

## MEMORANDUM

September 4, 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 to Modify the Propex Medical Program (the “Motion”)**

By the Motion, the Debtors request the entry of an order (the “Order”) authorizing, but not requiring, the Debtors to modify the Medical Program so as to no longer offer Medical Coverage to employees or retirees other than the Current Participants (as such terms are defined below).

According to the Motion, the Debtors sponsor a medical program (the “Medical Program”) pursuant to which they provide certain medical benefits to their employees and retirees, including health insurance. The Debtors have the right to amend or terminate the Medical Program, or any part thereof, at any time. The Medical Plan currently provides medical coverage (the “Medical Coverage”) for sale to certain eligible employees and their dependants upon the employee’s retirement. The Motion states that, as of August 12, 2008, only six (the “Current Participants”) out of 404 eligible retirees have purchased the Medical Coverage. Nonetheless, according to the Motion, the Debtors are required to reserve significant assets to account for the possibility that the non-participating retirees will subsequently elect to purchase Medical Coverage. As a result, the Debtors state that they are required to carry on their books the actuarial costs of the Medical Coverage for the potential participants in the amount of \$4.4 million. Thus, the stated purpose of the Motion is to allow the Debtors to remove \$4.4 million in liabilities from their balance sheet.