

**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

**OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF PROPEX INC., ET AL. TO THE DEBTORS' EXPEDITED MOTION
FOR APPROVAL OF MODIFICATION TO EMPLOYMENT
AGREEMENT WITH MR. RICHARD FRANKS**

The Official Committee of Unsecured Creditors (the "Committee") of Propex Inc. ("Propex") and its affiliated debtors and debtors in possession (collectively with Propex, the "Debtors"), by and through its undersigned counsel, hereby files this objection (the "Objection") to the Debtors' Expedited Motion (the "Motion") for Approval of Modification to Employment Agreement with Mr. Richard Franks ("Franks").¹ In support of its Objection, the Committee respectfully submits the following:

¹ Unless otherwise defined, each capitalized term used herein shall have the same meaning ascribed to such term in the Motion.

PRELIMINARY STATEMENT

By the Motion, the Debtors seek, for the second time in the last two months, authorization from this Court to increase Franks' annual base salary – this time from \$190,000 to \$250,000. The Motion should be denied for the following reasons: (a) the Motion fails, and indeed does not even attempt, to satisfy the Debtors' burden of showing that the requested relief is a reasonable exercise of the Debtors' business judgment; (b) just over two months ago, the Debtors sought and obtained approval from this Court to raise Franks' annual salary by more than 30% from \$145,000 to \$190,000 and thus, if the instant Motion is granted, Franks will have received a startling 72% increase in salary since August 2008; and (c) the requested relief is particularly inappropriate in light of the fact that the Debtors have failed to move these cases towards a successful conclusion.

OBJECTION

A. The Debtors Have Failed to Provide Sufficient Justification for the Relief Requested.

The Motion, which is entirely devoid of substance, does not identify with any particularity the reason or reasons why the requested relief is a reasonable exercise of the Debtors' business judgment. The only statement in the Motion that resembles a justification is a vague one-sentence explanation that Franks has "assumed and carried out additional responsibilities necessary to the Debtors' ongoing business operations and a successful reorganization." Motion at ¶ 6. The Motion, however, does not specify what these so-called "additional responsibilities" consist of, how they differ from the additional responsibilities that Franks assumed when he received his last pay raise in August 2008, nor why they are "necessary" to the Debtors' ongoing operations and reorganization. Nor does the Motion justify

why this matter must be heard on an extremely expedited basis (the Motion was filed on the close of business on Friday October 3, 2008, leaving parties in interest, including the Committee, a little more than a week to review the Motion before the Objection Deadline). Finally, the Motion does not explain why the “additional responsibilities” justify a further pay raise. Without the foregoing information, the Debtors have failed to meet their burden of proof and, accordingly, the Motion must be denied.

B. Franks Received a Substantial Pay Raise Only Two Months Ago.

Pursuant to this Court’s order dated August 6, 2008, which approved a new employment agreement with Franks, Franks’ annual base salary was increased by more than 30% from \$145,000 to \$190,000. By the Motion, the Debtors now seek to further increase Franks’ annual base salary to \$250,000. Thus, in approximately two months’ time, the Debtors have sought to increase Franks’ base salary by \$105,000, or more than 72%. This second significant compensation increase in as many months is, as set forth above, not even accompanied by any explanation of why such a raise is necessary or appropriate. As a result, the Motion must be denied.

C. The Debtors Have Failed to Move These Cases Towards a Successful Conclusion.

Following the Court’s extension of the Debtors’ exclusive periods in August, the Debtors have (i) not filed a plan of reorganization, circulated a draft plan of reorganization or even a put forth a plan term sheet and (ii) refused to engage the Committee in plan related discussions. Indeed, the Committee made a plan proposal to the Debtors and their secured lenders in August but have still not received a substantive response. The Committee understands that the Debtors have been having plan related discussions with their secured lenders but when the Committee asked to participate or at least be informed of the status of such discussions, the Debtors,

allegedly at the request of the secured lenders, refused. The Committee believes that the Debtors' refusal to engage the Committee in plan discussions and decision to basically ignore the Committee and its unsecured creditor constituency constitute a breach of their fiduciary duty and are contrary to statements by the Debtors' counsel at the hearing in August on the Debtors' motion to extend exclusivity. See, e.g., Transcript of August 20, 2008 Hearing at 16 ("Your honor, we are prepared to negotiate We would want to enter into productive negotiations and file a plan The debtor does intend to engage in productive negotiations"); id. at 24 ("We're standing here ready today to negotiate with the Committee We are an honest broker to all of the creditors, to all of the parties in the case"). Accordingly, Franks – who is one of the Debtors' most senior managers – should not be rewarded with raise after raise while the Debtors languish in chapter 11 and refuse to even engage in plan discussions with the Committee.

CONCLUSION

WHEREFORE, the Committee respectfully requests that the Court (i) deny the Motion in its entirety and (ii) grant the Committee such other relief as is just, proper and equitable.

Respectfully submitted this 13th day of October 2008.

By: /s/ Ira S. Dizengoff
Ira S. Dizengoff (ID-9980) (admitted *pro hac vice*)
James R. Savin (JS-9220) (admitted *pro hac vice*)
Abid Qureshi (AQ-4882) (admitted *pro hac vice*)

AKIN GUMP STRAUSS HAUER & FELD LLP
590 Madison Avenue
New York, New York 10022-2524
(212) 872-1000 (Telephone)
(212) 872-1002 (Facsimile)

By: /s/ Richard B. Gossett
Richard B. Gossett (TN #001686)

**BAKER, DONELSON, BEARMAN, CALDWELL
& BERKOWITZ, PC**
1800 Republic Centre
633 Chestnut Street
Chattanooga, Tennessee 37450
(423) 756-2010 (Telephone)
(423) 756-3447 (Facsimile)

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