Agreements and the Administration Agreements does not flow through AIHL, but rather flows indirectly to Arcapita Bank, through the non-Debtor Management Companies and AIML. Only the creditors of Arcapita Bank, not AIHL, have any claims to these proceeds.

Given the uncertainty and unpredictable timing of the payment of the fees under the Management Agreements, a potential buyer would most likely significantly

discount the amount it would be willing to pay to purchase the rights to these Management Fees. Additionally, in the context of a chapter 7 liquidation, the counterparties to certain or all of the Management Agreements may try to terminate the agreements. The Liquidation Analyses assume that the Management Agreements remain in place during the Sale Period; however, in the event of litigation surrounding the Management Agreements or the termination of the Management Agreements at some point after the conversion of the Debtors' cases to a hypothetical Chapter 7, the actual sales proceeds would be much less than the estimated amounts in the Liquidation Analyses.

The Liquidation Analyses also assume that, upon the conversion of the cases to proceedings under Chapter 7, the co-investors, where they have sufficient authority to do so, would replace the board of directors of each Syndication Company they control and would cancel the Administration Agreements. All amounts accrued under the Administration Agreements through the Conversion Date would remain owed to the appropriate Debtor and, assuming sufficient sales proceeds are available upon the sale of the operating company, would be paid upon the sale of the operating company. Given the uncertainty and unpredictable timing of payment of the fees under the Administration Agreements, the Liquidation Analyses assume a buyer would most likely significantly discount the amount it is willing to pay to purchase the rights to the fees payable under the Administration Agreements.

- ii. Deal Company Expenses: Prior to the filing of the Chapter 11 Cases, Arcapita Bank frequently paid expenses, or incurred other obligations, on behalf of the portfolio companies or other Affiliates. For example, Arcapita Bank may receive an invoice from a professional directly for services performed for a Transaction Holdco, Syndication Company or PNV, and Arcapita Bank would pay that invoice. The expenses or other obligations paid by Arcapita Bank were, in turn, reflected as receivables due from the applicable company. These amounts are owed directly to Arcapita Bank and, as a general matter, would be paid upon an exit with respect to the operating portfolio company. Only the creditors of Arcapita Bank, not AIHL, have any claims to these proceeds. Given the uncertainty and unpredictable timing of repayment of the Deal Company Expenses, the Liquidation Analyses assume that a buyer would most likely significantly discount the price it is willing to pay for the Deal Company Expenses.
- iii. Other: Includes insignificant amounts owed to the Debtors from third parties related to, among other things, overpayments to vendors. The Liquidation Analyses assume that the cost of trying to collect the Other Receivables exceeds the value of the recoveries and hence, no recoveries for Other Receivables are included in the Liquidation Analyses.
- d. **"Murabaha Investments"**: During its ownership of certain underlying operating portfolio companies, AIHL through affiliates formed for the purpose of providing working capital funding, loaned funds to certain operating companies at either the operating company or holding company level through Shari'ah compliant Murabaha loans ("WCF Loans"). These

WCF Loans do not provide for the periodic payment of interest and instead provide that a specific profit shall accrue and that an agreed profit rate is to be repaid upon a sale of the operating company or a refinancing of its capital structure. There is no guarantee that the Debtors will be paid in full, or at all, on account of the WCF Loans. In certain cases, the Debtors have taken reserves against the amount owed to account for the uncertainty of certain WCF Loans being repaid in full. Given the uncertainty and unpredictable timing of payment of the WCF Loans, a buyer would likely significantly discount the amount it is willing to pay to acquire the WCF Loans.

- e. **“Equity Investments”**: Certain of the Debtors hold equity interests in the operating portfolio companies. These equity interests are held as Short-Term Holdings, through AIHL, and as Long-Term Holdings, through LT Holdings (collectively the “Investments”). In most cases, the investments held by the respective Debtors are only a minority equity interest in a portfolio companies and do not include the right to force other equity investors to sell their equity interests at the same time or to vote to sell the assets of the operating company. In addition, the shareholder agreements at certain of the portfolio companies may restrict the Debtors’ ability to sell their equity interests or may limit the type of buyer the Debtors may sell to.

In cases where the Debtors hold a controlling equity stake, they may still not have the ability to require other minority investors to sell their equity interest. Additionally, the board of directors of certain of the operating portfolio companies may not favor the quick sale of the Debtors’ equity position as may be required in the context of a Chapter 7 and may not be willing to coordinate or facilitate a sale with the Chapter 7 trustee. Accordingly, in the context of a hypothetical Chapter 7, the Sale Period may not reflect the total time necessary to maximize the return on the Investments.

The estimated net proceeds contained in the Liquidation Analyses for the Investments reflect the following:

- i. A forced liquidation of the Investments over the 12-month period contemplated in a hypothetical Chapter 7 would likely have an adverse impact on the Debtors’ ultimate recoveries (relative to a non-distressed, orderly sale of the Investments as contemplated in the Plan) and would be impacted by the following factors, among others:
- *Potential Lack of Funding in the Market* – Potential buyers may not be able to obtain the requisite financing to purchase the Investments.
 - *Potential Supply and Demand Imbalances* – Given the size of the Debtors’ Investment portfolio, if offered for sale in its entirety, the market equilibrium in certain markets or geographies may be disturbed. The Investments available for sale may outweigh existing demand, inviting further discounts in order to attract buyers.
 - *Inability to Offer Seller Representations or Warranties* – The liquidation of the Investments in the context of a Chapter 7 would impair the Debtors’

willingness or ability to offer representations and warranties as to the Investments. Additional discounts would likely be necessary to compensate buyers for the risk of not being able to secure certain guarantees or indemnities that would be customary in a non-liquidation setting.

- *Minority Interests* – As mentioned previously, in most Investments the Debtors only own a minority interest. The Debtors do not know whether any of the other investors in the Investments would be willing to sell their interests during the Sale Period and the Liquidation Analyses assume that only the Debtors' interest in the Investments is sold during the Sale Period. A buyer's willingness to acquire a minority stake will be dependent on a number of factors, including its view of current and future value, the potential timing of an ultimate sale of the underlying portfolio company, the buyer's ability to acquire additional equity shares from other investors and/or gain control of the portfolio company, and its assessment of controlling management and the anticipated relationship with the other existing investors.
- *Investment Size* – The absolute dollar value of certain of the Debtors' Investments is relatively small and may not attract significant interest from potential buyers or may require a higher discount than what is contemplated in the Liquidation Analyses to attract a buyer.
- *Potential Regulatory Restrictions* – Certain Investments may be subject to regulatory restrictions on the type of buyer or percentage of ownership that may be held by any one owner. Potential buyers may demand a further discount on any Investment subject to regulatory control or approval.
- *Change of Control Provisions* – Certain Investments contain change of control limitations that would likely be triggered in the event that a Chapter 7 trustee were to try and sell the Debtors' ownership interest.
- *Market Psychology* – In a Chapter 7 liquidation, potential buyers will be aware of the Chapter 7 trustee's desire to liquidate the Investments in a limited time for the best offer received - which is likely to be at a material discount to the inherent value of the Investment.
- *Maturity of the Underlying Investment Portfolio* – Certain of the investments are at an early stage of their respective business cycles and the ultimate success of their respective business plans is still unproven.
- *Potential Need for Future Funding* – As discussed above, the Debtors have provided WCF Loans to satisfy the ongoing funding needs of certain of the portfolio companies. Based on current estimates, the continued funding of certain of portfolio companies is likely to be required during and beyond the Sale Period. However, a buyer may significantly discount the amount it is

willing pay for the equity interests held by the Debtors in these Investments that require continued funding.

- **Other Considerations:** A liquidation of the Investments would likely entail significant involvement of third-party investment bankers, real estate brokers, and legal resources (including representation by local counsel). For the purpose of the Liquidation Analyses, the Debtors included fees for brokers and investment bankers and additional amounts to cover legal and other contingencies. Litigation and structural impediments (transfer consents, regulatory or environmental restrictions, rights of first refusal, etc.) may require that certain Investments be held beyond the Sale Period resulting in higher costs or greater discounts than are contemplated in the Liquidation Analyses
- f. **Fixed Assets:** Includes vehicles, computer equipment and software, furniture and fixtures which are assumed to have minimal value in the context of a hypothetical Chapter 7.
- g. **Other Assets:** Includes goodwill in select subsidiaries, deposits and other assets which are expected to have minimal value in the context of a hypothetical Chapter 7.
- h. **Avoidance Actions:** Due to uncertainty and litigation risk, the Liquidation Analyses do not include any recoveries on account of Avoidance Actions (the creditor recovery percentages contained in the Plan also assume no recoveries on account of Avoidance Actions).
- i. **Other Litigation:** The Liquidation Analyses do not include any amounts for recoveries on account of any other litigation that may exist.

3. Total Operating Expenses

- a. **Employees:** Given the sophisticated and complex nature of the Debtors' assets, including the geographic dispersion of the Debtors' assets throughout the world, it is assumed that the Chapter 7 trustee would retain a significant number, if not all, of the Arcapita Group's current employees to assist in liquidating the Debtors' assets.
- i. **Investment Professionals:** The Liquidation Analyses assume that a Chapter 7 trustee would retain the majority, if not all, of the Arcapita Group's investment professionals who have significant knowledge of the underlying Investments and operating portfolio companies but are primarily, if not entirely, employed by non-Debtor subsidiaries and affiliates (the "Deal Teams"). Given the institutional knowledge of the Deal Teams and the potential market for the expertise of the Deal Teams, it is assumed that in addition to their current baseline compensation levels, a Chapter 7 trustee would be required to pay a retention bonus or incentive payments to entice the Deal Teams to accept the Chapter 7 trustee's offer of employment.

There is no guarantee that a Chapter 7 trustee could reach an acceptable employment agreement with certain, or all, of the Deal Teams and a Chapter 7 trustee may have to offer the Deal Teams a retention bonus or incentive payments in excess of the amounts assumed in the Liquidation Analyses. If the Chapter 7

trustee is not able to secure the retention of certain key Deal Teams, among other things, the actual proceeds from the liquidation of the Debtors' assets could be materially less than the estimated amounts in the Liquidation Analyses and the costs to liquidate the Debtors' assets could be materially greater than the estimated amounts in the Liquidation Analyses.

- ii. **Other Employees:** It is assumed that the Chapter 7 trustee would also retain a significant number of the Arcapita Group's non-Deal Team employees who have substantial working knowledge of the Debtors' systems and books and records. It is likely that several of these employees would be retained throughout the entire Chapter 7 liquidation. If the Chapter 7 trustee cannot successfully retain certain key employees, among other things, the actual proceeds from the liquidation of the Debtors' assets could be materially less than the estimated amounts in the Liquidation Analyses and the costs to liquidate the Debtors' assets could be materially greater than the estimated amounts in the Liquidation Analyses.
- b. **G&A:** The Liquidation Analyses assume that in the context of a Chapter 7 that the Debtors' Estates would continue to incur significant ongoing operating costs, including the cost of maintaining the current operations at most, if not all, of the Arcapita Group's various locations throughout the world.
- c. **Deal Funding:** Certain Investments are projected to require additional capital funding throughout the Sale Period ("Deal Funding") to support the estimated exit value. A total of \$59.1 million of Deal Funding is projected throughout the Sale Period.
- d. **Trustee Fees:** The Liquidation Analyses assume that the Chapter 7 trustee would be compensated in accordance with the guidelines of section 326 of the Bankruptcy Code.
- e. **Professional Fees:** Due to the complex nature of the Debtors' cases and given that the Chapter 7 trustee and, to the extent applicable, the trustee's professionals, must familiarize themselves with, among other things, the Debtors, their Estates, their assets and the Claims asserted against them, the Liquidation Analyses assume that the Chapter 7 trustee would incur significant professional fees in the context of a Chapter 7 liquidation.
- f. **Allocation of Costs:** The Liquidation Analyses assume that that all operating costs related to employees, G&A, and Professional Fees, as well as any additional costs to the Debtors' Estates not previously mentioned, such as debt servicing costs, are allocated to each of the Debtors based on the estimated utilization by each Debtor of the services or the benefit giving rise to such costs.

4. Estimated Recoveries

- a. Amount of Allowed Claims:** The liquidation and allowance of Claims is an uncertain process. Additionally, given the number of disputed, contingent and/or unliquidated Claims in the Debtors' cases, the Claims allowance process will likely take a great deal of time. Furthermore, the accelerated wind down timeline, the truncated period to liquidate the Debtors' assets and the substantial loss of an experienced workforce that could result from a conversion of the Debtors' cases to a Chapter 7, is likely to negatively impact the Claims reconciliation process - both in terms of timing and the ultimate amount of Allowed Claims. To date, no orders or findings have been entered by the Bankruptcy Court estimating or otherwise fixing the amount of the Debtors' Allowed Claims. The amount of Claims used in the Liquidation Analyses has been reduced to eliminate duplicate and superseded Claims. **The actual amount of Allowed Claims could vary materially from the estimated amounts contained in the Liquidation Analyses.**
- b. Additional Claims:** The liquidation of the Debtors' Assets by a Chapter 7 trustee will likely result in additional Claims relative to what is assumed in the Liquidation Analyses, including, but not limited to, Claims arising from the rejection of various executory contracts, unexpired leases, and pre-petition contracts that are either assumed or consensually modified under the Plan. However, due to the uncertainty as to which contracts or leases would ultimately be rejected and the determination of the amount of any rejection damages (if any) in the context of a hypothetical Chapter 7 liquidation, the Liquidation Analyses do not assume any incremental Claims (relative to the Plan) for any such potential additional Claims other than the following related to the HQ Lease in the context of a Chapter 7: (i) Approximately \$48.0 million in additional General Unsecured Claims related to the assumed rejection of the HQ Lease; (ii) \$10.4 million in additional General Unsecured Claims related to unpaid prepetition lease payments and (iii) approximately \$48.0 million in additional Administrative Claims related to unpaid post-petition lease payments. If there were additional rejection Claims (relative to what is assumed in the Plan and the Liquidation Analyses) these additional Claims would further dilute the estimated creditor recoveries in the Liquidation Analyses.

**ARCAPITA BANK B.S.C.(c) AND ITS AFFILIATED DEBTORS
Liquidation Analysis**

UNAUDITED

Exhibit B: Liquidation Analysis

Liquidation Analysis for Arcapita Bank B.S.C.(c)

UNAUDITED

(\$ in Millions)

		Liquidation Analysis			Estimated Plan Recovery %
		Amount	Recovery Amount	Recovery %	
Cash and Equivalents		\$ 2.3	\$ 2.3	100.0%	
IPP Converted to Investments	(1)	13.5	9.5	70.1%	
Other Receivables	(2)	240.7	178.4	74.1%	
Fixed Assets		13.9	2.1	15.0%	
Other Assets		6.5	0.3	5.0%	
Total		\$ 277.0	\$ 192.6		
Intercompany Receivables	(3)	271.6	50.8	18.7%	
Gross Liquidation Proceeds Available for Distribution			\$ 243.4		
DIP Facility Claims		15.5	15.5	100.0%	100.0%
Net Proceeds Available			\$ 227.9		
Chapter 7 Liquidation Expenses					
Total Operating Expenses	(4)		16.5		
Trustee Fees			5.3		
Priority Tax Claims			0.8	100.0%	100.0%
Net Distributable Assets			\$ 205.2		
Less: Contingency Reserve (10%)	(5)		20.5		
Net Distributable Assets After Contingency Reserve			\$ 184.7		
Chapter 11 Administrative Expenses			52.4		
Class 1(a) - Other Priority Claims		0.2	0.2	100.0%	100.0%
Class 2(a) - SCB Claims		-	-	-	100.0%
Class 3(a) - Other Secured Claims		-	-	-	-
Class 4(a) - Syndicated Facility and Arcsukuk Claims	(6)	977.3	40.4	4.1%	67.6%
Class 5(a) - General Unsecured Claims		1,904.7	78.7	4.1%	7.7%
Class 7(a) - Intercompany Claims	(7)	316.6	13.1	4.1%	Nominal
Class 8(a) - Subordinated Claims		83.1	-	0.0%	TBD
Class 9(a) - Interests in Arcapita Bank B.S.C.(c)		-	-	-	-
Class 10(a) - Super-Subordinated Claims		-	-	-	-
Total Recoveries			\$ 184.7		

Note: Numbers showing \$0.0 represent amounts less than \$50,000.

Arcapita Bank B.S.C.(c)
Notes to Liquidation Analysis

1. Represents receivables under the IPP/IIP.
2. Includes outstanding amounts owed directly to Arcapita Bank B.S.C.(c) from portfolio companies for accrued and unpaid management fees and for funds previously advanced by Arcapita Bank B.S.C.(c) on behalf of the portfolio company.
3. Includes amounts owed to Arcapita Bank B.S.C.(c) from other Debtors. The amount shown is net of \$184.6 million owed by Arcapita Bank B.S.C.(c) to AIHL.

4. Total Operating Expenses Include the following:

<u>Expense (\$ in millions)</u>	<u>Amount</u>
Payroll	\$ 2.4
Incentive Compensation	2.8
General & Administrative	2.5
Professional Fees	7.7
Debt Service	3.1
Deal Fundings	-
Less: Management Fees & Other Receipts	(2.0)
Total Operating Expenses	<u>\$ 16.5</u>

5. The contingency reserve is intended to serve as a buffer and reflects, among other things, the uncertainties inherent in: (i) implementing and managing the liquidation process (particularly a multi-country hypothetical liquidation such as the Debtors); (ii) uncertainty regarding the ability to consensually implement the Plan Settlements in the context of a hypothetical chapter 7; (iii) ability to quantify a variety of valuation related issues buyers would demand in the context of a hypothetical chapter 7 including, but not limited to, those discussed in paragraph 2.(e).(i.) herein; (iv) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (v) providing for disputed Claims to the extent the Debtors do not ultimately prevail in litigating them. Due to the uncertainty associated with the issues, the actual amount of the reduction in liquidation value related to these issues could be much greater than the estimated amounts shown herein for the Contingency Reserve.
6. Owed by Arcapita Bank B.S.C.(c) and guaranteed by AIHL. The recovery shown here is net of amounts recovered under the hypothetical Chapter 7 liquidation of AIHL.
7. Relates to amounts due to LT Holdings.

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Exhibit B: Liquidation Analysis

Liquidation Analysis for Arcapita Investment Holdings Limited
UNAUDITED
(\$ in Millions)

		Liquidation Analysis			Estimated Plan Recovery %
		Amount	Recovery Amount	Recovery %	
Cash and Equivalents		\$ 71.8	\$ 71.8	100.0%	
Murabaha Investments	(1)	275.8	194.2	70.4%	
Equity Investments	(2)	285.0	166.1	58.3%	
Other Assets		0.2	0.0	5.0%	
Total		\$ 632.8	\$ 432.1		
Intercompany Receivables		-	-		
Equity Interests in Affiliates	(3)		73.6		
Gross Liquidation Proceeds Available for Distribution			\$ 505.7		
DIP Facility Claims		62.2	62.2	100.0%	100.0%
Proceeds Available to Admin & Priority Claims			\$ 443.6		
<u>Chapter 7 Liquidation Expenses</u>					
Total Operating Expenses	(4)		107.6		
Trustee Fees			9.8		
Priority Tax Claims			-	-	-
Net Distributable Assets			\$ 326.2		
Less: Contingency Reserve (10%)	(5)		32.6		
Net Distributable Assets After Contingency Reserve			\$ 293.5		
Chapter 11 Administrative Expenses			17.6		
Class 1(b) - Other Priority Claims		-	-	-	-
Class 2(b) - SCB Claims		-	-	-	100.0%
Class 3(b) - Other Secured Claims		-	-	-	-
Class 4(b) - Syndicated Facility and Arcsukuk Claims	(6)	1,202.4	225.1	18.7%	67.6%
Class 5(b) - General Unsecured Claims		0.1	0.0	18.7%	59.9%
Class 7(b) - Intercompany Claims	(7)	271.5	50.8	18.7%	Nominal
Class 9(b) - Intercompany Interests		-	-	-	-
Total Recoveries			\$ 293.5		

Note: Numbers showing \$0.0 represent amounts less than \$50,000.

Arcapita Investment Holdings Limited
Notes to Liquidation Analysis

1. Includes equity interests in the various entities that provide the WCF Loans. The recovery amounts shown include profit from portfolio company loans that are expected to accrue subsequent to the Conversion Date and prior to the Sale Date.
2. Includes equity interests in the Syndication Companies.
3. Represents the net recovery from the liquidation of equity interests in a hypothetical Chapter 7 liquidation of LT Holdings.

4. Total Operating Expenses Include the following:

<u>Expense (\$ in millions)</u>	<u>Amount</u>
Payroll	\$ 9.7
Incentive Compensation	2.5
General & Administrative	10.0
Professional Fees	30.7
Debt Service	12.3
Deal Fundings	50.4
Less: Management Fees & Other Receipts	(7.9)
Total Operating Expenses	<u><u>\$ 107.6</u></u>

5. The contingency reserve is intended to serve as a buffer and reflects, among other things, the uncertainties inherent in: (i) implementing and managing the liquidation process (particularly a multi-country hypothetical liquidation such as the Debtors); (ii) uncertainty regarding the ability to consensually implement the Plan Settlements in the context of a hypothetical chapter 7; (iii) ability to quantify a variety of valuation related issues buyers would demand in the context of a hypothetical chapter 7 including, but not limited to, those discussed in paragraph 2.(e).(i.) herein; (iv) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (v) providing for disputed Claims to the extent the Debtors do not ultimately prevail in litigating them. Due to the uncertainty associated with the issues, the actual amount of the reduction in liquidation value related to these issues could be much greater than the estimated amounts shown herein for the Contingency Reserve.
6. Owed by Arcapita Bank B.S.C.(c) and guaranteed by AIHL. In a liquidation, the net unrecoverable amount in a hypothetical Chapter 7 liquidation of AIHL is expected to result in an unsecured claim against Arcapita Bank B.S.C.(c) under a hypothetical liquidation of Arcapita Bank B.S.C.(c).
7. Relates to amounts due to Arcapita Bank B.S.C.(c) net of \$184.6 million owed by Arcapita Bank B.S.C.(c) to AIHL.

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Exhibit B: Liquidation Analysis

Liquidation Analysis for Arcapita LT Holdings Limited
UNAUDITED
(\$ in Millions)

		Liquidation Analysis			Estimated Plan Recovery %
		Amount	Recovery Amount	Recovery %	
Equity Investments	(1)	\$ 124.1	\$ 87.0	70.1%	
Intercompany Receivables	(2)	316.6	13.1	4.1%	
Equity Interests in Affiliates	(3)		-		
Gross Liquidation Proceeds Available for Distribution			\$ 100.1		
DIP Facility Claims		-	-	-	-
Proceeds Available to Admin & Priority Claims			\$ 100.1		
Chapter 7 Liquidation Expenses					
Total Operating Expenses	(4)		1.3		
Trustee Fees			2.6		
Priority Tax Claims		-	-	-	-
Net Distributable Assets			\$ 96.2		
Less: Contingency Reserve (10%)	(5)		9.6		
Net Distributable Assets After Contingency Reserve			\$ 86.6		
Chapter 11 Administrative Expenses		-	-		
Class 1(c) - Other Priority Claims		-	-	-	-
Class 2(c) - SCB Claims	(6)	12.9	12.9	100.0%	100.0%
Class 3(c) - Other Secured Claims		-	-	-	-
Class 5(c) - General Unsecured Claims		-	-	-	-
Class 7(c) - Intercompany Claims		-	-	-	-
Class 9(c) - Intercompany Interests	(7)	-	73.6	-	-
Total Recoveries			\$ 86.6		

Note: Numbers showing \$0.0 represent amounts less than \$50,000.

**Arcapita LT Holdings Limited
Notes to Liquidation Analysis**

1. Includes investments in certain non-Debtor subsidiaries.
2. Represents amounts due from Arcapita Bank B.S.C.(c).
3. Represents the net recovery, if any, from the liquidation of equity interests in the hypothetical Chapter 7 liquidations of RailInvest Holdings Limited, AEID II Holdings Limited and WindTurbine Holdings Limited.
4. Total Operating Expenses Includes amounts allocated to ALTHL for incentive compensation related to sale proceeds received from the liquidation of the assets of ALTHL.
5. The contingency reserve is intended to serve as a buffer and reflects, among other things, the uncertainties inherent in: (i) implementing and managing the liquidation process (particularly a multi-country hypothetical liquidation such as the Debtors); (ii) uncertainty regarding the ability to consensually implement the Plan Settlements in the context of a hypothetical chapter 7; (iii) ability to quantify a variety of valuation related issues buyers would demand in the context of a hypothetical chapter 7 including, but not limited to, those discussed in paragraph 2.(e).(i.) herein; (iv) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (v) providing for disputed Claims to the extent the Debtors do not ultimately prevail in litigating them. Due to the uncertainty associated with the issues, the actual amount of the reduction in liquidation value related to these issues could be much greater than the estimated amounts shown herein for the Contingency Reserve.
6. In addition to guarantees from Arcapita Bank B.S.C.(c) and AIHL, SCB Claims are guaranteed by and have a first priority pledge of the equity in LT Holdings, RailInvest Holdings Limited, AEID II Holdings Limited and WindTurbine Holdings Limited. The Liquidation Analysis assumes that SCB Claims are to be satisfied first by any Net Distributable Assets After Contingency Reserve available under the hypothetical Chapter 7 liquidations of RailInvest Holdings Limited, AEID II Holdings Limited and WindTurbine Holdings (in the order of highest Net Distributable Assets to lowest) with any remaining amount recovered from the proceeds of the hypothetical Chapter 7 liquidation of LT Holdings.
7. Represents the net recovery from the liquidation available to equity interests held by AIHL.

Falcon Gas Storage Company, Inc. Liquidation Analysis¹

Pursuant to section 1129(a)(7) of the Bankruptcy Code (the “Best Interests Test”), each holder of an impaired Claim or equity Interest must either: (i) accept the Plan; or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

In determining whether the Best Interests Test has been met, the first step is to determine the projected recovery that each Class of creditors would receive in a hypothetical liquidation of the assets of Falcon Gas Storage Company, Inc. (the “Debtor” or “Falcon”) in a chapter 7 proceeding. The gross amount of Cash available would be the sum of the proceeds from the disposition of Falcon’s assets and the Cash held by Falcon at the commencement of its hypothetical chapter 7 case. The gross amount of Cash would be reduced by the costs and expenses of the liquidation (including costs of litigation), the amount attributable to collateral pledged to a claimant on account of an allowed Secured Claim and/or super-priority secured claim arising post-petition, and the amounts necessary to satisfy, among other things, chapter 11 Administrative Expense Claims and Priority Tax Claims. Any remaining Cash would be available for distribution to Holders of Allowed General Unsecured Claims and Equity Interest Holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code and subject to subordination under section 510 of the Bankruptcy Code.

Falcon’s liquidation analysis (the “Falcon Liquidation Analysis”) reflects management’s projection of the proceeds that may be realized by the Falcon Estate and the potential recoveries that may be realized by the Holders of Allowed Claims if the assets of Falcon were liquidated and the proceeds distributed in accordance with chapter 7 of the Bankruptcy Code (“Chapter 7”).

A number of projections, estimates and assumptions underlie the Falcon Liquidation Analysis that, although developed and considered to be reasonable, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of management, and that are based upon present assumptions as to liquidation decisions which could change based upon a change in circumstances. Accordingly, there can be no assurance that the values and the costs reflected in the Falcon Liquidation Analysis will be realized if Falcon were, in fact, to undergo a liquidation under chapter 7.

The Falcon Liquidation Analysis may be helpful to holders of Claims entitled to vote in reaching a determination of whether to vote to accept or reject the Plan. Holders of Claims entitled to vote are encouraged to compare the estimated recovery shown in the Falcon Liquidation Analysis to those estimated under the Plan as detailed in the Disclosure Statement.

¹ Unless separately defined herein, all capitalized terms have the meanings ascribed to them in the *Joint Plan of Reorganization of Arcapita Bank B.S.C. (c) and Related Debtors Under Chapter 11 of the Bankruptcy Code*, dated March 28, 2013 (the “Plan”) or the *Disclosure Statement in Support of the Joint Plan of Reorganization of Arcapita Bank B.S.C. (c) and Related Debtors Under Chapter 11 of the Bankruptcy Code*, dated March 28, 2013 (the “Disclosure Statement”).

The Falcon Liquidation Analysis should be read in conjunction with the following notes and assumptions.

Assumptions:

For the purpose of the Falcon Liquidation Analysis, Falcon considered many factors and made certain assumptions. Those assumptions that Falcon considers significant are described below.

1. General

- a. **Conversion:** The Chapter 11 case is converted to a hypothetical Chapter 7 proceeding on May 31, 2013 (the "Conversion Date").
- b. **Standard Chartered Bank 9019 Order:** Pursuant to the Order of the Bankruptcy Court authorizing and approving the Settlement of certain issues ("9019 Order") with secured creditor Standard Chartered Bank ("SCB"), upon the conversion of the Chapter 11 case of any Debtor, including Falcon, to a Chapter 7 proceeding, SCB may (a) file a notice that a "termination event" (as defined in the 9019 Order) has occurred and (b) after the required notice period, SCB may pursue remedies under its pre-petition finance and security documentation between certain of the Debtors and SCB.

2. Assets

- a. **Cash:** Unless otherwise noted, Cash is based on unrestricted Cash balances.
- b. **"Receivables":** The Company currently has approximately \$2.3 million in outstanding receivables, consisting of (i) \$1.9 million due from non-Debtor Affiliates related to services provided and amounts advanced to those entities prior to the Petition Date, and (ii) an anticipated net tax refund of approximately \$0.4 million. The Falcon Liquidation Analysis assumes that 100% of the outstanding receivables are ultimately recovered.
- c. **"Escrow Receivables":** As discussed in section V.H. of the Disclosure Statement, on March 15, 2010, Falcon entered into a purchase agreement (the "**NorTex Purchase Agreement**") to sell 100% of its LLC membership interests in NorTex (the "**NorTex Sale**") to Tide Natural Gas Storage I, LP and Tide Natural Gas Storage II, LP (together, "**Tide**") for \$515 million. Prior to closing the NorTex Sale, the Hopper Parties filed actions in state court in Texas against Tide, Falcon, certain of its directors and NorTex, seeking damages and to enjoin the NorTex Sale to Tide alleging that Falcon's board of directors had breached their fiduciary duties by agreeing to a sales price for the NorTex membership interests purportedly below fair value.

The Texas courts refused to enjoin the NorTex Sale; however, as a result of the pending Hopper Litigation and as a condition to closing imposed by Tide, Falcon agreed to amend the NorTex Purchase Agreement to (1) indemnify Tide for any liability Tide might suffer as a result of the Hopper Litigation, and (2) place approximately \$70 million of the total sales proceeds from the NorTex Sale in escrow (the "**Escrowed Money**") with HSBC Bank USA, National Association ("**HSBC**") to be available to satisfy those specific indemnification obligations.

Accordingly, the \$70 million shown in the Falcon Liquidation Analysis for “Escrow Receivables” is the same as the Escrowed Money discussed in the Disclosure Statement and the paragraph above.

- d. **“Intercompany Receivables”**: Represents a \$15.2 million pre-petition General Unsecured Claim held by Falcon against Arcapita Bank B.S.C.(c). The estimated liquidation recovery for this asset reflects the estimated Class 5(a) General Unsecured Claims recovery in the Arcapita Bank B.S.C.(c) liquidation analysis.

The estimated net proceeds contained in the Falcon Liquidation Analysis reflect the following:

- a. **Litigation Uncertainty**: Falcon is a party to litigation proceedings including, but not limited to, the Hopper Adversary Proceeding, the District Court Action, and the stayed Thronson Litigation (collectively, the “Falcon Related Litigation”). The Hopper Adversary Proceeding and the District Court Action involve various claims against the Escrowed Money.

While Falcon believes that it holds valid defenses to the claims made in the Falcon Related Litigation, there is no guarantee that the litigation will be resolved in Falcon’s favor. The ultimate resolution of the Falcon Related Litigation is subject to a number of factors that are outside the control of Falcon and, therefore, it is difficult, if not impossible, under either the Plan or the Falcon Liquidation Analysis, to estimate with any degree of certainty the ultimate outcome of any of the Falcon Related Litigation. However, it is assumed that a Chapter 7 trustee would take the same steps to defend the District Court Action as contemplated under the Plan. Therefore, the inability to predict the outcome of the District Court Action or other litigation, and hence the projected recovery, is the same in a liquidation of Falcon under Chapter 7 as compared to the terms of the Plan.

Accordingly, both the Falcon Liquidation Analysis and the Plan assume the following:

- i. All available Cash in the Falcon Estate (excluding the Escrowed Money) is spent on administrative expenses, defending the Falcon Related Litigation, or satisfying the Priority Tax Claims and Allowed Secured Claims of Falcon.
- ii. Since the merits and projected outcome of the District Court Action are the same in a Chapter 7 liquidation and under the terms of the Plan, both the Plan and the Falcon Liquidation Analysis assume that the Tide claimants prevail in the District Court Action and the Escrowed Money is found not to be property of the Falcon Estate.

Assumptions i. and ii. above were used in both the Falcon Liquidation Analysis and the Plan solely for the purpose of analyzing the Best Interests Test and feasibility under the Plan. Assumptions i. and ii. above were **not** the result of an analysis of the merits, defenses or the value of any aspect or component of the Falcon Related Litigation, but rather the application of consistent and conservative assumptions across both the Plan and the Falcon Liquidation Analysis. Due to the uncertainties associated with the Falcon Related Litigation discussed above, a consistent approach to the analysis of feasibility and the Best Interests Test was taken whereby it was assumed, for analytical purposes only, in both the Plan and the Falcon

Liquidation Analysis that there would be no recovery to the Arcapita Group from the ultimate resolution of the Falcon Related Litigation.

While the actual recovery to the Arcapita Group could be materially greater than the zero recovery assumed in both the Plan and the Falcon Liquidation Analysis, any such recovery to the Arcapita Group would likely be less in the context of a hypothetical Chapter 7 (relative to the ultimate recovery in the context of the Plan) due to, among other things, Chapter 7 trustee fees and the potential in a hypothetical Chapter 7 for higher employee costs and professional fees relative to what is assumed in the Plan. The day-to-day activities of the Falcon Estate are currently being managed by employees of Arcapita, Inc. and Arcapita, Ltd. (the "Falcon Deal Team") and under the Plan, the costs and expenses of the Falcon Deal Team are paid by Reorganized Arcapita. In the context of a hypothetical Chapter 7, the Falcon Liquidation Analysis assumes that the cost of the Falcon Deal Team is instead paid for by the Falcon Estate.

In the context of a hypothetical Chapter 7, there is no guarantee that the Chapter 7 Trustee could retain the Falcon Deal Team at the same cost assumed in the Plan, if at all. Therefore, a Chapter 7 trustee may be required to obtain third party management services because Falcon does not have any stand-alone employees to manage the ongoing litigation.

Accordingly, in the context of a hypothetical Chapter 7, the employee costs and/or professional fees would likely be higher than the amounts assumed in the Plan – either directly in that the Chapter 7 trustee would have to pay more for the Falcon Deal Team than what is assumed in the Plan or, in the event the Chapter 7 trustee is unable to retain the Falcon Deal Team, through the higher professional fees of more costly professionals who lack the institutional knowledge to perform the necessary services.

Nothing contained in the Falcon Liquidation Analysis (including without limitation assumptions i. and ii. above) should be interpreted in any manner as a waiver of any of the Debtor's or the Arcapita Group's rights, defenses or arguments in the Falcon Related Litigation or any other matter or an opinion on the merits or expected outcome of the District Court Action.

Assumptions i. and ii. above result in the same recovery to all Classes of Falcon related Claims in both the Plan and the Falcon Liquidation Analysis and, therefore, the Best Interests Test is met.

3. Estimated Recoveries

- a. Amount of Allowed Claims:** The liquidation and allowance of Claims is an uncertain process. Additionally, given the number of disputed, contingent and/or unliquidated Claims in the Debtor's case, the Claims allowance process will likely take a great deal of time. Furthermore, the accelerated wind down timeline, the truncated period to liquidate the Debtor's assets and the substantial loss of an experienced workforce that could result from a conversion of the Debtor's case to a Chapter 7, is likely to negatively impact the Claims reconciliation process - both in terms of timing and the ultimate amount of Allowed Claims.

To date, no orders or findings have been entered by the Bankruptcy Court estimating or otherwise fixing the amount of the Debtor's Allowed Claims. The amount of Claims used in the Falcon Liquidation Analysis has been reduced to eliminate duplicate and superseded Claims. **The actual amount of Allowed Claims could vary materially from the estimated amounts contained in the Falcon Liquidation Analysis.**

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Liquidation Analysis for Falcon Gas Storage Company, Inc.

UNAUDITED

(\$ in Millions)

	Liquidation Analysis			Estimated Plan Recovery %
	Amount	Recovery Amount	Recovery %	
Cash	\$ 4.4	\$ 4.4	100.0%	
Receivables	2.3	2.3	100.0%	
Escrow Receivables	70.0	-	0.0%	
Total	\$ 76.7	\$ 6.7		
Intercompany Receivables	15.2	0.6	4.1%	
Equity Interests in Affiliates	-	-	-	
Gross Liquidation Proceeds Available for Distribution		\$ 7.3		
Chapter 7 Liquidation Expenses				
Total Operating Expenses		5.7		
Trustee Fees		-		
Priority Tax Claims		0.0	100.0%	100.0%
Net Distributable Assets		\$ 1.6		
Chapter 11 Administrative Expenses		1.6		
Class 1(g) - Other Priority Claims	-	-	-	-
Class 3(g) - Other Secured Claims	0.0	-	0.0%	100.0%
Class 5(g) - General Unsecured Claims	7.5	-	0.0%	TBD
Class 7(g) - Intercompany Claims	-	-	-	TBD
Class 8(g) - Subordinated Claims	1.7	-	0.0%	TBD
Class 9(g) - Intercompany Interests	-	-	-	-
Class 10(g) - Super-Subordinated Claims	120.0	-	0.0%	0.0%
Total Recoveries		\$ 1.6		

Note: Numbers showing \$0.0 represent amounts less than \$50,000.

Exhibit B

Updated Liquidation Analysis

Arcapita Bank B.S.C.(c), et al. Updated Liquidation Analysis¹

Pursuant to section 1129(a)(7) of the Bankruptcy Code (the “Best Interests Test”), each holder of an impaired Claim or equity Interest must either: (i) accept the Plan; or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

In determining whether the Best Interests Test has been met, the first step is to determine the recovery to each Class of creditors would receive in a hypothetical liquidation of the Debtors’ assets in a chapter 7 proceeding. The gross amount of Cash available would be the sum of the proceeds from the disposition of the Debtors’ assets and the Cash held by the Debtors at the commencement of their hypothetical chapter 7 cases. The gross amount of Cash would be reduced by the costs and expenses of the liquidation, the amount attributable to collateral pledged to a claimant on account of an allowed Secured Claim and/or super-priority secured claim arising post-petition, and the amounts necessary to satisfy, among other things, chapter 11 Administrative Expense Claims and Priority Tax Claims. Any remaining Cash would be available for distribution to Holders of Allowed General Unsecured Claims and Equity Interest Holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The Debtors’ liquidation analyses (collectively, the “Liquidation Analyses”) reflect management’s projection of the proceeds that may be realized by the Debtors’ Estates and the potential recoveries that may be realized by the Holders of Allowed Claims if the assets of the Debtors were liquidated and the proceeds distributed in accordance with chapter 7 of the Bankruptcy Code (“Chapter 7”).

A number of projections, estimates and assumptions underlie the Liquidation Analyses that, although developed and considered to be reasonable, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of management, and that are based upon present assumptions as to liquidation decisions which could change based upon a change in circumstances. Accordingly, there can be no assurance that the values and the costs reflected in the Liquidation Analyses will be realized if the Debtors were, in fact, to undergo a liquidation under chapter 7.

The Liquidation Analyses may be helpful to holders of Claims entitled to vote in reaching a determination of whether to vote to accept or reject the Plan. Holders of Claims entitled to vote are encouraged to compare the estimated recovery shown in the Liquidation Analyses to those estimated under the Plan as detailed in the Disclosure Statement.

The Liquidation Analyses should be read in conjunction with the following notes and assumptions.

¹ Unless separately defined herein, all capitalized terms have the meanings ascribed to them in the Second Amended Joint Plan of Reorganization of Arcapita Bank B.S.C. (c) and Related Debtors Under Chapter 11 of the Bankruptcy Code, dated April 25, 2013 (the “Plan”) or the Second Amended Disclosure Statement in Support of the Second Amended Joint Plan of Reorganization of Arcapita Bank B.S.C. (c) and Related Debtors Under Chapter 11 of the Bankruptcy Code, dated April 25, 2013 (the “Disclosure Statement”).

Assumptions:

For the purpose of the Liquidation Analyses, the Debtors considered many factors and made certain assumptions. Those assumptions that the Debtors consider significant are described below.²

1. General

- a. **Conversion:** Each of the Chapter 11 cases is converted to a hypothetical Chapter 7 on June 30, 2013 (the "Conversion Date"). While individual liquidation analyses were prepared for each of the Debtors, only the liquidation analyses for Arcapita Bank, AIHL, LT Holdings and Falcon Gas Storage Company, Inc. have been included in the Disclosure Statement. The individual liquidation analyses for WTHL, AEID II Holdings and Rail Invest (collectively, the "Portfolio Company Debtors") have been incorporated into the liquidation analyses for AIHL and LT Holdings due to the Debtors' concerns regarding the confidential nature of the Debtors' valuation assumptions for the Portfolio Company Debtors (either on a liquidation basis or as a going concern). The Debtors are concerned that if such information were made public, it could have a material adverse effect on the Debtors' ability to maximize the net proceeds from the ultimate monetization of the Portfolio Company Debtors. The liquidation analyses for the Portfolio Company Debtors show that the recovery of the Portfolio Company Debtors' creditors in the context of a hypothetical chapter 7 would be no greater than what Portfolio Company Debtors' creditors would receive under the Plan. See the separate liquidation analysis for Falcon Gas Storage Company, Inc.
- b. **Consolidation:** The Liquidation Analyses assume that the Debtors are consolidated for administrative purposes in Chapter 7 cases pending in the United States ("US".) Since the Debtors have operations and assets throughout the world, it is possible that liquidation proceedings as to the Debtors' assets could occur in the US, Cayman Islands, Bahrain, certain parts of Europe and potentially other countries where the Debtors may have assets.

Due to the myriad of uncertainties associated with multiple hypothetical liquidation proceedings throughout the world (including, without limitation, costly litigation amongst the various liquidation proceedings as to control), for the purpose of the Liquidation Analyses, it is assumed that the least costly and most efficient liquidation (and the one that would theoretically generate the highest net proceeds) would be one where the Debtors' assets are liquidated on a consolidated basis by one Chapter 7 trustee. If the Debtors were instead to be liquidated by multiple parties throughout the world and outside of Chapter 7, it is likely that, among other things, the costs of such an uncoordinated approach would be materially greater, the total time to liquidate all of the Debtors' assets would be materially longer, the net proceeds of the liquidation of the Debtors' assets would be materially less and the ultimate amount of Allowed Claims would be materially greater than the estimated amounts in the Liquidation Analyses.

- c. **Potential Cayman Islands Liquidation Proceeding:** As described in Section 10.1.2.4 of the Disclosure Statement, the conditions precedent to the occurrence of the Effective Date

² The information contained herein primarily relates to the liquidation analyses for Arcapita Bank, AIHL, LT Holdings, WTHL, AEID II Holdings and Rail Invest. A separate liquidation analysis was prepared for Falcon Gas Storage Company, Inc. (the "Falcon Liquidation Analysis"). The Falcon Liquidation Analysis is also included as a separate exhibit to the Disclosure Statement.

include the entry of an order from the Cayman Court validating the AIHL Sale. Therefore, in addition to satisfying the “best interests” test of section 1129(a)(7) of the Bankruptcy Code, the Liquidation Analyses assume that in order to obtain orders from the Cayman Court so as to ensure that the Plan is rendered effective, AIHL must demonstrate to the Cayman Court that AIHL receives full value in return for any property transferred by it, and that the rights of each holder of an impaired Claim against the AIHL Estate (an “AIHL Holder”) will be, as of the Effective Date, no less valuable than the rights which an AIHL Holder would receive or retain if the AIHL Estate’s assets were liquidated through a hypothetical stand-alone Cayman Islands Liquidation proceeding.

The Debtors believe that, compared to the Plan, the liquidation of the AIHL Estate through a Cayman Islands liquidation proceeding would be detrimental to the recovery of AIHL Holders because, among other things, a Cayman Islands liquidation: (i) would likely trigger change of control provisions under various contracts entered into by the Debtors’ portfolio companies, potentially resulting in “events of default”, the prosecution of remedies by the contract counterparties and a material deterioration in the value of the effected portfolio companies; (ii) would likely trigger an event of default under the Lease and Option Agreement related to the Lusail Land (as described in Section VI.B.4. of the Disclosure Statement), potentially leading to the termination of those agreements and the loss of one of the most valuable assets in the AIHL Estate; (iii) would reduce or eliminate the current level of inter-company cooperation related to AIHL, on the one hand, and Arcapita Bank, the Syndication Companies, the PNVs, the PVs, the Transaction Holdcos and the portfolio companies, on the other hand; which could potentially restrict AIHL’s access to the books and records of these companies and lead to other operational inefficiencies; (iv) would result in a default under the DIP Facility, which, if not cured through negotiation with the DIP Facility provider or through a refinancing of the DIP Facility, could lead to the exercise of remedies by the DIP Facility provider against the assets of the AIHL Estate pledged as collateral; and (v) would fail to resolve the secured and administrative claims held by SCB against LT Holdings (the primary asset of the AIHL Estate), in a manner that would preserve any value for the AIHL Holders.

Taking into account each of the issues described above, the Debtors and the JPLs believe that they will be able to demonstrate that a liquidation proceeding in the Cayman Islands is not likely to lead to a greater recovery to the AIHL Holders than what is projected under the Plan and, indeed, the recovery in a Cayman Islands liquidation proceeding could be far worse.

- d. **DIP Claims and SCB Claims:** A conversion of the Debtors’ Chapter 11 cases to Chapter 7 proceedings would be an event of default under the DIP Agreement and the SCB Facilities. If upon conversion to a Chapter 7, Fortress and/or SCB were to exercise their rights and remedies, they could foreclose on their collateral separately and apart from any actions that a Chapter 7 trustee may take. Actions by Fortress and/or SCB to realize upon their collateral could lead to costly litigation and potentially higher costs and reduced asset recoveries relative to an orderly liquidation overseen by one Chapter 7 trustee. Accordingly, the Liquidation Analyses assume that the Chapter 7 trustee is able to reach agreement with Fortress and SCB to liquidate their collateral as part of the Chapter 7 liquidation and without Fortress and/or SCB separately trying to foreclose on their collateral. If an agreement cannot be reached or if the Chapter 7 trustee is forced to expedite the sale process to satisfy

Fortress and/or SCB, the ultimate recovery from the sale of the Debtors' assets may be materially less than the amounts estimated in the Liquidation Analyses.

- e. **Duration of Liquidation:** The Liquidation Analyses assume that the liquidation of the Debtors' assets would continue through May 31, 2014 (the "Sale Period"). During the Sale Period, all of the Debtors' significant assets would either be sold or conveyed to the applicable Lien Holders and the Cash proceeds, net of liquidation-related costs, administrative costs and reserves, would be available for distribution to Holders of Allowed Claims.

There are over 3,000 Claims in the Debtors' Chapter 11 cases, including the Claims of Debtor-controlled entities against other Debtors and Claims among Debtors. It is unlikely that a Chapter 7 trustee could adequately reconcile all of the Claims during the Sale Period. Therefore, a large number of the Claims will be reconciled, valued, negotiated, settled, and/or litigated to conclusion after the Sale Period. The Liquidation Analyses assume that the period to distribute any proceeds to Holders of Allowed Claims would take place over a twelve-month period after the Sale Period; however, any additional time required to reconcile, settle and distribute proceeds will reduce the amount of net proceeds available to distribute on account of Allowed Claims and/or require the establishment of reserves which may significantly increase the amount of time before certain distributions can be made.

It is not uncommon in large, complex cases such as this for a liquidation to last many years while a Chapter 7 trustee prosecutes difficult Claims and resolves other litigation.

- f. **Plan Settlements:** The Plan, and the distribution scheme set forth in the Plan, reflects not only a compromise and settlement of an appropriate allocation among the Debtors of the asset values, but also the compromise and settlement of a number of other potential disputes among the Debtors' estates.

Through the Plan and its incorporated Plan Settlements, the Debtors have endeavored to avoid costly and protracted litigation related to the various Potential Plan Disputes, including but not limited to disputes related to investment portfolio value and cost allocation, administrative expense allocation, substantive consolidation, characterization of intercompany balances, value of Arcapita Bank's control over portfolio company investments, characterization of the Arcapita Bank Bahrain headquarters lease, potential avoidance action value, and the prepetition Lusail funding.

Litigation of the Potential Plan Disputes in either a chapter 11 or chapter 7 scenario would be costly, complex and time consuming. While the Liquidation Analyses assume that these issues are also not litigated in the context of a chapter 7 proceeding³, such litigation, if initiated, would not be finally resolved for many years and would likely materially delay and erode the value of the ultimate realizable value of the Debtors' assets. Accordingly, the corresponding distributions to the Debtors' creditors would likely be materially less than the estimated amounts in the Plan and the Liquidation Analyses.

³ The Liquidation Analyses do assume; however, that the Intercompany Claims remain in place in the context of a hypothetical chapter 7 liquidation and are not settled for \$100 as proposed under the Plan.

- g. **Contingency Reserve:** The estimated *Net Distributable Assets* are reduced by a 10% “Contingency Reserve” to account for, among other things, the uncertainties inherent in: (i) implementing and managing the liquidation process (particularly a multi-country hypothetical liquidation such as the Debtors); (ii) uncertainty regarding the ability to consensually implement the Plan Settlements in the context of a hypothetical chapter 7; (iii) ability to quantify a variety of valuation related issues buyers would demand in the context of a hypothetical chapter 7 including, but not limited to, those discussed in paragraph 2.(e).(i.) herein; (iv) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (v) providing for disputed Claims to the extent the Debtors do not ultimately prevail in litigating them. Due to the uncertainty associated with the issues, the actual amount of the reduction in liquidation value related to these issues could be much greater than the estimated amounts shown herein for the Contingency Reserve.

2. Assets

- a. **Cash:** Unless otherwise noted, Cash is based on unrestricted Cash balances.
- b. **“IPP Converted to Investments”:** The Global Settlement provides for the settlement of claims of the Arcapita Group against certain management Employees arising from co-investment incentive plans. Historically, the Debtors maintained two equity incentive programs: the Investment Participation Program (the “IPP”) for non-U.S. citizens and the Investment Incentive Program (the “IIP” and with the IPP, the “IPP/IIP”) for U.S. citizens. In sum, the IPP/IIP afforded certain management level Employees the opportunity to co-invest with the Arcapita Group in portfolio companies and obtain shares (the “Investment Shares”) using the proceeds of loans from the Arcapita Group which are repaid over time from future Employee bonus payments (with respect to the IPP) or through deferred compensation (with respect to the IIP). For more information, please see the “Severance Program” section of the Disclosure Statement. The estimated recovery from the IPP in the Liquidation Analyses is assumed to receive recovery similar to the recovery received in the Liquidation Analyses for other Equity Investments held by the Debtors.
- c. **“Other Receivables”:** Certain Debtor and non-Debtor Affiliates are owed amounts that generally fall into the following categories:
- i. **Management Fees:** In many instances, there are (a) management agreements (the “Management Agreements”) between Arcapita Bank’s management company affiliates (the “Management Companies”) and the portfolio companies and (b) Administration Agreements between Arcapita Bank’s subsidiary, AIML, and the Syndication Companies, PVs and PNVs. These agreements generate annual and deal exit related fees, some of which are paid currently and some of which are accrued and paid only on exit from particular investments. Unlike the value from portfolio equity interests and WCF financing which must flow through AIHL for Arcapita Bank to receive any value from its equity interest in AIHL, the value attributable to the Management Agreements and the Administration Agreements does not flow through AIHL, but rather flows indirectly to Arcapita Bank, through the non-Debtor Management Companies and AIML. Only the creditors of Arcapita Bank, not AIHL, have any claims to these proceeds.

Given the uncertainty and unpredictable timing of the payment of the fees under the Management Agreements, a potential buyer would most likely significantly

discount the amount it would be willing to pay to purchase the rights to these Management Fees. Additionally, in the context of a chapter 7 liquidation, the counterparties to certain or all of the Management Agreements may try to terminate the agreements. The Liquidation Analyses assume that the Management Agreements remain in place during the Sale Period; however, in the event of litigation surrounding the Management Agreements or the termination of the Management Agreements at some point after the conversion of the Debtors' cases to a hypothetical Chapter 7, the actual sales proceeds would be much less than the estimated amounts in the Liquidation Analyses.

The Liquidation Analyses also assume that, upon the conversion of the cases to proceedings under Chapter 7, the co-investors, where they have sufficient authority to do so, would replace the board of directors of each Syndication Company they control and would cancel the Administration Agreements. All amounts accrued under the Administration Agreements through the Conversion Date would remain owed to the appropriate Debtor and, assuming sufficient sales proceeds are available upon the sale of the operating company, would be paid upon the sale of the operating company. Given the uncertainty and unpredictable timing of payment of the fees under the Administration Agreements, the Liquidation Analyses assume a buyer would most likely significantly discount the amount it is willing to pay to purchase the rights to the fees payable under the Administration Agreements.

- ii. Deal Company Expenses: Prior to the filing of the Chapter 11 Cases, Arcapita Bank frequently paid expenses, or incurred other obligations, on behalf of the portfolio companies or other Affiliates. For example, Arcapita Bank may receive an invoice from a professional directly for services performed for a Transaction Holdco, Syndication Company or PNV, and Arcapita Bank would pay that invoice. The expenses or other obligations paid by Arcapita Bank were, in turn, reflected as receivables due from the applicable company. These amounts are owed directly to Arcapita Bank and, as a general matter, would be paid upon an exit with respect to the operating portfolio company. Only the creditors of Arcapita Bank, not AIHL, have any claims to these proceeds. Given the uncertainty and unpredictable timing of repayment of the Deal Company Expenses, the Liquidation Analyses assume that a buyer would most likely significantly discount the price it is willing to pay for the Deal Company Expenses.
- iii. Other: Includes insignificant amounts owed to the Debtors from third parties related to, among other things, overpayments to vendors. The Liquidation Analyses assume that the cost of trying to collect these receivables exceeds the value of the recoveries and hence, no recoveries for these receivables are included in the Liquidation Analyses.
- d. **"Murabaha Investments"**: During its ownership of certain underlying operating portfolio companies, AIHL through affiliates formed for the purpose of providing working capital funding, loaned funds to certain operating companies at either the operating company or holding company level through Shari'ah compliant Murabaha loans ("WCF Loans"). These WCF Loans do not provide for the periodic payment of interest and instead provide that a

specific profit shall accrue and that an agreed profit rate is to be repaid upon a sale of the operating company or a refinancing of its capital structure. There is no guarantee that the Debtors will be paid in full, or at all, on account of the WCF Loans. In certain cases, the Debtors have taken reserves against the amount owed to account for the uncertainty of certain WCF Loans being repaid in full. Given the uncertainty and unpredictable timing of payment of the WCF Loans, a buyer would likely significantly discount the amount it is willing to pay to acquire the WCF Loans.

- e. **“Equity Investments”**: Certain of the Debtors hold equity interests in the operating portfolio companies. These equity interests are held as Short-Term Holdings, through AIHL, and as Long-Term Holdings, through LT Holdings (collectively the “Investments”). In most cases, the investments held by the respective Debtors are only a minority equity interest in the portfolio companies and do not include the right to force other equity investors to sell their equity interests at the same time or to vote to sell the assets of the operating company. In addition, the shareholder agreements at certain of the portfolio companies may restrict the Debtors’ ability to sell their equity interests or may limit the type of buyer the Debtors may sell to.

In cases where the Debtors hold a controlling equity stake, they may still not have the ability to require other minority investors to sell their equity interest. Additionally, the board of directors of certain of the operating portfolio companies may not favor the quick sale of the Debtors’ equity position as may be required in the context of a Chapter 7 and may not be willing to coordinate or facilitate a sale with the Chapter 7 trustee. Accordingly, in the context of a hypothetical Chapter 7, the Sale Period may not reflect the total time necessary to maximize the return on the Investments.

The estimated net proceeds contained in the Liquidation Analyses for the Investments reflect the following:

- i. A forced liquidation of the Investments over the Sale Period contemplated in a hypothetical Chapter 7 would likely have an adverse impact on the Debtors’ ultimate recoveries (relative to a non-distressed, orderly sale of the Investments as contemplated in the Plan) and would be impacted by the following factors, among others:
- *Potential Lack of Funding in the Market* – Potential buyers may not be able to obtain the requisite financing to purchase the Investments.
 - *Potential Supply and Demand Imbalances* – Given the size of the Debtors’ Investment portfolio, if offered for sale in its entirety, the market equilibrium in certain markets or geographies may be disturbed. The Investments available for sale may outweigh existing demand, inviting further discounts in order to attract buyers.
 - *Inability to Offer Seller Representations or Warranties* – The liquidation of the Investments in the context of a Chapter 7 would impair the Debtors’ willingness or ability to offer representations and warranties as to the Investments. Additional discounts would likely be necessary to compensate

buyers for the risk of not being able to secure certain guarantees or indemnities that would be customary in a non-liquidation setting.

- *Minority Interests* – As mentioned previously, in most Investments the Debtors only own a minority interest. The Debtors do not know whether any of the other investors in the Investments would be willing to sell their interests during the Sale Period and the Liquidation Analyses assume that only the Debtors' interest in the Investments is sold during the Sale Period. A buyer's willingness to acquire a minority stake will be dependent on a number of factors, including its view of current and future value, the potential timing of an ultimate sale of the underlying portfolio company, the buyer's ability to acquire additional equity shares from other investors and/or gain control of the portfolio company, and its assessment of controlling management and the anticipated relationship with the other existing investors.
- *Investment Size* – The absolute dollar value of certain of the Debtors' Investments is relatively small and may not attract significant interest from potential buyers or may require a higher discount than what is contemplated in the Liquidation Analyses to attract a buyer.
- *Potential Regulatory Restrictions* – Certain Investments may be subject to regulatory restrictions on the type of buyer or percentage of ownership that may be held by any one owner. Potential buyers may demand a further discount on any Investment subject to regulatory control or approval.
- *Change of Control Provisions* – Certain Investments contain change of control limitations that would likely be triggered in the event that a Chapter 7 trustee were to try and sell the Debtors' ownership interest.
- *Market Psychology* – In a Chapter 7 liquidation, potential buyers will be aware of the Chapter 7 trustee's desire to liquidate the Investments in a limited time for the best offer received - which is likely to be at a material discount to the inherent value of the Investment.
- *Maturity of the Underlying Investment Portfolio* – Certain of the investments are at an early stage of their respective business cycles and the ultimate success of their respective business plans is still unproven.
- *Potential Need for Future Funding* – As discussed above, the Debtors have provided WCF Loans to satisfy the ongoing funding needs of certain of the portfolio companies. Based on current estimates, the continued funding of certain of portfolio companies is likely to be required during and beyond the Sale Period. However, a buyer may significantly discount the amount it is willing pay for the equity interests held by the Debtors in these Investments that require continued funding.

- *Other Considerations:* A liquidation of the Investments would likely entail significant involvement of third-party investment bankers, real estate brokers, and legal resources (including representation by local counsel). For the purpose of the Liquidation Analyses, the Debtors included fees for brokers and investment bankers and additional amounts to cover legal and other contingencies. Litigation and structural impediments (transfer consents, regulatory or environmental restrictions, rights of first refusal, etc.) may require that certain Investments be held beyond the Sale Period resulting in higher costs or greater discounts than are contemplated in the Liquidation Analyses
- f. **Fixed Assets:** Includes vehicles, computer equipment and software, furniture and fixtures which are assumed to have minimal value in the context of a hypothetical Chapter 7.
- g. **Other Assets:** Includes goodwill in select subsidiaries, deposits and other assets which are expected to have minimal value in the context of a hypothetical Chapter 7.
- h. **Avoidance Actions:** Due to uncertainty and litigation risk, the Liquidation Analyses do not include any recoveries on account of Avoidance Actions (the creditor recovery percentages contained in the Plan also assume no recoveries on account of Avoidance Actions).
- i. **Other Litigation:** The Liquidation Analyses do not include any amounts for recoveries on account of any other litigation that may exist.

3. Total Operating Expenses

- a. **Employees:** Given the sophisticated and complex nature of the Debtors' assets, including the geographic dispersion of the Debtors' assets throughout the world, it is assumed that the Chapter 7 trustee would retain a significant number of the Arcapita Group's current employees to assist in liquidating the Debtors' assets.
- i. Investment Professionals: The Liquidation Analyses assume that a Chapter 7 trustee would retain the majority, if not all, of the Arcapita Group's investment professionals who have significant knowledge of the underlying Investments and operating portfolio companies but are primarily, if not entirely, employed by non-Debtor subsidiaries and affiliates (the "Deal Teams"). Given the institutional knowledge of the Deal Teams and the potential market for the expertise of the Deal Teams, it is assumed that in addition to their current baseline compensation levels, a Chapter 7 trustee would be required to pay a retention bonus or incentive payments to entice the Deal Teams to accept the Chapter 7 trustee's offer of employment.

There is no guarantee that a Chapter 7 trustee could reach an acceptable employment agreement with certain, or all, of the Deal Teams and a Chapter 7 trustee may have to offer the Deal Teams a retention bonus or incentive payments in excess of the amounts assumed in the Liquidation Analyses. If the Chapter 7 trustee is not able to secure the retention of certain key Deal Teams, among other things, the actual proceeds from the liquidation of the Debtors' assets could be materially less than the estimated amounts in the Liquidation Analyses and the costs

to liquidate the Debtors' assets could be materially greater than the estimated amounts in the Liquidation Analyses.

- ii. **Other Employees:** It is assumed that the Chapter 7 trustee would also retain a significant number of the Arcapita Group's non-Deal Team employees who have substantial working knowledge of the Debtors' systems and books and records. It is likely that several of these employees would be retained throughout the entire Chapter 7 liquidation. If the Chapter 7 trustee cannot successfully retain certain key employees, among other things, the actual proceeds from the liquidation of the Debtors' assets could be materially less than the estimated amounts in the Liquidation Analyses and the costs to liquidate the Debtors' assets could be materially greater than the estimated amounts in the Liquidation Analyses.
- b. **G&A:** The Liquidation Analyses assume that in the context of a Chapter 7 that the Debtors' Estates would continue to incur significant ongoing operating costs, including the cost of maintaining the current operations at most of the Arcapita Group's various locations throughout the world.
- c. **Deal Funding:** Certain Investments are projected to require additional capital funding throughout the Sale Period ("Deal Funding") to support the estimated exit value. A total of approximately \$28.8 million of Deal Funding is projected throughout the Sale Period.
- d. **Trustee Fees:** The Liquidation Analyses assume that the Chapter 7 trustee would be compensated in accordance with the guidelines of section 326 of the Bankruptcy Code.
- e. **Professional Fees:** Due to the complex nature of the Debtors' cases and given that the Chapter 7 trustee and, to the extent applicable, the trustee's professionals, must familiarize themselves with, among other things, the Debtors, their Estates, their assets and the Claims asserted against them, the Liquidation Analyses assume that the Chapter 7 trustee would incur significant professional fees in the context of a Chapter 7 liquidation.
- f. **Allocation of Costs:** The Liquidation Analyses assume that that all operating costs related to employees, G&A, and Professional Fees, as well as any additional costs to the Debtors' Estates not previously mentioned, such as debt servicing costs, are allocated to each of the Debtors based on the estimated utilization by each Debtor of the services or the benefit giving rise to such costs.

4. Estimated Recoveries

- a. Amount of Allowed Claims:** The liquidation and allowance of Claims is an uncertain process. Additionally, given the number of disputed, contingent and/or unliquidated Claims in the Debtors' cases, the Claims allowance process will likely take a great deal of time. Furthermore, the accelerated wind down timeline, the truncated period to liquidate the Debtors' assets and the substantial loss of an experienced workforce that could result from a conversion of the Debtors' cases to a Chapter 7, is likely to negatively impact the Claims reconciliation process - both in terms of timing and the ultimate amount of Allowed Claims. To date, no orders or findings have been entered by the Bankruptcy Court estimating or otherwise fixing the amount of the Debtors' Allowed Claims. The amount of Claims used in the Liquidation Analyses has been reduced to eliminate duplicate and superseded Claims. **The actual amount of Allowed Claims could vary materially from the estimated amounts contained in the Liquidation Analyses.**
- b. Additional Claims:** The liquidation of the Debtors' Assets by a Chapter 7 trustee will likely result in additional Claims relative to what is assumed in the Liquidation Analyses, including, but not limited to, Claims arising from the rejection of various executory contracts, unexpired leases, and pre-petition contracts that are either assumed or consensually modified under the Plan. However, due to the uncertainty as to which contracts or leases would ultimately be rejected and the determination of the amount of any rejection damages (if any) in the context of a hypothetical Chapter 7 liquidation, the Liquidation Analyses do not assume any incremental Claims (relative to the Plan) for any such potential additional Claims other than the following related to the HQ Lease in the context of a Chapter 7: (i) Approximately \$48.0 million in additional General Unsecured Claims related to the assumed rejection of the HQ Lease; (ii) \$10.4 million in additional General Unsecured Claims related to unpaid prepetition lease payments and (iii) approximately \$51.3 million in additional Administrative Claims related to unpaid post-petition lease payments. If there were additional rejection Claims (relative to what is assumed in the Plan and the Liquidation Analyses) these additional Claims would further dilute the estimated creditor recoveries in the Liquidation Analyses.

**ARCAPITA BANK B.S.C.(c) AND ITS AFFILIATED DEBTORS
Liquidation Analysis**

Exhibit B: Liquidation Analysis

Liquidation Analysis for Arcapita Bank B.S.C.(c)

UNAUDITED

(\$ in Millions)

		Liquidation Analysis			Estimated Plan Recovery %
		Amount	Recovery Amount	Recovery %	
Cash and Equivalents		\$ 3.1	\$ 3.1	100.0%	
IPP Converted to Investments	(1)	13.5	9.2	68.0%	
Other Receivables	(2)	281.5	178.6	63.5%	
Fixed Assets		13.9	2.1	15.0%	
Other Assets		6.5	0.3	5.0%	
Total		\$ 318.6	\$ 193.4		
Intercompany Receivables	(3)	244.9	37.8	15.4%	
Gross Liquidation Proceeds Available for Distribution			\$ 231.1		
DIP Facility Claims		35.0	35.0	100.0%	100.0%
Net Proceeds Available			\$ 196.1		
Chapter 7 Liquidation Expenses					
Total Operating Expenses	(4)		16.3		
Trustee Fees			5.3		
Priority Tax Claims			-	-	100.0%
Net Distributable Assets			\$ 174.5		
Less: Contingency Reserve (10%)	(5)		17.4		
Net Distributable Assets After Contingency Reserve			\$ 157.0		
Chapter 11 Administrative Expenses			57.3		
Class 1(a) - Other Priority Claims		0.1	0.1	100.0%	100.0%
Class 2(a) - SCB Claims		-	-	-	100.0%
Class 3(a) - Other Secured Claims		-	-	-	-
Class 4(a) - Syndicated Facility and Arcsukuk Claims	(6)	1,202.4	39.2	3.3%	7.6%
Class 5(a) - General Unsecured Claims		1,535.3	50.0	3.3%	7.6%
Class 7(a) - Intercompany Claims	(7)	321.8	10.5	3.3%	Nominal
Class 8(a) - Subordinated Claims		83.1	-	0.0%	TBD
Class 9(a) - Interests in Arcapita Bank B.S.C.(c)		-	-	-	-
Class 10(a) - Super-Subordinated Claims		-	-	-	-
Total Recoveries			\$ 157.0		

Note: Numbers showing \$0.0 represent amounts less than \$50,000.

Arcapita Bank B.S.C.(c)
Notes to Liquidation Analysis

1. Represents receivables under the IPP/IIP.
2. Includes outstanding amounts owed directly to Arcapita Bank B.S.C.(c) from portfolio companies for accrued and unpaid management fees and for funds previously advanced by Arcapita Bank B.S.C.(c) on behalf of the portfolio company.
3. Includes amounts owed to Arcapita Bank B.S.C.(c) from other Debtors.

4. Total Operating Expenses Include the following:

<u>Expense (\$ in millions)</u>	<u>Amount</u>
Payroll	\$ 2.2
Incentive Compensation	2.8
General & Administrative	2.4
Professional Fees	7.3
Debt Service	3.4
Deal Fundings	-
Less: Management Fees & Other Receipts	<u>(1.8)</u>
Total Operating Expenses	<u>\$ 16.3</u>

5. The contingency reserve is intended to serve as a buffer and reflects, among other things, the uncertainties inherent in: (i) implementing and managing the liquidation process (particularly a multi-country hypothetical liquidation such as the Debtors); (ii) uncertainty regarding the ability to consensually implement the Plan Settlements in the context of a hypothetical chapter 7; (iii) ability to quantify a variety of valuation related issues buyers would demand in the context of a hypothetical chapter 7 including, but not limited to, those discussed in paragraph 2.(e).(i.) herein; (iv) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (v) providing for disputed Claims to the extent the Debtors do not ultimately prevail in litigating them. Due to the uncertainty associated with the issues, the actual amount of the reduction in liquidation value related to these issues could be much greater than the estimated amounts shown herein for the Contingency Reserve.
6. Claims against Arcapita Bank B.S.C.(c) and guaranteed by AIHL. The amount of recovery shown here does not include any amounts recovered under the hypothetical Chapter 7 liquidation of AIHL.
7. Relates primarily to amounts due to LT Holdings.

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Exhibit B: Liquidation Analysis

Liquidation Analysis for Arcapita Investment Holdings Limited
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(\$ in Millions)

		Liquidation Analysis			Estimated Plan Recovery %
		Amount	Recovery Amount	Recovery %	
Cash and Equivalents		\$ 65.5	\$ 65.5	100.0%	
Murabaha Investments	(1)	273.4	181.3	66.3%	
Equity Investments	(2)	308.1	183.7	59.6%	
Other Assets		0.2	0.0	5.0%	
Total		\$ 647.2	\$ 430.5		
Intercompany Receivables		-	-		
Equity Interests in Affiliates	(3)		74.1		
Gross Liquidation Proceeds Available for Distribution			\$ 504.6		
DIP Facility Claims		140.0	140.0	100.0%	100.0%
Proceeds Available to Admin & Priority Claims			\$ 364.6		
Chapter 7 Liquidation Expenses					
Total Operating Expenses	(4)		79.6		
Trustee Fees			10.6		
Priority Tax Claims		-	-	-	-
Net Distributable Assets			\$ 274.5		
Less: Contingency Reserve (10%)	(5)		27.4		
Net Distributable Assets After Contingency Reserve			\$ 247.0		
Chapter 11 Administrative Expenses			23.9		
Class 1(b) - Other Priority Claims		-	-	-	-
Class 2(b) - SCB Claims		-	-	-	100.0%
Class 3(b) - Other Secured Claims		-	-	-	-
Class 4(b) - Syndicated Facility and Arcsukuk Claims	(6)	1,202.4	185.4	15.4%	58.9%
Class 5(b) - General Unsecured Claims		0.0	0.0	15.4%	58.9%
Class 7(b) - Intercompany Claims	(7)	244.9	37.8	15.4%	Nominal
Class 9(b) - Intercompany Interests		-	-	-	-
Total Recoveries			\$ 247.0		

Note: Numbers showing \$0.0 represent amounts less than \$50,000.

Arcapita Investment Holdings Limited
Notes to Liquidation Analysis

1. Includes equity interests in the various entities that provide the WCF Loans. The recovery amounts shown include profit from portfolio company loans that are expected to accrue subsequent to the Conversion Date and prior to the Sale Date.
2. Includes equity interests in the Syndication Companies.
3. Represents the net recovery from the liquidation of equity interests in a hypothetical Chapter 7 liquidation of LT Holdings.

4. Total Operating Expenses Include the following:

<u>Expense (\$ in millions)</u>	<u>Amount</u>
Payroll	\$ 8.7
Incentive Compensation	5.5
General & Administrative	9.4
Professional Fees	29.3
Debt Service	13.8
Deal Fundings	20.2
Less: Management Fees & Other Receipts	<u>(7.3)</u>
Total Operating Expenses	<u>\$ 79.6</u>

5. The contingency reserve is intended to serve as a buffer and reflects, among other things, the uncertainties inherent in: (i) implementing and managing the liquidation process (particularly a multi-country hypothetical liquidation such as the Debtors); (ii) uncertainty regarding the ability to consensually implement the Plan Settlements in the context of a hypothetical chapter 7; (iii) ability to quantify a variety of valuation related issues buyers would demand in the context of a hypothetical chapter 7 including, but not limited to, those discussed in paragraph 2.(e).(i.) herein; (iv) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (v) providing for disputed Claims to the extent the Debtors do not ultimately prevail in litigating them. Due to the uncertainty associated with the issues, the actual amount of the reduction in liquidation value related to these issues could be much greater than the estimated amounts shown herein for the Contingency Reserve.
6. Claims against Arcapita Bank B.S.C.(c) and guaranteed by AIHL. In a liquidation, the net unrecoverable amount in a hypothetical Chapter 7 liquidation of AIHL is expected to result in an unsecured claim against Arcapita Bank B.S.C.(c) under a hypothetical liquidation of Arcapita Bank B.S.C.(c).
7. Relates to amounts due to Arcapita Bank B.S.C.(c) net of \$211.3 million in Claims held by wholly-owned subsidiaries of AIHL against Arcapita Bank B.S.C. (c).

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Exhibit B: Liquidation Analysis

Liquidation Analysis for Arcapita LT Holdings Limited
UNAUDITED
(\$ in Millions)

		Liquidation Analysis			Estimated Plan Recovery %
		Amount	Recovery Amount	Recovery %	
Equity Investments	(1)	\$ 132.7	\$ 90.2	68.0%	
Intercompany Receivables	(2)	317.2	10.3	3.3%	
Equity Interests in Affiliates	(3)		-		
Gross Liquidation Proceeds Available for Distribution			\$ 100.6		
DIP Facility Claims		-	-	-	-
Proceeds Available to Admin & Priority Claims			\$ 100.6		
Chapter 7 Liquidation Expenses					
Total Operating Expenses	(4)		1.4		
Trustee Fees			2.7		
Priority Tax Claims		-	-	-	-
Net Distributable Assets			\$ 96.5		
Less: Contingency Reserve (10%)	(5)		9.7		
Net Distributable Assets After Contingency Reserve			\$ 86.9		
Chapter 11 Administrative Expenses		-	-		
Class 1(c) - Other Priority Claims		-	-	-	-
Class 2(c) - SCB Claims	(6)	12.7	12.7	100.0%	100.0%
Class 3(c) - Other Secured Claims		-	-	-	-
Class 5(c) - General Unsecured Claims		-	-	-	-
Class 7(c) - Intercompany Claims		-	-	-	-
Class 9(c) - Intercompany Interests	(7)	-	74.1	-	-
Total Recoveries			\$ 86.9		

Note: Numbers showing \$0.0 represent amounts less than \$50,000.

**Arcapita LT Holdings Limited
Notes to Liquidation Analysis**

1. Includes investments in certain non-Debtor subsidiaries.
2. Represents amounts due from Arcapita Bank B.S.C.(c).
3. Represents the net recovery, if any, from the liquidation of equity interests in the hypothetical Chapter 7 liquidations of RailInvest Holdings Limited, AEID II Holdings Limited and WindTurbine Holdings Limited.
4. Total Operating Expenses Includes amounts allocated to ALTHL for incentive compensation related to sale proceeds received from the liquidation of the assets of ALTHL.
5. The contingency reserve is intended to serve as a buffer and reflects, among other things, the uncertainties inherent in: (i) implementing and managing the liquidation process (particularly a multi-country hypothetical liquidation such as the Debtors); (ii) uncertainty regarding the ability to consensually implement the Plan Settlements in the context of a hypothetical chapter 7; (iii) ability to quantify a variety of valuation related issues buyers would demand in the context of a hypothetical chapter 7 including, but not limited to, those discussed in paragraph 2.(e.)(i.) herein; (iv) quantifying and classifying unliquidated, contingent and/or disputed Claims; and (v) providing for disputed Claims to the extent the Debtors do not ultimately prevail in litigating them. Due to the uncertainty associated with the issues, the actual amount of the reduction in liquidation value related to these issues could be much greater than the estimated amounts shown herein for the Contingency Reserve.
6. In addition to guarantees from Arcapita Bank B.S.C.(c) and AIHL, SCB Claims are guaranteed by and have a first priority pledge of the equity in LT Holdings, RailInvest Holdings Limited, AEID II Holdings Limited and WindTurbine Holdings Limited. The Liquidation Analysis assumes that approximately \$84.0 million of SCB Claims are satisfied first by any Net Distributable Assets After Contingency Reserve available under the hypothetical Chapter 7 liquidations of RailInvest Holdings Limited, AEID II Holdings Limited and WindTurbine Holdings (in the order of highest Net Distributable Assets to lowest) with the remaining amount (\$12.7 million) recovered from the proceeds of the hypothetical Chapter 7 liquidation of LT Holdings.
7. Represents the net recovery from the liquidation available to equity interests held by AIHL.

**Falcon Gas Storage Company, Inc.
Updated Liquidation Analysis⁴**

Pursuant to section 1129(a)(7) of the Bankruptcy Code (the “Best Interests Test”), each holder of an impaired Claim or equity Interest must either: (i) accept the Plan; or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

In determining whether the Best Interests Test has been met, the first step is to determine the projected recovery that each Class of creditors would receive in a hypothetical liquidation of the assets of Falcon Gas Storage Company, Inc. (the “Debtor” or “Falcon”) in a chapter 7 proceeding. The gross amount of Cash available would be the sum of the proceeds from the disposition of Falcon’s assets and the Cash held by Falcon at the commencement of its hypothetical chapter 7 case. The gross amount of Cash would be reduced by the costs and expenses of the liquidation (including costs of litigation), the amount attributable to collateral pledged to a claimant on account of an allowed Secured Claim and/or super-priority secured claim arising post-petition, and the amounts necessary to satisfy, among other things, chapter 11 Administrative Expense Claims and Priority Tax Claims. Any remaining Cash would be available for distribution to Holders of Allowed General Unsecured Claims and Equity Interest Holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code and subject to subordination under section 510 of the Bankruptcy Code.

Falcon’s liquidation analysis (the “Falcon Liquidation Analysis”) reflects management’s projection of the proceeds that may be realized by the Falcon Estate and the potential recoveries that may be realized by the Holders of Allowed Claims if the assets of Falcon were liquidated and the proceeds distributed in accordance with chapter 7 of the Bankruptcy Code (“Chapter 7”).

A number of projections, estimates and assumptions underlie the Falcon Liquidation Analysis that, although developed and considered to be reasonable, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of management, and that are based upon present assumptions as to liquidation decisions which could change based upon a change in circumstances. Accordingly, there can be no assurance that the values and the costs reflected in the Falcon Liquidation Analysis will be realized if Falcon were, in fact, to undergo a liquidation under chapter 7.

The Falcon Liquidation Analysis may be helpful to holders of Claims entitled to vote in reaching a determination of whether to vote to accept or reject the Plan. Holders of Claims entitled to vote are encouraged to compare the estimated recovery shown in the Falcon Liquidation Analysis to those estimated under the Plan as detailed in the Disclosure Statement.

⁴ Unless separately defined herein, all capitalized terms have the meanings ascribed to them in the Second Amended Joint Plan of Reorganization of Arcapita Bank B.S.C. (c) and Related Debtors Under Chapter 11 of the Bankruptcy Code, dated April 25, 2013 (the “Plan”) or the Second Amended Disclosure Statement in Support of the Second Amended Joint Plan of Reorganization of Arcapita Bank B.S.C. (c) and Related Debtors Under Chapter 11 of the Bankruptcy Code, dated April 25, 2013 (the “Disclosure Statement”).

The Falcon Liquidation Analysis should be read in conjunction with the following notes and assumptions.

Assumptions:

For the purpose of the Falcon Liquidation Analysis, Falcon considered many factors and made certain assumptions. Those assumptions that Falcon considers significant are described below.

5. General

- a. **Conversion:** The Chapter 11 case is converted to a hypothetical Chapter 7 proceeding on June 30, 2013 (the "Conversion Date").
- b. **Standard Chartered Bank 9019 Order:** Pursuant to the Order of the Bankruptcy Court authorizing and approving the Settlement of certain issues ("9019 Order") with secured creditor Standard Chartered Bank ("SCB"), upon the conversion of the Chapter 11 case of any Debtor, including Falcon, to a Chapter 7 proceeding, SCB may (a) file a notice that a "termination event" (as defined in the 9019 Order) has occurred and (b) after the required notice period, SCB may pursue remedies under its pre-petition finance and security documentation between certain of the Debtors and SCB.

6. Assets

- a. **Cash:** Unless otherwise noted, Cash is based on unrestricted Cash balances.
- b. **"Receivables":** The Company currently has approximately \$1.9 million in outstanding receivables due from non-Debtor Affiliates related to services provided and amounts advanced to those entities prior to the Petition Date. The Falcon Liquidation Analysis assumes that 100% of the outstanding receivables are ultimately recovered.
- c. **"Escrow Receivables":** As discussed in section V.H. of the Disclosure Statement, on March 15, 2010, Falcon entered into a purchase agreement (the "**NorTex Purchase Agreement**") to sell 100% of its LLC membership interests in NorTex (the "**NorTex Sale**") to Tide Natural Gas Storage I, LP and Tide Natural Gas Storage II, LP (together, "**Tide**") for \$515 million. Prior to closing the NorTex Sale, the Hopper Parties filed actions in state court in Texas against Tide, Falcon, certain of its directors and NorTex, seeking damages and to enjoin the NorTex Sale to Tide alleging that Falcon's board of directors had breached their fiduciary duties by agreeing to a sales price for the NorTex membership interests purportedly below fair value.

The Texas courts refused to enjoin the NorTex Sale; however, as a result of the pending Hopper Litigation and as a condition to closing imposed by Tide, Falcon agreed to amend the NorTex Purchase Agreement to (1) indemnify Tide for any liability Tide might suffer as a result of the Hopper Litigation, and (2) place approximately \$70 million of the total sales proceeds from the NorTex Sale in escrow (the "**Escrowed Money**") with HSBC Bank USA, National Association ("**HSBC**") to be available to satisfy those specific indemnification obligations.

Accordingly, the \$70 million shown in the Falcon Liquidation Analysis for “Escrow Receivables” is the same as the Escrowed Money discussed in the Disclosure Statement and the paragraph above.

- d. **“Intercompany Receivables”**: Represents a \$15.2 million pre-petition General Unsecured Claim held by Falcon against Arcapita Bank B.S.C.(c). The estimated liquidation recovery for this asset reflects the estimated Class 5(a) General Unsecured Claims recovery in the Arcapita Bank B.S.C.(c) liquidation analysis.

The estimated net proceeds contained in the Falcon Liquidation Analysis reflect the following:

- a. **Litigation Uncertainty**: Falcon is a party to litigation proceedings including, but not limited to, the Hopper Adversary Proceeding, the District Court Action, and the stayed Thronson Litigation (collectively, the “Falcon Related Litigation”). The Hopper Adversary Proceeding and the District Court Action involve various claims against the Escrowed Money.

While Falcon believes that it holds valid defenses to the claims made in the Falcon Related Litigation, there is no guarantee that the litigation will be resolved in Falcon’s favor. The ultimate resolution of the Falcon Related Litigation is subject to a number of factors that are outside the control of Falcon and, therefore, it is difficult, if not impossible, under either the Plan or the Falcon Liquidation Analysis, to estimate with any degree of certainty the ultimate outcome of any of the Falcon Related Litigation. However, it is assumed that a Chapter 7 trustee would take the same steps to defend the District Court Action as contemplated under the Plan. Therefore, the inability to predict the outcome of the District Court Action or other litigation, and hence the projected recovery, is the same in a liquidation of Falcon under Chapter 7 as compared to the terms of the Plan.

Accordingly, both the Falcon Liquidation Analysis and the Plan assume the following:

- i. All available Cash in the Falcon Estate (excluding the Escrowed Money) is spent on administrative expenses, defending the Falcon Related Litigation, or satisfying the Priority Tax Claims and Allowed Secured Claims of Falcon.
- ii. Since the merits and projected outcome of the District Court Action are the same in a Chapter 7 liquidation and under the terms of the Plan, both the Plan and the Falcon Liquidation Analysis assume that the Tide claimants prevail in the District Court Action and the Escrowed Money is found not to be property of the Falcon Estate.

Assumptions i. and ii. above were used in both the Falcon Liquidation Analysis and the Plan solely for the purpose of analyzing the Best Interests Test and feasibility under the Plan. Assumptions i. and ii. above were **not** the result of an analysis of the merits, defenses or the value of any aspect or component of the Falcon Related Litigation, but rather the application of consistent and conservative assumptions across both the Plan and the Falcon Liquidation Analysis. Due to the uncertainties associated with the Falcon Related Litigation discussed above, a consistent approach to the analysis of feasibility and the Best Interests Test was taken whereby it was assumed, for analytical purposes only, in both the Plan and the Falcon Liquidation Analysis that there would be no recovery to the Arcapita Group from the ultimate resolution of the Falcon Related Litigation.

While the actual recovery to the Arcapita Group could be materially greater than the zero recovery assumed in both the Plan and the Falcon Liquidation Analysis, any such recovery to the Arcapita Group would likely be less in the context of a hypothetical Chapter 7 (relative to the ultimate recovery in the context of the Plan) due to, among other things, Chapter 7 trustee fees and the potential in a hypothetical Chapter 7 for higher employee costs and professional fees relative to what is assumed in the Plan. The day-to-day activities of the Falcon Estate are currently being managed by employees of Arcapita, Inc. and Arcapita, Ltd. (the "Falcon Deal Team") and under the Plan, the costs and expenses of the Falcon Deal Team are paid by Reorganized Arcapita. In the context of a hypothetical Chapter 7, the Falcon Liquidation Analysis assumes that the cost of the Falcon Deal Team is instead paid for by the Falcon Estate.

In the context of a hypothetical Chapter 7, there is no guarantee that the Chapter 7 Trustee could retain the Falcon Deal Team at the same cost assumed in the Plan, if at all. Therefore, a Chapter 7 trustee may be required to obtain third party management services because Falcon does not have any stand-alone employees to manage the ongoing litigation.

Accordingly, in the context of a hypothetical Chapter 7, the employee costs and/or professional fees would likely be higher than the amounts assumed in the Plan – either directly in that the Chapter 7 trustee would have to pay more for the Falcon Deal Team than what is assumed in the Plan or, in the event the Chapter 7 trustee is unable to retain the Falcon Deal Team, through the higher professional fees of more costly professionals who lack the institutional knowledge to perform the necessary services.

Nothing contained in the Falcon Liquidation Analysis (including without limitation assumptions i. and ii. above) should be interpreted in any manner as a waiver of any of the Debtor's or the Arcapita Group's rights, defenses or arguments in the Falcon Related Litigation or any other matter or an opinion on the merits or expected outcome of the District Court Action.

Assumptions i. and ii. above result in the same recovery to all Classes of Falcon related Claims in both the Plan and the Falcon Liquidation Analysis and, therefore, the Best Interests Test is met.

2. Estimated Recoveries

- a. Amount of Allowed Claims:** The liquidation and allowance of Claims is an uncertain process. Additionally, given the number of disputed, contingent and/or unliquidated Claims in the Debtor's case, the Claims allowance process will likely take a great deal of time. Furthermore, the accelerated wind down timeline, the truncated period to liquidate the Debtor's assets and the substantial loss of an experienced workforce that could result from a conversion of the Debtor's case to a Chapter 7, is likely to negatively impact the Claims reconciliation process - both in terms of timing and the ultimate amount of Allowed Claims. To date, no orders or findings have been entered by the Bankruptcy Court estimating or otherwise fixing the amount of the Debtor's Allowed Claims. The amount of Claims used in the Falcon Liquidation Analysis has been reduced to eliminate duplicate and superseded

Claims. The actual amount of Allowed Claims could vary materially from the estimated amounts contained in the Falcon Liquidation Analysis.

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Liquidation Analysis for Falcon Gas Storage Company, Inc.

UNAUDITED

(\$ in Millions)

	<u>Liquidation Analysis</u>			<u>Estimated Plan Recovery %</u>
	<u>Amount</u>	<u>Recovery Amount</u>	<u>Recovery %</u>	
Cash	\$ 4.9	\$ 4.9	100.0%	
Receivables	1.9	1.9	100.0%	
Escrow Receivables	70.0	-	0.0%	
Total	\$ 76.9	\$ 6.9		
Intercompany Receivables	15.2	0.5	3.3%	
Equity Interests in Affiliates	-	-	-	
Gross Liquidation Proceeds Available for Distribution		\$ 7.4		
<u>Chapter 7 Liquidation Expenses</u>				
Total Operating Expenses		5.7		
Trustee Fees		-		
Priority Tax Claims		0.0	100.0%	100.0%
Net Distributable Assets		\$ 1.6		
Less: Contingency Reserve (0%)		-		
Net Distributable Assets After Contingency Reserve		\$ 1.6		
Chapter 11 Administrative Expenses		1.6		
Class 1(g) - Other Priority Claims	-	-	-	-
Class 3(g) - Other Secured Claims	0.0	-	0.0%	100.0%
Class 5(g) - General Unsecured Claims	7.5	-	0.0%	TBD
Class 7(g) - Intercompany Claims	-	-	-	TBD
Class 8(g) - Subordinated Claims	0.0	-	0.0%	TBD
Class 9(g) - Intercompany Interests	-	-	-	-
Class 10(g) - Super-Subordinated Claims	120.0	-	0.0%	0.0%
Total Recoveries		\$ 1.6		

Note: Numbers showing \$0.0 represent amounts less than \$50,000.