

MEMORANDUM

November 21, 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 to Approve Premium Finance Agreement for Insurance Premiums (the “Motion”)

By the Motion, the Debtors request the entry of an order (the “Order”) authorizing the Debtors to enter into a premium financing agreement (the “Premium Financing Agreement”) with AFCO Premium Credit LLC (“AFCO”). The Debtors contend that entry into the Premium Financing Agreement will allow the Debtors to finance their obligations due under certain insurance policies (the “Insurance Policies”) addressed in the 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 Agreement with National Union* [Docket No. 677].¹

The following is a summary of the material terms of the Premium Financing Agreement and Order:

- **Borrowers**: Propex, Inc. and Propex Concrete Systems Corporation.
- **Lender**: AFCO Premium Credit LLC
- **Amount Financed**: \$1,266,413.04
- **Interest Rate and Finance Charge**: The interest rate is 5.197% and the anticipated finance charges total \$24,806.80.
- **Purpose**: To finance new premiums due under the renewal of the Debtors’ Insurance Policies in an effort to maintain adequate cash reserved.
- **Security Interest**: AFCO will receive a security interest in any and all unearned premiums and dividends which may become payable under the insurance policies.
- **Cancellation**: If the debtors do not pay any installment pursuant to the terms of the Premium Financing Agreement, AFCO, after giving notice and providing the Debtors with time to cure, has the right to cancel the Insurance Policies.

The Debtors submit that they are unable to obtain unsecured credit or debt allowable as an administrative expense under Section 503(b)(1) of the Bankruptcy Code in an amount sufficient

¹ A summary of this motion was sent to the Committee on November 14, 2008.

to pay the premiums under the Insurance Policies, nor have they been able to obtain postpetition financing on more favorable terms and conditions than those contained in the Premium Financing Agreement. The Debtors contend that entering into the Premium Financing Agreement will permit the Debtors to defer much of the premium cost of obtaining the Insurance Policies, and the financing costs of \$24,806.80 are minimal in comparison the potential damages to the Debtors' cash reserves if the Premium Financing Agreement is not approved.

The hearing date on the Motion is scheduled for November 26, 2008 at 9:00 a.m. (ET).