



Akin Gump Strauss Hauer & Feld LLP (“Akin Gump”), co-counsel to the Official Committee of Unsecured Creditors (the “Committee”) of Propex Inc. (“Propex”) and certain of its subsidiaries and affiliates (collectively with Propex, the “Debtors”), for its first application (the “Application”) pursuant to sections 330 and 331 of title 11 of the United States Code (the “Bankruptcy Code”) for an interim allowance of compensation for services rendered and for reimbursement of expenses incurred in connection therewith, respectfully states as follows:

### **I. INTRODUCTION**

1. By this Application, Akin Gump seeks (i) an interim allowance and award of compensation for the professional services rendered by Akin Gump as counsel for the Committee for the period from January 30, 2008 through May 31, 2008 (the “Compensation Period”) in the amount of \$1,557,128.75, representing 3,264.3 hours of professional services, and (ii) reimbursement of actual and necessary expenses incurred by Akin Gump during the Compensation Period in connection with the rendering of such professional services in the amount of \$87,262.45.<sup>1</sup>

2. This Application is submitted pursuant to the terms of the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals dated February 13, 2008 (the “Administrative Fee Order”). Pursuant to the Administrative Fee Order, Akin Gump is seeking the interim award and the full payment, without any holdback of fees, of \$1,557,128.75 in fees and \$87,262.45 for reimbursement of its

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<sup>1</sup> This figure includes a voluntary reduction of \$2,804.27 (as described in Exhibit “C”) to comply with the United States Trustee Guidelines for Reviewing Applications for Compensation & Reimbursement of Expenses filed under 11 U.S.C. § 330.

expenses relating to services rendered on behalf of the Committee during the Compensation Period.

## **II. BACKGROUND**

3. On January 18, 2008 (the “Petition Date”), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

4. Since the Petition Date, the Debtors have continued in possession of their property and have continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. This Court has jurisdiction over the 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 is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory bases for the relief requested herein are sections 330 and 331 of the Bankruptcy Code and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

### **Committee Formation**

6. On January 25, 2008 (the “Committee Formation Date”), pursuant to section 1102 of the Bankruptcy Code, the United States Trustee appointed the Committee. The Committee currently consists of five members.<sup>2</sup> On January 30, 2008, the Committee selected Akin Gump to serve as its counsel pursuant to section 1103(a) of the Bankruptcy Code. On February 27, 2008, this Court entered an order authorizing the retention of Akin Gump as co-counsel to the Committee, effective as of January 30, 2008.

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<sup>2</sup> The Creditors’ Committee is currently 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.

### **Payments to Akin Gump**

7. Except for payments made pursuant to the Administrative Fee Order, Akin Gump has received no payment and no promises for payment from any source for services rendered in connection with these chapter 11 cases. There is no agreement or understanding between Akin Gump and any other person (other than members of Akin Gump) for the sharing of compensation to be received for the services rendered in these chapter 11 cases.

8. As stated in the Affirmation of Ira S. Dizengoff, Esq. (the “Dizengoff Affirmation”), annexed hereto as Exhibit “A”, all of the services for which interim compensation is sought herein were rendered for or on behalf of the Committee solely in connection with these chapter 11 cases.

9. Pursuant to the Administrative Fee Order, Akin Gump sent to the Debtors and the appropriate notice parties monthly fee statements, dated March 20, 2008, April 18, 2008, May 19, 2008, and June 20, 2008, respectively (together, the “Monthly Fee Statements”) for compensation and reimbursement of expenses for services rendered during the Compensation Period in the aggregate amount of \$1,557,128.75 for fees and \$87,262.45 for expenses.

10. Pursuant to the Administrative Fee Order, as of the date of this Application, Akin Gump has received payment of 80% of the fees requested and 90% of the expenses requested with respect to the Monthly Fee Statements, except with respect to the Monthly Fee Statement dated June 20, 2008 for which no payment has yet been received.

### **III. SUMMARY OF SERVICES RENDERED**

11. Since its retention on January 30, 2008, Akin Gump has rendered professional services to the Committee as requested and as necessary and appropriate in furtherance of the interests of the Debtors’ unsecured creditors. The variety and complexity of the issues in these

chapter 11 cases and the need to act or respond to issues on an expedited basis in furtherance of the Committee's needs have required the expenditure of substantial time by Akin Gump personnel from several legal disciplines.

12. In the ordinary course of its practice, Akin Gump maintains written records of the time expended by attorneys and paraprofessionals in the rendition of their professional services. In accordance with the provisions of the Administrative Fee Order, a compilation showing the name of the attorney or paraprofessional, the date on which the services were performed, a description of the services rendered, and the amount of time spent in performing the services for the Committee during the Compensation Period is annexed hereto as Exhibit "B".

13. In the ordinary course of its practice, Akin Gump also maintains records of all actual and necessary out-of-pocket expenses incurred in connection with the rendition of its professional services, all of which are available for inspection. In accordance with the provisions of the Administrative Fee Order, a schedule of the categories of expenses and amounts for which reimbursement is requested is annexed hereto as Exhibit "C".

14. Akin Gump respectfully submits that the professional services that it rendered on behalf of the Committee were necessary and appropriate and have directly contributed to the effective administration of these chapter 11 cases.

15. The following summary of services rendered during the Compensation Period is not intended to be a detailed description of the work performed, as those day-to-day services and the time expended in performing such services are fully set forth in Exhibit "B". Rather, it is merely an attempt to highlight certain of those areas in which services were rendered to the Committee, as well as to identify some of the problems and issues that Akin Gump was required to address.

(i) Case Administration

16. A portion of the services rendered during the Compensation Period related to the initial organization of the Committee and matters related thereto. Specifically, in the initial days following the Committee's formation, Akin Gump spent time working with the Committee to develop appropriate bylaws to govern the Committee's conduct, and assisted the Committee with understanding its financial advisory and local counsel needs and selecting appropriate advisors to meet those needs. In addition, at the outset of these chapter 11 cases, Akin Gump worked with the United States Trustee and the Debtors to establish an information protocol to enable the Committee to comply with its statutory duties under sections 1102(b)(3)(A) and 1103(c) of the Bankruptcy Code. Akin Gump also spent considerable time negotiating and obtaining a Court-approved stipulation with the Debtors regarding the non-disclosure of sensitive, confidential information pursuant to sections 1102 and 1103 of the Bankruptcy Code and Local Bankruptcy Rule 9013-1(g). Akin Gump's attention to the Committee's organizational needs during the Compensation Period enabled the Committee to function as a coordinated group and to acquit its fiduciary duties to the Debtors' unsecured creditor constituency.

17. During the Compensation Period, Akin Gump reviewed and analyzed all motions and applications filed by the Debtors and other parties in interest in these cases and any objections thereto. In connection with such analyses, Akin Gump, with the assistance of the Committee's other professionals, conducted extensive diligence on the subject matter of each motion and application to, among other things, ascertain the effect that the relief requested would have on the Debtors, their businesses, the interests of the Debtors' unsecured creditors and the administration of these cases. These diligence efforts included reviewing underlying documentation related to the applicable pleading and working with the Committee's other professionals to ensure that the Committee had a complete understanding of the impact that the

relief requested in any given pleading would have on the Debtors' businesses and reorganization efforts.

18. In addition, on numerous occasions throughout the Compensation Period, Akin Gump, together with the Committee's other professionals, met and held conference calls with representatives of the Debtors and third parties in order to achieve amicable resolutions of the many issues that have arisen in these cases. As a result of these efforts, nearly all of the disputes that arose during the Compensation Period were consensually resolved, saving the Debtors' estates significant resources that would otherwise have been expended in protracted litigations.

19. Akin Gump kept the members of the Committee members advised of all motions, applications and material case developments during the Compensation Period and offered its recommendations with respect to the foregoing matters by providing the Committee with detailed memoranda and, as appropriate, scheduling conference calls or in-person meetings with individual Committee members, the Committee chair, or the entire Committee.

20. Due to Akin Gump's experience in counseling creditors' committees, Akin Gump believes it was able to address efficiently all issues relating to case administration that have arisen during the pendency of these chapter 11 cases.

(ii) Creditor Inquiries

21. Akin Gump fielded numerous telephone inquiries from unsecured creditors to discuss the status of various pending matters and respond to their many questions about the bankruptcy and the status of their claims against the Debtors. Additionally, Akin Gump, with the help of GCG (defined below), created and continues to maintain and update a website providing for, among other things, a list of significant parties in the cases, important court documents, a case calendar, case highlights and Committee reports, Committee filed pleadings, a claims register, hearing transcripts and agendas, and links to other relevant websites.

(iii) Committee Meetings

22. The Committee played an active role in the Debtors' chapter 11 cases during the Compensation Period. Akin Gump, together with the Committee's other professionals, coordinated all of the Committee's activities, including attending to member issues and setting agendas for Committee conference calls and in-person meetings. Specifically, during the Compensation Period, Akin Gump, together with the other Committee professionals, held numerous in-person meetings as well as multiple telephonic meetings with the full Committee. In addition, Akin Gump had numerous telephonic conferences with the Committee chair and other individual Committee members during the Compensation Period.

23. Prior to such meetings, Akin Gump reviewed each pending matter requiring the Committee's attention and all underlying documentation in connection therewith. Thereafter, Akin Gump discussed each of these matters with the Committee, as well as individual Committee members, and assisted the Committee in formulating a position with respect to each pending matter. In addition, Akin Gump assisted the Committee's other professionals in preparing detailed memoranda for the Committee, which analyzed pertinent matters in these chapter 11 cases.

24. Through the meetings, telephone conferences and correspondence described above, Akin Gump assisted the Committee in fulfilling its statutory duties to make informed decisions regarding the various issues that have arisen in these chapter 11 cases, to monitor closely the Debtors' management of these proceedings, and to reach independent conclusions on the merits of specific matters and the prospects of reorganization.

(iv) Analysis of Debtors' Financial Reports and Business Plans

25. Akin Gump, together with the Committee's other professionals, reviewed the Debtors' financial reports and cash flow forecasts during the Compensation Period. Akin Gump attorneys also participated in numerous conference calls with the Debtors and their professionals, the Committee's other professionals, and individual members of the Committee, to discuss the Debtors' operational performance and liquidity.

26. In addition, during the Compensation Period, Akin Gump received and reviewed multiple business plans prepared and presented by the Debtors. Akin Gump, together with the Committee's other professionals, analyzed these business plans in an effort to identify potentially undervalued operations and to seek out opportunities to increase the value of the Debtors' businesses. Moreover, based on Akin Gump's review of these business plans, Akin Gump began researching and analyzing numerous issues related to the Debtors' forthcoming chapter 11 plan of reorganization.

(v) Post-Petition Financing

27. On January 18, 2008, the Debtors filed an Emergency Motion Pursuant to 11 U.S.C. §§ 105, 361, 362, 363 and 364 for Interim and Final Orders (I) Authorizing the Debtors to Obtain Post-Petition Financing (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Adequate Protection to the Pre-Petition Lender, (IV) Modifying the Automatic Stay, and (V) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001 (the "DIP Motion"). Specifically, by the DIP Motion, the Debtors sought authority to enter into debtor in possession financing (the "DIP Financing") with BNP Paribas, as administrative agent, and a syndicate of other lenders. On January 23, 2008, this Court entered an interim order with respect to the DIP Motion.

28. Akin Gump subsequently reviewed and analyzed the DIP Motion and prepared memoranda to the Committee regarding the Debtors' attempt to obtain a final order approving the DIP Financing. Based in part on Akin Gump's advice, the Committee instructed Akin Gump to negotiate changes to the DIP Financing to address the Committee's concerns. Ultimately, Akin Gump was able to negotiate various important changes to the DIP Financing. On February 13, 2008, the Court entered a final order approving the DIP Motion (the "Final DIP Order").

(vi) Due Diligence Review

29. During the Compensation Period, Akin Gump undertook an extensive review of the Debtors' pre-petition books, records, transactions and operations. The Debtors and their non-Debtor affiliates are comprised of a number of direct and indirect subsidiaries located in the United States and abroad. Accordingly, Akin Gump analyzed the Debtors' complex corporate structure and capital structure and their significant contracts and relationships. All of these items required detailed diligence and analysis by Akin Gump to enable the Committee to comprehend adequately the Debtors' corporate, operational and financial structure to be in a position to appropriately acquit its fiduciary duty to the Debtors' unsecured creditors.

(vii) Bank Lien Analysis

30. Pursuant to the Final DIP Order, the Committee was granted a finite period of time to examine the validity of the personal and real property liens asserted by the holders of the Debtors' pre-petition bank debt. As such, during the Compensation Period, Akin Gump spent considerable time reviewing and analyzing all applicable debt documents, researching applicable perfection requirements and analyzing defects in the personal and real property liens held by the Debtors' pre-petition secured lenders. Additionally, Akin Gump attorneys interviewed representatives of the Debtors' financial advisor as well as members of the Debtors' board of

directors and senior management team as part of Akin Gump's investigation into potential causes of action that may be asserted against the Debtors' pre-petition bank lenders. Akin Gump incorporated the foregoing information into comprehensive memoranda, which will form the legal basis for any subsequent litigation against the Debtors' pre-petition bank lenders. Pursuant to an agreement with the DIP Lenders, the Committee's investigation period was extended through and including July 25, 2008.

(viii) Labor and Employee-Related Issues

31. During the Compensation Period, the Debtors approached the Committee with an urgent request to implement a bonus plan (the "Bonus Plan") for a number of key executives as well as rank-and-file employees. Akin Gump, together with the Committee's other professionals, spent considerable time analyzing the terms of the Bonus Plan, discussing the Bonus Plan with the Debtors and their professionals, and prepared a detailed memorandum on key terms of the Bonus Plan for the Committee. Based in part on Akin Gump's advice, the Committee instructed Akin Gump to negotiate changes to the Bonus Plan to address the Committee's concerns. Ultimately, Akin Gump was able to negotiate various important changes to the Bonus Plan. On April 9, 2008, the Court entered an order approving the Bonus Plan.

32. In addition, during the Compensation Period, Akin Gump reviewed and analyzed multiple employment agreements and separation agreements that the Debtors reached with certain senior-level executives. Specifically, Akin Gump reviewed post-petition employment agreements with (i) Woody McGee, Propex's Chief Restructuring Officer, (ii) Lee McCarter, Propex's Executive Vice President and Chief Financial Officer, (iii) Stan Brant, Propex's Executive Vice President and Operations Officer, and (iv) Hugh McClain, Propex's Executive Vice President of Sales and Marketing. Additionally, Akin Gump reviewed separation

