



## 1 APPEARANCES:

## 2 FOR THE DEBTORS:

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4 Miller & Martin, PLLC  
5 832 Georgia Avenue, Suite 1000  
6 Chattanooga, Tennessee 37402

7 -AND-

8 HENRY KAIM, ESQUIRE  
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10 1100 Louisiana, Suite 4000  
11 Houston, Texas 77002-5213

12 FOR THE CREDITOR,  
13 BNP PARIBAS:

14 EDWARD C. MEADE, ESQUIRE  
15 Bass, Berry & Sims, PLC  
16 1700 Riverview Tower  
17 900 S. Gay Street  
18 Knoxville, Tennessee 37902

19 FOR THE INITIAL COMMITTEE  
20 OF UNSECURED CREDITORS:

21 JAMES SAVIN, ESQUIRE  
22 Akin Gump Strauss Hauer  
23 & Feld, LLP  
24 Robert S. Strauss Building  
25 1333 New Hampshire Avenue, N.W.  
Washington, DC 20036-1564

FOR THE UNITED STATES TRUSTEE:

KIMBERLY C. SWAFFORD, ESQUIRE  
Historic U.S. Courthouse  
31 East 11th Street, 4th Floor  
Chattanooga, Tennessee 37402

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(Note: Unless provided by counsel to the court reporter,  
some names may be rendered as the best phonetic  
approximation.)

\* \* \*

1 THE COURT: Be seated, please.

2 Clerk, call the case.

3 THE CLERK: In the Chapter 11 case of  
4 Propex, Inc., and other jointly administered cases, we have  
5 Debtors' motion for order authorizing the implementation of  
6 the Propex Employee Incentive Plan; Debtors' motion for  
7 approval of Separation Agreement with Debtors' President and  
8 Chief Executive Officer, Mr. Joseph Dana; Debtors' motion  
9 for approval of Employment Agreement with Mr. Woody McGee as  
10 Chief Restructuring Officer; Debtors' motion for approval of  
11 rejection of executory vehicle lease agreement with Kelly  
12 Cadillac; Debtors' motion for entry of an order establishing  
13 procedures to sell, dispose or transfer miscellaneous assets  
14 and equipment not to exceed \$500,000.

15 THE COURT: All right. Let's first have an  
16 announcement of appearances.

17 MR. KAIM: Good morning, Your Honor.  
18 Henry Kaim with King & Spalding on behalf of Propex.

19 THE COURT: All right.

20 MS. RUCKER: Shelley Rucker with Miller &  
21 Martin here on behalf of the Debtors, Your Honor.

22 THE COURT: All right.

23 MR. SAVIN: James Savin, with Akin Gump  
24 Strauss Hauer & Feld, on behalf of the initial committee of  
25 unsecured creditors.

1 THE COURT: All right.

2 MS. SWAFFORD: Kim Swafford, for the office  
3 of the United States Trustee.

4 THE COURT: All right.

5 MR. MEADE: Good morning, Your Honor.  
6 Edward Meade, with Bass Berry & Sims, here on behalf of BNP  
7 Paribas.

8 THE COURT: All right.

9 MR. KAIM: Judge, I am pleased to announce  
10 on behalf of Propex that we have no contested matters this  
11 morning. All of the matters this morning have been  
12 thoroughly negotiated with both the secured lenders, the  
13 DIP lenders, and the unsecured creditors' committee lenders,  
14 as well as with the U.S. Trustee's office, and we have no  
15 objections to the matters this morning.

16 For the record, as a bit of housekeeping,  
17 Your Honor, we have a notebook that should be before the  
18 Court. It has six exhibits. I would like to introduce the  
19 exhibits. Number One is a description of our Employee  
20 Incentive Plan, put together by Houlihan Lokey; Number Two  
21 is Mr. Woody McGee's Employment Agreement; Number Three is a  
22 brief amendment to the McGee Employment Agreement;  
23 Number Four is a sheet reflecting some comparables for Chief  
24 Restructuring Officer compensation, put together by  
25 Houlihan Lokey; Number Five is Mr. McGee's resuMT; and

1 Number Six is Mr. Dana's separation agreement.

2 For the record, I would offer those six  
3 exhibits, Your Honor.

4 THE COURT: Those exhibits are admitted.

5 (Whereupon, Exhibit Nos. 1, 2, 3, 4, 5 and  
6 6 were received into evidence.)

7 MR. KAIM: Thank you, Your Honor.

8 I would like to first address our incentive  
9 program for our employees. I know the Court has reviewed  
10 the Motion.

11 THE COURT: Yes.

12 MR. KAIM: I would like to just briefly hit  
13 some highlights. The two plans, the Rank and File Plan and  
14 the Employee Incentive Plan provided a bonus to all  
15 employees of Propex. Of all of those employees, there are  
16 only four that would be insiders, they are officers, only  
17 four of those are insiders, and the bonus is only paid if  
18 certain earnings levels are made, and if those earnings  
19 targets are not made, that there would be no bonus that  
20 would be paid.

21 The incentive to us is incentive based. It  
22 is not a paid estate plan. The company believes it will  
23 relieve significant stress due to added responsibilities  
24 upon the employees, but, mostly importantly, it will provide  
25 an incentive to employees to reach the target levels of

1 earnings.

2 The Court will not be surprised that this  
3 particular program was heavily negotiated with our  
4 creditors. We took -- there was a give-and-take amongst the  
5 creditors and the DIP lenders and the secured creditors and  
6 the unsecured creditors' committee, and the result which is  
7 Exhibit One that came out was a compilation of those  
8 discussions. We had detailed presentations to all of those  
9 groups, as well as a detailed presentation to the  
10 U.S. Trustee's office, and as a result of those discussions,  
11 we have an uncontested incentive program to present to the  
12 Court.

13 THE COURT: Very well. That motion will be  
14 approved.

15 MR. KAIM: Thank you, Your Honor.

16 The next one I would like to address is our  
17 motion to approve Mr. Woody McGee's Employment Agreement.  
18 Those are Docket Nos. 282 and 308.

19 First of all, Your Honor, Mr. McGee is in  
20 the courtroom, I would like to introduce him.

21 Mr. Woody McGee.

22 THE COURT: All right.

23 MR. KAIM: The company came to a point  
24 where the CEO, Mr. Joseph Dana, was ready to retire. The  
25 company determined that it needed a new skill set that had

1 specific expertise in restructuring in insolvency  
2 situations. The Board of Directors of Propex undertook an  
3 independent search. They interviewed several candidates and  
4 selected Mr. McGee in the exercise of their business  
5 judgment. We signed a contract with Mr. McGee. We  
6 discussed it with the secured lenders, with the unsecured  
7 creditors' committee, and then, of course, with  
8 Ms. Swafford.

9 The amendment that came about was at the  
10 request of the unsecured creditors' committee. We had a  
11 one-year deal with Mr. McGee, and the unsecured creditors'  
12 committee preferred an 18-month deal, so we amended it to  
13 comply with that. It is, actually, a contract that provides  
14 a term of the earlier of emergence from bankruptcy or 18  
15 months for Mr. McGee.

16 As I mentioned, Exhibit 4 is a sheet  
17 reflecting comparables, CRO compensation. We believe that  
18 reflects the compensation, that Mr. McGee is within the  
19 realm of reasonableness.

20 The Board, as I said, did an independent  
21 search. We didn't look to the secured creditors or the  
22 unsecured creditors to provide us with candidates. This was  
23 Propex's search. And we were pleased to find Mr. McGee.  
24 His resuMT reflects his expertise in the area. And we're  
25 also pleased that he's from Franklin, Tennessee, not too far

1 away.

2 With that, Your Honor, we ask that  
3 Mr. McGee's employment agreement as amended be approved.

4 THE COURT: Okay. The motion will be  
5 granted.

6 MR. KAIM: Thank you, Your Honor.

7 Next, I would like to address Mr. Dana's  
8 separation agreement, Docket No. 281.

9 We came to a mutual agreement with Mr. Dana  
10 for a separation. The agreement is a modest separation  
11 agreement. Basically, the benefits to Propex under the  
12 agreement are Mr. Dana waives all claims. He will file no  
13 proof of claim or request for payment against the estate.  
14 This would include \$140,000 -- at least \$140,000 in salary  
15 that he had deferred and was owed to him by Propex. The  
16 agreement terminates all indemnity agreements between us and  
17 Mr. Dana. It also provides for non-compete, non-competition  
18 restrictions on Mr. Dana for 18 months and would provide us  
19 with his consulting services for 90 days.

20 What we provide for Mr. Dana are a  
21 consulting fee for 90 days of \$33,000, roughly \$33,000 per  
22 month for three months, and that was his base salary, and we  
23 keep him medically insured until he's 65, which would be for  
24 an additional four years, that has been vetted with our  
25 secured creditors, the committee, and the U.S. Trustee,

1 Your Honor.

2 We have no opposition and we ask approval  
3 of the separation agreement. I indicated all indemnities  
4 are terminated, and that would include contractual or  
5 otherwise, pursuant to this agreement.

6 THE COURT: All right. That motion will be  
7 granted.

8 MR. KAIM: Thank you, Your Honor.

9 The next one is Docket No. 283. That  
10 motion is a rejection of a vehicle lease for Mr. Dana. We  
11 had leased the vehicle for Mr. Dana. Obviously, with  
12 Mr. Dana's departure, we no longer needed that vehicle and,  
13 therefore, we have returned that vehicle and move to reject  
14 the vehicle agreement.

15 THE COURT: Okay. That motion will be  
16 granted.

17 MR. KAIM: The last motion, Your Honor, is  
18 a motion to establish a procedure for miscellaneous  
19 equipment sales up to \$500,000. We wanted to set up a  
20 procedure where we didn't have to come to the Court for  
21 every sale we have with a small piece of equipment. We've  
22 negotiated this with our creditors. Last week, we made an  
23 agreement with the creditors' committee that they had to  
24 change the form of order. We up-loaded that form of order  
25 yesterday, that includes that change, so we'd like to

1 substitute that form of order with respect to this  
2 particular motion. There is no objection to this motion and  
3 we ask that that be approved.

4 THE COURT: All right. That motion will be  
5 granted, as well.

6 MR. KAIM: Your Honor, that is all we have.

7 THE COURT: All right. I do have just a  
8 minor matter with respect to the Unsecured Creditors'  
9 Committee and motions for admission pro hac vice on two  
10 attorneys, Stephen Baldini, I believe, and also  
11 Abid Quereshi.

12 MR. SAVIN: Abid Quereshi, yes, Your Honor.

13 THE COURT: Yes. Our administrative  
14 procedures, actually, require the attorneys' actual  
15 signature on any affidavit or verified statement and they  
16 have the electronic signature.

17 MR. SAVIN: I will have that corrected,  
18 Your Honor.

19 THE COURT: Well, they also -- the  
20 procedures also allow for the motion to be granted if it is  
21 made in open court by an attorney who already has been  
22 admitted. So, if you would like to make that motion, I will  
23 grant it.

24 MR. SAVIN: Your Honor, I would like to  
25 make the motion to move pro hac vice Stephen Baldini and

1 Abid Quereshi of my firm.

2 THE COURT: All right. Those motions will  
3 be granted. And then in the future --

4 MR. SAVIN: Yes, Your Honor.

5 THE COURT: -- if additional motions are  
6 filed, make sure that the actual signatures are on the  
7 document.

8 MR. SAVIN: Thank you, Your Honor.

9 THE COURT: Anything further?

10 MS. RUCKER: No, Your Honor.

11 MR. SAVIN: Nothing further, Your Honor.

12 THE COURT: If nothing further, then court  
13 is adjourned.

14 (Proceedings adjourned.)

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