

MEMORANDUM

November 14, 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’ Motion for a Court Order Authorizing and Approving (I) the Debtors’ Entry into a Renewal Insurance Program with National Union Fire Insurance Company of Pittsburgh, Pa., et al. and (II) the Debtors’ Assumption of Certain Insurance Agreements with National Union (the “Motion”)

By the Motion, the Debtors request the entry of an order (the “Order”) authorizing the Debtors to (i) renew insurance policies (the “Insurance Policies”) with National Union Fire Insurance Company of Pittsburgh, Pa., *et al.* (“National Union”) and (ii) assume obligations under the Insurance Policies and programs pursuant to the execution of an assumption agreement (the “Assumption Agreement”).

Renewal of Insurance Policies

According to the Motion, the Insurance Policies are set to expire on December 1, 2008 and cover workers compensation, employers’ liability, automobile liability, automobile physical damage, commercial general liability, product pollution, pollution legal liability and products liability. The Debtors assert that they have worked with their insurance broker for the last several months to find insurance coverage for the next policy period commencing December 1, 2008 and, based on the Debtors’ and their broker’s extensive research and analysis, the Debtors have determined that renewal of the Insurance Policies provides the Debtors with the best available coverage at the least cost.

The Assumption Agreement

In order to renew the Insurance Policies, National Union is requiring the Debtors to enter into the Assumption Agreement whereby the Debtors will assume insurance policies currently in the name of SI Geosolutions Corporation and effectively guarantee that their obligations to National Union will not be affected by these bankruptcy cases. According to the Motion, the Assumption Agreement will not create any additional liability against the Debtors in favor of National Union, although it will “roll forward” \$1.39 million in aggregate obligations to National Union.

Additional Obligations

In renewing the Insurance Policies and entering into the Assumption Agreement, the Debtors will also be required to (i) pay new premiums in the amount of \$1.79 million and (ii) post new collateral in the amount of \$1.28 million.¹

Business Judgment

The Debtors contend that renewal of the Insurance Policies and execution of the Assumption Agreement will provide the Debtors with the ability to operate under the best insurance coverage at the least cost, a result that is necessary to the estates' business operations and a successful reorganization.

The hearing date on the Motion is scheduled for November 19, 2008 at 9:00 a.m. (ET) and no objection deadline has been set.²

¹ This amount is in addition to current collateral consisting of (i) letters of credit in the amounts of \$1,125,000 and \$505,000, (ii) cash collateral in the amount of \$76,000 (held in escrow) and (iii) \$10,000 in non-depleting cash collateral, all of which will remain in place pursuant to the Assumption Agreement.

² The Motion was originally scheduled to be heard on November 26, 2008 but, by separate motion, the Debtors requested an emergency hearing to consider the Motion on November 19, 2008.