

PROPOSED HEARING DATE AND TIME: September 5, 2012 at 11:00 a.m. (Eastern Time)

PROPOSED OBJECTION DEADLINE: September 4, 2012 at 12:00 p.m. (Eastern Time)

GIBSON, DUNN & CRUTCHER LLP

Michael A. Rosenthal (MR-7006)
Craig H. Millet (admitted *pro hac vice*)
Janet M. Weiss (JW-5460)
Matthew K. Kelsey (MK-3137)
200 Park Avenue
New York, New York 10166-0193
Telephone: (212) 351-4000
Facsimile: (212) 351-4035

Attorneys for the Debtors and Debtors in Possession

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

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| In re | Chapter 11 Case |
| | : |
| ARCAPITA BANK B.S.C.(c), et al., | Case No. 12-11076 (SHL) |
| | : |
| Debtors. | Jointly Administered |
| -----X | |

**DEBTORS' MOTION FOR AN ORDER APPROVING
EXPENSE REIMBURSEMENT IN CONNECTION
WITH PROSPECTIVE POST-PETITION FINANCING**

Arcapita Bank B.S.C.(c) ("*Arcapita*") and certain of its subsidiaries and affiliates, as debtors and debtors in possession (collectively, the "*Debtors*" and each, a "*Debtor*") hereby submit this Motion (the "*Motion*") for entry of an order, substantially in the form annexed hereto as **Exhibit A** (the "*Proposed Order*"), pursuant to sections 503(b), 507(a)(2), 105(a) and 363(b)(1) of title 11 of the United States Code (the "*Bankruptcy Code*"), authorizing the Debtors to reimburse up to \$500,000 of the actual and reasonable expenses incurred by one Selected Lender (as defined below) in connection with the negotiation and documentation of the prospective post-petition financing and allowing a claim for such fees and expenses (in an amount not to exceed \$500,000). In support of this Motion, the Debtors respectfully represent as follows:

PRELIMINARY STATEMENT

The Debtors have been in bankruptcy for nearly six months and maintaining liquidity remains a major case initiative. Significant cash has been spent by the Debtors to support the Debtors' interests in and efforts to monetize non-Debtor investments. For example, the Debtors, with Committee support, have sought and received authority to spend over \$40 million to preserve Arcapita's indirect interest in the valuable Lusail property, located near Doha, Qatar.¹ Similarly, last month, the Debtors received authority to pay limited expenses of non-Debtor subsidiaries incurred in connection with the EuroLog IPO.² The IPO, if consummated, will provide the Arcapita Group with substantial value and debt relief.

Not surprisingly, the Debtors' efforts to support and monetize their assets have come at a cost to the Debtors' cash position. To reinforce their liquidity, after weeks of discussing and evaluating various options, the Debtors and their financial advisor, Rothschild Inc. and N M Rothschild & Sons (together, "**Rothschild**"), began work to raise cash through post-petition financing (the "**Proposed Transaction**"). By this Motion, the Debtors are seeking authority to reimburse the Proposed Transaction counter-party (the "**Selected Lender**")³ for a limited portion of its actual and reasonable costs and expenses incurred in connection with final documentation (the "**Expense Reimbursement**") of the Proposed Transaction in an amount not to exceed

1 *Order Authorizing Arcapita To Make Investment To Support The Lusail Joint Venture* [Dkt. 196]; *Order Authorizing Arcapita To Fund Lusail Joint Venture Lease Payment* [Dkt. 423].

2 The EuroLog IPO is the proposed initial public offering of shares in a new entity created to hold certain Arcapita Group European real estate assets.

3 For ease of reference, the party who may provide financing to the Debtors is referred to herein as the Selected Lender. In actuality, any Arcapita post-petition financing transaction will be in the form of a Shari'ah compliant Murabaha, or commodities transaction, not a loan.

\$500,000, and to allow a claim for such Expense Reimbursement as an administrative expense of the Arcapita estate. The Selected Lender is expected to deliver a letter of intent and detailed term sheet, subject to customary contingencies (together, the “*Firm Proposal*”) providing for between \$150 million and \$200 million of financing to the Debtors on or about September 7. The Expense Reimbursement, which covers costs and expenses after the Debtors’ receipt of such Firm Proposal, is intended to reimburse the Selected Lender for expenses incurred in connection with drafting and negotiating final financing documentation. The Expense Reimbursement, at most, comprises between .25% and .33% of the total value of the transaction.

The Debtors submit that the Expense Reimbursement is necessary to incent any Selected Lender to undertake drafting and negotiating final financing documents that are Shari’ah compliant and satisfy the strictures of chapter 11. This work is novel and complex. Indeed, to the Debtors’ knowledge, there is no precedent for Shari’ah compliant DIP financing. It, therefore, is not surprising that potential counterparties have demanded that some portion of their expenses be reimbursed in exchange for a firm commitment.

Moreover, as detailed herein, payment of the Expense Reimbursement is subject to multiple procedural safeguards to ensure that it is value accretive. The Expense Reimbursement will only be granted to the Selected Lender after consultation with the Committee in accordance with the terms set forth herein and only as the Debtors, after consultation with their advisors, may deem appropriate in the exercise of their business judgment.

For the reasons set forth above, the Expense Reimbursement will encourage the Potential Lenders (as defined below) to submit their best offers as part of the financing solicitation

process. As a result, the Debtors believe the Expense Reimbursement is in the best interests of the Debtors, their estates, creditors and other stakeholders.

JURISDICTION

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates are sections 105(a), 363(b), 503(b)(1) and 507(a)(2) of the Bankruptcy Code.

BACKGROUND

2. On March 19, 2012 (the “*Petition Date*”), Arcapita and five of its affiliates (collectively, the “*Initial Debtors*”) commenced cases under chapter 11 of the Bankruptcy Code. On April 30, 2012, Falcon Gas Storage Co., Inc. commenced a case under chapter 11 of the Bankruptcy Code (along with the cases of the Initial Debtors, the “*Chapter 11 Cases*”). The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. On April 5, 2012, the United States Trustee for Region 2 appointed the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases (the “*Committee*”) [Dkt. No. 60] pursuant to sections 1102(a) and (b) of the Bankruptcy Code.

4. Founded in 1996, Arcapita, through its Debtor and non-Debtor subsidiaries (collectively, with Arcapita, the “*Arcapita Group*”), is a leading global manager of Shari’ah-compliant alternative investments and operates as an investment bank. Arcapita is not a domestic bank licensed in the United States, nor does it have a branch or agency in the United

States as defined in section 109(b)(3)(B) of the Bankruptcy Code. Arcapita is headquartered in Bahrain and is regulated under an Islamic wholesale banking license issued by the Central Bank of Bahrain.

5. The Arcapita Group provides investors the opportunity to co-invest with the Arcapita Group on a deal-by-deal basis across three global asset classes: real estate; infrastructure and private equity; and venture capital. Typically, the Arcapita Group, through its non-Debtor subsidiaries, takes an indirect 10-20% equity stake alongside its third-party investors in non-Debtor holding companies that directly own operating portfolio companies in the United States, Europe and the Middle East.

NEED FOR ADDITIONAL LIQUIDITY DURING THESE CASES

6. Maintaining liquidity remains a major case initiative. At each hearing, the Debtors have updated the Court regarding their current cash position and the consistently positive variance between that position and the Debtors' initial projections for the same. The Debtors and the Committee, meanwhile, have engaged in a series of prolonged negotiations regarding the Debtors' use of cash and ultimately, agreed on seven interim cash management budgets.

7. Notwithstanding the Debtors' efforts to preserve cash, the Debtors seek additional capital to provide a sufficient liquidity cushion to bridge the Debtors to emergence and preserve their assets for the benefit of all stakeholders. The Debtors have taken steps to reduce costs during the Chapter 11 Cases, including through a major headcount reduction, the terms of which were approved by this Court. However, the very nature of the Debtors' businesses

necessitates fresh capital to maintain the Debtors' equity interests in Arcapita Group portfolio companies. Most of the expenses at issue are deal funding expenses structured to improve creditor returns. As highlighted by the most recent budget submitted to this Court at the August 2, 2012 hearing, and annexed hereto as **Exhibit B**, \$15.1 million, or 75% of the proposed expenditures, related to deal funding and related expenses. Financing must be available to preserve and monetize the Debtors assets, including through the EuroLog IPO.

8. The Debtors, with counsel from their advisors, have determined that having funds of up to approximately \$150 million to \$200 million is required to sustain their businesses and monetize their assets during the Chapter 11 Cases. This determination was made after careful analysis of run rate costs and projected deal funding expenses. Specifically, the Proposed Transaction will enable the Debtors to pay administrative expenses incurred and payable while in chapter 11, to bridge to their successful emergence from chapter 11 and to preserve and monetize their assets (i.e. their equity interests in their non-Debtor subsidiaries and investments). Accordingly, while the actual terms of the Proposed Transaction are not finalized (and indeed, the Debtors expect to receive Firm Proposals on or about September 7, 2012), the Debtors expect that the ultimate terms of the Proposed Transaction will satisfy the Debtors' liquidity needs while in chapter 11. *See Declaration of Bernard Douton in Support of Debtors' Motion for an Order Approving Expense Reimbursement in Connection with Prospective Post-Petition Financing* (the "**Douton Declaration**"), annexed hereto as **Exhibit C**, ¶ 5. Accordingly, the Debtors believe that pursuing the Proposed Transaction is in the best interests of the Debtors, their estates, creditors and other stakeholders.

THE FINANCING SOLICITATION PROCESS

9. The Debtors and Rothschild are engaged in a two-stage solicitation and negotiation process in connection with the Proposed Transaction. Douton Declaration ¶ 5. The first stage consists of the production of in depth due diligence and the solicitation and negotiation of Firm Proposals.⁴ The second part of the solicitation process includes choosing the Selected Lender who has put forth the best Firm Proposal and engaging and completing negotiations with that party regarding final documentation.⁵ The entire solicitation process is intended to induce parties to submit their best bid with respect to the Proposed Transaction, to create a level-playing field between Potential Lenders, to ensure that the Selected Lender has the financial wherewithal to consummate the Proposed Transaction and to maximize value for the benefit of the Debtors and their estates.

10. To date, the solicitation process has developed as follows:

- Identifying Potential Lenders: Rothschild identified and contacted more than 29 potential contract counter-parties (collectively, the “*Potential Lenders*”) who Rothschild believed were or could be interested in providing all or a portion of the required post-petition financing. Such parties primarily included traditional DIP lenders, institutions with experience in Shari’ah compliant lending, Middle Eastern banks, hedge funds and current Arcapita Group creditors. Douton Declaration ¶ 10.
- Providing Informational Materials: Of the 29 parties contacted by Rothschild, 18 executed confidentiality agreements and received

4 Specifically, Rothschild prepared a confidential information memorandum (“*CIM*”), which incorporated materials prepared by the Debtors’ other advisors, including, a financing term sheet and DIP budget. The Potential Lenders also received access to a virtual data room created by Rothschild.

5 For the avoidance of doubt, the Debtors will move separately for authority to enter into any Proposed Transaction.

both a CIM and access to a comprehensive virtual data room created by Rothschild and updated regularly. The nature of the Debtors' assets – equity and other interests in generally levered portfolio companies – necessitated providing investors with substantial information such that Potential Lenders could confirm the asset coverage for the Proposed Transaction. Douton Declaration ¶ 11.

- Indications of Interest: Seven Potential Lenders submitted non-binding indications of interest. The Debtors, after consultation with their advisors, asked six of the seven Potential Lenders to re-confirm such indications after their receipt of additional diligence materials (including valuation analyses produced by KPMG LLP and waterfall analyses for most of the Arcapita Group's assets). Five did so or submitted revised materials. All five are believed to have the wherewithal to consummate the Proposed Transaction in a timely manner. Douton Declaration ¶ 12.

11. Going forward, the Debtors and Rothschild anticipate that they will select two Potential Lenders to continue with due diligence and to submit a Firm Proposal on or about September 7, 2012. Based on their review of such Firm Proposals and subsequent negotiations, the Debtors, with advice from their advisors, and after consultation with the Committee, will select a single Selected Lender to move forward to final documentation. The Debtors currently anticipate filing a motion seeking approval of the Proposed Transaction by September 18 such that the motion may be heard by the court on October 2, 2012. Douton Declaration ¶ 13.

12. In connection with the negotiation of final documentation and negotiations with the Selected Lender, pursuant to this Motion, the Debtors are seeking approval of their payment of the Expense Reimbursement to the Selected Lender in accordance with the terms set forth herein after obtaining approval of such terms by this Court. Notably, all Potential Lenders who are still in consideration have requested either an agreement by the Debtors to pay transaction related expenses (supported by an expense deposit, which deposit would need to be

restored periodically) or an expense reimbursement plus a work fee. As set forth in greater detail below, in light of the Potential Lenders' demands and the unique nature of the Proposed Transaction, the Debtors submit that the limited Expense Reimbursement for the one Selected Lender constitutes a measured and sound act of good business judgment.

RELIEF REQUESTED

13. By this Motion, the Debtors seek entry of an order substantially in the form of the Proposed Order authorizing the Debtors to pay an Expense Reimbursement in respect of actual and reasonable costs and expenses to one Selected Lender in connection with the Proposed Transaction pursuant to sections 105(a) and 363(b)(1) of the Bankruptcy Code and allowing such Expense Reimbursement as an administrative expense pursuant to sections 503(b) and 507(a)(2) of the Bankruptcy Code. The Debtors have discussed the Expense Reimbursement with the Committee. As of the date of this filing, the Committee has taken no position with respect to this Motion. Because the Debtors believe that the Expense Reimbursement is crucial to the post-petition financing process, they are committed to reaching a resolution with the Committee with respect to any issue that the Committee may have in respect of this Motion.

BASIS FOR RELIEF REQUESTED

I. The Expense Reimbursement Constitutes an Actual and Necessary Cost of the Arcapita Estate

14. Section 503(b)(1) of the Bankruptcy Code provides that the "actual, necessary costs and expenses of preserving the estate" constitute administrative expenses of the estate. 11 U.S.C. § 503(b)(1). To establish an administrative claim under section 503(b)(1)(A) and therefore, section 507(a)(2), there must be (a) a post-petition transaction between the

administrative claimant and the chapter 11 estates and (b) a benefit to the estates. *See, e.g., Calpine Corp. v. O'Brien Env'tl. Energy, Inc. (In re O'Brien Env'tl. Energy, Inc.)*, 181 F.3d 527, 532-533 (3d Cir. 1999). Whether a break-up fee or expense reimbursement is reasonable under section 503(b) is viewed in relation to the overall transaction value and the overall market for such fees. *See e.g. In re Tronox Inc.*, Case No. 09-10156 (ALG) (Bankr. S.D.N.Y. September 23, 2009) (approving break-up fee in sale transaction equal to 3% of sales proceeds); *In re Fortunoff Fine Jewelry and Silverware, LLC*, Case No. 08-10353 (JMP), 2008 WL 618983, at #2-3 (Bankr. S.D.N.Y. Feb. 22, 2008) (approving break-up fee of 2.8%).

15. The Expense Reimbursement satisfies both requirements set forth above. First, the Selected Lender will be engaged in a transaction with the Debtors, having delivered to the Debtors a Firm Proposal with respect to the Proposed Transaction on or about September 7, 2012 and subsequently, having been selected by the Debtors for the Proposed Transaction. The Debtors seek to reimburse the expense of only a single Selected Lender related to final documentation of the Proposed Transaction, and the Selected Lender will be required, as a prerequisite to its selection, to have offered a Firm Proposal. Several Potential Lenders have invested substantial time and capital in connection with the Proposed Transaction that will not be compensated.

16. In addition, the Expense Reimbursement will provide a clear benefit to the estates. The Expense Reimbursement will encourage Potential Lenders to (a) commit to the Proposed Transaction, (b) submit Firm Proposals and (c) provide the Debtors with the Potential Lenders' best bid available. As noted above, the Debtors require fresh capital to reinforce their

liquidity and continue preserving their assets. Yet, the highly legal nature of drafting and negotiating the final documentation necessarily involved in consummating the Proposed Transaction will likely result in the Selected Lender's incurrence of significant legal expenses. Absent assurance of a reasonable expense reimbursement, there remains a legitimate concern that certain Potential Lenders may abandon the solicitation process altogether. Accordingly, the Debtors are seeking to reimburse all or a portion of the actual and reasonable expenses incurred by the Selected Lender relating to final documentation. The Expense Reimbursement will encourage Potential Lenders to submit their best offers and the Selected Lender to close the Proposed Transaction on an expedited basis.

17. Further, the size of the Expense Reimbursement is reasonable and supports its approval by this Court. The Debtors hereby seek to pay a capped Expense Reimbursement to the Selected Lender, despite having received numerous requests from all of the remaining Potential Lenders for unlimited reimbursements and/or work fees. Because that Expense Reimbursement is capped and only relates to fees and expenses incurred in connection with final documentation and after delivery of a Firm Proposal, it may equal at most one-third of one percent of the total value of the Proposed Transaction. This percentage pales in comparison to fees and expense reimbursements approved in other chapter 11 cases. Finally, that the contract counter-party is, as of yet unnamed, and in fact, the Debtors will name the Selected Lender a few days after the hearing on this Motion, is of no moment. Courts in this district have even recently approved the payment of expense reimbursements and/or break fees to unnamed contract counterparties. *In re Eastman Kodak Company*, Case No. 12-10202 (ALG) (Bankr.

S.D.N.Y. July 5, 2012) (approving reasonable expense reimbursement and break-up fee to unnamed “Successful Bidder”); *In re Borders Group, Inc.*, Case No. 11-10614 (MG) (Bankr. S.D.N.Y. August 10, 2011) (approving expense reimbursement for stalking horse bidder). Moreover, the Debtors will consult with the Committee in connection with their naming the Selected Lender and payment of any Expense Reimbursement.

18. Finally, to ensure the Expense Reimbursement is value accretive, the Debtors have agreed to a number of procedural and substantive safeguards. As is set forth above, if approved, the Expense Reimbursement will be granted to only the Selected Lender and who is capable of consummating the Proposed Transaction and who has submitted a Firm Proposal to the Debtors on or about September 7. In addition, the Debtors have limited the relief requested herein to costs and expenses incurred in connection with final documentation and after delivery of a Firm Proposal and expressly denied any other Potential Lender’s requests for a work fee not tied to reasonable and actual costs. Third, the Debtors have agreed to consult with the Committee with respect to the Expense Reimbursement.

II. Payment of the Expense Reimbursement Is a Sound Exercise of Business Judgment

19. The Proposed Transaction is unique in a chapter 11 context. To the Debtors’ knowledge, no debtor or investor has undertaken to rationalize Shari’ah compliance with the strictures of the Bankruptcy Code. That the Debtors are six months into the Chapter 11 Cases and starting to negotiate the terms of their reorganization further complicates matters. Yet, it is undisputed that the Debtors require an additional liquidity cushion to bridge to their emergence from chapter 11 and preserve and monetize their assets (i.e. their equity interests in

their non-Debtor subsidiaries and investments). As a result of the foregoing, the Debtors submit that payment of the Expense Reimbursement constitutes an act of good business judgment and should be approved under Bankruptcy Code section 363(b)(1).

20. Section 363(b)(1) of the Bankruptcy Code provides, in relevant part, that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Section 363(b)(1) does not specify a standard for determining when a court should authorize the use, sale or lease of property of the estate. However, the Second Circuit has held that a bankruptcy court should approve a debtor’s sale or use of property outside the ordinary course of business if the debtor can demonstrate a sound business justification for the proposed transaction. *See Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1071 (2d Cir. 1983).

21. Once a debtor articulates a valid business justification for the proposed transaction, significant weight is given to the debtor’s business judgment. “The business judgment rule ‘is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company.’” *In re Integrated Resources, Inc.*, 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting *Smith v. Van Gorkam*, 488 A.2d 858, 872 (Del. 1985)). Courts apply the business judgment rule within the context of a chapter 11 case to shield a debtor’s management from judicial second-guessing. *Id.*; *see also In re Johns-Manville Corp.*, 60 B.R. 612, 615-16 (Bank. S.D.N.Y. 1986) (“the Code favors the continued operation of a business by a debtor and a presumption of reasonableness attaches to a debtor’s management decisions”).

22. As outlined above, the Expense Reimbursement constitutes a key component of the Debtors' efforts to obtain post-petition financing on the best terms available. Immediate approval of the Expense Reimbursement is intended to incent Potential Lenders to provide the Debtors with their best offers and the Selected Lender to draft, to negotiate and to finalize final documentation on an expedited basis. Factoring in the intended purpose of the Expense Reimbursement as well as the legal and other complexities which will be encountered by the Selected Lender in connection with final documentation, the Debtors submit that payment of the Expense Reimbursement constitutes an act of sound business judgment.

III. The Court May Authorize Payment of the Expense Reimbursement Pursuant to Section 105(a) of the Bankruptcy Code

23. The Court may additionally authorize the Debtors to pay the Expense Reimbursement pursuant to section 105 of the Bankruptcy Code. Section 105(a) of the Bankruptcy Code empowers the Court to "issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a). The Debtors' acquisition of post-petition financing, subject to the Court's approval, is clearly permitted under section 364 of the Bankruptcy Code.

24. For the reasons set forth above, the Expense Reimbursement is a required component of the Debtors' efforts to obtain post-petition, Shari'ah compliant financing (likely in the form of a Murabaha, or commodities transaction). Accordingly, the Court should authorize the Debtors to pay the Expense Reimbursement in order to entice the Potential Lenders to offer immediate financing and to do so on the best terms available.

NOTICE

25. No trustee or examiner has been appointed in the Chapter 11 Cases. The Debtors have provided notice of filing of the Motion by electronic mail, facsimile and/or overnight mail to: (i) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Richard Morrissey, Esq.); (ii) Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York 10005 (Attn: Dennis F. Dunne, Esq., Abhilash M. Raval, Esq., and Evan R. Fleck, Esq.), counsel for the Committee; and (iii) all parties listed on the Master Service List established in these Chapter 11 Cases. A copy of the Motion is also available on the website of the Debtors' notice and claims agent, GCG, at www.gcginc.com/cases/arcapita.

NO PRIOR REQUEST

26. No prior application for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request entry of an Order substantially similar to the Proposed Order attached hereto as **Exhibit A**, and such other and further relief as the Court may deem just and proper.

Dated: New York, New York
August 29, 2012

/s/ Michael A. Rosenthal
Michael A. Rosenthal (MR-7006)
Craig H. Millet (admitted *pro hac vice*)
Janet M. Weiss (JW-5460)
Matthew K. Kelsey (MK-3137)
GIBSON, DUNN & CRUTCHER LLP
200 Park Avenue
New York, New York 10166-0193
Telephone: (212) 351-4000
Facsimile: (212) 351-4035

ATTORNEYS FOR THE DEBTORS
AND DEBTORS IN POSSESSION

PROPOSED HEARING DATE AND TIME: September 5, 2012 at 11:00 a.m. (Eastern Time)

PROPOSED OBJECTION DEADLINE: September 4, 2012 at 12:00 p.m. (Eastern Time)

GIBSON, DUNN & CRUTCHER LLP

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200 Park Avenue
New York, New York 10166-0193
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Attorneys for the Debtors and Debtors in Possession

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

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| IN RE: | : | Chapter 11 |
| | : | |
| ARCAPITA BANK B.S.C.(c), et al., | : | Case No. 12-11076 (SHL) |
| | : | |
| Debtors. | : | Jointly Administered |
| | : | |
| -----X | : | |

**NOTICE OF HEARING ON DEBTORS' MOTION FOR
AN ORDER APPROVING EXPENSE REIMBURSEMENT
IN CONNECTION WITH PROSPECTIVE POST-PETITION**

PLEASE TAKE NOTICE that a hearing on the annexed Motion, dated August 29, 2012 (the "**Motion**") of Arcapita Bank B.S.C.(c) and certain of its subsidiaries and affiliates, as debtors and debtors in possession (collectively, the "**Debtors**") will be held before the Honorable Sean H. Lane, United States Bankruptcy Judge, in Room 701 of the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**"), One Bowling Green, New York, New York 10004, on **September 5, 2012 at 11:00 a.m. (Eastern Time)**, or as soon thereafter as counsel may be heard.

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Motion (the "**Objections**") shall be filed electronically with the Court on the docket of *In re*

Arcapita Bank B.S.C.(c), et al., Ch. 11 Case No. 12-11076 (SHL) (the “**Docket**”), pursuant to the Case Management Procedures approved by this Court¹ and the Court’s General Order M-399 (available at <http://nysb.uscourts.gov/orders/orders2.html>), by registered users of the Court’s case filing system and by all other parties in interest on a 3.5 inch disk, preferably in portable document format, Microsoft Word, or any other Windows-based word processing format (with a hard copy delivered directly to Chambers), in accordance with the customary practices of the Bankruptcy Court and General Order M-399, to the extent applicable, and served in accordance with General Order M-399 on (i) counsel for the Debtors, Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166 (Attn: Michael A. Rosenthal, Esq., Janet M. Weiss, Esq. and Matthew K. Kelsey, Esq.); (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Richard Morrissey, Esq.); and (iii) the Official Committee of Unsecured Creditors, Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York 10005 (Attn: Dennis F. Dunne, Esq. and Evan R. Fleck, Esq. The proposed deadline for Objections is **September 4, 2012 at 12:00 p.m.** (Eastern Time) (the “**Proposed Objection Deadline**”).

PLEASE TAKE FURTHER NOTICE that if no Objections are timely filed and served with respect to the Motion, the Debtors may, on or after the Objection Deadline, submit to the Bankruptcy Court an order substantially in the form of the proposed order annexed to the Motion, which order may be entered with no further notice or opportunity to be heard.

¹ See Order (A) Waiving the Requirement That Each Debtor File a List of Creditors and Equity Security Holders and Authorizing Maintenance of Consolidated List of Creditors in Lieu of a Matrix; (B) Authorizing Filing of a Consolidated List of Top 50 Unsecured Creditors; and (C) Approving Case Management Procedures [Docket No. 21].

Dated: New York, New York
August 29, 2012

/s/ Michael A. Rosenthal

Michael A. Rosenthal (MR-7006)

Craig H. Millet (admitted *pro hac vice*)

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GIBSON, DUNN & CRUTCHER LLP

200 Park Avenue

New York, New York 10166-0193

Telephone: (212) 351-4000

Facsimile: (212) 351-4035

ATTORNEYS FOR THE DEBTORS
AND DEBTORS IN POSSESSION

EXHIBIT A

PROPOSED ORDER

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

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In re : **Chapter 11 Case**
ARCAPITA BANK B.S.C.(c), et al., : **Case No. 12-11076 (SHL)**
Debtors. : **Jointly Administered**
-----X

**ORDER APPROVING EXPENSE REIMBURSEMENT IN
CONNECTION WITH PROSPECTIVE POST-PETITION FINANCING**

Upon the Motion (the “*Motion*”)¹ of the debtors in possession in the above-captioned case (collectively, the “*Debtors*” and each, a “*Debtor*”) for an order (i) pursuant to sections 363(b)(1) and 365(d)(3) of title 11 of the United States Code (the “*Bankruptcy Code*”), authorizing Arcapita to reimburse a portion of the actual and reasonable fees and expenses incurred by the Selected Lender in connection with the negotiation and documentation of the Debtors’ acquisition of post-petition financing and (ii) pursuant to sections 503(b) and 507(a)(2) of the Bankruptcy Code, allowing the Secured Lender an administrative expense claim for such fees and expenses, this Court finds and concludes that: (a) the Court has jurisdiction over the subject matter of the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b); (c) the Debtors have demonstrated that payment of the Expense Reimbursement comprises an exercise of sound business judgment under section 363(b)(1) of the Bankruptcy Code; (d) payment of the Expense Reimbursement provides a benefit to the Arcapita estate necessary to preserve the value of the Debtors’ assets; (e) the legal and factual bases set forth in the Motion and on the record at the hearing (if any) establish just cause for the relief granted herein; (f) the relief requested in the

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

Motion is in the best interests of the Debtors, the estates and their creditors; and (g) notice of the Motion was sufficient, and no other or further notice need be provided.

Based upon the above findings and conclusions, and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted.
2. The Debtors are authorized but not directed to reimburse the Selected Lender for actual and reasonable costs and expenses on the terms and conditions set forth in the Motion and upon receipt of reasonably detailed invoices from the Selected Lender (which invoices shall include a description of the work performed, the individuals who performed such work and the hourly rate of such individuals, plus an itemized statement of expenses); *provided, however, that*, the Debtors shall provide copies of each such invoice to the Committee (the “*Committee Notice*”) and not make payment on account of any such invoice within three days of providing the Committee Notice in respect thereof; *provided further that*, in any case, payments in respect of the Expense Reimbursement shall not exceed \$500,000 in the aggregate (the “*Expense Reimbursement Cap*”).
3. Any claim of the Selected Lender for an Expense Reimbursement, subject to the Expense Reimbursement Cap, shall constitute an administrative expense priority claim against Arcapita under sections 503(b) and 507(a)(2) of the Bankruptcy Code; *provided that*, the Selected Lender shall only have a claim for Expense Reimbursement if the Debtors agree, in writing, to provide the same after consultation with the Committee.
4. The Debtors are further authorized, after having consulted with the Committee regarding the same, to take any other actions necessary to implement the Expense

Reimbursement, including without limitation, pursuant to their execution of any agreement reasonably required to document the Expense Reimbursement.

5. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

6. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order.

Dated: _____, 2012

New York, New York

THE HONORABLE SEAN H. LANE
UNITED STATES BANKRUPTCY JUDGE

101356033.2

EXHIBIT B

BUDGET

GIBSON, DUNN & CRUTCHER LLP

Michael A. Rosenthal (MR-7006)
Craig H. Millet (admitted *pro hac vice*)
Janet M. Weiss (JW-5460)
Matthew K. Kelsey (MK-3137)
200 Park Avenue
New York, New York 10166-0193
Telephone: (212) 351-4000
Facsimile: (212) 351-4035

Attorneys for the Debtors
and Debtors in Possession

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

| | |
|---|---|
| -----X | |
| IN RE: | : Chapter 11 |
| ARCAPITA BANK B.S.C.(c), et al., | : Case No. 12-11076 (SHL) |
| Debtors. | : Joint Administration Requested |
| -----X | |

NOTICE OF FILING OF PROPOSED INTERIM BUDGET TO DEBTORS' MOTION FOR INTERIM AND FINAL ORDERS (A) AUTHORIZING DEBTORS TO (I) CONTINUE EXISTING CASH MANAGEMENT SYSTEM, BANK ACCOUNTS, AND BUSINESS FORMS AND (II) CONTINUE ORDINARY COURSE INTERCOMPANY TRANSACTIONS; AND (B) GRANTING AN EXTENSION OF TIME TO COMPLY WITH THE REQUIREMENTS OF SECTION 345(B) OF THE BANKRUPTCY CODE

Pursuant to the Debtors' Motion for Interim and Final Orders Granting (A) Authorizing Debtors to (I) Continue Existing Cash Management System, Bank Accounts, and Business Forms and (II) Continue Ordinary Course Intercompany Transactions; and (B) Granting an Extension of Time to Comply with the Requirements of Section 345(b) of the Bankruptcy Code (Docket Entry No. 12) filed on March 20, 2012, Arcapita Bank B.S.C.(c) and its affiliated chapter 11 debtors, as debtors and debtors in possession, hereby file their Budget for the period from the August 5, 2012 through September 8, 2012.

Dated: New York, New York
July 30, 2012

Respectfully submitted,

/s/ Michael A. Rosenthal

Michael A. Rosenthal (MR-7006)

Craig H. Millet (admitted *pro hac vice*)

Janet M. Weiss (JW-5460)

Matthew K. Kelsey (MK-3137)

GIBSON, DUNN & CRUTCHER LLP

200 Park Avenue

New York, New York 10166-0193

Telephone: (212) 351-4000

Facsimile: (212) 351-4035

ATTORNEYS FOR THE DEBTORS AND
DEBTORS IN POSSESSION

101340672.1



Cash Flow Forecast - CONSOLIDATED
 For the Period Ending 9/8/12

| (\$'s in 000's) | Forecast | Forecast | Forecast | Forecast | Forecast | 5 Weeks Ending 9/8/12 |
|--|-------------------|--------------------|--------------------|-------------------|------------------|--------------------------|
| | 8/5/12 8/11/12 | 8/12/12 8/18/12 | 8/19/12 8/25/12 | 8/26/12 9/1/12 | 9/2/12 9/8/12 | |
| Receipts | | | | | | |
| Proceeds from Exits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deal Company Murabahas | - | - | - | - | - | - |
| Management Fees | - | - | - | - | - | - |
| Yield from Deal Companies | - | - | - | - | 730 | 730 |
| All Other | - | - | - | 19 | - | 19 |
| Total Receipts | - | - | - | 19 | 730 | 749 |
| Disbursements | | | | | | |
| G&A Expenses | | | | | | |
| Atlanta | 39 | 113 | 73 | 5 | 58 | 288 |
| Bahrain | 410 | 261 | 175 | 611 | 346 | 1,804 |
| Hong Kong | 38 | 2 | 2 | 2 | 41 | 84 |
| London | 174 | 13 | 12 | 193 | 11 | 402 |
| Singapore | 99 | 80 | 11 | 7 | 189 | 385 |
| Point Park Properties | 126 | 126 | 126 | 126 | 100 | 603 |
| Total G&A Expenses | 886 | 594 | 398 | 943 | 745 | 3,566 |
| Staff Expenses | | | | | | |
| Atlanta | 2 | 198 | - | 153 | - | 353 |
| Bahrain | 192 | 243 | 879 | 15 | 1 | 1,331 |
| Hong Kong | - | - | 7 | - | - | 7 |
| London | 9 | - | 377 | - | 9 | 395 |
| Singapore | - | 190 | 2 | - | - | 191 |
| Point Park Properties | - | - | - | - | - | - |
| Total Staff Expenses | 203 | 631 | 1,265 | 168 | 11 | 2,278 |
| Other Expenses | | | | | | |
| AHQ Payments | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Other Expenses | - | - | - | - | - | - |
| Deal Funding & Expenses | | | | | | |
| Private Equity | 125 | - | - | - | - | 125 |
| Real Estate | 2,818 | 250 | - | 2,000 | 10,000 | 15,068 |
| Infrastructure | 2,295 | - | - | - | - | 2,295 |
| Venture Capital | - | - | - | - | - | - |
| Total Deal Funding & Expenses | 5,238 | 250 | - | 2,000 | 10,000 | 17,488 |
| Total Disbursements | 6,327 | 1,475 | 1,664 | 3,111 | 10,756 | 23,331 |
| Operating Cash Flow | (6,327) | (1,475) | (1,664) | (3,091) | (10,026) | (22,582) |
| Restructuring | | | | | | |
| Restructuring Fees | 7,193 | - | 135 | 20 | 5,412 | 12,760 |
| Critical / Foreign Vendor Payments | - | - | - | - | - | - |
| Ordinary Course Professionals | - | - | - | - | - | - |
| Payroll Adjustments | - | - | - | - | - | - |
| Other Restructuring Costs | - | - | - | - | - | - |
| Total Restructuring | 7,193 | - | 135 | 20 | 5,412 | 12,760 |
| Debt Service | | | | | | |
| Financing Cost - SCB | - | - | - | - | - | - |
| Total Debt Service | - | - | - | - | - | - |
| Net Cash Flow | (13,519) | (1,475) | (1,799) | (3,111) | (15,438) | (35,342) |
| Intercompany Transfers | | | | | | |
| Cash Inflows (Source of Cash) | 6,250 | 190 | 359 | - | 3,290 | 10,088 |
| Cash Outflows (Use of Cash) | 6,250 | 190 | 359 | - | 3,290 | 10,088 |
| Total Intercompany Transfers | - | - | - | - | - | - |
| Balances & Liquidity | | | | | | |
| Beginning Book Balance | 106,451 | 92,932 | 91,457 | 89,659 | 86,547 | 106,451 |
| Net Receipts, Disbursements & Transfers | (13,519) | (1,475) | (1,799) | (3,111) | (15,438) | (35,342) |
| Ending Book Balance | 92,932 | 91,457 | 89,659 | 86,547 | 71,109 | 71,109 |
| Float/Foreign Exchange | 500 | 500 | 500 | 500 | 500 | 500 |
| Interbank Transfers | - | - | - | - | - | - |
| Less: Placements Held at Banks | (35,000) | (35,000) | (35,000) | (35,000) | (35,000) | (35,000) |
| Ending Bank Balance | \$ 58,432 | \$ 56,957 | \$ 55,159 | \$ 52,047 | \$ 36,609 | \$ 36,609 |



Cash Flow Forecast - TOTAL DEBTOR
 For the Period Ending 9/8/12

| (\$'s in 000's) | Forecast | Forecast | Forecast | Forecast | Forecast | 5 Weeks Ending 9/8/12 |
|--|------------------|------------------|------------------|------------------|------------------|--------------------------|
| | 8/5/12 | 8/12/12 | 8/19/12 | 8/26/12 | 9/2/12 | |
| | 8/11/12 | 8/18/12 | 8/25/12 | 9/1/12 | 9/8/12 | |
| Receipts | | | | | | |
| Proceeds from Exits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deal Company Murabahas | - | - | - | - | - | - |
| Management Fees | - | - | - | - | - | - |
| Yield from Deal Companies | - | - | - | - | 730 | 730 |
| All Other | - | - | - | 19 | - | 19 |
| Total Receipts | - | - | - | 19 | 730 | 749 |
| Disbursements | | | | | | |
| G&A Expenses | | | | | | |
| Bahrain | 410 | 261 | 175 | 611 | 346 | 1,804 |
| Total G&A Expenses | 410 | 261 | 175 | 611 | 346 | 1,804 |
| Staff Expenses | | | | | | |
| Bahrain | 192 | 243 | 879 | 15 | 1 | 1,331 |
| Total Staff Expenses | 192 | 243 | 879 | 15 | 1 | 1,331 |
| Other Expenses | | | | | | |
| AHQ Payments | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Other Expenses | - | - | - | - | - | - |
| Deal Funding & Expenses | | | | | | |
| Private Equity | 125 | - | - | - | - | 125 |
| Real Estate | 2,818 | 250 | - | 2,000 | 10,000 | 15,068 |
| Infrastructure | 2,295 | - | - | - | - | 2,295 |
| Venture Capital | - | - | - | - | - | - |
| Total Deal Funding & Expenses | 5,238 | 250 | - | 2,000 | 10,000 | 17,488 |
| Total Disbursements | 5,840 | 755 | 1,055 | 2,626 | 10,347 | 20,623 |
| Operating Cash Flow | (5,840) | (755) | (1,055) | (2,607) | (9,617) | (19,873) |
| Restructuring | | | | | | |
| Restructuring Fees | 7,193 | - | 135 | 20 | 5,412 | 12,760 |
| Critical / Foreign Vendor Payments | - | - | - | - | - | - |
| Payroll Adjustments | - | - | - | - | - | - |
| Other Restructuring Costs | - | - | - | - | - | - |
| Total Restructuring | 7,193 | - | 135 | 20 | 5,412 | 12,760 |
| Debt Service | | | | | | |
| Financing Cost - SCB | - | - | - | - | - | - |
| Total Debt Service | - | - | - | - | - | - |
| Net Cash Flow | (13,033) | (755) | (1,190) | (2,627) | (15,030) | (32,634) |
| Intercompany Transfers | | | | | | |
| Cash Inflows (Source of Cash) | 6,000 | - | - | - | 2,615 | 8,615 |
| Cash Outflows (Use of Cash) | 6,250 | 190 | 359 | - | 3,290 | 10,088 |
| Total Intercompany Transfers | (250) | (190) | (359) | - | (675) | (1,473) |
| Balances & Liquidity | | | | | | |
| Beginning Book Balance | 100,834 | 87,552 | 86,607 | 85,059 | 82,432 | 100,834 |
| Net Receipts, Disbursements & Transfers | (13,283) | (944) | (1,549) | (2,627) | (15,705) | (34,107) |
| Ending Book Balance | 87,552 | 86,607 | 85,059 | 82,432 | 66,727 | 66,727 |
| Float/Foreign Exchange | 400 | 400 | 400 | 400 | 400 | 400 |
| Interbank Transfers | - | - | - | - | - | - |
| Less: Placements Held at Banks | (35,000) | (35,000) | (35,000) | (35,000) | (35,000) | (35,000) |
| Ending Bank Balance | \$ 52,952 | \$ 52,007 | \$ 50,459 | \$ 47,832 | \$ 32,127 | \$ 32,127 |



Cash Flow Forecast - NON-DEBTOR
 For the Period Ending 9/8/12

| (\$'s in 000's) | Forecast | Forecast | Forecast | Forecast | Forecast | 5 Weeks Ending 9/8/12 |
|--|-------------------|--------------------|--------------------|-------------------|------------------|--------------------------|
| | 8/5/12 8/11/12 | 8/12/12 8/18/12 | 8/19/12 8/25/12 | 8/26/12 9/1/12 | 9/2/12 9/8/12 | |
| Receipts | | | | | | |
| Proceeds from Exits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deal Company Murabahas | - | - | - | - | - | - |
| Management Fees | - | - | - | - | - | - |
| Yield from Deal Companies | - | - | - | - | - | - |
| All Other | - | - | - | - | - | - |
| Total Receipts | - | - | - | - | - | - |
| Disbursements | | | | | | |
| G&A Expenses | | | | | | |
| Atlanta | 39 | 113 | 73 | 5 | 58 | 288 |
| Hong Kong | 38 | 2 | 2 | 2 | 41 | 84 |
| London | 174 | 13 | 12 | 193 | 11 | 402 |
| Singapore | 99 | 80 | 11 | 7 | 189 | 385 |
| Point Park Properties | 126 | 126 | 126 | 126 | 100 | 603 |
| Total G&A Expenses | 475 | 332 | 223 | 332 | 399 | 1,762 |
| Staff Expenses | | | | | | |
| Atlanta | 2 | 198 | - | 153 | - | 353 |
| Hong Kong | - | - | 7 | - | - | 7 |
| London | 9 | - | 377 | - | 9 | 395 |
| Singapore | - | 190 | 2 | - | - | 191 |
| Point Park Properties | - | - | - | - | - | - |
| Total Staff Expenses | 11 | 387 | 386 | 153 | 9 | 947 |
| Other Expenses | | | | | | |
| Other | - | - | - | - | - | - |
| Total Other Expenses | - | - | - | - | - | - |
| Deal Funding & Expenses | | | | | | |
| Private Equity | - | - | - | - | - | - |
| Real Estate | - | - | - | - | - | - |
| Infrastructure | - | - | - | - | - | - |
| Venture Capital | - | - | - | - | - | - |
| Total Deal Funding & Expenses | - | - | - | - | - | - |
| Total Disbursements | 487 | 720 | 609 | 485 | 408 | 2,708 |
| Operating Cash Flow | (487) | (720) | (609) | (485) | (408) | (2,708) |
| Restructuring | | | | | | |
| Payroll Adjustments | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Restructuring | - | - | - | - | - | - |
| Debt Service | | | | | | |
| Financing Cost - SCB | - | - | - | - | - | - |
| Total Debt Service | - | - | - | - | - | - |
| Net Cash Flow | (487) | (720) | (609) | (485) | (408) | (2,708) |
| Intercompany Transfers | | | | | | |
| Cash Inflows (Source of Cash) | 250 | 190 | 359 | - | 675 | 1,473 |
| Cash Outflows (Use of Cash) | - | - | - | - | - | - |
| Total Intercompany Transfers | 250 | 190 | 359 | - | 675 | 1,473 |
| Balances & Liquidity | | | | | | |
| Beginning Book Balance | 5,617 | 5,380 | 4,850 | 4,600 | 4,116 | 5,617 |
| Net Receipts, Disbursements & Transfers | (237) | (530) | (250) | (485) | 267 | (1,235) |
| Ending Book Balance | 5,380 | 4,850 | 4,600 | 4,116 | 4,382 | 4,382 |
| Float/Foreign Exchange | 100 | 100 | 100 | 100 | 100 | 100 |
| Interbank Transfers | - | - | - | - | - | - |
| Less: Placements Held at Banks | - | - | - | - | - | - |
| Ending Bank Balance | \$ 5,480 | \$ 4,950 | \$ 4,700 | \$ 4,216 | \$ 4,482 | \$ 4,482 |



Cash Flow Forecast - AIHL (DEBTOR)
 For the Period Ending 9/8/12

| (\$'s in 000's) | Forecast | Forecast | Forecast | Forecast | Forecast | 5 Weeks Ending 9/8/12 |
|---|-------------------|--------------------|--------------------|-------------------|------------------|--------------------------|
| | 8/5/12 8/11/12 | 8/12/12 8/18/12 | 8/19/12 8/25/12 | 8/26/12 9/1/12 | 9/2/12 9/8/12 | |
| Receipts | | | | | | |
| Proceeds from Exits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deal Company Murabahas | - | - | - | - | - | - |
| Management Fees | - | - | - | - | - | - |
| Yield from Deal Companies | - | - | - | - | 730 | 730 |
| All Other | - | - | - | 19 | - | 19 |
| Total Receipts | - | - | - | 19 | 730 | 749 |
| Disbursements | | | | | | |
| G&A Expenses | - | - | - | - | - | - |
| Total G&A Expenses | - | - | - | - | - | - |
| Staff Expenses | - | - | - | - | - | - |
| Total Staff Expenses | - | - | - | - | - | - |
| Other Expenses | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Other Expenses | - | - | - | - | - | - |
| Deal Funding & Expenses | - | - | - | - | - | - |
| Private Equity | 125 | - | - | - | - | 125 |
| Real Estate | 2,818 | 250 | - | 2,000 | 10,000 | 15,068 |
| Infrastructure | 2,295 | - | - | - | - | 2,295 |
| Venture Capital | - | - | - | - | - | - |
| Total Deal Funding & Expenses | 5,238 | 250 | - | 2,000 | 10,000 | 17,488 |
| Total Disbursements | 5,238 | 250 | - | 2,000 | 10,000 | 17,488 |
| Operating Cash Flow | (5,238) | (250) | - | (1,981) | (9,270) | (16,738) |
| Restructuring | | | | | | |
| Restructuring Fees | 900 | - | - | - | - | 900 |
| Critical / Foreign Vendor Payments | - | - | - | - | - | - |
| Ordinary Course Professionals | - | - | - | - | - | - |
| Payroll Adjustments | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Restructuring | 900 | - | - | - | - | 900 |
| Debt Service | | | | | | |
| Financing Cost - SCB | - | - | - | - | - | - |
| Total Debt Service | - | - | - | - | - | - |
| Net Cash Flow | (6,138) | (250) | - | (1,981) | (9,270) | (17,638) |
| Intercompany Transfers | | | | | | |
| Cash Inflows (Source of Cash) | 6,000 | - | - | - | 2,615 | 8,615 |
| Cash Outflows (Use of Cash) | - | - | - | - | - | - |
| Total Intercompany Transfers | 6,000 | - | - | - | 2,615 | 8,615 |
| Balances & Liquidity | | | | | | |
| Beginning Book Balance | 13,991 | 13,854 | 13,604 | 13,604 | 11,623 | 13,991 |
| Net Receipts, Disbursements & Transfers | (138) | (250) | - | (1,981) | (6,655) | (9,023) |
| Ending Book Balance | 13,854 | 13,604 | 13,604 | 11,623 | 4,968 | 4,968 |
| Float/Foreign Exchange | - | - | - | - | - | - |
| Interbank Transfers | - | - | - | - | - | - |
| Less: Placements Held at Banks | - | - | - | - | - | - |
| Ending Bank Balance | \$ 13,854 | \$ 13,604 | \$ 13,604 | \$ 11,623 | \$ 4,968 | \$ 4,968 |



Cash Flow Forecast - DEBTOR (Bahrain)
 For the Period Ending 9/8/12

| (\$'s in 000's) | Forecast | Forecast | Forecast | Forecast | Forecast | 5 Weeks Ending 9/8/12 |
|---|-------------------|--------------------|--------------------|-------------------|------------------|--------------------------|
| | 8/5/12 8/11/12 | 8/12/12 8/18/12 | 8/19/12 8/25/12 | 8/26/12 9/1/12 | 9/2/12 9/8/12 | |
| Receipts | | | | | | |
| Proceeds from Exits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deal Company Murabahas | - | - | - | - | - | - |
| Management Fees | - | - | - | - | - | - |
| Yield from Deal Companies | - | - | - | - | - | - |
| All Other | - | - | - | - | - | - |
| Total Receipts | - | - | - | - | - | - |
| Disbursements | | | | | | |
| G&A Expenses | | | | | | |
| Bahrain | 410 | 261 | 175 | 611 | 346 | 1,804 |
| Total G&A Expenses | 410 | 261 | 175 | 611 | 346 | 1,804 |
| Staff Expenses | | | | | | |
| Bahrain | 192 | 243 | 879 | 15 | 1 | 1,331 |
| Total Staff Expenses | 192 | 243 | 879 | 15 | 1 | 1,331 |
| Other Expenses | | | | | | |
| AHQ Payments | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Other Expenses | - | - | - | - | - | - |
| Deal Funding & Expenses | | | | | | |
| Private Equity | - | - | - | - | - | - |
| Real Estate | - | - | - | - | - | - |
| Infrastructure | - | - | - | - | - | - |
| Venture Capital | - | - | - | - | - | - |
| Total Deal Funding & Expenses | - | - | - | - | - | - |
| Total Disbursements | 602 | 505 | 1,055 | 626 | 347 | 3,135 |
| Operating Cash Flow | (602) | (505) | (1,055) | (626) | (347) | (3,135) |
| Restructuring | | | | | | |
| Restructuring Fees | 6,293 | - | 135 | 20 | 5,412 | 11,860 |
| Critical / Foreign Vendor Payments | - | - | - | - | - | - |
| Payroll Adjustments | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Restructuring | 6,293 | - | 135 | 20 | 5,412 | 11,860 |
| Debt Service | | | | | | |
| Financing Cost - SCB | - | - | - | - | - | - |
| Total Debt Service | - | - | - | - | - | - |
| Net Cash Flow | (6,895) | (505) | (1,190) | (646) | (5,760) | (14,995) |
| Intercompany Transfers | | | | | | |
| Cash Inflows (Source of Cash) | - | - | - | - | - | - |
| Cash Outflows (Use of Cash) | 6,250 | 190 | 359 | - | 3,290 | 10,088 |
| Total Intercompany Transfers | (6,250) | (190) | (359) | - | (3,290) | (10,088) |
| Balances & Liquidity | | | | | | |
| Beginning Book Balance | 86,843 | 73,698 | 73,004 | 71,455 | 70,809 | 86,843 |
| Net Receipts, Disbursements & Transfers | (13,145) | (694) | (1,549) | (646) | (9,049) | (25,084) |
| Ending Book Balance | 73,698 | 73,004 | 71,455 | 70,809 | 61,759 | 61,759 |
| Float/Foreign Exchange | 400 | 400 | 400 | 400 | 400 | 400 |
| Interbank Transfers | - | - | - | - | - | - |
| Less: Placements Held at Banks | (35,000) | (35,000) | (35,000) | (35,000) | (35,000) | (35,000) |
| Ending Bank Balance | \$ 39,098 | \$ 38,404 | \$ 36,855 | \$ 36,209 | \$ 27,159 | \$ 27,159 |

EXHIBIT C

DECLARATION OF BERNARD DOUTON

GIBSON, DUNN & CRUTCHER LLP

Michael A. Rosenthal (MR-7006)
Craig H. Millet (admitted pro hac vice)
Janet M. Weiss (JW-5460)
Matthew K. Kelsey (MK-3137)
200 Park Avenue
New York, New York 10166-0193
Telephone: (212) 351-4000
Facsimile: (212) 351-4035

Attorneys for the Debtors and Debtors in Possession

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

| | | |
|---|---|--------------------------------|
| -----X | | |
| IN RE: | : | Chapter 11 |
| | : | |
| ARCAPITA BANK B.S.C.(c), et al., | : | Case No. 12-11076 (SHL) |
| | : | |
| Debtors. | : | Jointly Administered |
| | : | |
| -----X | | |

DECLARATION OF BERNARD DOUTON IN SUPPORT OF DEBTORS' MOTION FOR AN ORDER APPROVING EXPENSE REIMBURSEMENT IN CONNECTION WITH PROSPECTIVE POST-PETITION FINANCING

I, Bernard Douton, hereby declare the following under penalty of perjury.

1. I am Managing Director at Rothschild Inc. (together with its affiliate N M Rothschild & Sons Limited, "**Rothschild**"), a financial advisory services and investment banking firm. The principal office of Rothschild Inc. is located at 1251 Avenue of the Americas, 51st Floor, New York, New York 10020. N M Rothschild & Sons Limited has its principal office at New Court, St. Swithin's Lane, London, UK, EC4N 8AL. I am duly authorized to make this Declaration on behalf of Rothschild in support of the Motion (the "**Motion**")¹ of Arcapita Bank B.S.C.(c) ("**Arcapita**") and certain of its subsidiaries, as debtors and debtors in possession (collectively, the "**Debtors**" and each, a "**Debtor**") for entry of an order approving an Expense

¹ All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Motion.

Reimbursement in connection with prospective post-petition financing (referred to in the Motion as the “Proposed Transaction”), under the terms and conditions set forth in the Motion.

2. 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 professionals at Rothschild who are under my supervision. I am authorized to submit this Declaration and, if called upon to testify, I could and would testify competently to the facts set forth herein.

3. My declaration is in support of a Motion which I understand seeks entry of an order authorizing the Debtors to pay Expense Reimbursement to the Selected Lender in connection with the Proposed Transaction. The purpose of this Declaration is to summarize the background and results of the solicitation and negotiation process performed by Rothschild in connection with the Proposed Transaction.

BACKGROUND

4. Rothschild and its professionals have extensive experience working with financially troubled companies from a range of industries in complex financial and operational restructurings, both in- and out-of-court. In the financial services sector, Rothschild’s professionals have provided financial advisory services, for example, to a special committee of the board of American International Group, Inc. in connection with its recapitalization and to policyholders of the Financial Guarantee Investment Corporation in connection with its restructuring.

5. The Debtors and Rothschild have determined that approximately \$150 million to \$200 million of an additional liquidity cushion is required to sustain the Debtors’ businesses and monetize their assets during the Chapter 11 Cases. This determination was made

after careful analysis of run rate costs and projected deal funding expenses by Rothschild. Specifically, we estimate that the Proposed Transaction will enable the Debtors to pay administrative expenses, to bridge to their successful emergence from chapter 11 and to preserve and monetize their assets (i.e. their equity interests in their non-Debtor subsidiaries and investments). Accordingly, while the actual terms of the Proposed Transaction are not finalized (and indeed, the Debtors expect to receive Firm Proposals on the Proposed Transaction on or about September 7, 2012), we expect that the ultimate terms of the Proposed Transaction will satisfy the Debtors' liquidity needs moving forward.

6. In connection with the Proposed Transaction, the Debtors and Rothschild are engaged in a two-stage solicitation process. The purpose of the solicitation process is to induce parties to submit their best offers with respect to the Proposed Transaction, to create a level-playing field between Potential Lenders, to ensure that the Selected Lender has the financial wherewithal to consummate the Proposed Transaction and ultimately to maximize value for the benefit of the Debtors and their estates.

7. The first stage of the solicitation process consisted of the production of in depth due diligence and the solicitation of Firm Proposals. Rothschild prepared a confidential information memorandum ("*CIM*"), which incorporated materials prepared by the Debtors' other advisors, including, a financing term sheet and DIP budget. The Potential Lenders also received access to a virtual data room created by Rothschild.

8. The second part of the solicitation process includes identifying and choosing the Selected Lender with the best Firm Proposal and engaging and completing negotiations with that party regarding final documentation.

9. The following describes the development and next steps of the solicitation process:

A. Identifying Potential Lenders

10. As part of the solicitation process, Rothschild commenced a rigorous screening process to identify potential post-petition lenders. Rothschild selected Potential Lenders based on a number of factors, including, their ability to provide Shar'iah-compliant financing, experience providing DIPs and familiarity with Arcapita Group. Additionally, Rothschild permitted third-parties, who expressed unsolicited interest, to participate in the process.

11. Ultimately, Rothschild identified and contacted more than 29 Potential Lenders who Rothschild believed were or could be interested in providing all or a portion of the required post-petition financing. Such parties primarily included traditional DIP lenders, institutions with experience in Shari'ah compliant lending, Middle Eastern banks, hedge funds and current Arcapita Group creditors.

12. Of the 29 Potential Lenders identified by Rothschild, 18 executed confidentiality agreements and were provided with a CIM as well as access to a comprehensive Rothschild-created virtual data room that is updated regularly. The nature of the Debtors' assets – equity and other interests in generally levered portfolio companies – necessitated providing Potential Lenders with substantial information such that Potential Lenders could confirm the asset coverage for the Proposed Transaction.

13. Seven Potential Lenders submitted non-binding indications of interest. Rothschild asked six of those seven Potential Lenders to participate in a second phase of the

solicitation process, during which, after being provided additional information,² they were asked to reaffirm their indications of interest. Five of the remaining six Potential Lenders have either confirmed their existing non-binding indications of interest or submitted revised proposals. All five are believed to have the wherewithal to consummate the Proposed Transaction in a timely manner.

B. Going Forward

14. The Debtors, acting with the advice of Rothschild and the Debtors' other advisors, expect to select two Potential Lenders to continue conducting due diligence with respect to the Debtors' assets and to submit a Firm Proposal on or about September 7. Rothschild will then advise the Debtors to select a single lender to move forward to final documentation. I expect, if the Debtors are able to obtain Firm Proposals on or about September 7, that the Debtors will be able to file a motion seeking approval of the Proposed Transaction by September 18. I am informed that if the Debtors can make that deadline, the motion will likely be heard at the October 2 omnibus hearing before this Court.

C. Expense Reimbursements

15. During the solicitation process, all Potential Lenders who are still in consideration requested either (i) an agreement to pay transaction-related expenses backed by an expense deposit and subject to top up or (ii) expense reimbursement plus a work fee. Although such requests may not be as prevalent in a typical DIP solicitation process, these Chapter 11 Cases present unique and differentiating factors that compel meeting the requests for Expense Reimbursement.

² Such additional information included the valuation reports prepared by KPMG LLP and waterfall analyses for a majority of Arcapita Group's assets.

16. First, the proposed DIP in these Chapter 11 Cases will be the first ever Shari'ah-compliant DIP. In addition, Arcapita Group's capital and legal structure is complex and the collateral offered to Potential Lenders is non-traditional (*i.e.* non-controlling interests in minority equity investments, debt with no remedies and receivables payable only upon exit from certain investments). Finally, the Selected Lender is being asked to adhere to an expedited time line.

17. In my opinion, based on my conversations with Potential Lenders, the Expense Reimbursement is necessary to incentivize the Selected Lender to undertake drafting financing documents that are Shari'ah-compliant and within the parameters of chapter 11. As a result, I believe that the promise of Expense Reimbursement will encourage the Potential Lenders to submit their best offers as part of the financing solicitation process and the Selected Lender to ultimately close the Proposed Transaction, subject to Court approval.

18. As a result of the foregoing, I believe that the Expense Reimbursement is in the best interests of the Debtors, their estates, creditors and other stakeholders.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed on this 29th day of August, 2012.

/s/ Bernard Douton
Bernard Douton,
Managing Director,
Rothschild Inc.