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

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<b>In re</b>	<b>: Chapter 11 Case</b>
<b>ARCAPITA BANK B.S.C.(c), et al.,</b>	<b>: Case No. 12-11076 (SHL)</b>
<b>Debtors.</b>	<b>: Jointly Administered</b>
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**SUPPLEMENT TO DEBTORS’ MOTION PURSUANT TO  
SECTIONS 365(d)(3) AND 363(b)(1) OF THE BANKRUPTCY  
CODE FOR AUTHORIZATION FOR ARCAPITA TO MAKE  
INVESTMENT TO SUPPORT THE LUSAIL JOINT VENTURE**

**STATEMENT<sup>1</sup>**

1. On May 17, 2012, Arcapita Bank B.S.C.(c) (“*Arcapita*”) and certain of its subsidiaries and affiliates, as debtors and debtors in possession (collectively, the “*Debtors*”) filed the *Debtors Motion Pursuant to Sections 365(d)(3) and 363(b)(1) of the Bankruptcy Code for Authorization for Arcapita To Make Investment To Support the Lusail Joint Venture* [Docket No. 150] (the “*Motion*”). A hearing on the Motion is scheduled for May 31, 2012. This supplement (the “*Supplement*”) is filed in support of the Motion.

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1 Capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the Motion.

2. By the Motion, Arcapita seeks Court authority to fund an intercompany loan of up to \$30,400,000 (thirty million and four hundred thousand dollars) to fund payments due and owing under a Lease governing Arcapita's use of the Lusail Land and maintain Arcapita's indirect interest in the Lusail Joint Venture, a key estate asset. Failure to comply with the Lease could result in Arcapita's loss of its right to repurchase the Shares under the Option, wasting estate assets and impairing creditor recoveries.

3. Prior to filing the Motion, the Debtors provided valuation materials related to the Lusail Joint Venture to the Committee on a confidential basis. Motion Fn. 6. In an effort to continue providing the relevant parties with complete disclosure with respect to the Motion and the Lusail Joint Venture, the Debtors note that Sheikh Jassim Hamad Jassim J. Al Thani ("*Al Thani*"), a member of Arcapita's Board of Directors, is also a director of Qatar Islamic Bank ("*QIB*"), current owner of the Shares which are subject to the Option. QIB is party to the Shareholder Agreement, Promise to Sell and the Lease and a minor equity holder of Arcapita. QIB maintains a beneficial interest in approximately 2.02% of the total Arcapita shares.

4. Al Thani's position on the Arcapita Board of Directors should not impact the Court's consideration of the Motion. The 2009 Transactions and 2012 Transactions (including entry into the Lease which requires Arcapita to satisfy the June Funding Obligation) were all approved by Arcapita's Executive Investment Committee (the "*Investment Committee*"), composed of certain members of the Arcapita Board of Directors, but not Al Thani. Al Thani further did not participate in Investment Committee discussions concerning the 2009 Transactions or the 2012 Transactions or vote to approve or disapprove any of such transactions. At both the January 7, 2010 and March 5, 2012 Investment Committee meetings

approving the 2009 Transactions and 2012 Transactions (the “*EIC Meetings*”), the affiliation of Al Thani with QIB was disclosed to the Investment Committee.<sup>2</sup>

5. As set forth in the Motion, Arcapita’s decision to fund loans to satisfy the June Funding Obligation should be approved as a product of good business judgment. *See In re Enron Corp.*, 335 B.R. 22, 28 (S.D.N.Y. 2005) (affirming bankruptcy court holding that heightened scrutiny was not applicable absent evidence that insiders “made the [contested] decision”).

6. Moreover, even assuming that additional scrutiny was warranted, the Debtors would easily satisfy a heightened burden with respect to the June Funding Obligation. *See In re Tidal Constr. Co, Inc.*, 46 B.R. 620, 625 (Bankr. S.D.Ga. 2009) (finding heightened scrutiny to be satisfied where full disclosure was provided with respect to disputed transaction); *In re Summit Global Logistics, Inc.*, 2008 WL 819934, \*11-12 (Bankr. D.N.J. Mar. 26, 2008) (holding heightened burden with respect to insider transaction satisfied when independent committee oversaw transaction process); *In re Xact Telesolutions, Inc.*, 2006 WL 66665, \*7 (D. Md. Jan. 10, 2006) (finding that insider-purchaser was acting in good faith where insider did not vote on contested transaction and there was “full disclosure to the court and to the parties involved in the bankruptcy proceeding.”). Al Thani did not join in Investment Committee deliberations regarding or the vote in connection with the 2012 Transactions, and his connection to QIB has been disclosed. Further, because of the value of the Lusail Land relative to that of the June Funding Obligation, satisfaction of the June Funding Obligation is in the best interests of creditors and these estates, the level of judicial review notwithstanding.

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<sup>2</sup> Minutes for the EIC Meetings have been made available to advisors to the official committee of unsecured creditors.

**NOTICE**

7. No trustee or examiner has been appointed in the Chapter 11 Cases. The Debtors have provided notice of filing of the Supplement 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 Dunne, Esq. and Evan Fleck, Esq.); (iii) counsel to Qatar Islamic Bank, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Marcia L. Goldstein); and (iv) 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](http://www.gcginc.com/cases/arcapita).

Dated: New York, New York  
May 24, 2012

/s/ Matthew J. Williams

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