

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
SOUTHERN DIVISION**

In re	§	
	§	
PROPEX INC.,	§	Case No. 08-10249
PROPEX HOLDINGS INC.,	§	Case No. 08-10250
PROPEX CONCRETE SYSTEMS	§	
CORPORATION,	§	Case No. 08-10252
PROPEX FABRICS INTERNATIONAL	§	
HOLDINGS I INC.,	§	Case No. 08-10253
PROPEX FABRICS INTERNATIONAL	§	
HOLDINGS II INC.,	§	Case No. 08-10254
	§	
Debtors.	§	
	§	
	§	Chapter 11
	§	
	§	JOINTLY ADMINISTERED
	§	UNDER CASE NO. 08-10249

**APPLICATION FOR AN ORDER UNDER SECTIONS 328(A) AND 1103(A) OF THE
BANKRUPTCY CODE AUTHORIZING THE EMPLOYMENT AND RETENTION
OF FTI CONSULTING, INC. AS FINANCIAL ADVISORS
TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF
PROPEX INC., ET AL., EFFECTIVE AS OF JANUARY 31, 2008**

The Official Committee of Unsecured Creditors (the “Committee”) of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) submits this application (the “Application”) for an order under sections 328(a) and 1103(a) of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), authorizing the employment and retention of the consulting firm of FTI Consulting, Inc., together with its wholly owned subsidiaries, agents, independent contractors and employees (collectively, “FTI”), as financial advisors to the Committee in connection with the Debtors’ chapter 11 cases, effective as January 31, 2008. In support of this Application, the

Committee respectfully states as follows:

BACKGROUND

1. On January 18, 2008 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Tennessee, Southern Division (the "Court").

2. Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors are continuing to operate their businesses and manage their properties and assets as debtors in possession. On the January 22, 2008, the Court entered an order jointly administering these chapter 11 cases pursuant to Bankruptcy Rule 1015 for procedural purposes only.

3. On January 25, 2008, pursuant to section 1102 of the Bankruptcy Code, the United States Trustee appointed the Committee as the official committee of unsecured creditors in these cases.¹

4. On January 30, 2008, pursuant to section 1103(a) of the Bankruptcy Code, the Committee selected Akin Gump Strauss Hauer & Feld, LLP ("Akin Gump") to serve as its legal counsel.

5. On January 31, 2008, pursuant to section 1103(a) of the Bankruptcy Code, the Committee selected FTI to serve as its financial advisor

JURISDICTION AND VENUE

6. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This Application is a core proceeding pursuant to 28 U.S.C. § 157(b). The statutory predicates for the

¹ The Committee is comprised of the following entities: Wilmington Trust Company; Pension Benefit Guaranty Corporation; Total Petrochemicals USA, Inc.; BP Corporation North America Inc.; and SMH Capital Advisors, Inc.

relief requested in this Application are sections 328(a) and 1103(a) of the Bankruptcy Code.

RELIEF REQUESTED

7. By this Application, the Committee seeks to employ and retain FTI pursuant to sections 328(a) and 1103(a) of the Bankruptcy Code to perform financial advisory services for the Committee in these chapter 11 cases, effective as of January 31, 2008.

BASIS FOR RELIEF REQUESTED

8. Section 328(a) provides, in pertinent part, that a creditors' committee "with the court's approval, may employ or authorize the employment of a professional person under section . . . 1103 . . . on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on fixed percentage fee basis, or a contingent fee basis." 11 U.S.C. § 328(a).

9. Bankruptcy Rule 2014 requires that an application for retention of a professional person include:

[S]pecific facts showing the necessity for the employment, the name of the person to be employed, the reasons for the selection, the professional services to be rendered, any proposed arrangement for compensation, and to the best of the applicant's knowledge, all of the person's connections with the debtor, creditors, any other party in interest, their respective attorneys and accountants, the United States Trustee, or any person employed in the office of the United States Trustee.

Fed. R. Bankr. P. 2014(a).

10. The Committee is familiar with the professional standing and reputation of FTI. The Committee understands and recognizes that FTI has a wealth of experience in providing financial advisory services in restructurings and reorganizations and enjoys an excellent reputation for services it has rendered in large and complex chapter 11 cases on behalf of debtors and creditors throughout the United States.

11. The services of FTI are deemed necessary to enable the Committee to assess and

monitor the efforts of the Debtors and their professional advisors to maximize the value of their estates and to reorganize successfully. Further, FTI is well qualified and able to represent the Committee in a cost-effective, efficient and timely manner.

SCOPE OF SERVICES

12. FTI will provide such consulting and advisory services to the Committee and its legal advisor as they deem appropriate and feasible in order to advise the Committee in the course of these chapter 11 cases, including but not limited to the following:

- Assistance to the Committee in the review of financial related disclosures required by the Court, including the Schedules of Assets and Liabilities, the Statement of Financial Affairs and Monthly Operating Reports;
- Assistance to the Committee with information and analyses required pursuant to the Debtors' Debtor-In-Possession ("DIP") financing including, but not limited to, preparation for hearings regarding the use of cash collateral and DIP financing;
- Assistance and advice to the Committee with respect to the Debtors' identification of core business assets and the disposition of assets or liquidation of unprofitable operations;
- Assistance with a review of the Debtors' performance of cost/benefit evaluations with respect to the affirmation or rejection of various executory contracts and leases;
- Assistance regarding an evaluation of the present level of operations and identification of areas of potential cost savings, including overhead and operating expense reductions and efficiency improvements;
- Assistance in the review of financial information distributed by the Debtors to creditors and others, including, but not limited to, cash flow projections and budgets, cash receipts and disbursement analysis, analysis of various asset and liability accounts, and analysis of proposed transactions for which Court approval is sought;
- Attendance at meetings and assistance in discussions with the Debtors, potential investors, banks, other secured lenders, the Committee and any other official committees organized in these chapter 11 proceedings, the United States Trustee, other parties in interest and professionals hired by the same, as requested;
- Assistance in the review and/or preparation of information and analysis necessary for the confirmation of a plan in these chapter 11 proceedings;
- Assistance in the valuation of the business and review of capital structure alternatives;

- Assistance in the evaluation and analysis of avoidance actions, including fraudulent conveyances and preferential transfers; and
- Render such other general business consulting or such other assistance as the Committee or its counsel may deem necessary that are consistent with the role of a financial advisor and not duplicative of services provided by other professionals in this proceeding.

FTI'S ELIGIBILITY FOR EMPLOYMENT

13. FTI has informed the Committee that, except as may be set forth in the Affidavit of Steven Simms (the "Simms Affidavit") accompanying this Application and filed herewith, it does not represent any other entity having an adverse interest in connection with these cases, and is not owed any amounts with respect to pre-petition services provided for the Debtors, and therefore believes it is eligible to represent the Committee under section 1103(b) of the Bankruptcy Code.

14. FTI will conduct an ongoing review of its files to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new material facts or relationships are discovered, FTI will supplement its disclosure to the Court.

15. FTI has agreed not to share with any person or firm the compensation to be paid for professional services rendered in connection with these chapter 11 cases.

TERMS OF RETENTION

16. Subject to Court approval, FTI will be compensated at a fixed monthly rate of \$150,000 for the first three months of these cases and \$125,000 per month thereafter (the "Monthly Advisory Fee"), plus a completion fee payable, at the option of the Committee, in the amount of \$1,000,000 (the "Completion Fee"), upon the occurrence of the effective date of a chapter 11 plan of reorganization. In addition, subject to Court approval, FTI will be reimbursed for actual and necessary expenses incurred by FTI, which will include any legal fees incurred related to FTI's retention and defense of fee applications in this matter.

17. Pursuant to sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules and the local rules, FTI will apply to the Court for the interim and final allowance of compensation and reimbursement of expenses as a professional person pursuant to, and subject to the standard of review of, section 328(a) of the Bankruptcy Code, the Bankruptcy Rules and applicable local rules and orders and not subject to any other standard of review under section 330 of the Bankruptcy Code. Because FTI is being compensated with a fixed Monthly Advisory Fee as well as a potential fixed Completion Fee, the Committee requests that FTI not be required to submit detailed time records in support of its interim and final fee applications.

NOTICE

18. This Application has been served on each party listed on the most recent Master Service List, as such term is defined in the Order Under 28 U.S.C. § 156(c) Authorizing and Approving the Retention of and Appointing Epiq Bankruptcy Solutions, LLC as Claims, Noticing, and Balloting Agent and Establishing Notice and Administrative Procedures, entered by this Court on January 23, 2008. The Committee submits that no further notice is required.

NO PRIOR REQUEST

19. No prior Application for the relief requested herein has been made to this or any other Court.

WHEREFORE, the Committee respectfully requests that an Order, substantially in the form annexed hereto as Exhibit "A", be entered authorizing the Committee to retain FTI as its financial advisor in these chapter 11 cases, effective as of January 31, 2008, and providing the Committee such other and further relief as the Court may deem just, proper and equitable.

Dated: Fort Worth, TX
February 21, 2008

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF PROPEX INC., ET AL.**

SMH Capital Advisors, solely in its capacity as Chair of the Committee
and not in its individual capacity,

By: /s/ Stephen Cooke
Name: Stephen Cooke
Title: CFA Head Analyst

EXHIBIT A

the Committee to retain and employ the FTI Consulting, Inc. ("FTI") as its financial advisors, effective as of January 31, 2008, and upon the Affidavit of Steven Simms, dated February 21, 2008 (the "Simms Affidavit") in support of the Application; and it appearing that no other notice need be given; and it appearing that FTI is not representing any adverse interests in connection with these cases; and it appearing that the relief requested in the Application is in the best interest of the Committee; after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED, that the Application is approved in its entirety; and it is further

ORDERED, that in accordance with sections 328(a) and 1103(a) of the Bankruptcy Code, the Committee is hereby authorized to employ and retain FTI as its financial advisor, effective as of January 31, 2008, on the terms set forth in the Application; and it is further

ORDERED, that FTI shall be compensated for its services, and reimbursed for any related expenses, in accordance with section 328(a) of the Bankruptcy Code, the Bankruptcy Rules and any local rules and any other applicable orders of this Court, and not subject to any other standard of review under section 330 of the Bankruptcy Code; and it is further

ORDERED, that FTI shall be excused from maintaining time records as set forth in Local Rule 2016 in connection with the services rendered to the Committee in these chapter 11 cases and rather shall be permitted to present reasonably detailed descriptions of those services provided on behalf of the Committee and the individuals who provided professional services on behalf of the Committee; and it is further

ORDERED, that this Court shall retain jurisdiction with respect to all matters arising or related to the implementation of this order.

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Prepared by:

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Proposed Attorneys for the Official Committee of
Unsecured Creditors of Propex Inc., et al.

retention of FTI as financial advisors to the Official Committee (the "Committee") of Propex Inc. ("Propex") and its affiliated debtors and debtors in possession (collectively with Propex, the "Debtors"),² effective as of January 31, 2008, under the terms and conditions set forth in the Application. Except as otherwise noted,³ I have personal knowledge of the matters set forth herein.

Disinterestedness and Eligibility

2. In connection with the preparation of this Affidavit, FTI conducted a review of its contacts with the Debtors, their affiliates and certain entities holding large claims against or interests in the Debtors that were made reasonably known to FTI. A listing of the parties reviewed is reflected on Exhibit A to this Affidavit. FTI's review, completed under my supervision, consisted of a query of the Exhibit A parties within an internal computer database containing names of individuals and entities that are present or recent former clients of FTI. A summary of such relationships that FTI identified during this process is set forth on Exhibit B to this Affidavit.

3. Based on the results of its review, (except as otherwise discussed herein) FTI does not have a relationship with any of the parties on Exhibit A in matters related to these proceedings. FTI has provided and could reasonably expect to continue to provide services unrelated to the Debtors' cases for the various entities shown on Exhibit B. FTI's assistance to these parties has been related to providing various financial restructuring, litigation support and/or engineering and scientific investigation consulting services. To the best of my knowledge, no services have been provided to these parties in interest which are adverse to the rights of the

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

³ Certain of the disclosures herein relate to matters within the personal knowledge of other professionals at FTI and are based on information provided by them.

Committee, nor does FTI's involvement in these cases compromise its ability to continue such consulting services.

4. Prior to the Petition Date, FTI performed due diligence services on behalf of Propex, related to a potential financing of the Debtors. As part of these services, no engagement letter was ever signed by the Debtors and no payments were received by FTI related to these services. To the extent FTI is owed any fees related to these services, FTI will waive its rights to payment.

5. Further, as part of its diverse practice, FTI appears in numerous cases, proceedings and transactions that involve many different professionals, including attorneys, accountants and financial consultants, who may represent claimants and parties-in-interest in the Debtors' cases. Also, FTI has performed in the past, and may perform in the future, advisory consulting services for various attorneys and law firms, and has been represented by several attorneys, law firms and financial institutions, some of whom may be involved in these proceedings. In addition, FTI has in the past, may currently and will likely in the future be working with or against other professionals involved in these cases in matters unrelated to the Debtors and these cases. Based on our current knowledge of the professionals involved, and to the best of my knowledge, none of these relationships create interests materially adverse to the Committee herein in matters upon which FTI is to be employed, and none are in connection with these cases.

6. FTI is not believed to be a "creditor" with respect to fees and expenses of any of the Debtors within the meaning of section 101(10) of the Bankruptcy Code. Further, neither I nor any other member of the FTI engagement team serving this Committee, to the best of my knowledge, is a holder of any outstanding debt instruments or shares of the Debtors' stock.

7. FTI has not reviewed the relationship that the members of the FTI engagement team may have against a comprehensive list of employees within the U.S. Trustee's office in this

