

GIBSON, DUNN & CRUTCHER LLP

Michael A. Rosenthal (MR-7006)
Craig H. Millet (admitted *pro hac vice*)
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:	:
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ARCAPITA BANK B.S.C.(c), et al.,	:
	:
Debtors.	:
	:
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Chapter 11
Case No. 12-11076 (SHL)
Jointly Administered

**DECLARATION OF HOMER PARKHILL IN SUPPORT OF DEBTORS' SECOND
MOTION FOR ORDER EXTENDING THE EXCLUSIVE PERIODS TO FILE A PLAN
OR PLANS OF REORGANIZATION AND TO SOLICIT ACCEPTANCES**

I, Homer Parkhill, hereby declare as follows:

1. I am a Managing Director of 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

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

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 an Order Pursuant to Section 1121(d) of the Bankruptcy Code Extending the Debtors’ Exclusive Periods to File a Plan or Plans of Reorganization and Solicit Acceptances.

2. Except as otherwise indicated herein, all facts set forth in this Declaration are based upon my personal knowledge, information learned from my personal involvement in advising the Debtors, my review of relevant documents and information supplied to me and worked performed by professionals at Rothschild acting under my supervision and on my experience in advising companies involved in Chapter 11 reorganizations. As a Managing Director of Rothschild, 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. On April 3, 2012, the Debtors filed its application for entry of an order authorizing the employment and retention of Rothschild as financial advisor and investment banker [Docket No. 53] (the “*Rothschild Application*”). I reviewed the Engagement Letter and the Rothschild Application. I understand that on July 9, 2012, the Court entered an order approving Rothschild’s employment by the Debtors [Docket No.305].

4. As more fully described in the Rothschild Application, Rothschild and its professionals, including me, 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. An extensive summary of Rothschild’s relevant industry experience is included in the Rothschild Application.

5. Pursuant to the Rothschild Application and the associated order, Rothschild is authorized to provide a number of financial advisory and investment banking

services to the Debtors in the course of the Chapter 11 Cases, including, assistance with the formulation of a business plan and the structure of a plan or plans of reorganization. I personally, and several other Rothschild professionals acting under my supervision, have spent extensive time conferring with the Debtors' management and personnel and in meetings with the other professionals employed by the Debtors to analyze and understand the business, affairs, assets and liabilities of the Arcapita Group, including the special issues raised by the Shari'ah compliant capital structure on which the Debtors' entire business is based.

6. I and other Rothschild professionals have also spent extensive time in analyzing the valuation reports prepared by KPMG, in assisting the Debtors with the development of waterfall analyses as to the distribution of the value of the Debtors' assets, in meetings with potential new equity investors, in assistance with the formulation of a business plan based on an infusion of new equity and also an alternate business plan providing for the disposition of the Debtors existing assets on a "stand alone" basis, as well as conferring with professionals employed by the Committee and the JPLs.

7. Although experienced in dealing with complex restructuring matters, because of the complexity of the Debtors' organization and business structure, and also because there was little time to prepare in advance of the filing of the Debtors' chapter 11 petitions, Rothschild and other professionals employed by the Debtors had to spend a great deal of time early in the case developing and analyzing information as to the Debtors' business and then stabilizing the Debtors' business and preserving the Debtors' assets, while at the same time cutting and controlling costs. Rothschild proceeded to assist the Debtors without delay despite the Committee's objection to Rothschild's retention - which was not resolved until 112 days in to the Chapter 11 cases.

8. Before Rothschild could move forward to assist the Debtors' management with the formulation of business plans and structuring of the essential terms of a plan of reorganization, KPMG had to complete and release valuation reports as to 27 businesses that comprise substantially all of the assets of the Arcapita Group. I am aware that KPMG commenced its work in April of 2012, but did not begin releasing its reports until late July and did not complete the release of its reports until mid-August 2012. Work on the "waterfall analyses" that set forth the distribution of value to Arcapita and its co-investors as to each of the Debtors' investments was not completed until late August 2012.

9. With the completion of the KPMG valuation reports and the waterfall analyses, Rothschild, A&M and the Debtors' management then had the information they needed to finalize the business plans and proceed with the creation of one or more plans of reorganizations. I and other Rothschild professionals were also then able to better assess the likelihood of raising new equity capital and to advance discussions with prospective new equity investors.

10. As part of that analysis and related budgeting and liquidity analyses, A&M in consultation with Rothschild and the Debtors' management determined that the Debtors would require additional liquidity to reach a projected emergence from the Chapter 11 Cases in the first quarter of 2013. As a result, I and other Rothschild professionals working at my direction commenced a process of identifying potential lenders to provide the Debtors with secured post-petition debtor-in-possession financing ("**DIP**.") The process of identifying potential lenders, soliciting the involvement of those lenders, analyzing responses and narrowing the field, providing diligence and information to prospective lenders and then negotiating the terms of the proposed DIP financing was extremely time consuming and required extensive efforts by the

Debtors' professionals (including me and others at Rothschild) and the Debtors' management all of whom were also working on the Debtors' business plans. The extensive efforts of Rothschild professionals and myself will be more fully described in my declaration in support of a motion seeking Court approval of the DIP financing that will be filed once negotiations with the prospective DIP lender are complete.

11. The "new money" business plan was transmitted to the Committee's professionals and JPLs on August 31, 2012, and I and others, along with Debtor's management, participated in presenting the new money business plan to the Committee members and their professionals during face to face meetings in London during the week of September 10, 2012. Rothschild, A&M, the Debtors' other professionals and the Debtors' management have also made substantial progress toward the formulation of a plan or plans of reorganization, but need further time to complete the terms of those plans and to discuss those terms with the Committee, the JPLs and others.

12. Rothschild, the other professionals employed by the Debtors and the Debtors' management require an additional sixty days past the October 15, 2012 date on which the Exclusive Filing Period will now expire to formulate and negotiate a plan of reorganization which may then be filed by the Debtors. Although I believe the additional sixty-day period will be adequate to complete the work remaining, in my opinion the work remaining to be performed cannot be completed in substantially less time than the additional sixty days requested by the Debtors and meeting the extended deadline will require the considerable efforts of the Debtors' professionals and the Debtors' management.

13. Based upon my personal involvement in the Chapter 11 Cases and given the circumstances under which the Debtors commenced their bankruptcy cases, the complexity

of the Debtors' business, its structure, organization and investments, the need for the KPMG valuation reports and waterfall analyses, and based on my experience in advising businesses in restructuring through bankruptcy proceedings, it is my opinion that the Debtors' management has proceeded as quickly and diligently as reasonably possible to move the Chapter 11 Cases forward and to formulate a plan of reorganization.

14. Based on my experience in complex bankruptcy cases, under the circumstances of these Chapter 11 Cases, the Debtors' professionals and Debtors' management could not have been expected to complete their work, and the Debtors could not reasonably have been expected to file a proper plan of reorganization prepared after a thorough understanding of the Debtors' business before October 15, 2012 – the current date on which the Exclusive Filing Period will expire.

15. Rothschild, the Debtors' other professionals and Debtors' management require the additional time requested by the Debtors to complete the significant work now in progress and will be used by Rothschild, A&M, the Debtors' management and the Debtors' other professionals to complete and file a "Toggle Plan" of reorganization on or before December 14, 2012. The sixty-day extension requested is brief, and I understand that the Debtors have agreed that, if the Motion is granted, they will not seek a further extension of the Exclusive Filing Period. But, in my opinion, with the focused attention and dedication of the Debtors' management, the sixty-day extension will provide adequate time to complete and file a plan of reorganization.

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

Executed on this 25th day of September 2012.

/s/ Homer Parkhill

**Homer Parkhill,
Managing Director,
Rothschild Inc.**