UNITED STATES DISTRICT 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**
	§	
	§	
THE OFFICIAL COMMITTEE OF	§	
UNSECURED CREDITORS OF PROPEX	§	
INC.,	§	
	§	**Case No. 1:08-cv-00238**
Appellant and	§	**Collier/Carter**
Cross-Appellee,	§	
v.	§	
	§	
PROPEX INC., <u>ET</u> <u>AL.</u>,	§	
	§	
Appellees and	§	
Cross-Appellants,	§	

STIPULATION DISMISSING APPEAL WITH PREJUDICE PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 41(a)(1)(A)(ii)

This stipulation is made by and among Propex, Inc. and the other above-captioned chapter 11 debtors ("Propex"), the Official Committee of Unsecured Creditors of Propex ("Committee"), and BNP Paribas ("BNP"), as administrative agent for the pre-petition lenders group. On April 7, 2009, Propex, the Committee, and BNP, among others, entered into a stipulation and order ("Stipulation and Order"), filed with the United States Bankruptcy Court for the Eastern District of Tennessee ("Bankruptcy Court") providing that the various parties agreed to dismiss certain pending litigation and resolve other issues. The Bankruptcy Court signed and entered the Stipulation and Order on April 20, 2009 (Bankruptcy Court Docket No. 1120) (attached hereto as Exhibit A). Among other things, the Stipulation and Order provides that Propex, the Committee, and BNP agree to dismiss the above-captioned appeal with prejudice. Stipulation and Order ¶ 3. Thus, pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii) Propex, the Committee, and BNP hereby stipulate that the above-captioned appeal be DISMISSED WITH PREJUDICE.[1]

AGREED AND STIPULATED TO:

PROPEX INC., ET AL.

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[1] Dismissal is also appropriate under Federal Rule of Bankruptcy Procedure 8001(c)(2).

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

/s/ James R. Savin_________________________

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BNP PARIBAS SECURITIES CORPORATION, AS AGENT FOR THE PREPETITION LENDERS

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EXHIBIT A

The order below is approved and the notice period is shortened to eight days. Because the compromise was signed on behalf of the debtor, the prepetition secured lenders group, and the committee of unsecured creditors, notice to all creditors is not required. B.R. 2002(a)(3); 2002(i).

SO ORDERED.

SIGNED this 20 day of April, 2009.

THIS ORDER HAS BEEN ENTERED ON THE DOCKET.
PLEASE SEE DOCKET FOR ENTRY DATE.

John C. Cook
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TENNESSEE

In re:	)	Chapter 11
	)	
PROPEX, INC., et al.,	)	Case No. 08-10249
	)	
Debtors.	)	
	)	(Jointly Administered)
	)	

STIPULATION AND ORDER

This Stipulation and Order (the "Stipulation") is made by and among the Debtors in the above-captioned chapter 11 cases (the "Debtors"), BNP Paribas ("BNP"), as administrative agent for the lender group under the Debtors' prepetition senior credit facility (the "Prepetition Lenders"), the Official Committee of Unsecured Creditors in the above captioned cases (the "Committee") by and through the undersigned counsel, and Houlihan, Lokey, Howard & Zukin, Inc. ("Houlihan").

WHEREAS:

A. WHEREAS, on January 18, 2008 (the "Petition Date"), Propex Inc., Propex Holdings Inc., Propex Concrete Systems Corporation, Propex Fabrics International

Holdings I Inc., and Propex Fabrics International Holdings II Inc. (the "Debtors") filed voluntary petitions for relief (the "Chapter 11 Cases") 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, Southern Division (the "Court").

B. WHEREAS, this is a "core proceeding" as defined in 28 U.S.C. §157(b)(2)(A)(D) and (M). This Court has jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§157(b)(1) and 1334(b).

C. WHEREAS, the Debtors were as of the Petition Date, and remain, indebted to the Prepetition Lenders in respect of (i) loans made by the Prepetition Lenders under that certain credit agreement, dated as of January 31, 2006 and related loan documents in the aggregate principal amount as of the Petition Date of not less than approximately $230 million, (ii) plus in each case (A) interest thereon accrued and unpaid as of the Petition Date and (B) any and all fees, costs, expenses and charges accrued and unpaid as of the Petition Date, (iii) amounts owed in respect of the early termination of certain hedge agreements of not less than $1,178,000 plus any interest accrued thereon and (iv) amounts owed with respect to certain indemnities in favor of the Prepetition Lenders (the "Prepetition Lender Claims"). The Prepetition Lender Claims are secured by security interests, pledges and liens granted by the Debtors to BNP, for the benefit of the Prepetition Lenders, upon and in substantially all of the real and personal property of the Debtors, all proceeds and products of any and all of the foregoing, and all collateral securities and guarantees given by any person with respect to the foregoing.

D. WHEREAS, on February 13, 2008, the Court entered an Order Under 11 U.S.C. §§ 327 and 328 Authorizing Retention and Employment of Houlihan as Financial Advisor and Investment Banker to the Debtors (the "Houlihan Retention Order") [Docket No.

143] approving, among other things, the payment of a success fee to Houlihan (the "Houlihan Success Fee Payment") pursuant to the terms of the Houlihan Engagement Agreement dated January 18, 2008, attached as Exhibit B to the Debtors' application seeking entry of the Houlihan Retention Order [Docket No. 23].

E. WHEREAS, on February 13, 2008, the Court entered an order granting the Debtors' motion (i) authorizing the Debtors (a) to obtain post-petition financing and (b) to utilize cash collateral, (ii) granting liens, security interests and superpriority claims, and (iii) granting adequate protection to pre-petition secured parties (the "First DIP Order").

F. WHEREAS, on March 17, 2008, the Debtors entered into that certain Employment Agreement (the "Employment Agreement") with Mr. Woody McGee to serve as the Debtors' Chief Restructuring Officer for a term of one year, which term was subsequently extended to 18 months. Pursuant to § 2(c) of the Employment Agreement, in addition to an annual base salary, Mr. McGee is also entitled to "a Success Bonus of $1,000,000 [upon] the closing of the sale of substantially all the assets of the Company" (the "McGee Success Bonus"). Section 4(a) of the Employment Agreement requires, upon a termination other than for cause, that "the [Debtors] shall pay to [Mr. McGee] ratably over the next 12 months (with payments being made at the beginning of each month) any Success Bonus earned pursuant to Section 2(c) of [the Employment Agreement]."

G. WHEREAS, on March 19, 2008, the Debtors filed a motion requesting Court authority to enter into the Employment Agreement [Docket No. 282]. On April 9, 2008, the Court entered its order approving the Employment Agreement [Docket No. 354].

H. WHEREAS, on July 29, 2008, the Debtors filed a motion for an order authorizing and approving the Debtors' amendment to the security agreement and extension and confirming grant of lien on the stock of Debtors' foreign subsidiaries (the "Security Agreement Amendment Motion").

I. WHEREAS, on August 15, 2008, the Committee filed an objection to the Security Agreement Amendment Motion.

J. WHEREAS, on August 21, 2008, the Court entered an order granting the Security Agreement Amendment Motion (the "Security Agreement Amendment Order").

K. WHEREAS, on September 2, 2008, the Committee filed a notice of appeal of the Security Agreement Amendment Order, which appeal was transmitted to the U.S. District Court – Eastern District of Tennessee (Chattanooga) as case number 1:08-cv-00238 and remains pending (the "Security Amendment Appeal").

L. WHEREAS, on September 23, 2008, the Committee filed a Complaint (the "Complaint") against BNP, as administrative agent for the Prepetition Lenders under that certain prepetition senior credit agreement dated January 31, 2006 (the "Prepetition Credit Agreement") which, among other things, brought multiple causes of action challenging the validity of certain of the liens held by BNP under the Prepetition Credit Agreement and the related loan documents.

M. WHEREAS, on November 24, 2008, BNP filed a motion to dismiss counts I, III, IV, V, and VI of the Complaint for failure to state a claim upon which relief can be granted (the "BNP Motion to Dismiss").

N. WHEREAS, on February 9, 2009, the Court entered a final order (the "Second DIP Order") (I) authorizing Debtors (a) to obtain postpetition financing pursuant to §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e) and (b) to utilize cash collateral pursuant to 11 U.S.C. § 363, (II) granting liens, security interests and superpriority claims, and (III) granting adequate protection to prepetition secured parties pursuant to 11 U.S.C. §§ 361, 362, 363 and 364 (the "Second DIP Facility").

O. WHEREAS, on February 17, 2009, the Debtors filed a motion (the "Sale Motion") pursuant to Bankruptcy Code sections 363 and 365 and Bankruptcy Rules 6004 and 6006 and subject thereto (a) for the sale free and clear of liens, claims, encumbrances and interests of substantially all of the Debtors' assets to the highest bidder and (b) for the assumption and assignment of designated contracts (the "Sale").

P. WHEREAS, pursuant to Paragraph 8 of the Second DIP Order, the obligations and indebtedness arising under, in respect of or in connection with the Second DIP Facility were granted superpriority claims, with priority over any and all other claims against the Debtors, subject only to payment of a $4,200,000 carve-out (the "Carve-Out").

Q. WHEREAS, on March 5, 2009, the Court entered an order dismissing counts I, III, IV, and V of the Complaint (the "March 5 Order").

R. WHEREAS, on March 12, 2009, the Committee filed a notice of appeal under 28 U.S.C. § 158(a) from the March 5 Order with respect to counts I, III, IV, and V of the Complaint (the "Complaint Appeal," and together with the Security Amendment Appeal, the "Appeals").

S. WHEREAS, on March 18, 2009, BNP submitted a credit bid (the "Credit Bid") to the Debtors with the intention of participating in the auction (the "Auction") to be held pursuant to the Sale Motion on March 23, 2009.

NOW, THEREFORE, for and in consideration of the recitals set forth above, the additional promises and consideration stated herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties stipulate and agree as follows:

1. Upon execution of this Stipulation, (a) all litigation among BNP, the Prepetition Lenders, and the Committee, including, without limitation, further litigation of the Complaint, the Appeals, or Adversary Proceeding No. 08-01136 and (b) any litigation between BNP, the Prepetition Lenders, the Committee, and the Debtors involving case number 1:08-cv-00238 filed in the U.S. District Court – Eastern District of Tennessee (Chattanooga), and any matters related thereto, shall be stayed pending approval of this Stipulation by the Court.

2. Upon approval of this Stipulation by the Court, pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii), made applicable to this proceeding by Bankruptcy Rule 7041, BNP and the Committee hereby agree to the dismissal of the Complaint, the Appeals and of Adversary Proceeding No. 08-01136 and any matters related thereto, each with prejudice, subject to the terms of this Stipulation and the allocation described in paragraph 7 below.

3. Upon approval of this Stipulation by the Court, pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii), made applicable to this proceeding by Bankruptcy Rule 7041, BNP, the Committee, and the Debtors hereby agree to the dismissal of case number 1:08-cv-00238 filed in the U.S. District Court – Eastern District of Tennessee (Chattanooga) and any matters related thereto, each with prejudice, subject to the terms of this Stipulation and the allocation described in paragraph 7 below.

4. The parties hereby further agree, except as set forth herein, that the Prepetition Lenders shall have an Allowed Claim as set forth in paragraph 5 of the Second DIP Order.

5. The stipulations and admissions contained in the Second DIP Order, including, without limitation, in paragraph 5 of the Second DIP Order, shall be binding upon the

Committee for all purposes, without exception. Accordingly, the Committee agrees that Paragraph 18 of the Second DIP Order applies to it for all purposes, without exception, including, without limitation, the Complaint and the Appeals.

6. Amounts remaining, if any, after application of the Carve-Out to the fees and expenses described in Paragraph 8(b) of the Second DIP Order and professional fees and expenses incurred by counsel to the Committee in connection with the Complaint and Appeals shall be retained by the Debtors. Any recovery to which the Prepetition Lenders are entitled shall not be further reduced by any fees, expenses or other costs associated with winding up the Debtors' estates.

7. In connection with a distribution to the Prepetition Lenders on account of the Prepetition Lender Claims, whether as a result of a sale of substantially all of the Debtors' assets or any portion thereof, through a plan of reorganization, or by any other means, the Prepetition Lenders agree to allow to remain in the Estates, free of any lien or claim in favor of the Prepetition Lenders, the amount of (a) $600,000 plus (b) three (3%) of the net cash proceeds of any such disposition that otherwise would be remitted to the Prepetition Lenders, plus (c) to the extent that there are any funds remaining in the Carve-Out (as defined in the Second DIP Order) after payment of fees and expenses permitted to be paid by the Carve-Out (including, without limitation, the McGee Success Bonus) and fees and expenses incurred by counsel to the Committee in connection with the Complaint and Appeals, such remainder, plus (d) all causes of action of the Estates arising under Chapter 5 of the Bankruptcy Code, including without limitation, sections 510, 542, 543, 544, 545, 546, 547, 548, 549, 550 or 553 of the Bankruptcy Code, plus (e) $500,000, which the parties agree will be used to pay the Houlihan Success Fee Payment and constitutes satisfaction in full of the Houlihan Success Fee Payment; provided,

however, that Houlihan agrees that it will not seek payment on account of any success fee or any other fee other than the Houlihan Success Fee Payment, including without limitation, any request for a "substantial contribution" claim pursuant to section 503 of the Bankruptcy Code and hereby waives any right to any amounts from the Carve-Out; provided further, however, the Prepetition Lenders agree that they shall not be entitled to a recovery greater than the amount of the Prepetition Lender Claims.

8. After the funds described in paragraph 7 above have been allocated (which allocation shall occur concurrently with the closing of the Sale), including the allocation and distribution of the Carve-Out in accordance with (a) the terms of paragraph 7, hereof, (b) the Second DIP Order or any other applicable order of this Court and (c) any applicable provisions of the Bankruptcy Code, the remaining net proceeds of the Sale shall be distributed to the Prepetition Lenders immediately following the closing of the Sale.

9. Upon approval of this Stipulation by the Court, the Prepetition Lenders hereby waive (a) any claims arising from the Adequate Protection Liens and Adequate Protection Claims (as defined in the First DIP Order) and (b) any deficiency claim pursuant to § 506(a)(1) resulting from less-than-full payment of the obligations owed to the Prepetition Lenders.

10. The Court shall retain exclusive jurisdiction to hear and determine all matters relating to or arising from this Stipulation.

11. This Stipulation contains the entire agreement and understanding between the Parties with respect to the subject matter hereof, and supersedes and replaces all prior negotiations or proposed agreements, written or oral.

12. This Stipulation may be executed in counterparts, each of which shall be deemed to be an original, but all of which, together will constitute one and the same agreement.

This Stipulation may be executed by facsimile signature which shall have the same force and effect as an original signature.

[Signature Pages To Follow]

AGREED AND STIPULATED TO:

BNP PARIBAS SECURITIES CORPORATION, AS AGENT FOR THE PREPETITION LENDERS

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James R. Savin (JS-9220) (*admitted pro hoc vice*)
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SO ORDERED by the Court this ___ day of March, 2009.

____
UNITED STATES BANKRUPTCY JUDGE

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SO ORDERED by the Court this ___ day of March, 2009.

____
UNITED STATES BANKRUPTCY JUDGE