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

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IN RE:	: Chapter 11
ARCAPITA BANK B.S.C.(c), <i>et al.</i> ,	: Case No. 12-11076 (SHL)
Debtors.	: Jointly Administered
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**DECLARATION OF MICHAEL K. CASEY IN SUPPORT OF
THE DEBTORS' MOTION FOR AN ORDER AUTHORIZING THE
DEBTORS TO GRANT APPROVALS AND CONSENTS IN CONNECTION
WITH SALE BY NON-DEBTOR SUBSIDIARY**

I, Michael K. Casey, hereby declare as follows:

1. I am a Director of Portfolio Management at Arcapita Inc. In this capacity, I manage various portfolios of Arcapita Bank B.S.C.(c) ("*Arcapita Bank*"), Arcapita Investments Holdings Limited ("*AIHL*"), Arcapita LT Holdings Limited ("*ALTHL*") and certain of their subsidiaries, as debtors and debtors in possession (collectively, the "*Debtors*" and each, a "*Debtor*") in the above-captioned chapter 11 cases (the "*Chapter 11 Cases*"). In my role as a Director of Portfolio Management, I have personally supervised all operating partners and third-party fee managers related to a \$3.1 billion real estate portfolio, including over \$900 million in senior housing assets. I have also directed and negotiated the extension or restructuring of \$1.4

billion in first-lien financings including syndicated and collateralized mortgage-backed securities instruments. During the last 24 months, I have led the successful disposition process of a \$630 million, 29 property, senior housing portfolio and a 188 room luxury hotel, which established a new record for pricing in Chicago. With respect to this transaction, I have been directly involved in the asset management of the Debtors' investment in Sunrise First Euro Properties, LP ("***Sunrise LP***") and Sunrise First Euro Properties GP Limited ("***Sunrise GP***," together with Sunrise LP, "***Sunrise***" or the "***Joint Venture***") since I began with Arcapita Inc. in 2007, and I have been directly involved in the negotiations of the sale transaction (the "***Sale***") described herein.

2. As Director of Portfolio Management and the person responsible for managing the Debtors' investment in Sunrise, I am authorized to make this Declaration on behalf of the Debtors in support of their *Motion For An Order Authorizing The Debtors To Grant Approvals And Consents in Connection With Sale By Non-Debtor Subsidiary* (the "***Sunrise Sale Motion***").

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

A. The General Business of Arcapita Bank and its Related Companies

4. As of the Petition Date, Arcapita Bank, through its Debtor and non-Debtor subsidiaries (collectively the "***Arcapita Group***") employed approximately 268 people with offices in Atlanta, London, Hong Kong and Singapore in addition to its Bahrain headquarters. The Arcapita Group's primary activity is the purchase, management and sale of investment opportunities for its own account and the account of third parties. The underlying investments made by the Arcapita Group are generally medium to long-term projects that have limited value

in the short term and often require significant on-going capital funding to complete in order to realize the value of the investment. The Arcapita Group also derives revenue from managing assets under investment.

5. During my tenure with the Arcapita Group, I have assisted the Debtors and their affiliates to carry out their business of acquiring diversified businesses, syndicating a majority interest in the business to third party investors, maintaining a minority ownership interest in those businesses and then managing, supporting and operating those businesses until an eventual exit for the benefit of both the Arcapita Groups and its investors. Both prepetition and postpetition, one of the Debtors' primary goals—and my goal as a Director of Portfolio Management—has been to maximize the return on our investors' investments. The Sale is the product of rigorous arms-length negotiations that have resulted in a fair and reasonable purchase price for the Sunrise interests and will generate a positive return to all of the Arcapita investors, including the Debtors, well within the range of Arcapita's internal value estimates for such interests.. As noted above, I have been directly involved in the asset management of the Sunrise investment and, like all of the businesses and investments that I manage for the Debtors, have worked diligently to maximize the return from the Sunrise investment.

B. The General Structure of Sunrise and its Operating Assets

6. Arcapita Bank's indirect non-debtor subsidiary Assisted Living First Euro Investments Ltd. ("*Assisted Living Investments*" or "*Seller*") holds an approximately 80% interest in a Joint Venture comprised of Sunrise LP and its general partner Sunrise GP which are involved in the business of the ownership and operation of assisted living facilities in the United Kingdom known as Sunrise at Frogal House, Sunrise of Virginia Water, Sunrise of Elstree, Sunrise of Banstead and Sunrise of Purley. Arcapita Group's partner in the Joint Venture, Sunrise Senior Living International Limited Partnership, a Jersey limited partnership ("*Senior*

Living LP”), owns the remaining 20% interest in the Joint Venture. Senior Living LP is indirectly owned by Sunrise Senior Living Inc. (“*Senior Living Inc.*”). Except for their joint venture partnership in Sunrise, Senior Living LP and Senior Living Inc. are entirely unrelated to the Debtors or their affiliates and are not a party to this proposed Sale. I have been informed by representatives of HCN UK that, pursuant to a separate transaction, certain affiliates of HCN UK plan to acquire indirectly the remaining 20% interest in Sunrise held by Senior Living LP through the HCN-Senior Living Transaction described below.

7. The Debtors’ indirect interest in Seller is depicted in the chart attached to the Motion as *Exhibit B*. Through the structure described in Exhibit B, the Debtors collectively hold a beneficial interest of approximately 30.4% in Assisted Living Investments and, hence, will receive 30.4% of the net proceeds of the Sale. I have reviewed Exhibit B and I believe it correctly summarizes the organizational structure of the entities below Arcapita Bank down to Sunrise, including the interests to be sold.

C. The Essential Terms of the Proposed Transaction

8. On behalf of Assisted Living Investments, I participated in negotiating an agreement where Assisted Living Investments proposes to sell its entire interest in Sunrise (the “*Seller Interests*”) to HCN UK Investments Limited or its assignee or designee (“*HCN UK*” or “*Purchaser*”) pursuant to the terms and conditions set forth in the Purchase and Sale Agreement (the “*PSA*”) for a purchase price of £65,000,000.00 (the “*Purchase Price*”) all cash, paid in full at closing without holdback or subject to adjustment. The Seller seeks to close on the Sale no later than December 20, 2012 because the holder of the Lloyd’s Debt (defined below) has agreed to waive prepayment fees if the Lloyd’s Debt is repaid by December 21, 2012, and the Purchaser has agreed to pursue a closing on that timetable. Upon closing, the Seller shall withdraw from the Joint Venture pursuant to the terms and conditions set forth in the PSA.

9. One of the conditions to closing required by HCN UK under the PSA is that the Court enter an order acceptable to HCN UK, among other things, authorizing the Debtors to cause their affiliates to execute the necessary documents, to provide consents and to take all other actions necessary or appropriate so that Assisted Living Investments can enter into and consummate the sale of its interest in Sunrise.

D. The Sale of the Seller Interests in Sunrise

10. Preliminary negotiations for the Sale began shortly after HCN UK announced that it would be acquiring certain Sunrise affiliates pursuant to a merger transaction (the “*HCN-Senior Living Transaction*”). Specifically, Greg Neeb and Edward Burnett, senior personnel at Senior Living Inc., contacted me and communicated HCN UK’s interest in acquiring the Seller Interests. I was aware that, shortly after the HCN-Senior Living Transaction was announced, HCN UK had also agreed to purchase the majority interest held by Pramerica Real Estate Investors (“*Pramerica*”) in a portfolio of five assets similar in quality, location and resident profile (the “*Pramerica Purchase*”). As part of my analysis of the offer from HCN UK for Sunrise, I evaluated the Pramerica Purchase, and I determined that the capitalization rate for that transaction, or annual net operating income/cost, was 7.2%.

11. The initial offer I received provided for HCN UK to purchase the Seller Interests for around £55 million. After months of negotiations, I was successful in causing HCN UK to raise its offer to £65 million. At £65 million, the Purchase Price represents a capitalization rate of 6.7%, which is a 50 basis point premium over the Pramerica Purchase. Additionally, Sunrise is obligated to Lloyd’s TSB Bank plc and/or its affiliates or assignees for approximately £82,100,000 (the “*Lloyd’s Debt*”) based on an existing facility. The Lloyd’s Debt will either be refinanced with a loan from Purchaser after or contemporaneous with the closing of the Sale, or remain in place post-closing. Also, the Lloyd’s Debt is not guaranteed by Seller or other parties

related to the Debtors, and the Seller will not be responsible for any portion of the Lloyd's Debt or any other obligations of Sunrise.

12. In comparing the estimated net proceeds from the Sale to the net proceeds the Seller would receive if it were to find another knowledgeable and qualified buyer, liquidate its interest in Sunrise for a price net of the Lloyd's Debt, and pay traditional closing costs, I believe that the Purchase Price is a fair and reasonable price, and I have determined that it is in the Seller's—and the Debtors' and upstream third party investors—best interest to consummate the Sale with HCN UK. My opinion is not affected by the pendency of the Debtors' bankruptcy cases, and the Sale at this time is not driven by the pending bankruptcy cases. I believe that the Sale at the specified Purchase Price would be in the best interest of all interested parties under all circumstances regardless of these proceedings.

13. In working on the Seller's behalf, I and the other professionals have strived to attain the highest price possible for the Seller's interest in Sunrise. Neither I, nor the other professionals working with me have sought to collude with the Purchaser in reaching the terms of the PSA. Moreover, there are no other offers for the assets subject to the Sale, I am not aware of any agreement between HCN UK and any other party with respect to the purchase price for such assets and HCN UK is purchasing the assets subject to the Sale in good faith.

14. The Sale will be the culmination of a vigorous and good faith negotiation process in which Seller and HCN UK have been represented by independent sophisticated advisors, all parties have worked to protect their respective interests, and all parties have conducted negotiations on an arm's-length, good faith basis. The Debtors have been represented by their own advisors and professionals separate from those representing the Seller. Further, I am aware that the terms of the Sale have additionally been scrutinized by the professionals and advisors for

the Committee and the Joint Provisional Liquidators. To the best of my knowledge and belief, no party affiliated with the Debtors or the Seller now hold any direct or indirect interest in HCN UK, nor will they hold any direct or indirect interest in HCN UK as a result of the Sale.

15. The Debtors' bankruptcy has raised certain concerns about the ability of their non-debtor subsidiaries to enter into asset sale transactions. In my experience, uncertainty can have a negative impact on the price that may be obtained for an asset, and the Purchaser here has expressly conditioned its purchase of the Seller Interests on the entry of an order by this Court, among other things, authorizing the Debtors to approve or consent to the Sale. Given the complex structure of the Debtors' overall business and in the interest of insuring full disclosure, the Debtors, the Seller and the Purchaser believe it is better to bring the matter before the Court and all parties in interest and allow any potential issues to be raised now rather than after the Sale.

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 4 day of December, 2012.

/s/ Michael K. Casey
Michael K. Casey