

**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 OF AKIN GUMP STRAUSS HAUER & FELD LLP, COUNSEL FOR
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF PROPEX INC., ET
AL., FOR INTERIM ALLOWANCE OF COMPENSATION AND FOR THE
REIMBURSEMENT OF EXPENSES FOR SERVICES RENDERED DURING THE
PERIOD FROM JUNE 1, 2008 THROUGH SEPTEMBER 30, 2008**

NOTICE OF HEARING

Notice is hereby given that:

A hearing will be held **Monday, December 10, 2008**, in Courtroom 3A of the Historic U.S. Courthouse, 31 East 11th Street, Chattanooga, Tennessee, on the motion or other paper set forth below.

You are further notified that, if you oppose the relief sought below, you must file with the clerk of the court at 31 East 11th Street, Chattanooga, Tennessee 37402, an objection by 5:00 p.m. on **Friday, December 5, 2008**, and must serve a copy on the movant's attorneys, whose names and addresses are set forth below.

If you do not want the court to grant the relief requested, you or your attorney must file a timely objection and attend this hearing. If you do not file an objection within the time permitted, and if you or your attorney do not attend the hearing, the court will consider that you do not oppose the granting of the relief sought in the application and may grant the relief requested without further notice of hearing.

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 second 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 June 1, 2008 through September 30, 2008 (the “Compensation Period”) in the amount of \$1,097,512.75, representing 2,221.05 hours of professional services; (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 \$56,723.39;¹ and (iii) reimbursement of expenses incurred by The Garden City Group, Inc. (“GCG”) while serving as the official communications agent for the Committee during the Compensation Period in the amount of \$7,304.19.²

2. This Application is submitted pursuant to the terms of the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for

¹ This figure includes a voluntary reduction of \$2,177.80 (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.

² In accordance with the provisions of the Order Pursuant to Sections 105(a), 1102(b)(3) and 1103(c) of the Bankruptcy Code Authorizing the Retention of the Garden City Group, Inc. as Communications Agent for the Official Committee of Unsecured Creditors of Propex Inc., et al., Effective as of February 12, 2008 and Approving the Related Agreement, entered by the Bankruptcy Court on June 12, 2008 [Docket No. 440] (the “GCG Order”), Akin Gump is directed to include GCG’s fees and expenses in its interim fee applications.

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 \$1,097,512.75 in fees and \$56,723.39 for reimbursement of its expenses, as well as \$7,304.19 for reimbursement of the expenses incurred by GCG, 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.³ 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,

³ 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.

2008, this Court entered an order authorizing the retention of Akin Gump as co-counsel to the Committee, effective as of January 30, 2008. On June 12, 2008, this Court entered an order authorizing the retention of GCG as communications agent for the Committee, effective as of February 12, 2008.

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 July 18, 2008, August 20, 2008, September 18, 2008, and October 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 \$1,097,512.75 for fees and \$56,723.39 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 October 20, 2008 for which no payment has yet been received.

III. PRIOR INTERIM FEE APPLICATIONS

11. Pursuant to the Administrative Fee Order, on July 10, 2008, Akin Gump filed its First Interim Fee Application (as defined below) for interim allowance of compensation in the sum of \$1,557,128.75 and for reimbursement of expenses in the amount of \$87,262.45 for services rendered during the period January 30, 2008 through and May 31, 2008 (the "First Interim Fee Application"). On August 21, 2008, the Court entered an order granting the First Interim Fee Application [Docket No. 559]. Akin Gump has received payment of the fees and expenses requested in the First Interim Fee Application.

IV. SUMMARY OF SERVICES RENDERED

12. During the Compensation Period, 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.

13. 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".

14. 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".

15. 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.

16. 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

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, Akin Gump, together with the Committee's financial advisors, met and held conference calls with representatives of the Debtors and third parties in an attempt to achieve amicable resolutions of the many issues that have arisen in these cases.

19. Akin Gump kept the members of the Committee 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, 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 telephonic meetings with the full Committee, as well as multiple telephonic conferences with the Committee chair and other individual Committee members.

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) Bank Lien Analysis

27. 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. Akin Gump incorporated the foregoing information into comprehensive memoranda, which formed the legal basis of the complaint filed against the Debtors' pre-petition bank lenders in that certain adversary proceeding styled *The Official Committee of Unsecured Creditors of Propex Inc. et al., v. BNP Paribas, as Administrative Agent Under the Credit Agreement Dated as of January 31, 2006*, Adv. Proc. No. 08-01136 (JCC).

(vi) Post-Petition Financing and Foreign Stock Pledge Litigation

28. During the Compensation Period, Akin Gump spent considerable time analyzing the Debtors' pledge of foreign capital stock (the "Foreign Stock Pledge") made in connection with the Debtors' post-petition financing. Specifically, on July 21, 2008, Akin Gump filed, on behalf of the Committee, a Motion for 2004 Examination of Witnesses and Production of Documents [Docket No. 494] concerning the Foreign Stock Pledge (the "2004 Motion"). In

response, on July 29, 2008, the Debtors filed a motion seeking authorization of the Foreign Stock Pledge [Docket No. 502] (the “Foreign Pledge Motion”). On August 13, 2008, Akin Gump filed, on behalf of the Committee, a motion seeking to continue a hearing the Foreign Pledge Motion so that Akin Gump could complete its diligence in connection with the 2004 Motion. On August 15, 2008, the Court entered an order denying the Committee’s motion for a continuance [Docket No. 539]. On August 15, 2008, Akin Gump filed, on behalf of the Committee, an objection to the Debtors’ Foreign Pledge Motion [filed under seal]. The Committee has appealed the Court’s order authorizing the Foreign Stock Pledge.

(vii) Labor and Employee-Related Issues

29. During the Compensation Period, Akin Gump reviewed and analyzed multiple employment agreements and a separation agreement that the Debtors reached with certain senior-level executives. Specifically, Akin Gump reviewed post-petition employment agreements with (a) Lee McCarter, Propex’s former Executive Vice President and Chief Financial Officer, (b) Stan Brant, Propex’s Executive Vice President and Operations Officer, (c) Hugh McClain, Propex’s Executive Vice President of Sales and Marketing, and (d) Richard Franks, Propex’s Executive Vice President of Sales and Marketing for Flooring/FBA. Additionally, Akin Gump reviewed a separation agreement with Mac Bridger, Propex’s former Executive Vice President of Worldwide Sales and Marketing.

(viii) Pension and Benefits Plans

30. During the Compensation Period, Akin Gump addressed numerous motions filed by the Debtors’ relating to the Debtors’ pension and benefit plans. For example, (a) on May 20, 2008, the Debtors filed a Motion for Authority to Pay Minimum Funding Contributions [Docket No. 418, hearing date 6/11/08]; (b) on August 29, 2008, the Debtors filed a Motion for Authority to Make Additional Payment to Pension Plan [Docket No. 579]; and (c) on August 29, 2008, the

