

**GIBSON, DUNN & CRUTCHER LLP**

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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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**DEBTORS’ REPLY TO TIDE’S OMNIBUS OBJECTIONS AND RESERVATION OF RIGHTS WITH RESPECT TO PROFESSIONAL INTERIM FEE APPLICATIONS**

Arcapita Bank B.S.C.(c) (“*Arcapita*”) and certain of its affiliates (each, a “*Debtor*” and collectively, the “*Debtors*”) in the above referenced chapter 11 cases (the “*Chapter 11 Cases*”), hereby submit this reply (the “*Reply*”) to the Omnibus Limited Objections and Reservations of Rights With Respect To Professional Interim Fee Applications of Tide Natural Gas Storage I, LP and Tide Natural Gas Storage II, LP (together, “*Tide*”) [Docket No. 707] (the “*Limited Objection*”).

**REPLY TO LIMITED OBJECTION**

1. Tide and Debtor Falcon Gas Storage Co., Inc. (“*Falcon*”) have been involved in litigation for nearly two years regarding the issue of which party owns certain funds in the amount of \$70 million currently held in escrow. By the Limited Objection, Tide objects to the

second interim fee applications (the “*Fee Applications*”) of various professionals (the “*Professionals*”)<sup>1</sup> retained in the Chapter 11 Cases to the extent that certain of the Professionals’ fees and expenses might be allocated to Falcon. *See* Limited Objection at ¶ 21 (“Tide has no objection to allowance of the fees and expenses of the Debtor and Committee’s professionals on an interim basis as long as such fees and expenses are paid by Arcapita and not allocated to Falcon’s estate.”). The Limited Objection further purports to reserve all of Tide’s rights to object to the reasonableness and necessity of the Professionals’ fees and expenses at the final hearing, and all of Tide’s rights to “object to allocation to Falcon’s estate if and when any such allocation is sought.” *Id.*

2. The Limited Objection acknowledges that no fees or expenses have yet been allocated to Falcon. *See id.* (“At this time ... no allocation has been attempted.”). Moreover, the issue of the allocation of professional fees and expenses among the Debtors has been generally deferred until discussions in connection with the Debtors’ proposed plan. The hearing on the Fee Applications (the “*Hearing*”) is not the appropriate time or setting to pre-litigate plan-related issues such as the allocation of professional fees and expenses amongst the Debtors. Thus, the Limited Objection is not ripe for adjudication (as there has been no allocation to date), and, further, constitutes an improper attempt to pre-litigate plan-related issues in Tide’s own interest.

3. There will be a time and place for Tide to voice its concerns regarding the allocation of fees and expenses. The Hearing is neither that time nor that place.

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<sup>1</sup> The Professionals are Houlihan Lokey Capital, Inc., Milbank, Tweed, Hadley & McCloy LLP, KPMG LLP (UK), KPMG LLP (US), King & Spalding LLP and King & Spalding International LLP (together, “*King & Spalding*”), Walkers, Gibson, Dunn & Crutcher LLP, Linklaters LLP, Trowers & Hamblins, Rothschild Inc. and N M Rothschild & Sons Limited, Alvarez & Marsal North America, LLC, Mourant Ozannes, FTI Consulting and Hassan Radhi & Associates.

**CONCLUSION**

WHEREFORE, the Debtors respectfully request that the Court overrule the Limited Objection and approve, allow, and authorize payment of the Professionals' fees and expenses as the Court may deem just and proper at the Hearing.

Dated: New York, New York  
December 17, 2012

Respectfully submitted,

/s/ Michael A. Rosenthal  
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