

## MEMORANDUM

March 13, 2008

To: Official Committee of Unsecured Creditors (the "Committee") of Propex Inc., *et al.* ("Propex" or the "Debtors")

From: Akin Gump Strauss Hauer & Feld LLP ("Akin Gump")

Re: Propex, Inc., *et al.* – Recently Filed Pleading

**Debtors' Expedited Motion for an Order Deeming Pre-Petition Payments to Certain Vendors as Authorized Under the Order Authorizing Debtors to Pay Pre-Petition Claims of Certain Critical Vendors (the "Motion")**

By the Motion, the Debtors seek entry of an order (the "Order") deeming that the payment of certain pre-petition obligations owed to Vendors (defined below) are authorized and permitted under the Critical Vendor Order (defined below).

According to the Motion, the Debtors are parties to seven pre-petition contracts (the "Contracts") with different entities and individuals (collectively, the "Vendors") pursuant to which the Vendors provide the Debtors with consulting and other services. In many instances, the Vendors provide the Debtors with an end product that consists of a report or final product, which in the Debtors' business judgment, is crucial to the Debtors' ongoing operations.

With respect to each of the Contracts, pre-petition debt is owed to each of the Vendors on account of payments not made by the Debtors as a result of their chapter 11 bankruptcy filing. According to the Motion, the Vendors will not perform their respective obligations under the Contracts and will not deliver the applicable report or final product to the Debtors, unless the Debtors make payments to satisfy the pre-petition debt owing under the respective Contracts (the "Payments"). The Payments sought to be made under the Motion total approximately \$125,000.

While the Motion states that the Debtors believe that the Payments are authorized by the Bankruptcy Court's Order Granting Motion Authorizing Debtors to Pay Pre-Petition Claims of Certain Critical Vendors entered on February 13, 2008 (the "Critical Vendor Order"), the Debtors have nonetheless filed the Motion, out of an abundance of caution, to obtain specific authorization to make the Payments.

The Bankruptcy Court entered an order approving the Motion on March 12, 2008.