

Hearing Date and Time: September 5, 2012 at 11:00 a.m. (Eastern Time)
Objection Deadline: August 29, 2012 at 12:00 p.m. (Eastern Time)

**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)
	:	
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**FIRST APPLICATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC,
AS FINANCIAL ADVISOR TO ARCAPITA BANK B.S.C.(C), ET AL. FOR
INTERIM APPROVAL AND ALLOWANCE OF COMPENSATION FOR
SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES
INCURRED DURING PERIOD FROM MARCH 24, 2012
THROUGH AND INCLUDING JULY 31, 2012**

Name of applicant:	<u>Alvarez & Marsal North America, LLC</u>
Authorized to provide professional services to:	<u>Arcapita Bank B.S.C.(c), et al.,</u>
Date of retention:	<u>Order entered May 15, 2012 [Docket No. 138] _____ nunc pro tunc to March 19, 2012</u>
Period for which compensation and reimbursement are sought:	<u>March 24, 2012 – July 31, 2012</u>
Amount of compensation requested:	<u>\$5,106,372.50</u>
Amount of expense reimbursement requested:	<u>\$234,345.59</u>

This is an: X interim _____ final application.

This is the first interim fee application filed by Alvarez & Marsal North America, LLC in these cases.

Total Compensation and
Expenses Previously Awarded
by the Court: \$0

Blended Rate of Professionals
(Including Paraprofessionals):
\$560.28

**FIRST INTERIM FEE APPLICATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC
AS FINANCIAL ADVISOR TO ARCAPITA BANK B.S.C.(C), ET AL.
(MARCH 24, 2012 – JULY 31, 2012)**

SUMMARY OF TOTAL FEES BY PROFESSIONAL FOR ALVAREZ & MARSAL NORTH AMERICA, LLC March 24, 2012 through July 31, 2012				
PROFESSIONAL	POSITION	BILLING RATE	TOTAL HOURS	TOTAL FEES
Bryan Marsal	Managing Director	\$850	7.50	\$6,375.00
Daniel Ehmann	Managing Director	\$750	3.30	\$2,475.00
Brian Cumberland	Managing Director	\$725	433.00	\$313,925.00
Lawrence Hirsh	Managing Director	\$725	844.30	\$612,117.50
John Makuch	Managing Director	\$695	763.70	\$530,771.50
Mark Roberts	Managing Director	\$695	8.00	\$5,560.00
Matt Kvarda	Managing Director	\$695	721.40	\$501,373.00
Julie Hertzberg	Managing Director	\$625	21.60	\$13,500.00
Steve Kotarba	Managing Director	\$600	306.20	\$183,720.00
Bob Rajan	Senior Director	\$625	277.70	\$173,562.50
Joseph Spano	Senior Director	\$625	479.20	\$299,500.00
Nate Arnett	Senior Director	\$625	394.50	\$246,562.50
Gregory Chastain	Senior Director	\$600	443.70	\$266,220.00
Joel Mostrom	Senior Director	\$575	600.10	\$345,057.50
Allison Hearne	Director	\$525	9.20	\$4,830.00
Andrew Sagat	Director	\$525	394.10	\$206,902.50
Garrett Griffin	Director	\$525	409.70	\$215,092.50
Joel Rogers	Director	\$525	30.30	\$15,907.50
Mark Zeiss	Director	\$450	16.90	\$7,605.00
Jeff Gordon	Senior Associate	\$450	799.20	\$359,640.00
Klaus Gerber	Senior Associate	\$400	674.90	\$269,960.00
Robert Casburn	Senior Associate	\$400	63.70	\$25,480.00
Sarah Crawford	Senior Associate	\$400	14.50	\$5,800.00
Camille Linton	Senior Associate	\$375	515.00	\$193,125.00
Robert Esposito	Consultant	\$375	324.70	\$121,762.50
Jamie Strohl	Consultant	\$350	431.00	\$150,850.00
Tien Nguyen	Associate	\$300	25.10	\$7,530.00
Mary Napoliello	Paraprofessional	\$220	91.90	\$20,218.00
Abena Sakyi	Professional Assistant	\$100	8.50	\$850.00
Dawn Mayer	Professional Assistant	\$100	1.00	\$100.00
Total			9,113.90	\$5,106,372.50

Blended Rate:

\$560.28

**FIRST INTERIM FEE APPLICATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC
AS FINANCIAL ADVISOR TO ARCAPITA BANK B.S.C.(C), ET AL.
(MARCH 24, 2012 – JULY 31, 2012)**

SUMMARY OF TOTAL FEES BY TASK CATEGORY FOR ALVAREZ & MARSAL NORTH AMERICA, LLC March 24, 2012 through July 31, 2012		
TASK DESCRIPTION	TOTAL HOURS	TOTAL FEES
Analysis of Avoidance Actions	1.50	\$1,087.50
Analysis of Bankruptcy Filings and Court Documents	59.60	\$38,320.00
Analysis/Monitoring of Cash Flow/Liquidity	2,095.30	\$1,154,371.00
Analyze Employee Compensation	1,091.70	\$668,062.50
Analyze Financial Information	497.60	\$279,336.50
Assessment and Monetization of Assets	84.40	\$61,047.50
Assistance in Preparation of Court Filings	1,330.90	\$605,752.00
Business Plan	23.10	\$14,620.50
Firm Retention, Relationship Check, and Preparation of Fee Applications	260.00	\$99,667.50
Non-Working Travel	330.10	\$206,961.50
Operational Improvement and Cost Reduction Plans	23.60	\$15,730.00
Plan Review and Confirmation	10.30	\$7,467.50
Planning, Supervision and Review Information Flow	130.90	\$74,287.50
Preparation and Participation in Meetings with Other Parties	11.70	\$7,660.00
Preparation and Participation in Meetings/Conference Calls with Creditors Committee and Provisional Liquidator	155.80	\$99,452.50
Preparation and Participation in Meetings/Conference Calls with Debtor	260.40	\$169,236.50
Preparation for and Attendance at Court Hearings	43.50	\$29,963.50
Review Proposed Investment/Deal Funding Activities	2,703.50	\$1,573,348.50
Total	9,113.90	\$5,106,372.50

**Blended
Rate: \$560.28**

**FIRST INTERIM FEE APPLICATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC
AS FINANCIAL ADVISOR TO ARCAPITA BANK B.S.C.(C), ET AL.
(MARCH 24, 2012 – JULY 31, 2012)**

SUMMARY OF EXPENSES BY CATEGORY FOR ALVAREZ & MARSAL NORTH AMERICA, LLC March 24, 2012 through July 31, 2012	
Expense Category	Amount
Airfare	\$152,593.53
Lodging	\$53,305.95
Meals	\$7,728.80
Miscellaneous	\$6,037.00
Transportation	\$14,680.31
Total	\$234,345.59

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In re:	:	Chapter 11
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ARCAPITA BANK B.S.C.(c), <u>et al.</u>,	:	Case No. 12-11076 (SHL)
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Debtors.	:	(Jointly Administered)
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**FIRST APPLICATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC,
AS FINANCIAL ADVISOR TO ARCAPITA BANK B.S.C.(C), ET AL., FOR
INTERIM APPROVAL AND ALLOWANCE OF COMPENSATION FOR
SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES
INCURRED DURING PERIOD FROM MARCH 24, 2012
THROUGH AND INCLUDING JULY 31, 2012**

TO THE HONORABLE SEAN H. LANE
UNITED STATES BANKRUPTCY JUDGE:

Alvarez & Marsal North America, LLC (“A&M”), financial advisor to Arcapita Bank B.S.C.(c) et al., (collectively, the “Debtors”)¹ in the above-captioned chapter 11 cases (the “Chapter 11 Cases”), hereby submits its application (the “Application”), pursuant to sections, 328(a), 330, 331, and 1103(a) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (as amended, the “Bankruptcy Code”), rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), rule 2016-1 of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases, effective December 4, 2009 (together with Local Rule 2016-1, the “Local Guidelines”), the United States Trustee Guidelines

1 Debtors in these cases are Arcapita Bank B.S.C.(c), Arcapita Investment Holdings Limited, Arcapita LT Holdings Limited, WindTurbine Holdings Limited, AEID II Holdings Limited, RailInvest Holdings Limited. Arcapita Bank B.S.C.(c) is incorporated in the Kingdom of Bahrain, a tax free jurisdiction. All other filing entities are incorporated in the Cayman Islands, a tax free jurisdiction

for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, effective January 30, 1996 (the “U.S. Trustee Guidelines”), and the Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals, dated May 18, 2012 [Docket No. 159] (the “Interim Compensation Order”), for the interim approval and allowance of (i) compensation for professional services rendered during the period from March 24, 2012 through and including July 31, 2012 (the “First Interim Compensation Period”) and (ii) reimbursement of expenses incurred in connection with such services, and in support thereof respectfully represents as follows:

I.

INTRODUCTION

1. By the Application, A&M seeks an interim approval and allowance of (i) compensation for professional services rendered by A&M as financial advisor to the Debtors during the First Interim Compensation Period in the amount of \$5,106,372.50 and (ii) reimbursement of actual and necessary out-of-pocket expenses incurred by A&M in connection with such services in the amount of \$234,345.59.

II.

BACKGROUND

2. Bankruptcy Filing. On March 19, 2012 (the “Petition Date”), each of the Debtors”), with the exception of Falcon Gas Storage Company, Inc. (case #12-11790), which filed on April 30, 2012, filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “Court”). The Debtors continue to manage and operate their businesses and properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Chapter 11 Cases.

3. Creditors' Committee. On April 5, 2012, the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed the Committee.

4. Jurisdiction. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue of the Chapter 11 Cases is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding under 28 U.S.C. § 157(b)(2). The statutory predicates for the relief sought herein are sections 328(a), 330, 331 and 1103(a) of the Bankruptcy Code. Pursuant to the Local Guidelines, a certification regarding compliance with the Local Guidelines and U.S. Trustee Guidelines is attached hereto as Exhibit A.

5. Authorization for A&M's Retention. A&M began performing advisory services on behalf of the Debtors on March 24, 2012. On July 13, 2012, pursuant to the Final Order Authorizing Debtors to Employ and Retain Alvarez & Marsal North America, LLC as Financial Advisors to Debtors and Debtors in Possession Pursuant to Sections 327(a) and 328 of the Bankruptcy Code [Docket No. 317] (the "Retention Order"), the Court authorized A&M's retention as financial advisor to the Debtors in the Chapter 11 Cases. The Retention Order authorized A&M to receive compensation upon appropriate application in accordance with sections 330 and 331 of the Bankruptcy Code and the applicable provisions of the Bankruptcy Rules, Local Rules, U.S. Trustee Guidelines and Interim Compensation Order.

6. First Interim Compensation Period. In accordance with the Interim Compensation Order, A&M submitted the following monthly fee statements seeking interim compensation and reimbursement of expenses for the First Interim Compensation Period:

- a. On June 12, 2012, A&M filed its first fee statement for the period from March 24, 2012 through and including April 30, 2012 [Docket No. 240] (the "First Fee Statement"). The First Fee Statement sought (i) compensation for actual and necessary services rendered, in the amount of \$1,652,662.00 (i.e., 80% of \$2,065,827.50), and (ii) reimbursement of expenses incurred in connection with

such services, in the amount of \$72,518.16. As of the date hereof, A&M has received a total of \$1,725,180.16 on account of the First Fee Statement.

- b. On June 29, 2012, A&M filed its second fee statement for the period from May 1, 2012 through and including May 31, 2012 [Docket No. 293] (the "Second Fee Statement"). The Second Fee Statement sought (i) compensation for actual and necessary services rendered, in the amount of \$1,218,076.00 (i.e., 80% \$1,522,595.00) and (ii) reimbursement of expenses incurred in connection with such services, in the amount of \$58,754.81. As of the date hereof, A&M has received a total of \$1,276,830.81 on account of the Second Fee Statement.
- c. On July 20, 2012, A&M filed its third fee statement for the period from June 1, 2012 through and including June 30, 2012 [Docket No. 337] (the "Third Fee Statement"). The Third Fee Statement sought (i) compensation for actual and necessary services rendered, in the amount of \$792,786.40 (i.e., 80% of \$990,983.00) and (ii) reimbursement of expenses incurred in connection with such services, in the amount of \$77,319.45. As of the date hereof, A&M has received a total of \$870,105.85 on account of the Third Fee Statement.
- d. On August 15, 2012, A&M filed its fourth fee statement for the period from July 1, 2012 through and including July 31, 2012 concurrently with this Application (the "Fourth Fee Statement"). The Fourth Fee Statement sought (i) compensation for actual and necessary services rendered, in the amount of \$421,573.60 (i.e., 80% of \$526,967.00) and (ii) reimbursement of expenses incurred in connection with such services, in the amount of \$25,753.17. As of the date hereof, A&M has received a total of \$0 on account of the Fourth Fee Statement.

7. A&M has not entered into any agreement, express or implied, with any other party for the purpose of fixing or sharing fees or other compensation to be paid for professional services rendered in the Chapter 11 Cases. No promises have been received by A&M or any member thereof as to compensation in connection with the Chapter 11 Cases other than in accordance with the provisions of the Bankruptcy Code.²

² Attached hereto as Exhibit B is a summary of the amounts detailed in the foregoing discussion and amounts (if any) that remain due and outstanding as of the date hereof.

III.

APPLICATION

8. By this Application, A&M seeks interim allowance and of:

(a) compensation for professional services rendered by A&M, as financial advisor to the Debtors, during the First Interim Compensation Period, in the amount of \$5,106,372.50;

(b) reimbursement of expenses incurred by A&M in connection with such services, in the amount of \$234,345.59, for a total award of \$5,340,718.09; and (c) authorization to pay the remaining unpaid balance of \$1,468,601.27.

9. Pursuant to the Interim Compensation Order, A&M has already received payment for the First Interim Compensation Period in the total amount of \$3,872,116.82. A&M seeks payment of \$1,468,601.27 pursuant to this Application, which amount represents the portion of A&M's fees for services rendered and expenses incurred during the First Interim Compensation Period not previously paid to A&M pursuant to the Interim Compensation Order.

10. The fees sought by this Application reflect an aggregate of 9,113.9 hours of time spent and recorded in performing services for the Debtors during the First Interim Compensation Period, at a blended average hourly rate of \$560.28.

11. A&M rendered to the Debtors services for which compensation is sought solely in connection with the Chapter 11 Cases and in furtherance of the duties and functions of the Debtors.

12. A&M maintains computerized records of the time expended in the rendering of the professional services required by the Debtors in the ordinary course of A&M's operations. These records are recorded in tenth of an hour increments by project category, based on the U.S. Trustee Guidelines, and set forth a detailed description of services performed on behalf of the Debtors. For the convenience of the Court and parties in interest, a billing

summary for services rendered during the First Interim Compensation Period is attached as part of the cover sheet, setting forth the name of each professional and paraprofessional for whose work on the Chapter 11 Cases compensation is sought, the aggregate time expended by each such professional or paraprofessional, the hourly billing rate for each such professional or paraprofessional at A&M's current billing rates and an indication of the amounts requested for each such professional or paraprofessional as part of the total amount of compensation requested. The compensation requested by A&M is based on the customary compensation charged by comparably skilled practitioners in cases other than cases under the Bankruptcy Code.

13. A&M also maintains computerized records of all expenses incurred in connection with the performance of professional services. A billing summary for expenses incurred during the First Interim Compensation Period is attached as part of the cover sheet, setting forth the amounts for which reimbursement is sought by type of expense.

IV.

SUMMARY OF PROFESSIONAL SERVICES RENDERED

14. To provide an orderly summary of the services rendered on behalf of the Debtors by A&M and in accordance with the U.S. Trustee Guidelines, A&M has established the following billing categories in connection with the Chapter 11 Cases:

- Review Proposed Investment/Deal Funding Activities
- Analyze Financial Information
- Analysis/Monitoring of Cash Flow/Liquidity
- Analyze Employee Compensation
- Operational Improvement and Cost Reduction Plans
- Preparation and Participation in Meetings/Conference Calls with Creditors
- Committee and Provisional Liquidator
- Preparation and Participation in Meetings/Conference Calls with Debtor
- Preparation and Participation in Meetings with Other Parties
- Plan Review and Confirmation
- Analysis of Avoidance Actions
- Business Plan

- Assessment and Monetization of Assets
- Non-Working Travel Time
- Assistance in Preparation of Court filings
- Preparation for and Attendance at Court Hearings
- Firm Retention, Relationship Check, and Preparation of Fee Applications
- Planning, Supervision and Review; Information Flow
- Analysis of Bankruptcy Filings and Court Documents

The Debtors filed chapter 11 cases on March 19, 2012 and A&M's initial involvement with the Debtors began five days later on March 24, 2012. As such, A&M expended a significant amount of time and effort during the early weeks of the cases to understand the structure of the business, the cash management system and the underlying investments of the Debtors. In addition to recurring work related to the assessment of specific investments (i.e., funding requirements, potential exits, etc.) and general management of liquidity, A&M has worked on several significant projects to date, including:

- Preparation of a robust cash forecasting model and related processes and procedures to manage cash and communicate cash requirements and movements to interested parties;
- Preparation of investment summaries to assist creditors and other interested parties in understanding the underlying investments and the rationale for actions taken/to be taken by the Debtors' relative to those investments
- Preparation of Schedules of Assets and Liabilities and Statements of Financial Affairs for each of the Debtors;
- Preparation of Monthly Operating Reports for each Debtor for four months as of the date of this filing;

- Development of reduction in force programs to significantly reduce the Debtors (and related non-debtors) ongoing operating costs;
- Development of incentive programs (the Key Employee Incentive Plan or “KEIP” and Key Employee Retention Plan or “KERP”) to retain key individuals in the interest of preserving the value of the Debtors’ estates
- Analyses of significant historical or prospective transactions, including the Lusail transaction, the Eurolog IPO and the Arcapita headquarters lease in Bahrain;
- Preparation of a long-term budget to support the DIP solicitation process;
- Management of foreign and critical vendor negotiations and payments;
and
- Assisting with negotiating the resolution of potential intercreditor issues related to the Cayman proceeding with the Joint Provisional Liquidator.

Furthermore, since the appointment of the Unsecured Creditors Committee (the “UCC”) and the hiring by the UCC of their advisors, A&M has worked collaboratively with the UCC advisors to keep them informed of all pertinent activities of the Debtors.

15. The following summary is intended only to highlight key services rendered by A&M in certain project billing categories where A&M has expended a considerable number of hours on behalf of the Debtors and is not meant to be a detailed description of all of the work performed. Detailed descriptions of the day-to-day services provided by A&M and the time expended performing such services in each project billing category were attached to and filed as exhibits to the Fee Statements. Such detailed descriptions demonstrate that A&M was

heavily involved in the performance of services for the Debtors on a daily basis, including night and weekend work, often under extreme time constraints, to meet the needs of the Debtors in the Chapter 11 Cases.

A. Review Proposed Investment/Deal Funding Activities

This category includes the review of proposed investment activities to determine whether they were value preserving/creating. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$1,573,348.50 (2,703.5 hours).

B. Analyze Financial Information

This category includes the review of historical and current budgets, financial statements, historical filings, cash receipts and disbursements analysis, and accounting practices, including intercompany transfers and allocations. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$279,336.50 (497.6 hours).

C. Analysis/Monitoring of Cash Flow/Liquidity

This category includes the 13 week cash flow and DIP model creation and maintenance as well as proctoring of cash disbursements, cash management, cash controls and overall liquidity management. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$1,154,371.00 (2,095.3 hours).

D. Analyze Employee Compensation

This category includes the assistance with the review of the Debtors' employee benefit programs, including retention, severance, incentive, pension- and other post-retirement plans. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$668,062.50 (1,091.7 hours).

E. Operational Improvement and Cost Reduction Plans

This category includes the assistance in the evaluation of the Debtors' operations and identification of areas for potential cost savings, including overhead and operating expense reductions and efficiency improvements. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$15,730.00 (23.6 hours).

F. Preparation and Participation in Meetings/Conference Calls with Creditors Committee and Provisional Liquidator

This category includes time attending meetings and assistance in discussions with the Committee and the Committee's legal and financial advisors. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$99,452.50 (155.8 hours).

G. Preparation and Participation in Meetings/Conference Calls with Debtor

This category includes time attending meetings and assistance in discussions with Debtors and the Debtors' legal and financial advisors. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$169,236.50 (260.4 hours).

H. Preparation and Participation in Meetings with Other Parties

This category includes time attending meetings and assistance in discussions with regulatory agencies, potential investors, banks, other secured lenders, and any other official committees organized in these Chapter 11 proceedings, the U.S. Trustee, other parties of interest and professionals hired by the same. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$7,660.00 (11.7 hours).

I. Plan Review and Confirmation

This category includes time spent assisting in the preparation of a plan in these Chapter 11 proceedings. The total fees sought under this category for the period March 24, 2012 through

July 31, 2012 are \$7,467.50 (10.3 hours).

J. Analysis of Avoidance Actions

This category includes assistance in the evaluation, analysis, and prosecution of avoidance actions or litigation related thereto, including fraudulent conveyances and preferential transfers, and in the review of potential claims levels in the Debtors' reconciliation/estimation process. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$1,087.50 (1.5 hours).

K. Business Plan

This category includes time assisting with the development of the Arcapita Business Plan and corresponding Financial Model. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$14,620.50 (23.1 hours).

L. Assessment and Monetization of Assets

This category includes time assistance and advice in connection with the proposed disposition of non-core assets with focus on the operational impact. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$61,047.50 (84.4 hours).

M. Non-working Travel

This category includes non-working travel time billed at one-half total travel time. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$206,961.50 (330.1 hours).

N. Assistance in Preparation of Court filings

This category includes assistance in preparation of Monthly Operating Reporting and Statements and Schedules. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$605,752.00 (1,330.9 hours).

O. Preparation for and Attendance at Court Hearings

This category includes attendance at court hearings as required within A&M's scope of work. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$29,963.50 (43.5 hours).

P. Firm Retention, Relationship Check, and Preparation of Fee Applications

This category includes time preparing monthly fee statement in compliance with Court guidelines as well as weekly fee updates for the Debtor. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$99,667.50 (260.0 hours).

Q. Planning, Supervision and Review; Information Flow

This category includes time for internal project management activities and dissemination of documents with an emphasis on ensuring no duplication of scope activities amongst the other Committee's financial advisors. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$74,287.50 (130.9 hours).

R. Analysis of Bankruptcy Filings and Court Documents

This category includes time assisting in the review of pleadings, motions and orders, both in draft form for purposes of negotiation, or in final form with a focus on advising on the operational impact thereof. The total fees sought under this category for the period March 24, 2012 through July 31, 2012 are \$38,320.00 (59.6 hours).

V.

ALLOWANCE OF COMPENSATION

16. The professional services rendered by A&M have required a high degree of professional competence and expertise to address, with skill and dispatch, the numerous issues

requiring evaluation and action by the Debtors. The services rendered to the Debtor were performed efficiently, effectively and economically.

17. The allowance of interim compensation for services rendered and reimbursement of expenses in bankruptcy cases is expressly provided for in section 331 of the Bankruptcy Code:

Any professional person . . . may apply to the court not more than once every 120 days after an order for relief in a case under this title, or more often if the court permits, for such compensation for services rendered . . . as is provided under section 330 of this title.

18. With respect to the level of compensation, section 330(a)(1)(A) of the Bankruptcy Code provides, in pertinent part, that the Court may award to a professional person “reasonable compensation for actual, necessary services rendered[.]” Section 330(a)(3), in turn, provides that:

In determining the amount of reasonable compensation to be awarded to . . . [a] professional person, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including –

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and expertise in the bankruptcy field; and
- (F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

19. The Congressional policy expressed above provides for adequate compensation in order to continue to attract qualified and competent professionals to bankruptcy cases. In re Busy Beaver Bldg. Ctrs., Inc., 19 F.3d 833, 850 (3d Cir. 1994) (“Congress rather clearly intended to provide sufficient economic incentive to lure competent bankruptcy specialists to practice in the bankruptcy courts.”) (citation and internal quotation marks omitted); In re Drexel Burnham Lambert Group, Inc., 133 B.R. 13, 18 (Bankr. S.D.N.Y. 1991) (“Congress’ objective on requiring that the market, not the Court, establish attorneys’ rates was to ensure that bankruptcy cases were staffed by appropriate legal specialists.”).

20. In assessing the “reasonableness” of the fees requested, courts have looked to a number of factors, including those first enumerated by the Fifth Circuit in In re First Colonial Corp. of America, 544 F.2d 1291, 1298-99 (5th Cir. 1977) and thereafter adopted by most courts.³ See In re Nine Assocs., Inc., 76 B.R. 943, 945 (S.D.N.Y. 1987) (adopting First Colonial/Johnson analysis); In re Cuisine Magazine, Inc., 61 B.R. 210, 212–13 (Bankr. S.D.N.Y. 1986) (same); see generally 3 Collier on Bankruptcy ¶ 330.03[9] (enumerating First Colonial and Johnson as the “leading cases to be considered in determining a reasonable allowance of compensation”). A&M respectfully submits that the consideration of these so-called Johnson factors should result in this Court’s allowance of the full compensation requested.

21. The total time spent by A&M professionals and paraprofessionals during the First Interim Compensation Period was 9,113.90 hours and has a fair market value of \$5,106,372.50. As shown by this Application and supporting exhibits, A&M’s services were

³ The factors embraced by the Fifth Circuit in First Colonial were first adopted by the Fifth Circuit’s decision in Johnson v. Georgia Highway Express, Inc., 488 F.2d 714 (5th Cir. 1974), except that First Colonial also included the “spirit of economy” as a factor expressly rejected by Congress in enacting section 330 of the Bankruptcy Code. Stroock & Stroock & Lavan v. Hillsborough Holdings Corp. (In re Hillsborough Holdings Corp.), 127 F.3d 1398, 1403 (11th Cir. 1997). A majority of the First Colonial factors are now codified in section 330(a)(3). 3 Collier on Bankruptcy ¶ 330.03[9] (Lawrence P. King et al., eds., 16th ed. 2011).

rendered economically and without unnecessary duplication of efforts. In addition, the work involved, and thus the time expended, was carefully assigned in consideration of the experience and expertise required for each particular task.

VI.

EXPENSES

22. A&M has incurred a total of \$234,345.59 in expenses in connection with representing the Debtors during the First Interim Compensation Period. A&M records all expenses incurred in connection with the performance of professional services. Detailed descriptions of these expenses were attached to and filed as exhibits to the Fee Statements.

23. In accordance with section 330 of the Bankruptcy Code, the Local Guidelines and the U.S. Trustee Guidelines, A&M seeks reimbursement only for the actual cost of such expenses to A&M. Throughout the First Interim Compensation Period, A&M has been keenly aware of cost considerations and has tried to minimize the expenses charged to the Debtors' estates.

VII.

NOTICE

24. No trustee or examiner has been appointed in the Chapter 11 Cases. Pursuant to the Interim Compensation Order, the Debtors have provided notice of filing of this statement by electronic mail and/or overnight mail to: (i) Arcapita Bank B.S.C.(c), Arcapita Building, Bahrain Bay, P.O. Box 1406, Manama, Kingdom of Bahrain (Attn: Harry Thompson); (ii) Gibson Dunn & Crutcher LLP, 200 Park Avenue, New York, NY (Attn: Michael A. Rosenthal, Esq., Janet M. Weiss, Esq., and Matthew K. Kelsey, Esq.); (iii) 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.); (iv) the Official Committee of Unsecured Creditors, Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York 10005 (Attn: Dennis Dunne, Esq. and Evan Fleck, Esq.); and (v) all parties listed on the Master Service List established in these Chapter 11 Cases. A copy of the statement is also available on the website of the Debtors' notice and claims agent, GCG, at www.gcginc.com/cases/arcapita.

VIII.

CONCLUSION

WHEREFORE, A&M respectfully requests the Court to enter an order, substantially in the form attached hereto as Exhibit C, conforming to the amounts set forth in fee schedule attached hereto as Exhibit B: (i) allowing A&M: (a) interim compensation for professional services rendered as counsel for the Debtors during the First Interim Compensation Period in the amount of \$5,106,372.50; and (b) reimbursement of expenses incurred in connection with rendering such services in the aggregate amount of \$234,345.59, for a total award of \$5,340,718.09; (ii) authorizing and directing the Debtors to pay (to the extent not previously paid in accordance with the Interim Compensation Order) to A&M \$1,468,601.27 which is an amount equal to the difference between: (a) this \$5,340,718.09 award; and (b) \$3,872,116.82, the total of all amounts that the Debtors have previously paid to A&M pursuant to the Interim Compensation Order for services rendered and expenses incurred during the First Interim Compensation Period; and (iii) granting such further relief as is just.

Dated: August 15, 2012
Atlanta, Georgia

ALVAREZ & MARSAL NORTH AMERICA, LLC

By: /s/ Lawrence R. Hirsh

Lawrence R. Hirsh

Alvarez & Marsal North America, LLC

3424 Peachtree Road N.E.

Suite 1500

Atlanta, Georgia 30326

Telephone: (404) 260-4050

Facsimile: (404) 260-4090

Financial Advisor to Debtors and Debtors-in-
Possession, et al.

EXHIBIT A

Certification

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

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

**CERTIFICATION UNDER GUIDELINES FOR FEES AND DISBURSEMENTS
FOR PROFESSIONALS WITH RESPECT TO FIRST APPLICATION OF
ALVAREZ & MARSAL NORTH AMERICA, LLC, FINANCIAL ADVISOR TO
DEBTORS, FOR INTERIM APPROVAL AND ALLOWANCE OF
COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT OF
EXPENSES DURING PERIOD
FROM MARCH 24, 2012 THROUGH AND INCLUDING JULY 31, 2012**

Pursuant to the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases effective December 4, 2009 (the “Local Guidelines”), and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, effective January 30, 1996 (the “U.S. Trustee Guidelines” and, together with the Local Guidelines, the “Guidelines”), the undersigned, a professional designated by Alvarez & Marsal North America, LLC (“A&M”), financial advisor to the Arcapita Bank B.S.C.(c), et al., debtors and debtors in possession (collectively, the “Debtors”),¹ hereby certifies with respect to A&M’s first application for the interim approval and allowance of compensation for professional services rendered during the period from March 24, 2012 through and including July 31, 2012 (the “First Interim

¹ Debtors in these cases are Arcapita Bank B.S.C.(c), Arcapita Investment Holdings Limited, Arcapita LT Holdings Limited, WindTurbine Holdings Limited, AEID II Holdings Limited, RailInvest Holdings Limited. Arcapita Bank B.S.C.(c) is incorporated in the Kingdom of Bahrain, a tax free jurisdiction. All other filing entities are incorporated in the Cayman Islands, a tax free jurisdiction.

Compensation Period”) and for reimbursement of expenses incurred in connection therewith, dated August 15, 2012, (the “Application”), as follows:

1. I am the professional designated by A&M with respect to compliance with the Guidelines.
2. I make this certification in support of the Application, for interim compensation and reimbursement of expenses for the First Interim Compensation Period, in accordance with the Local Guidelines.
3. With respect to section A.1 of the Local Guidelines, I certify that:
 - a. I have read the Application.
 - b. To the best of my knowledge, information and belief formed after reasonable inquiry, the fees and disbursements sought fall within the Guidelines.
 - c. Except to the extent that fees or disbursements are prohibited by the Guidelines, the fees and disbursements sought are billed at rates in accordance with practices customarily employed by A&M and generally accepted by A&M’s clients.
 - d. In providing a reimbursable service, A&M does not make a profit on that service, whether the service is performed by A&M in-house or through a third party.
4. With respect to section A.2 of the Local Guidelines, I certify that A&M has previously provided to the Debtors, the United States Trustee for the Southern District of New York (the “U.S. Trustee”) and the chair of the Official Committee of Unsecured Creditors appointed in the above-captioned chapter 11 cases (the “Committee”) monthly statements of A&M’s fees and disbursements in accordance with section A.2 of the Local Guidelines by filing and serving monthly statements in accordance with the Interim Compensation Order (as defined in the Application), except that completing reasonable and necessary internal accounting and review procedures have at times precluded filing fee statements within the time periods specified

in the Local Guidelines. Each monthly statement contained a list of professionals and paraprofessionals providing services, their respective billing rates, the aggregate hours spent by each professional and paraprofessional, a general description of services rendered, a reasonably detailed breakdown of the disbursements incurred and an explanation of billing practices.

5. With respect to section A.3 of the Local Guidelines, I certify that: (a) the Debtors; (b) the Debtors' counsel; and (c) the Office of the U.S. Trustee will be provided with a copy of the Application concurrently with the filing thereof and will have at least 14 days to review such Application prior to any objection deadline with respect thereto.

Dated: Atlanta, Georgia
August 15, 2012

By: /s/ Lawrence R. Hirsh
Lawrence R. Hirsh

EXHIBIT B

Fee Schedule

CASE NO.: 12-11076 (SHL) (Jointly Administered)
CASE NAME: IN RE ARCAPITA BANK B.S.C.(c), et al.

First Interim Compensation Period
March 24, 2012 – July 31, 2012

Date/Document Number of Statement	A. Fees for Which Approval is Sought	B. Amount of Fees for Which Monthly Payment was Sought (80%)	C. Fees Paid to Date	D. Expenses Requested to be Approved and Paid	E. Expenses Paid to Date	F. Amounts Payable Pursuant to Interim Compensation Order Yet Unpaid (i.e., (B+D) – (C+E))
6/12/12 Docket No. 240	\$2,065,827.50	\$1,652,662.00	\$1,652,662.00	\$72,518.16	\$72,518.16	\$413,165.50
6/29/12 Docket No. 293	\$1,522,595.00	\$1,218,076.00	\$1,218,076.00	\$58,754.81	\$58,754.81	\$304,519.00
7/20/12 Docket No. 337	\$990,983.00	\$792,786.40	\$792,786.40	\$77,319.45	\$77,319.45	\$198,196.60
8/15/12 Docket No. XXX	\$526,967.00	\$526,967.00	\$0	\$25,753.17	\$0	\$552,720.17

EXHIBIT C

Proposed Order

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

----- X
: **Chapter 11**
: **Case No. 12-11076 (SHL)**
: **(Jointly Administered)**
: **Debtors.**
:
:
----- X

ORDER GRANTING FIRST APPLICATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC, FINANCIAL ADVISOR TO ARCAPITA BANK B.S.C. (c), ET AL FOR INTERIM APPROVAL AND ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED DURING PERIOD FROM MARCH 24, 2012 THROUGH AND INCLUDING JULY 31, 2012

Upon the application filed on August 15, 2012 (the "Application")¹ of Alvarez & Marsal North America, LLC ("A&M"), financial advisor to the Arcapita Bank B.S.C.(c), et al., (collectively, the "Debtors"),² in the above-captioned chapter 11 cases (the "Chapter 11 Cases"), pursuant to sections 330 and 331 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (as amended, the "Bankruptcy Code"), rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), rule 2016-1 of the Local Bankruptcy Rules for the Southern District of New York (the "Local Rules"), the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases, effective December 4, 2009 (together with Local Rule 2016-1, the "Local Guidelines"), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, effective January 30, 1996 (the "U.S. Trustee Guidelines"), and the

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Application.

² Debtors in these cases are Arcapita Bank B.S.C.(c), Arcapita Investment Holdings Limited, Arcapita LT Holdings Limited, WindTurbine Holdings Limited, AEID II Holdings Limited, RailInvest Holdings Limited, Arcapita bank B.S.C.(c) is incorporated in the Kingdom of Bahrain, a tax free jurisdiction. All Other filing entities are incorporated in the Cayman Islands, a tax free jurisdiction.

Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals, dated May 18, 2012 [Docket No. 159] (the “Interim Compensation Order”), seeking entry of an order allowing and authorizing: (i) compensation for professional services in the amount of \$5,106,372.50 rendered by A&M during the period from March 24, 2012 through and including July 31, 2012 (the “First Interim Compensation Period”); and (ii) reimbursement of expenses incurred by A&M in connection with such services during the First Interim Compensation Period of \$234,345.59; and a hearing having been held before this Court to consider the Application (the “Hearing”); and the Court having jurisdiction to consider the Application and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and it appearing that notice of the Application was good and sufficient under the circumstances and that no other or further notice need be given; and for the reasons set forth more fully on the record of the Hearing; and upon the record therein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The Application is granted and the fees and expenses of A&M for First Interim Compensation Period are approved on an interim basis, in the amounts and to the extent provided on Schedule A attached hereto.
2. The Debtors are authorized and directed to pay promptly to A&M the amount of \$1,468,601.27, which is the total amount outstanding to A&M and unpaid for services rendered and expenses incurred during the First Interim Compensation Period.
3. The Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to implementation of this Order.

Dated: New York, New York
_____, 2012

HONORABLE SEAN H. LANE
UNITED STATES BANKRUPTCY JUDGE

Schedule A

CASE NO.: 12-11076 (SHL) (Jointly Administered)

CASE NAME: IN RE ARCAPITA BANK B.S.C.(c), et al.

**FIRST INTERIM COMPENSATION PERIOD
MARCH 19, 2012 – July 31, 2012**

(1) APPLICANT	(2) DATE/DOCKET NO. OF APPLICATION	(3) INTERIM FEES REQUESTED ON APPLICATION	(4) FEES ALLOWED	(5) FEES TO BE PAID FOR CURRENT FEE PERIOD	(6) FEES TO BE PAID FOR PRIOR FEE PERIOD(S) (IF ANY) (I.E., HOLDBACK RELEASE)	(7) TOTAL FEES TO BE PAID	(8) INTERIM EXPENSES REQUESTED	(9) EXPENSES TO BE PAID FOR CURRENT FEE PERIOD
Alvarez & Marsal North America, LLC	August 15, 2012 Docket No. []	\$5,106,372.50	\$ []	\$ []	\$ []	\$ []	\$234,345.59	\$ []

DATE ON WHICH ORDER WAS SIGNED: _____

INITIALS: _____ USBJ