

## 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 Extensions and Modifications to Certain Insurance Policies (the “Motion”)**

By the Motion, the Debtors request the entry of an order (the “Order”) authorizing the Debtors to execute extensions and modifications to insurance policies providing international general liability coverage, marine and commercial cargo coverage, and coverage for their directors and officers (the “Insurance Policies”). The Debtors maintain that these extensions and modifications will provide proper insurance coverage through the anticipated effective date of a plan of reorganization as well as for the reorganized Debtors.

According to the Motion, the Debtors’ current insurance policies expire by their terms on December 1, 2008. The following is a summary of the Insurance Policies the Debtors seek to extend and modify:

- The Debtors seek a six-month extension of coverage for director and officer liability as well as fiduciary liability that will provide a maximum amount of \$10 million in coverage from December 1, 2008, through June 1, 2009, for an aggregate premium of \$39,122. The Debtors also seek six year runoff coverage for director and officer liability as well as fiduciary liability with an annual premium of \$137,200.
- The Debtors seek a six month extension of excess coverage for director and officer liability and fiduciary liability that will provide excess coverage from December 1, 2008, through June 1, 2009, above the \$10 million maximum coverage under the policy described above for an aggregate premium of \$22,370. The Debtors also seek six year runoff coverage for excess coverage for director and officer and fiduciary liability with an annual premium of \$45,010.
- The Debtors seek to extend their Employment Practices Liability policy (the “EPL Policy”) that provides additional coverage for the Debtors’ directors and officers as they continue to operate the Debtors’ businesses and assist the Debtors towards a successful reorganization, and the premium under the EPL Policy is \$54,603
- The Debtors seek a blanket crime policy for a period beginning December 1, 2008, and ending on December 1, 2009. The premium under the blanket crime policy is \$15,271.
- The Debtors currently have International General Liability policies (the “International GL Policy”). The Debtors seek an extension of the International GL Policy for the period

beginning December 1, 2008, and ending on December 1, 2009. The aggregate premiums for the Debtors under their International GL Policy is \$44,250.

- The Debtors seek to extend a marine cargo policy (the “Marine Cargo Policy”) and a commercial cargo policy (the “Commercial Cargo Policy”) for the period beginning on December 1, 2008, and ending on December 1, 2009. The premium for the Debtors under the Marine Cargo Policy is \$23,000, and the premium for the Debtors under the Commercial Cargo Policy is \$1,500.

The Debtors contend that the Insurance Policies need to be extended and modified in order to enable them to carry out their responsibilities and allow the Debtors’ business operations and reorganization process to continue without interruption.

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