

MEMORANDUM

January 28, 2008

To: Official Committee of Unsecured Creditors (the “Committee”) of Propex Inc., et al.

From: Akin Gump Strauss Hauer & Feld LLP (“Akin Gump”)

Re: Summaries – First Day Papers¹

On January 18, 2008, (the “Petition Date”), Propex Inc. (“Propex”) and its debtor affiliates (collectively, the “Debtors”)² filed for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Eastern District of Tennessee (the “Bankruptcy Court”). The Honorable John C. Cook has been assigned to the Debtors’ cases. The following are summaries of the motions and application filed on or near to the Petition Date (the “First Day Papers”). A chart summarizing the status of the various First Day papers is attached hereto as Appendix A.

I. FINANCING MOTIONS

1. “DIP Motion” – Debtors’ Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Post-Petition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Adequate Protection to the Prepetition Lender, (IV) Modifying the Automatic Stay, and (V) Scheduling a Final Hearing [Docket ##12, 41]

By the DIP Motion, the Debtors seek authority to borrow up to \$60 million in DIP financing, including \$20 million of interim financing.

A. Prepetition Secured Financing

Prior to the Petition Date, the Debtors entered into a \$360 million senior secured term loan and revolving credit facility (the “Prepetition Secured Facility”) with BNP Baribas Securities Corp., as administrative agent, and a syndicate of other lenders (collectively, the

¹ All terms capitalized but not defined herein shall have the meaning ascribed to them in the respective first day papers.

² In addition to Propex Inc., the following entities are Debtors in these cases: (i) Propex Holdings, Inc.; (ii) Propex Concrete Systems Corporation; (iii) Propex Fabrics International Holdings I Inc.; and (iv) Propex Fabrics International Holdings II Inc.

“Prepetition Secured Lenders”). The Prepetition Secured Facility provides for a \$260 million term loan, a \$50 million revolving facility and a \$50 million bridge loan facility. According to the DIP Motion, the Prepetition Secured Facility is secured by perfected, valid, binding and non-avoidable first priority security interests and liens upon substantially all of the assets of the Debtors.

In April 2006, pursuant to the terms of the Prepetition Secured Facility, the Debtors used the estimated after-tax proceeds from the sale of one of their plants to repay the \$50 million bridge loan and to pay \$11.5 million of the term loan. In January 2007, pursuant to an agreement between the Debtors and the Prepetition Secured Lenders, the Prepetition Secured Lenders waived, among other things, the Debtors’ compliance with certain financial covenants and required the Debtors to prepay \$20 million of the Prepetition Secured Facility from cash on hand.

In September 2007, the Debtors were in default under the Prepetition Secured Facility and were unable to refinance the facility. As of the Petition Date, the Debtors were indebted to the Prepetition Secured Lenders in the aggregate principal amount of \$230 million. According to the DIP Motion, substantially all of the cash generated by the Debtors’ businesses as of the Petition Date constitutes cash collateral of the Prepetition Secured Lenders.

B. Proposed DIP Financing (the “DIP Facility”)

Borrower: Propex Inc. (“Propex”)

Guarantors: Each of the other Debtors and all other existing and future subsidiaries of Propex, except for certain specified foreign subsidiaries

Administrative Agent: BNP Paribus (“BNP”)

Lenders: BNP and Black Diamond Commercial Finance shall underwrite the facility, and participation in the DIP Facility shall be offered to the Prepetition Secured Lenders on a pro rata basis.

Commitment: \$60 million

Availability: Up to \$10 million shall be available on the “Closing Date” (which shall occur on or before January 28, 2008). Thereafter, up to \$60 million shall be available, subject to a budget approved by BNP, on a revolving basis during the period commencing the day after the Closing Date and ending on the earlier of (i) the one year anniversary of the Closing Date (the “Maturity Date”), (ii) the date that the substantial consummation of a plan of reorganization which pays all obligations under the DIP Facility in full in cash is confirmed by the Bankruptcy Court and (iii) the date on which an unmatured default or event of default under the DIP Facility occurs. The Maturity Date shall automatically extend 90 days if the plan confirmation hearing commences before the one year anniversary of the Closing Date. Notwithstanding the foregoing, no more than \$20 million shall be available prior to the entry of the Final DIP Order.

Use of Proceeds: (i) pay fees and expenses associated with the financings and (ii) provide for the working capital requirements and general corporate purposes of the Debtors

Security and Priority: All obligations under the DIP Facility shall (i) be entitled to super-priority claim status, except that such claims shall not be paid from the proceeds of claims arising under sections 502(d), 544, 545, 547, 548, 550, or 551 of the Bankruptcy Code (collectively, the “Avoidance Actions”); (ii) be secured by a perfected first priority lien on all unencumbered property and assets of the Debtors (other than the Avoidance Actions); (iii) be secured by a perfected junior lien on all property and assets of the Debtors that are subject to valid and perfected liens in existence at the time of the commencement of the chapter 11 cases or to valid liens in existence at the time of such commencement as permitted by section 546(b) of the Bankruptcy Code (other than with respect to the liens described in clause (iv)); and (iv) be secured by a perfected first priority, senior priming lien on all the property of the Debtors of any kind (other than Avoidance Actions), senior to (a) the liens that secure the obligations of the Debtors under the Prepetition Secured Facility and (b) any liens to which such liens are senior, all of which existing liens (the “Primed Liens”) shall be primed by and made subject and subordinate to the perfected first priority senior liens to be granted to BNP, which senior priming liens in favor of BNP shall also prime any liens after the commencement of the chapter 11 cases to provide adequate protection in respect of any Primed Liens but shall not prime liens, if any, to which the Primed Liens are subject at the time of the commencement of the chapter 11 cases; subject in each case only to (x) in the event of the occurrence of an event of default under the DIP Facility, the payment of allowed and unpaid professional fees and disbursements incurred by the Debtors and any statutory committees appointed in the chapter 11 cases in an aggregate amount to be agreed upon and (y) the payment of fees pursuant to 28 U.S.C. § 1930 ((x) and (y) together, the “Carve-Out”)

Use of Cash Collateral: Cash Collateral of the Prepetition Secured Lenders and of the DIP Lenders shall be used by the Debtors pursuant to the terms of the budget approved by BNP during the period commencing immediately following the entry of the Interim Order through the date that is ten days after the occurrence of an event of default under the DIP Facility.

Adequate Protection: The Prepetition Secured Lenders, as holders of the Primed Liens, shall receive adequate protection to the extent of any diminution in value of their collateral (including cash collateral) in the form of (i) replacement liens on all assets of the Debtors’ estates, junior to the liens securing the DIP Facility and a super-priority claim junior to the super-priority claim granted to the DIP Lenders; provided that neither the super-priority claim or liens shall be paid from or attach to the proceeds of Avoidance Actions; (ii) subject to the rights of all parties under section 506(b) of the Bankruptcy Code, the payment of reasonable fees and expenses of the agent under the Prepetition Secured Facility (including the reasonable fees and disbursements of one lead and one local counsel and one financial advisor); and (iii) subject to the rights of all parties under section 506(b) of the Bankruptcy Code, the payment of interest at the respective contractual non-default rates (with the parties’ rights with respect to additional default interest fully preserved)

Interest Rate: Base Rate or reserve adjusted LIBOR Rate, plus, in either case, a margin of 400 bps

Fees and Expenses: (i) a closing fee equal to 2% of the commitment in respect of the DIP Facility shall be earned and payable on the Closing Date and (ii) a fee equal to 0.75% of the average unused portion of the DIP Facility accrued from the Closing Date shall be payable quarterly in arrears and upon the maturity or termination of the DIP Facility

Voluntary Prepayments: 102% of the principal amount of the DIP Facility commitments, plus customary breakage, payable upon a voluntary repayment of and termination of commitments under the DIP Facility prior to the scheduled Maturity Date; provided that such prepayment premium shall not be payable if (i) the DIP Facility is refinanced after the occurrence of an event of default called by BNP or (ii) if the DIP Facility is prepaid on the effective date of a plan of reorganization that repays the obligations under the DIP Facility in full in cash

Mandatory Prepayments and Commitment Reductions: Subject to limited exceptions, the Borrowers are required to prepay loans under the DIP Facility and make corresponding commitment reductions by an amount equal to: (i) 100% of the net cash proceeds of all asset dispositions, (ii) 100% of the net cash proceeds from the issuance of debt and (iii) 100% of the net cash proceeds from issuance of equity.

Covenants: Numerous affirmative and negative covenants, including without limitation, a minimum liquidity test, a minimum EBITDA test, limitations on capital expenditures and the delivery of certain notices and financial statements, including without limitation, rolling 13-week cash forecast of receipts and disbursements and budgets

Events of Default: Customary for financing of this type. In addition, it shall be an event of default if Propex has not (i) delivered to the DIP Lenders a comprehensive five year business plan and projection on or before the six month anniversary of the Petition Date, (ii) delivered to the DIP Lenders a proposed plan of reorganization on or before the eight month anniversary of the Petition Date, or (iii) filed with the Bankruptcy Court a proposed plan of reorganization and accompanying disclosure statement by the nine month anniversary of the Petition Date.

Indemnification: Full indemnification rights in favor of BNP, the DIP Lenders and their respective professionals, except for liability resulting solely from their gross negligence or willful misconduct

Waiver of Applicability of Non-bankruptcy Law Relating to Perfection on Property of the Estate or on the Foreclosure or Other Enforcement of the Prepetition Secured Lenders' Lien: The Interim Order contains certain provisions waiving the applicability of non-bankruptcy law relating to perfection and enforcement.

Validity, Enforceability, Priority and Extent of Prepetition Secured Lenders' Liens and Claims: The Debtors have stipulated to the extent, validity, enforceability and priority of the Prepetition Secured Lenders' liens and claims and waived claims against such Prepetition Secured Lenders.

Relief from Automatic Stay: The Interim Order provides for termination of the automatic stay, after five business days notice of an event of default under the DIP Facility, with a waiver of all rights to contest such termination except with respect to whether an event of default has occurred and is continuing.

Waiver of Section 506(c) Surcharge: The proposed Final Order includes a waiver of the Debtors' rights under section 506(c) of the Bankruptcy Code.

Status: The DIP Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

II. EMPLOYEE-RELATED MOTIONS

2. **“Employee Wages Motion” – Debtors' Expedited Motion for Order Authorizing Payment of Prepetition Wages, Payroll Taxes, Certain Employee Benefits and Related Expenses [Docket #7]**

Pursuant to the Employee Wages Motion, the Debtors seek authority to pay certain (i) accrued prepetition wages, salaries, and other compensation; (ii) payroll taxes; (iii) vacation, sick, and holiday programs; (iv) qualified 401(k) plan obligations; (v) health and welfare benefits; (vi) severance benefits; and (vii) other benefit policies and programs, including expense reimbursement. Currently, the Debtors employ approximately 1,925 employees in the United States, of which approximately 344 are exempt employees (collectively, the “Employees”).

To minimize the personal hardship that the Employees will suffer if prepetition employee-related obligations are not paid when due and to maintain morale and enhance the Debtors' ability to retain Employees, the Debtors seek authority, in their sole discretion, to pay and honor the following obligations.

A. **Unpaid Compensation**

The average bi-weekly gross amount of the Debtors' prepetition wages, salaries, and commissions owed to Employees (the “Payroll Obligations”) is approximately \$3.7 million. The Debtors estimate that the gross amount of the Payroll Obligation owed as of the Petition Date is approximately \$2.1 million.

B. **Payroll Taxes**

The Debtors' average bi-weekly payroll tax liability, which includes federal, state, and local income taxes, social security, and Medicare taxes, is approximately \$1.2 million. As of the

Petition Date, the Debtors estimate that they owe approximately \$700,000 in prepetition Payroll Taxes.

C. Vacation, Sick, and Holiday Programs

The Debtors recognize nine holidays per year, and all unused vacation time is paid out to the Employees on the last pay period of the year. The average monthly expense for sick, holiday, and vacation pay is approximately \$380,000. As of the Petition Date, the Debtors estimate that they owe approximately \$100,000 in prepetition sick, holiday, and vacation pay.

D. Qualified 401(k) Plan Obligations

The Debtors maintain the Propex Inc. Salaried 401(k) Savings Plan (the “Salaried 401(k) Plan”), under which salaried employees may defer a portion of their salary. The Debtors make a 100% matching cash contribution for up to 6% of salary contributed by a salaried Employee to the Salaried 401(k) Plan. Under the Propex Inc. Hourly 401(k) Savings Plan (the “Hourly 401(k) Plan”), the Debtors make a 50% matching contribution for up to the first 6% of wages contributed by an hourly employee to the Hourly 401(k) Plan. The average aggregate monthly amounts of employee contributions and matching contributions for both plans is approximately \$170,000. The Debtors believe that the amount of the matching contributions owed on the Petition Date do not exceed \$100,000.

E. Health and Welfare Benefits

The Debtors sponsor several health and welfare benefit plans for their employees. The Debtors self-insure themselves pursuant to a Section 125 Medical Plan (the “Medical Plan”) for medical and prescription drug expenses. The average monthly expenses for the Medical Plan total approximately \$750,000.

The Debtors also provide dental, vision, and disability plans for Employees. The average monthly expense for the dental plan is \$90,000; the average monthly expense for the vision plan is \$23,000; and the average monthly expense for the disability plans is \$45,000.

Moreover, the Debtors provide a flexible spending account plan and a health and wellness plan for Employees. The average monthly cost for the flexible spending account is \$1,750. The health and wellness plan will incur a one time charge of approximately \$80,000 on March 15, 2008, and thereafter will incur an average monthly cost of approximately \$1,020.

The Debtors also provide accidental death and dismemberment coverage and life insurance coverage for employees at a monthly cost of approximately \$9,100.

In total, the Employee’s health and welfare benefits cost the Debtors approximately \$1 million per month. The Debtors believe that the aggregate amount of health and welfare benefits owed on the Petition Date do not exceed \$480,000.

F. Severance Benefits

The Debtors maintain a severance pay plan for salaried employees (the “Salaried Severance Plan”) and a severance pay plan for hourly employees (the “Hourly Severance Plan”) and together with the Salaried Severance Plan, the “Severance Programs”). The Debtors anticipate that in the normal course of their businesses, payments due under the Severance Programs may come due to certain employees and the Debtors request approval to pay such benefits when they come due. The Debtors believe that approximately \$60,000 in severance benefits are due as of the Petition Date.

G. Other Benefits

The Debtors customarily offer various other employee benefit policies and programs, including reimbursing eligible employees who incur business expenses in the ordinary course of performing their duties on behalf of the Debtors. The Debtors average approximately \$308,000 per month for payments of these reimbursement expenses. The Debtors estimate that as of the Petition Date, the reimbursement expenses to be paid to Employees aggregate approximately \$175,000. The Debtors also have a relocation policy that reimburses certain employees for relocation costs. For the month of January 2008, the Debtors anticipate incurring approximately \$115,000 in relocation expenses. The Debtors also offer additional programs for employees, including education assistance programs, holiday gift cards, employee recognition awards, and birthday celebrations. The average monthly cost for all of these additional programs totals approximately \$25,000. The Debtors are also required by law to honor garnishment proceeding for certain Employees. The Debtors estimate that as of the Petition Date, the amounts subject to garnishment are less than \$25,000.

Status: Judge Cook approved the Employee Wages Motion pursuant to an order entered January 22, 2008.

3. “Insurance Motion” – Debtors’ Motion to Continue Prepetition Insurance and Workers’ Compensation Programs and to Pay Prepetition Premiums, Related Obligations, and Premium Financing Payments [Docket #30]

Pursuant to the laws of the various states in which they operate, the Debtors maintain various workers’ compensation insurance policies and programs. In addition, the Debtors maintain various general liability and property insurance policies, which provide the Debtors with insurance coverage for claims relating to, among other things, commercial general liability (pollution), general liability (product liability), excess liability, directors and officers liability, and special crime. The Debtors spend approximately \$3.9 million annually on the foregoing insurance premiums.

The Debtors assert that it is essential to the continued operation of the Debtors’ businesses and their efforts to reorganize that the above-mentioned policies be maintained on an

ongoing and uninterrupted basis. If the Debtors allow the policies to lapse, the Debtors could be exposed to substantial liability for damages resulting to persons and property of the Debtors and others, which exposure could have an extremely negative impact on the Debtors' ability to successfully reorganize.

Status: The Insurance Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

4. “Commissions Motion” – Debtors’ Motion for an Order Authorizing Payment of the Prepetition Non-Employee Sales Commissions Incurred in the Ordinary Course of Business [Docket #35]

Pursuant to the Commissions Motion, the Debtors seek authority to pay prepetition commissions owed to certain non-employee sales representatives with whom the Debtors contract with in the ordinary course of their businesses. Under the express terms of these contracts, the sales representatives receive a commission on sales of the Debtors' product. As of the Petition Date, the Debtors owe an aggregate amount of approximately \$0.7 million in such prepetition commissions as a result of approximately \$40 million in sales made by such representatives in the 2007 calendar year.

The sales derived from these representatives constitutes approximately 9% of the Debtors' aggregate 2007 sales. The revenue derived from these contracts is vital to the continued operation of the Debtors' businesses. However, if the Debtors fail to comply with their contractual obligations to these sales representatives, they may look elsewhere for employment, and there are other manufacturers who can hire them. As such, the Debtors maintain that in order to ensure a continuing, viable revenue stream and business relationship with these sales representatives, it is critical to the reorganization effort to pay these prepetition commissions.

Status: The Commissions Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

III. SUPPLIER AND CUSTOMER MOTIONS

5. “Critical Vendors Motion” – Debtors Motion for an Order Authorizing Debtors to Pay Prepetition Claims of Certain Critical Trade Vendors [Docket #27]

Pursuant to the Critical Vendors Motion, the Debtors request authority to pay prepetition claims of certain essential “critical vendors.” These critical vendors consist primarily of forty-six creditors, who are the Debtors only source of polypropylene resin, the primary raw material used in the Debtors' business. The remaining claims addressed in the Critical Vendors Motion are those of vendors who provide essential spare parts, specialized repair services, or other goods or services to the Debtors that cannot be replaced without significant risk and cost to the Debtors. The Debtors represent that without these goods and services, the Debtors' ability to operate will

be severely diminished. In addition, pursuant to the Critical Vendors Motion, the Debtors seek authority to enter into new postpetition agreements with certain critical vendors and to modify existing agreements with critical vendors to the extent that the Debtors, in their discretion, think it is necessary.

The Debtors estimate that the aggregate amount of prepetition debt owed by the Debtors to their critical vendors is approximately \$10 million. According to the Critical Vendors Motion, the critical vendors comprise approximately 4% of the Debtors' total prepetition trade creditors, and that the \$10 million of indebtedness represents approximately 2% of the Debtors' liabilities as of the Petition Date.

Status: The Critical Trade Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

6. “Common Carrier/Warehousemen Motion” – Debtors’ Motion For Order Approving Payment for (I) Goods, Materials and Services Ordered Prepetition and Delivered Postpetition and (II) Prepetition Claims of Common Carriers and Warehousemen, and Other Possessory Lien Claimants [Docket #28]

In the ordinary course of the Debtors' businesses, numerous suppliers (the “Suppliers”) provide the Debtors with goods, materials, and services necessary for the Debtors' business operations. As of the Petition Date, numerous purchase orders were outstanding (the “Outstanding Orders”) with Suppliers for various categories of goods, materials, and services. The Debtors believe that there is a real possibility that the Suppliers will not ship the Outstanding Orders to the Debtors unless the Debtors issue substitute purchase orders postpetition or obtain an order of the Bankruptcy Court granting all Outstanding Orders an administrative expense priority pursuant to section 503 of the Bankruptcy Code.

As of the Petition Date, the Debtors had instituted certain transportation and storage transactions with various common carriers and terminaling entities (the “Common Carriers” and “Warehousemen,” respectively) for the transportation and storage of various categories of goods that are currently in the possession of the Common Carriers and/or Warehousemen (collectively, the “Outstanding Transactions”). The Debtors believe that there is a real possibility that the Common Carriers and/or Warehousemen will attempt to enforce possessory lien rights on the Debtors' goods and refuse to transport or otherwise deliver the same unless the Debtors enter into substitute transactions postpetition or obtain an order of the Bankruptcy Court granting all Outstanding Transactions expense priority pursuant to section 503 of the Bankruptcy Code.

Status: The Common Carrier/Warehousemen Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

7. “Maintenance and Contractors Motion” – Debtors’ Motion for an Order Authorizing Payment of Outside Maintenance Providers and Contractors in Satisfaction of Liens [Docket #32]

Pursuant to the Maintenance and Contractors Motion, the Debtors request authority, but not direction, to pay, on the conditions set forth below, the prepetition claims of certain outside maintenance providers and contractors for prepetition services provided to the Debtors. The Debtors estimate that, as of the Petition Date, the current dollar value of outstanding prepetition services provided by such parties to the Debtors is approximately \$335,000 (the “Lien Claims Amount”). The Debtors anticipate that only a portion of the Lien Claims Amount will give rise to valid liens and/or interests.

The Debtors are often required to perform significant maintenance and overhaul work to maintain their businesses. Although the Debtors utilize their own employees to perform some of this work, the Debtors rely, to a large degree, on outside mechanics and repairmen (the “Outside Maintenance Providers”) to perform the required maintenance and repair work as well as to provide a significant amount of equipment and materials with respect to such work. As a result, many of the Outside Maintenance Providers are currently in possession of equipment that is vital to the Debtors’ operations, and such Outside Maintenance Providers may be able to assert possessory liens on such equipment under applicable state law. Pursuant to these liens, the Outside Maintenance Providers may refuse to redeliver such equipment unless they are paid the prepetition amounts owed to them. Certain of these liens and/or interests are specifically excluded from the automatic stay and may be perfected even in bankruptcy. The Debtors estimate that their outstanding prepetition obligations to the Outside Maintenance Providers total approximately \$250,000.

The Debtors also rely on contractors, subcontractors, and professional service firms (the “Contractors”) to perform construction, maintenance, and repairs at their various facilities. If not paid for their prepetition services, certain Contractors may refuse to perform ongoing construction, maintenance, or repair obligations. The Debtors’ failure to pay such Contractors for prepetition goods and/or services may result in the Contractors having a right to assert valid statutory, mechanics’, or possessory liens on certain of the Debtors’ facilities. The Debtors request authority to pay these parties to the extent that they could have a valid statutory or possessory lien on the assets of the Debtors. The Debtors estimate that their outstanding prepetition obligations to the Contractors total approximately \$85,000.

The Debtors request the authority to pay and discharge, on a case-by-case basis and in their sole discretion, the claims of all Outside Maintenance Providers and Contractors that have given or could give rise to liens and/or interests against the Debtors property (collectively, the “Claims”). The Debtors also propose that, in exchange for the Debtors’ payment of a Claim, an Outside Maintenance Provider or Contractor must not only promptly release any liens and/or interests upon payment of such Claim, but also must agree to continue to provide goods and/or services to the Debtors postpetition on ordinary and customary terms.

Status: The Maintenance and Contractors Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

8. “Rebate Motion” – Debtors’ Motion for an Order Authorizing Payment of Prepetition Customer Rebates Incurred in the Ordinary Course of Business [Docket #34]

As of the Petition Date, the Debtors were parties to contracts with numerous customers in the ordinary course of their business operations. Under the express terms of these contracts, the Debtors’ customers make volume purchases of the Debtors’ products and receive rebates based on the volume purchased. As of the Petition Date, the Debtors owed an aggregate amount of approximately \$3.3 million in such prepetition rebates for 2007 sales, \$0.2 million of which is comprised of cash payments and \$3.1 million of which is credit given to customers towards purchases in the 2008 calendar year.

The Debtors assert that these customer contracts represent approximately 59% of the Debtors aggregate 2007 sales. As such, the revenue derived from these contracts is vital to the continued operation of the Debtors’ businesses. However, if the Debtors fail to comply with their contractual obligations to such customers, the Debtors’ customers may look elsewhere. Therefore, the Debtors believe that in order to ensure a continuing, viable revenue stream and business relationships with these customers, it is critical to the reorganization effort to pay these prepetition customer rebates.

Status: The Rebate Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

IV. GENERAL BUSINESS OPERATION MOTIONS

9. “Cash Management Motion” – Debtors’ Expedited Motion for Order (A) Authorizing Maintenance of Prepetition Bank Accounts and Cash Management System and Continued Use of Existing Business Forms, Books and Records and (B) Approving Investment Guidelines [Docket #8]

Pursuant to the Cash Management Motion, the Debtors seek authority to maintain existing bank accounts, to continue to use existing business forms, and to continue to use certain existing cash management systems (collectively, the “Cash Management System”). The Debtors also seek authority to maintain their prepetition investment guidelines postpetition in the same fashion as they were maintained prepetition.

The Debtors assert that their Cash Management System includes the accounting controls necessary to enable the Debtors, their creditors, and the Bankruptcy Court to accurately trace funds through the Cash Management System, and that it is specifically tailored to the Debtors’ needs in light of its current financial situation. Further, the Debtors assert that any requirement

that the Debtors change their existing Cash Management System would result in confusion and delays and would hinder the efficient use of the Debtors resources.

Additionally, the Debtors believe that their existing cash investment guidelines are designed to protect the principal invested while maximizing liquidity and, therefore, believe that sufficient cause exists to waive the investment requirements under section 345(b) of the Bankruptcy Code. The Debtors believe that requiring the Debtors to open multiple accounts at different banks so that the deposits in each bank would be insured by the FDIC would be unnecessarily burdensome and would lead to delays and disruption to the Debtors' businesses.

Prior to the Petition Date, the Debtors invested their excess cash in overnight deposits in an account with LaSalle Bank N.A., all made through overnight investments in Eurodollars denominated, high grade securities. The Debtors are currently examining with LaSalle and Bank of America an overnight investment program that would be invested in government security backed investments.

Status: Judge Cook approved the Cash Management Motion pursuant to an order entered January 22, 2008.

10. "Tax Motion" - Debtors' Expedited Motion for Order Authorizing the Debtors to Pay Prepetition Sales, Use, Trust Fund and Other Taxes and Related Obligations [Docket #9]

Pursuant to the Tax Motion, the Debtors request entry of an order authorizing, but not requiring, the Debtors to pay sales, use, and trust fund and other taxes and related obligations as the Debtors, in their discretion, deem necessary.

In the ordinary course of their businesses, the Debtors collect sales taxes from certain customers and other third parties for remittance to the taxing authorities. In addition, the Debtors also accrue and incur state use taxes. The Debtors estimate that, as of the Petition Date, they held approximately \$15,500 in collected but unremitted sales taxes and accrued state use taxes. In addition, the Debtors have other tax and/or franchise obligations to various state authorities in jurisdictions where the Debtors operate or are authorized to do business. These tax obligations aggregate approximately \$9,200.

The Debtors represent that they have sufficient cash reserves and will have sufficient cash from ongoing operation to pay the amounts described herein in the ordinary course of business. Moreover, some of these outstanding tax liabilities are for trust fund taxes that the Debtors have collected and hold in trust for the benefit of the taxing authorities. Therefore, such funds do not constitute property of the estates and could not otherwise be used by the estates.

Status: Judge Cook approved the Tax Motion pursuant to an order entered January 22, 2008.

11. “Utilities Motion” – Debtors’ Motion For An Order Establishing Procedures For (A) Utilities to Request Additional Assurance of Payment, and (B) Resolving Disputes With Utilities Relating To Adequate Assurance Requests [Docket #29]

Pursuant to the Utilities Motion, the Debtors seek entry of an order (i) prohibiting the Debtors’ utility companies from discriminating against the Debtors on the basis of the commencement of these chapter 11 cases; (ii) establishing procedures for companies providing utility services to request adequate assurance of payment; and (iii) establishing procedures for resolving disputes relating to any adequate assurance request.

In the ordinary course of their businesses, the Debtors regularly incur utility expenses for water, sewer, gas, electric, telecommunications, waste management and other services from approximately 25 utility companies (the “Utility Companies”). The Debtors’ aggregate average monthly cost for utility services is approximately \$2 million. The Debtors assert that, as manufacturing companies, any disruption in utility services means the plants shutdown, thousands of employees are idled, and any reorganization of the business is significantly, if not irreparably, prejudiced. The Debtors also represent that they have sufficient funding for their ongoing utility services pursuant to the postpetition loan agreement.

As adequate assurance, the Debtors propose a deposit equal to one-half of a month’s utility services, based on an average of the last quarter, or three months’ utility usage. The Debtors also propose the following procedures for the Bankruptcy Court to determine, if necessary, whether the requested additional assurance of payment by a Utility Company is reasonable:

- A. A Utility Company that wishes to seek assurance of payment from the Debtors, in addition to the assurance discussed above, must make a written request (a “Request”) no later than 30 days after receiving notice of the Utilities Motion. Any such request by a Utility Company must set forth the amount and nature of assurance that the Utility Company proposes.
- B. Without further order of the Bankruptcy Court, the Debtors may enter into agreements granting to the Utility Companies that have submitted Requests any assurance of payments that the Debtors, in their sole discretion, determine is reasonable.
- C. If a Utility Company timely requests assurance of payment that the Debtors believe is unreasonable, and if the parties are unable to resolve the issue within 20 days after the date of the request, the Debtors will file a motion seeking to modify the Request to an amount that the Debtors believe is adequate. The Bankruptcy Court will then hold a hearing to determine the appropriate assurance to be paid to the Utility Company.

D. Until the announcement by the Bankruptcy Court of its decision, no Utility Company can alter, refuse or discontinue services. Additionally, if a prepetition service has not been paid for, the Debtors are not required to make such payment.

The Debtors submit that the payments and procedures outlined in the Utilities Motion, in conjunction with the Debtors' ability to pay for future Utility Services in the ordinary course of business, constitute sufficient adequate assurance of payment to the Utility Providers.

Status: The Utilities Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

12. "Reclamation Motion" – Debtors' Motion for an Order Establishing Procedures for the Allowance of Reclamation Claims [Docket #31]

Pursuant to the Reclamation Motion, the Debtors seek the entry of an order (i) establishing procedures for the resolution and payment of valid reclamation claims and (ii) confirming that third parties are stayed or prohibited from interfering with the delivery of goods to the Debtors. The Debtors believe that the relief requested in the Reclamation Motion will allow the Debtors to better manage their inventory of goods, facilitate the resolution of reclamation claims, and minimize any associated litigation costs.

The Debtors believe that many of its vendors (the "Vendors") will attempt, pursuant to section 546(c) of the Bankruptcy Code, to assert their rights to reclaim goods delivered to the Debtors shortly before or after the Petition Date (a "Reclamation Claim"). Thus, in order to ensure that management's attention is not diverted from important operational issues in order to deal with the Reclamation Claims, the Debtors propose the following procedures for reconciling the potential Reclamation Claims:

A. All Vendors seeking to reclaim goods from the Debtors will be required to submit a demand (a "Reclamation Demand") within 20 days after the receipt of such goods by the Debtors. A Reclamation Demand must set forth, in detail, the goods for which reclamation is sought and the basis for the Reclamation Claim.

B. Within 110 days after the Petition Date, the Debtors will be required to file a motion with the Bankruptcy Court (the "Reclamation Claims Motion") setting forth the Debtors' position as to the validity of all Reclamation Claims. If any holder of a Reclamation Claim objects to the Reclamation Claims Motion, discovery will be taken and hearing will be scheduled to adjudicate that claim. If after the entry of an order on the Reclamation Claims Motion, and after the expiration of any appeal period or, alternatively, the resolution of an appeal (the "Phase One Period"), Reclamation Claims are determined to have value, remaining Reclamation Claims will be resolved according to the procedures outlined in paragraph C below.

C. Within 60 days after the completion of the Phase One Period, and only if the Reclamation Claims are determined to have value, the Debtors will provide any remaining holders of Reclamation Claims with a statement of reclamation (the “Statement of Reclamation”). The Statement of Reclamation will set forth the extent and basis, if any, upon which the Debtors believe the underlying Reclamation Claim is not legally valid and/or the amount that will be considered valid (the “Reconciled Reclamation Claim”). Vendors who disagree with the Reconciled Reclamation Claim (the “Dissenting Vendors”) must indicate such dissent on the Statement of Reclamation and return the statement within 60 days after the date of the Statement of Reclamation. The Dissenting Vendors must include evidence specifying, among other things, which information on the Debtors’ Statement of Reclamation is incorrect and stating any legal basis for the objection.

D. The Reclamation Claim of (i) any vendor who indicates its assent to the Reconciled Reclamation Claim as contained in the Statement of Reclamation, (ii) any Vendor who fails to return the Statement of Reclamation by the deadline, and (iii) any Vendor who returns the Statement of Reclamation but fails to indicate either assent or dissent, will be deemed an allowed Reclamation Claim in the amount of the Reconciled Reclamation Claim. The Debtors are also authorized to negotiate with all Dissenting Vendors and to adjust the Reconciled Reclamation Claim either upward or downward to reach an agreement regarding the amount of the Dissenting Vendor’s allowed Reclamation Claim. If the Debtors are unable to settle with a Dissenting Vendor within 60 days, the Debtors must file a motion for determination of the Dissenting Vendors’ Reclamation Claim. The Dissenting Vendor’s allowed Reclamation Claim, if any, will then be fixed and determined by the Bankruptcy Court.

Under the Reclamation Motion, the Debtors will be permitted to reconcile and pay the allowed Reclamation Claims pursuant to the Reclamation Procedures without need for further order of the Bankruptcy Court. The Reclamation Motion also confirms that the automatic stay imposed as a result of the Debtors’ chapter 11 filing prohibits a Vendor or any other third party from seeking to reclaim goods that have already been delivered, or interfering with the delivery of goods presently in transit to the Debtors.

Status: The Reclamation Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

13. “Rejection Motion” – Debtors’ Motion for an Order Authorizing Rejection of Certain Executory Contracts and Executory Leases [Docket #33]

Pursuant to the Rejection Motion, the Debtors request authority to reject certain agreements that the Debtors have decided that they no longer need. Accordingly, the Debtors believe the rejection of the following executory contracts is in the best interest of the Debtors’ estates:

A. Pursuant to the terms of the Barnes Separation Agreement, the Debtors agreed to pay Philip D. Barnes \$21,667 on or before the twentieth day of each month for consulting services. The Barnes Separation Agreement commenced on January 20, 2007 and terminates on March 20, 2008.

B. Pursuant to the terms of the Stanczak Separation Agreement, the Debtors agreed to pay Edmund A. Stanczak \$26,667 on or before the twentieth day of each month for consulting services. The Stanczak Separation Agreement commenced on April 20, 2007 and terminates on June 20, 2008.

C. Pursuant to the terms of the Coffin Letter Agreement, the Debtors agreed to pay W. Michael Coffin an annual base salary of \$300,000 for his services as former Executive Vice President and Chief of Operations of Propex. The Debtors assert that this agreement was terminated prepetition, but have included it in the Rejection Motion out of an abundance of caution.

D. Pursuant to the terms of the Chill Employment Agreement, Leonard Chill was employed as Chairman of SI Corporation for a period of two years commencing on January 4, 2001. After termination of such employment on January 4, 2003, the Chill Employment Agreement, the obligations of which have been assumed by Propex, requires Propex to continue to make payments on premiums for a life insurance policy in favor of Leonard Chill for period of 15 years after termination of his employment.

E. Pursuant to the terms of the 3000377 Contract, Mary's Nursery & Landscaping was hired as an independent contractor to provide, among other things, landscaping services to Propex's facility in Genesee, Idaho. In consideration for these services, Propex is required to pay a lump sum of \$3,600 at the beginning of each calendar month.

F. Pursuant to the terms of the Security Services Agreement, Off Duty Services, Inc. was hired to provide off-duty officers to perform security services at Propex's facility in Genesee, Idaho. In consideration for these services, Propex is required to pay, among other costs, \$549.45 per month for weekly security sweeps.

G. Pursuant to the terms of the ADT Contract, Propex is required to pay \$1,099 annually in advance in exchange for security monitoring equipment and services provided by ADT Security Services Inc.

H. Pursuant to the terms of the Master Software License Agreement, Propex is granted the right to use certain software licensed in Datatex Tis, Inc's name as well as receive various other services, including, among other things, the maintenance of such software. In consideration for these services, Propex is required to pay amounts ranging from \$900 a day for training services to \$140,000 for seven servers.

I. Pursuant to the terms of the Fluor Agreement, Fluor Facility & Plan Services, Inc. was hired to provide, among other things, preventative and maintenance care of equipment located at Propex's Ringgold, Georgia facility. In consideration for these services, Propex is required to pay three individuals a base hourly rate of \$150 for their services in furtherance of asset productivity improvement and other individuals a base hourly rate ranging from \$34.30 to \$75.00 in furtherance of their maintenance duties.

J. Pursuant to the terms of the 3000228 Contract, Griswold Trucking & Excavation ("Griswold") was hired as an independent contractor to haul straw waste from Propex's Genesee Plant. In consideration for these services, Propex is required to pay \$500 to Griswold at the beginning of each calendar month.

K. Pursuant to the terms of the Genessee Lease, Propex is currently leasing a facility in Genessee, Idaho, for a monthly base rent of \$6,512 as well as a proportionate share of all real estate taxes assessed on that facility.

L. Pursuant to the terms of the Shoemaker Lease, Propex is currently leasing a facility in Santa Fe Springs, California, for an annual rent of \$283,908, which equates to a monthly rent of \$23,659.

M. Pursuant to the terms of the Kennar Agreement, Propex agreed to provide and pay certain benefits to Mr. Kennar.

N. Pursuant to the terms of the Degussa Agreement, Propex agreed to compensate Mr. Degussa for sale of product and related services.

O. Pursuant to the Platipus Agreement, Propex agreed to promote and/or distribute certain materials on behalf of Platipus. The Debtors assert that this agreement is no longer executory but was included in the Rejection Motion in an abundance of caution.

Status: The Rejection Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

V. ADMINISTRATIVE MOTIONS

14. **"SOFA Motion" – Debtors' Motion to Extend Deadline to File Schedules or Provide Required Information and Statements of Financial Affairs [Docket #20]**

Pursuant to the SOFA Motion, the Debtors seek an extension of the deadline by which they must file their schedules of assets and liabilities and statements of financial affairs (collectively, the "Schedules and Statements") until April 2, 2008. The Debtors have filed a list of creditors which reflects that the total number of the Debtors' creditors far exceeds 200. Accordingly, pursuant to the Local Rules, the Debtors' deadline to file the Schedules and Statements is thirty days from the Petition Date. However, given the size and complexity of the

Debtors' business, the Debtors assert that a significant amount of information must be accumulated, reviewed and analyzed in order to properly prepare the Schedules and Statements. The Debtors submit that there will be a number of critical issues facing the Debtors in the thirty days following the Petition Date, and that these issues and others will require substantial attention by the Debtors' personnel and their professionals.

The Debtors also submit that the extension will not prejudice any party in interest because the Debtors have, or will have, filed (i) a list setting forth the names and addresses of all of their creditors and (ii) a list setting forth the names, addresses, and claim amounts of creditors holding the 30 largest unsecured claims, excluding insiders, on a consolidated basis.

Status: The Schedule Extension Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

15. "Interim Compensation Motion" – Debtors' Motion for Administrative Order Under 11 U.S.C. § § 105 and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket #26]

Pursuant to the Interim Compensation Motion, the Debtors seek an order establishing procedures by which professionals approved under section 327(a) of the Bankruptcy Code may obtain monthly payment of a portion of their fees and expenses. These payments will be subject to review and adjustment in connection with the regular fee applications filed with the Bankruptcy Court. Given the complex nature of these cases, the Debtors request that procedures be established for compensating and reimbursing Professionals (defined below) on a monthly basis that are comparable to the procedures established in other larger chapter 11 cases in the Eastern District of Tennessee and elsewhere. The Debtors propose that the payment of compensation and reimbursement of the Professionals on a monthly basis be structured as follows:

A. Every 20th day of each calendar month following the month for which compensation and/or remuneration is sought (the "Statement Due Date"), each professional retained pursuant to sections 327 and 1103 of the Bankruptcy Code (the "Professionals") may:

- i. submit, with supporting detail, an itemized monthly fee and expense statement (the "Monthly Statement"); and
- ii. serve a copy of such Monthly Statement on the Debtors, bankruptcy counsel for the Debtors, counsel for the Committee of Unsecured Creditors, and the United States Trustee (collectively, the "Fee Parties")

B. Each monthly statement must include time-records that itemize services and must be received on or before the Statement Due Date.

C. The Fee Parties will have 30 days from the Statement Due Date to review and object to the Monthly Statements. Subject to paragraph D below, the Debtors shall pay in the ordinary course of business:

- i. Eighty percent (80%) of the fees requested by a Professional; and
- ii. Ninety percent (90%) of the expenses requested by a Professional

D. In the event that there are objections to any Monthly Statement submitted by a Professional, the objecting Fee Party must notify the Fee Parties and the affected Professional in writing of the objection within the 30 day period. Pending the resolution of such objection, the Debtors will promptly pay the Professional the amount in the Monthly Statement less the greater of (i) the amount in dispute or (ii) the holdback provided for in Paragraph C above.

E. The initial Monthly Statement must be submitted and served on or before March 20, 2008.

The Debtors also request that the Bankruptcy Court set certain procedures to be followed with regard to the filing of interim fee applications by a Professional in these chapter 11 cases. Specifically, the Debtors propose the following:

A. The initial uniform period to be covered by interim fee applications will be from the Petition Date through May 31, 2008, and subsequent interim fee applications will cover each successive four-calendar-month period thereafter.

B. To be considered on an interim basis, an application would have to be timely filed and served within 40 days of the close of each interim fee period (the "Application Filing Period").

C. Regardless of the date on which an interim fee application is filed, all objections to interim fee application must be filed within 30 days of such filing.

D. Hearings on interim fee applications will be held on the next pre-set hearing date following the day on which objections are due.

Moreover, the Debtors request that the Bankruptcy Court enter an order finding that any conflict of interest with respect a Professional will be waived unless raised by a party in interest at the first hearing on interim compensation following such party's contention that a conflict of interest exists.

Status: The Interim Compensation Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

16. “Ordinary Course Professionals Motion” – Debtors’ Motion for Order for Authority to Retain and Compensate Professionals Used in the Ordinary Course of Business [Docket #25]

Pursuant to the Ordinary Course Professionals Motion, the Debtors request authority to employ certain professionals, and to compensate such professionals for their expenses, used in the ordinary course of the Debtors’ business as of the Petition Date. Without the assistance of the ordinary course professionals, it would be difficult for the Debtors to devote sufficient attention to, among other things, audits, tax issues, and various legal services. Furthermore, the Debtors believe that few of their ordinary course professionals are likely to continue their vital work for the Debtors without the relief requested in the Ordinary Course Professionals Motion.

For the purpose of administrative efficiency, the Debtors seek to retain the ordinary course professionals without having to file formal retention or fee applications for each ordinary course professional. Accordingly, the Debtors request permission to pay the fees of each ordinary course professional upon the submission of an appropriate invoice, and without formal application to the Bankruptcy Court, provided that such fees and disbursements do not exceed, for each ordinary course professional, a total of \$75,000 per month and \$300,000 for the entire case.

To the extent that the payment to any ordinary course professional exceeds the limits set forth in the Ordinary Course Professionals Motion, such ordinary course professional would become subject to approval upon application to the Bankruptcy Court for an allowance of compensation and reimbursement of expenses.

The Debtors may also require the services of additional ordinary course professionals to assist them with issues that arise in the ordinary course of the Company’s business. For the purpose of administrative efficiency, the Ordinary Course Professionals Motion also requests authorization to employ additional ordinary course professionals without the need to file individual retention applications for each such professional. These professionals will be deemed approved without the need for a hearing if there are no objections within 20 days after notice of the additional professionals is served.

Status: The Ordinary Course Professionals Motion is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

17. “Joint Administration Motion” – Debtors’ Expedited Motion for an Order Authorizing Joint Administration Pursuant to Federal Rule of Bankruptcy Procedure 1015 [Docket #6]

Pursuant to the Joint Administration Motion, the Debtors seek the joint administration of their chapter 11 cases for procedural purposes only. The Debtors are affiliates as defined in section 101(2) of the Bankruptcy Code. Joint administration of their cases will promote the

economical, efficient, and convenient administration of the Debtors' estates. The Debtors' operations are closely integrated and there will likely be numerous motions, applications, and other pleadings filed in these chapter 11 cases that will affect most or all of the Debtors. Moreover, the relief requested by this Motion will simplify supervision of the administrative aspects of these cases by the Office of the United States Trustee.

Status: Judge Cook approved the Joint Administration Motion pursuant to an order entered January 22, 2008.

V. RETENTION APPLICATIONS

18. **"King & Spalding Application" – Application to Approve Retention of King & Spalding LLP as Bankruptcy Counsel to the Debtors [Docket #21]**

Pursuant to the King & Spalding Application, the Debtors request authority to employ King & Spalding LLP ("K&S") as their lead counsel in these bankruptcy cases and other proceedings. The Debtors and K&S have agreed that K&S will be compensated for services at hourly rates and reimbursed for reasonable and necessary expenses, subject to approval of the Bankruptcy Court. The K&S 2008 fee rates for attorneys expected to work on this case range from \$275 to \$800 per hour for attorneys and \$120 to \$255 per hour for document clerks and legal assistants.

Prior to the commencement of these cases, K&S has been engaged in representing some of the Debtors and their affiliates with respect to certain matters. Such work has been performed and billed to the Debtors and the Debtors have paid several but not all such invoices. As of the filing date of these chapter 11 cases, certain invoices for time and expenses incurred prior to the filing for non-reorganization related work had not been paid. Those invoices aggregate approximately \$250,000. The firm will write off these unpaid invoices, and will not assert any claim in these cases for those invoices.

As of the filing of these cases, K&S was owed over \$70,000 for services and expenses directly related to the preparation of the filings of these chapter 11 cases. K&S intends to seek Bankruptcy Court approval of these fees in its first fee application as administrative expenses. If the Bankruptcy Court disallows these fees and expenses, K&S will write off such amounts, and will not assert an unsecured claim for such amounts.

Status: The K&S Application is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

19. **"Miller & Martin Application" – Application for Employment of Miller & Martin PLLC as Counsel to the Debtors [Docket #24]**

Pursuant to the the Miller & Martin Application, the Debtors request authority to employ Miller & Martin PLLC ("Miller & Martin") as their local counsel in these bankruptcy cases. The

Debtors and Miller & Martin have agreed that Miller & Martin will be compensated for services at hourly rates and reimbursed for reasonable and necessary expenses, subject to approval of the Bankruptcy Court. The Miller & Martin 2008 fee rates for attorneys expected to work on this case range from \$200 to \$350 per hour for attorneys and \$185 per hour for legal assistants.

Status: The Miller and Martin Application is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

20. “Epiq Application” – Debtors’ Expedited Application for an Order Approving and Authorizing Debtors’ Employment of Epiq Bankruptcy Solutions, LLC as Claims, Noticing, and Balloting Agent and Establishing Notice and Administrative Procedures [Docket #16]

Pursuant to the Epiq Application, the Debtors request authority to retain and employ Epiq Bankruptcy Solutions, LLC (“Epiq”) as claims, noticing, and balloting agent. The Debtors and Epiq have agreed that Epiq will be compensated on an hourly basis for its case management services and compensated based on the rates agreed to in the engagement letter for all other services, subject to approval of the Bankruptcy Court. The fee rates charged by Epiq for the employees expected to work on this case range from \$125 to \$275 per hour for case managers and \$40-\$60 per hour for clerks.

The Epiq Application also seeks an order establishing certain notice and administrative procedures. The Debtors propose to provide notice on certain matters only to those persons listed on a master service list. Such master service list will be updated on a monthly basis, and an affidavit or certification of service will be filed with the Bankruptcy Court each time a notice is delivered to those parties listed on the master service list.

Status: Judge Cook approved the Epiq Application pursuant to an order entered January 23, 2008.

21. “Houlihan Application” – Application for Entry of an Order Under 11 U.S.C. § § 327 and 328 Authorizing Retention and Employment of Houlihan Lokey Howard & Zuckin Capital, Inc. as Financial Advisor and Investment Banker to the Debtors [Docket #23]

Pursuant to the Houlihan Application, the Debtors request authority to retain and employ Houlihan Lokey Howard & Zuckin Capital, Inc. (“Houlihan”) as financial advisor and investment banker to the Debtors. Houlihan will be entitled to a nonrefundable cash fee of \$150,000 upon Houlihan’s acceptance of the engagement. Additionally, Houlihan is entitled to a monthly fee of \$150,000 for each month that the Debtors remain in chapter 11. After the third monthly fee is paid, 50% of all additional monthly fees will be credited against any transaction fee that Houlihan may earn. Houlihan is also entitled to reimbursement for its reasonable and

necessary expenses. A transaction fee of \$2,812,500.00 is to be paid to Houlihan on the date of confirmation of the Debtors' plan of reorganization.

Status: The Houlihan Application is currently scheduled to be heard by the Bankruptcy Court on February 13, 2008.

Appendix A – “First Day” Papers Status Report

In re Propex Inc. et al.
Case No. 08-10249 (JCC)

Docket No.	First Day Motion	Status
6	Debtors’ Expedited Motion for an Order Authorizing Joint Administration Pursuant to Federal Rule of Bankruptcy Procedure 1015	Granted 1/22/08 [47]
7	Debtors’ Expedited Motion for Order Authorizing Payment of Prepetition Wages, Payroll Taxes, Certain Employee Benefits and Related Expenses	Granted 1/22/08 [48]
8	Debtors’ Expedited Motion for Order (A) Authorizing Maintenance of Prepetition Bank Accounts and Cash Management System and Continued Use of Existing Business Forms, Books and Records and (B) Approving Investment Guidelines	Granted 1/22/08 [49]
9	Debtors’ Expedited Motion for Order Authorizing the Debtors to Pay Prepetition Sales, Use, Trust Fund and Other Taxes and Related Obligations	Granted 1/22/08 [50]
12	Debtors’ Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Post-Petition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Adequate Protection to the Prepetition Lender, (IV) Modifying the Automatic Stay, and (V) Scheduling a Final Hearing	Interim order granted 1/23/08 [56]; Hearing 2/13/08 at 9:00 am
16	Debtors’ Expedited Application for an Order Approving and Authorizing Debtors’ Employment of Epiq Bankruptcy Solutions, LLC as Claims, Noticing, and Balloting Agent and Establishing Notice and Administrative Procedures	Granted 1/23/08 [57]
20	Debtors’ Motion to Extend Deadline to File Schedules or Provide Required Information and Statements of Financial Affairs	Hearing 2/13/08 at 9:00 am
21	Application to Approve Retention of King & Spalding LLP as Bankruptcy Counsel to the Debtors	Hearing 2/13/08 at 9:00 am

**AKIN GUMP
STRAUSS HAUER & FELD LLP**

Attorneys at Law

23	Application for Entry of an Order Under 11 U.S.C. § § 327 and 328 Authorizing Retention and Employment of Houlihan Lokey Howard & Zuckin Capital, Inc. as Financial Advisor and Investment Banker to the Debtors	Hearing 2/13/08 at 9:00 am
24	Application for Employment of Miller & Martin PLLC as Counsel to the Debtors	Hearing 2/13/08 at 9:00 am
25	Debtors' Motion for Order for Authority to Retain and Compensate Professionals Used in the Ordinary Course of Business	Hearing 2/13/08 at 9:00 am
26	Debtors' Motion for Administrative Order Under 11 U.S.C. § § 105 and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals	Hearing 2/13/08 at 9:00 am
27	Debtors Motion for an Order Authorizing Debtors to Pay Prepetition Claims of Certain Critical Trade Vendors	Hearing 2/13/08 at 9:00 am
28	Debtors' Motion For Order Approving Payment for (I) Goods, Materials and Services Ordered Prepetition and Delivered Postpetition and (II) Prepetition Claims of Common Carriers and Warehousemen, and Other Possessory Lien Claimants	Hearing 2/13/08 at 9:00 am
29	Debtors' Motion For An Order Establishing Procedures For (A) Utilities to Request Additional Assurance of Payment, and (B) Resolving Disputes With Utilities Relating To Adequate Assurance Requests	Hearing 2/13/08 at 9:00 am
30	Debtors' Motion to Continue Prepetition Insurance and Workers' Compensation Programs and to Pay Prepetition Premiums, Related Obligations, and Premium Financing Payments	Hearing 2/13/08 at 9:00 am
31	Debtors' Motion for an Order Establishing Procedures for the Allowance of Reclamation Claims	Hearing 2/13/08 at 9:00 am
32	Debtors' Motion for an Order Authorizing Payment of Outside Maintenance Providers and Contractors in Satisfaction of Liens	Hearing 2/13/08 at 9:00 am
33	Debtors' Motion for an Order Authorizing Rejection of Certain Executory Contracts and Executory Leases	Hearing 2/13/08 at 9:00 am

34	Debtors' Motion for an Order Authorizing Payment of Prepetition Customer Rebates Incurred in the Ordinary Course of Business	Hearing 2/13/08 at 9:00 am
35	Debtors' Motion for an Order Authorizing Payment of the Prepetition Non-Employee Sales Commissions Incurred in the Ordinary Course of Business	Hearing 2/13/08 at 9:00 am
63	341 meeting of creditors	3/4/08 at 10:00 am