

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
NEWNAN DIVISION**

In re:)	Chapter 11
)	
DAN RIVER INC., et al.,)	Case Nos. 04-__ through 04-__
)	Jointly Administered
Debtors.)	
)	Judge Drake
)	

**MOTION OF DEBTORS FOR ORDER PURSUANT TO
11 U.S.C. §§ 105(a) AND 363(b) AUTHORIZING CONTINUED
MAINTENANCE OF AND PAYMENT OF OBLIGATIONS WITH
RESPECT TO DEBTORS' INSURANCE PROGRAMS AND BOND PROGRAMS**

Dan River Inc. ("Dan River"), The Bibb Company LLC ("Bibb"), Dan River International Ltd. ("Dan River International"), and Dan River Factory Stores, Inc. ("Dan River Stores") (collectively, the "Debtors" or the "Company") file this Motion, respectfully showing the Court as follows:

Jurisdiction

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. § 1334. Consideration of this Motion is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of this proceeding is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

2. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Debtors are authorized to operate their businesses as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

A. Company Background.

3. Dan River was founded in 1882 and is a leading designer, manufacturer and marketer of products for the home fashions and apparel fabrics markets. Dan River operates three business segments: home fashions, apparel fabrics, and engineered products.

4. During fiscal 2003, Dan River's home fashions division produced approximately 72 percent of the Company's revenues, generating \$342 million in net sales. Dan River's home fashions products include bedroom furnishings such as comforters, sheets, pillowcases, shams, bed skirts, decorative pillows and draperies. Dan River is an innovator in merchandising home fashions products and introduced the "Bed-in-a-Bag" complete bed ensemble that consists of a comforter with matching sheets, pillowcases, shams, and a dust ruffle. The home fashions products are marketed under the "Dan River" name as well as under private labels of the Company's major retail customers and under licenses from, among others, "Colours by Alexander Julian" and "Lilly Pulitzer." Dan River also markets home fashions products for the juvenile market under a number of licensed names and trademarks, including "Barbie," "Looney Tunes," "Spiderman," and "Scooby Doo" among others.

5. During fiscal 2003, Dan River's apparel fabrics division produced approximately 21 percent of Dan River's total revenues, generating \$102 million in net sales. Dan River's apparel fabrics products include a broad range of high quality woven cotton and cotton-blend fabrics that are marketed primarily to clothing manufacturers.

6. During fiscal 2003, the engineered products division was Dan River's smallest division, and produced 7 percent of Dan River's gross revenue, generating \$34 million in net sales. Dan River's engineered products include coated yarns and woven fabrics that are

manufactured to customer specifications for use in such products as high pressure hoses for the automotive industry, conveyer belts and other industrial applications.

7. The remaining debtors, Bibb, Dan River International, and Dan River Stores are wholly-owned subsidiaries of Dan River. Bibb was acquired by Dan River in 1998, and substantially all of its assets were subsequently transferred to Dan River. In 2001, Bibb was converted to a single member Delaware limited liability company, wholly owned by Dan River. The only remaining assets of Bibb are its environmentally impaired Abbeville facility, and small parcels of raw land with nominal value. Dan River International is a holding company for the Company's international operations.¹ Dan River Stores was formed in 1992. In 2001, Dan River Stores transferred substantially all of its assets to Dan River. The only remaining material assets of Dan River Stores are intercompany receivables and inconsequential leases.

B. The Debtors' Long-Term Debt Structure.

8. On April 15, 2003, the Debtors completed the refinancing of substantially all of their outstanding long-term debt. The refinancing included the sale, at 95.035 percent of par, of 12-3/4 percent senior notes due 2009 in the aggregate principal amount of \$157 million.

9. In addition, the Debtors entered into a new senior secured credit agreement (the "Credit Agreement") dated April 15, 2003 with Deutsche Bank Trust Company Americas, as Agent, Fleet Capital Corporation, as Syndication Agent, Wachovia Bank, National Association,

¹ The Company's international operations include the following Mexican entities: Dan River de Mexico, S. de R.L. de C.V. ("DRMEX"), Maquilas Pinnacle, S. de R.L. de C.V. and Adsercorp, S. de R.L. de C.V. (collectively, the "Mexico Companies"). The Mexico Companies are the equivalent of limited liability companies. However, Mexico does not allow single member limited liability companies. Therefore, Dan River owns a one peso interest in DRMEX. The remaining Mexico Companies own a one peso interest in each other. Dan River International owns all remaining interests in the Mexico Companies. Dan River B.V. is a Netherlands corporation that was formed in 2000 as a wholly-owned subsidiary of Dan River International to hold Dan River International's interests in the Mexico Companies. However, those interests were never transferred to Dan River B.V., and Dan River B.V. has nominal assets. Neither Dan River B.V. nor any of the Mexico Companies are debtors in these proceedings.

as Documentation Agent, and the several lenders from time to time party thereto (collectively, the “Lenders”).

10. The Credit Agreement provides for a five-year \$40 million term loan and a \$160 million revolving credit facility. Availability under the revolving credit facility is based upon a borrowing base determined by reference to eligible accounts receivable and inventory. As of the Petition Date, the principal and interest outstanding under the term loan was \$35.85 million, and the principal and interest outstanding under the revolving credit facility was approximately \$75.8 million. In addition, letters of credit in the approximate amount of \$5.05 million were outstanding under the terms of the Credit Agreement, for a total current amount outstanding under the Credit Agreement of approximately \$116.7 million. The Debtors’ obligations under the Credit Agreement are secured by substantially all of the Debtors’ assets.

C. Events Leading to the Debtors’ Chapter 11 Cases.

11. In fiscal 2003, the Debtors experienced a significant drop in revenues beginning in the second quarter. Retail sales of the Debtors’ products began to weaken in the second quarter due to a lackluster retail environment in general and inventory adjustments by some of its customers, including its largest customer, Kmart. For fiscal 2003, total revenues were down 22.1 percent compared to the previous year.

12. During the second, third and fourth quarters of fiscal 2003, in response to the drop in sales, the Debtors initiated plans to eliminate approximately \$18 million in annual expenses through the closure and consolidation of manufacturing facilities and a reduction of workforce. Four manufacturing facilities were closed, which eliminated over 850 positions for a total estimated annual savings of \$13.6 million. Approximately 80 managerial and administrative positions were eliminated which reduced annual expenses by over \$4 million. The benefits of

these cost-cutting efforts were not expected to be realized until fiscal 2004, too late to mitigate a continued reduction in gross profit caused by the poor economic environment. The Debtors' gross profit for fiscal 2003 was approximately \$61 million less than their gross profit for the previous year.

13. The Debtors are not the only domestic textile company which has encountered financial problems. Numerous other domestic textile companies such as Burlington Industries, Cone Mills, WestPoint Stevens, Pillowtex, and others have already filed for bankruptcy protection.

14. As a result of the Debtors' financial performance, they failed to meet the maximum leverage ratio covenant contained in the Credit Agreement for the third quarter of 2003. The Debtors and the Lenders entered into an amendment of the Credit Agreement that waived the covenant violation and imposed new requirements for minimum levels of excess availability and monthly operating EBITDA. An additional amendment and waiver to the Credit Agreement was executed in December 2003, waiving certain anticipated defaults resulting from the Debtors' financial performance and imposing additional requirements on the Debtors. Another amendment was executed in January 2004 modifying certain terms of the Credit Agreement. Among other things, the Credit Agreement, as amended, requires the Debtors to deliver to the Agent on March 31, 2004 satisfactory evidence that the Debtors will be in compliance with the financial covenants in the Credit Agreement for the fiscal quarter ending April 3, 2004.

15. The Debtors' sales and profitability have not sufficiently improved to be in compliance with all of the Credit Agreement's financial covenants. As a result, commencing April 1, 2004, the Debtors will be in default under the Credit Agreement. Accordingly, the

Company will no longer have access to the funds necessary to meet its operating expenses and will be faced with a loss of enterprise value if it cannot restructure its debt and obtain additional financing. Therefore, the Debtors have concluded, after consultation with their advisors, that their interests and the interests of their creditors and employees will be best served by a reorganization under Chapter 11 of the Bankruptcy Code.

Relief Requested

16. Pursuant to this Motion, the Debtors seek an order (a) authorizing them to maintain their workers' compensation programs, insurance policies, bond programs and any related agreements, as such practices, programs and policies were in effect as of the Petition Date and pay, in their sole discretion, prepetition amounts accrued in connection therewith, and (b) authorizing applicable banks and other financial institutions to receive, process, and pay any and all checks and other transfers related to such claims.

Basis for Relief

17. This Court has the authority to grant the relief requested herein pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code. Section 363(b)(1) of the Bankruptcy Code provides "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Moreover, Section 105(a) of the Bankruptcy Code allows the Court to authorize payments on account of certain prepetition claims when necessary. Section 105(a) of the Bankruptcy Code provides, in relevant part, that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a).

The Debtors' Insurance Programs

18. In connection with the operation of their businesses, the Debtors maintain various workers' compensation insurance policies and programs and general liability and property insurance policies (collectively, the "Insurance Programs") through several different insurance carriers (the "Insurance Carriers"). Exhibit A to this Motion is a summary of the Debtors' various insurance coverage (other than Workers' Compensation insurance), including a list of the Insurance Carriers, policy numbers, policy terms, and the aggregate annual premiums due thereunder.

19. Prior to the Petition Date, the Debtors entered into insurance brokerage agreements (the "Brokerage Agreements") with the insurance brokerage firm of Marsh & McLennan (the "Insurance Broker") to coordinate the Debtors' Insurance Program with the various Insurance Carriers. With respect to most of the Debtors' insurance policies, the Insurance Carriers charge the Insurance Broker directly for all premiums and other amounts due under such policies. The Insurance Broker then sends the Debtors a statement for payment of such premiums, and, once paid by the Debtors, the Insurance Broker submits the payments to the Insurance Carriers. The Insurance Broker is paid a fee by the Debtors for administering certain of the insurance policies, including, but not limited to, workers' compensation, directors' and officers' liability, fiduciary liability, commercial general and professional liability, and property policies.

Workers' Compensation Insurance

20. Under the laws of the various states in which they operate, the Debtors are required to maintain workers' compensation policies and programs to provide their employees with workers' compensation coverage for claims arising from or related to their employment

with the Debtors. The Debtors maintain workers' compensation policies in each of the states in which they operate to cover their statutory obligations either through third party insurance or self-insured programs (the "Workers' Compensation Programs"). A summary of the Debtors' Workers' Compensation Programs is attached to this Motion as Exhibit B.

21. For employees in the states of Georgia and Virginia, the workers' compensation coverage consists of self-insured programs, with the Debtors maintaining excess self-insurance that carries a self-insured retention ("SIR") of \$325,000 per occurrence. New York and Tennessee have statutory state-sponsored- and run workers' compensation programs (the "State Programs"). Pursuant to the Workers' Compensation Programs for these states, the Debtors purchase their workers' compensation insurance directly from the state (to the extent the Debtors are not self-insured).

22. Deductibles or SIRs with respect to the Debtors' insurance coverage for their Workers' Compensation Programs are billed by the Insurance Carriers or third-party administrators, or directly by the providers as incurred, and are periodically paid by the Debtors. Premiums for the current Workers' Compensation Programs are based on a fixed rate of estimated payroll and are paid at the inception of the policies. Following an annual audit of the Debtors' payroll, the Debtors either pay a retrospective premium owed or receive back overpayments that were made.

23. The Debtors have also obtained, and there are currently outstanding, two bonds and two letters of credit, as security for their obligations for workers' compensation deductible losses. Such letters of credit are in the aggregate amount of approximately \$3,250,000.

24. As of the Petition Date, there were workers' compensation claims pending against the Debtors under the Debtors' self-insured workers' compensation plans (the "Workers'

Compensation Claims”) arising out of employee accidents on the job. Payment of the prepetition Workers’ Compensation Claims is essential to the continued operation of the Debtors’ businesses. Accordingly, the Debtors request authority to pay any and all amounts due and owing with respect to any Workers’ Compensation Program, and maintain and continue prepetition practices with respect to the Workers’ Compensation Programs, including, among other things, allowing workers’ compensation claimants — to the extent they have valid Workers’ Compensation Claims — to proceed with their claims directly against the Insurance Carriers (or, in the case of self-insured Workers’ Compensation Claims programs, against the Debtors) under the applicable insurance policy or program. The Debtors estimate that the aggregate amount that may be payable with respect to self-insured workers’ compensation claims relating to the pre-petition period was approximately \$1,600,000, based on claims outstanding as of February 29, 2004.

Liability and Property Insurance

25. The Debtors also maintain various general liability and property insurance policies, which provide the Debtors with insurance coverage for claims relating to, among other things, commercial general, excess liability, commercial umbrella liability, special risks, automobile liability, directors’ and officers’ liability, fiduciary liability, commercial crime, transit, and property (the “Liability and Property Insurance Programs”). These policies, which are summarized on Exhibit A, are essential to the ongoing operation of the Debtors’ businesses.

26. The Debtors are required to pay premiums under the Insurance Programs based upon a fixed rate established and billed by each Insurance Carrier to the Insurance Broker or to the Debtors. The aggregate annual premiums for the Liability and Property Insurance Programs are approximately \$5.19 million. The premiums for the Liability and Property Insurance

Programs are typically paid yearly in advance (although exceptions exist), and the vast majority of the Debtors' premiums have been paid for pre-petition and post-petition coverage periods, which will begin to expire on June 1, 2004. On certain of the Insurance Programs, there are annual retrospective audits and annual "true-ups" of the premiums owed.

The Debtors' Bond Programs

27. In addition to the Insurance Programs, the Debtors maintain numerous bonds (the "Bonds"), including, without limitation, those for unpaid losses on workers' compensation programs in self-insured states and miscellaneous bonds that are generally maintained for a limited time period and are for low dollar amounts, through several different bond carriers (the "Bond Carriers"). Annexed hereto as Exhibit C is a list of the Bond Carriers and the bonds placed by such carriers, the bond numbers, the duration of each of the bonds, the amount of each bond, and the aggregate annual premium due thereunder. The issuers of certain bonds can draw down on letters of credit posted by the Debtors, where such letters have been posted, should the Debtors default on payments to the bond issuers.

28. The Bonds are issued by one of the Debtors' Insurance Carriers. The Debtors pay the Insurance Broker directly for all premiums, and the Insurance Broker sends the Debtors a statement for payment by the Debtors. The premiums for the bonds are determined annually at the time of bond renewal, or at the time a new bond is placed and, as noted above, are paid directly to the Insurance Broker. The annual premiums to maintain the Debtors' Bond Programs aggregate approximately \$44,830.

29. To maintain certain of their bonds, the Debtors were required to provide the Bond Carriers with letters of credit in the approximate aggregate amount of \$3.25 million as security for certain of their obligations to the Bond Carriers to satisfy claims made with respect to the

bonds. The letters of credit will be drawn against if the Debtors fail to meet their obligations on such financial guarantee bonds.

**Continuation Of The Insurance Programs And The Bond Programs Is
In The Best Interests Of The Debtors, Their Estates, And All Parties in Interest**

30. Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code, the Debtors seek authorization to continue the Insurance Programs and the Bond Programs on an uninterrupted basis, consistent with prepetition practices, and pay, when due, and in the ordinary course of the Debtors' businesses, all prepetition premiums, administrative fees and other prepetition obligations (collectively, the "Insurance and Bond Obligations") to either the Insurance Broker, or the issuers of the insurance policies or Bonds to the extent due and payable postpetition. Additionally, to the extent a premium payment or similar payment under the Insurance Programs and/or the Bond Programs relating to a period prior to the Petition Date remains outstanding, the Debtors seek authority to make such payment.

31. As stated above, the Debtors' insurance policies either involve deductible amounts or SIRs for each claim that is submitted. To the extent a deductible payment, SIR payment or reimbursement relating to a period prior to the Petition Date is outstanding with respect to any of the insurance policies, the Debtors seek authority, in their discretion, to make such payments in the same manner that such payments were made prior to the Petition Date.

32. It is essential to the continued operation of the Debtors' businesses and their efforts to reorganize that the Insurance Programs and Bond Programs be maintained on an ongoing and uninterrupted basis. The failure to pay premiums when due may affect the Debtors' ability to renew the insurance policies or the Bonds. If the insurance policies or the Bonds are allowed to lapse, the Debtors could be exposed to substantial liability for damages resulting to persons and property of the Debtors and others, which exposure could have an extremely

negative impact on the Debtors' ability to successfully reorganize. Such a result would also place at risk the estate's assets necessary to satisfy the secured and unsecured claims. Additionally, continued effectiveness of the directors' and officers' liability policies is necessary to the retention of qualified and dedicated senior management. Moreover, pursuant to the terms of many of their leases and commercial contracts, as well as the guidelines established by the United States Trustee, the Debtors are obligated to remain current with respect to certain of their primary insurance policies.

33. The maintenance of the Workers' Compensation Programs is indisputably justified, as applicable state law mandates this coverage. Furthermore, with respect to the Workers' Compensation Claims, the risk that eligible claimants will not receive timely payments with respect to employment-related injuries could have a devastating effect on the financial well-being and morale of the Debtors' employees and their willingness to remain in the Debtors' employ. A significant deterioration in employee morale undoubtedly will have a substantially adverse impact on the Debtors, the value of their assets and businesses, and their ability to reorganize. Departures by employees at this critical time may result in a disruption of the Debtors' businesses to the detriment of all parties in interest.

34. The amounts the Debtors propose to pay in respect of the Liability and Property Insurance Programs are minimal in light of the size of the Debtors' estates and the potential exposure of the Debtors, absent insurance coverage. With respect to the Debtors' Bond Programs, failure to carry and maintain the Bonds, many of which are required by various government entities, would jeopardize the Debtors' ability to operate their businesses. Therefore, it is critical that the Debtors continue to maintain their Insurance Programs and Bond

Programs on an uninterrupted basis and be permitted to pay any obligations in the ordinary course of business and consistent with prepetition practices.

35. Other bankruptcy courts, within and without this jurisdiction, have held that a debtor is authorized to maintain prepetition insurance and bond programs pursuant to Sections 363(b) and 105(a) where, as here, a sound business justification exists. *See, e.g., In re Centennial HealthCare Corporation*, Case No. 02-74974 (Bankr. N.D. Ga. Dec. 20, 2002) (authorizing debtors to maintain existing insurance programs); *In re WestPoint Stevens, Inc.*, Case No. 03-13532 (Bankr. S.D.N.Y. June 3, 2003); *In re WorldCom, Inc.*, Case No. 02-13533 (Bankr. S.D.N.Y. 2002); *In re Enron Corp., et al*, Case No. 01-16034 (Bankr. S.D.N.Y. 2001). Given the crucial nature of the Debtors' various insurance coverage, the Debtors submit that similar relief is appropriate in these Chapter 11 cases.

Applicable Banks Should Be Authorized to Honor and Pay Checks Issued and Make Other Transfers in Respect of the Insurance Programs and/or Bond Programs

36. If the Court grants the relief sought herein, the Debtors request that all applicable banks and other financial institutions be authorized when requested by the Debtors and in the Debtors' sole discretion, without any duty of inquiry or liability to any party for following the Debtors' instructions, to receive, process, honor and pay any and all checks drawn on the Debtors' accounts to pay the Insurance and Bond Obligations, whether those checks were presented prior to or after the Petition Date, and make other transfers provided that sufficient funds are available in the applicable accounts to make the payments.

37. Authorization of the payment of the Insurance and Bond Obligations shall not be deemed to constitute the postpetition assumption of any executory contract pursuant to Section 365 of the Bankruptcy Code. The Debtors are in the process of reviewing these matters and reserve all of their rights under the Bankruptcy Code with respect thereto. Moreover,

authorization to pay the Insurance and Bond Obligations shall not affect the Debtors' right to contest the amount or validity of any such charges, in whole or in part.

38. Based on the foregoing, the Debtors submit the relief requested is necessary and appropriate, is in the best interests of their estates and creditors, and should be granted in all respects.

Notice

39. Notice of this Motion has been provided to the Office of the United States Trustee, counsel for the Debtors' pre-petition secured lenders, the indenture trustee for Debtors' senior note holders, counsel to the Agent for the Debtors' proposed debtor-in-possession lenders and the Debtors' thirty largest unsecured creditors on a consolidated basis. In light of the nature of the relief requested, the Debtors submit that no further notice is necessary.

Conclusion

WHEREFORE the Debtors respectfully request entry of an order granting the relief requested herein, and granting the Debtors such other and further relief as may be just.

Dated: Atlanta, Georgia
March 31, 2004

Respectfully submitted,

KING & SPALDING LLP

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PROPOSED ATTORNEYS FOR THE DEBTORS

EXHIBIT “A”

SUMMARY OF DEBTORS’ INSURANCE

(NON-WORKERS’ COMPENSATION)

Dan River Inc. Insurance Coverage -- Non-Workers' Comp					
Name of Policy	Coverage	Insurer/Reinsurer	Expiration	Premium	Payment
			Date		Frequency
Property & Business Interruption (based on agreed values)	a. All Risk excluding Boiler & Machinery b. Replacement Cost for property c. Actual Loss for Time Element (> 24 hrs.) d. Agreed Amount- PD and BI e. ACV for #8, Research Bldg., Abbeville	1. Industrial Risk Insurers 2. American Guarantee & Liability Ins. Co. 3. ACE American Ins. Co. 4. United States Fire Ins. Co. 5. Lexington Ins. Co. 6. Arch Specialty Ins. Co. 7. General Security Indemnity Co of AZ 8. ACE Bermuda 9. AXIS Specialty Limited 10. Endurance Specialty Ins. Ltd. 11. Montpelier Re 12. Employers Ins. of Wausau	6/30/04	\$2,330,052	Annual
Boiler & Machinery	Equipment Breakdown Equipment 25 yrs. & older will be Actual Cash Value. Covered Property does not include transmission or distribution lines.	Hartford Steam Boiler Inspection & Insurance Co. Claims Adjustor: Richard Hoffman 770-392-6209 fax 678-513-7622	6/30/04	\$171,790	Annual
Commercial General Liability	Products/completed operations, personal injury, advertising injury, medical expenses, employee benefits liability, fire	Twin City Fire Insurance Co. (Hartford)	6/01/04	\$130,810	25% down, 9 payments
Automobile – Business – all states except Canada and Texas (based on vehicles & trailers)	Physical damage only for hired autos (rentals, hired, borrowed <30 days); all vehicles have liability; long term lease is same as owned auto; If employee drives own auto, their policy is primary. We also have coverage for underinsured and uninsured.	Hartford Fire Insurance Co. 22UENDF6921	6/1/04	\$131,707	25% down, 9 payments
Auto - Texas	Same	Hartford Fire Insurance Company	Same	\$4614	25% down, 9 payments
International Package	Products/completed operations, personal injury, advertising injury, medical expenses, employee benefits	ACE American Ins. Co.	6/1/04	\$3,500	Annual

Dan River Inc. Insurance Coverage -- Non-Workers' Comp					
Name of Policy	Coverage	Insurer/Reinsurer	Expiration	Premium	Payment
			Date		Frequency
	liability, fire & Auto & Employers Liability, WC				
Aviation	Owned Aircraft Liability, BI, PD, Voluntary Settlement, Medical Payments, TRIA coverage; Baggage claim	United States Aircraft Insurance Group Policy # 360AC-615441	6/1/04	\$66,279 includes Tria (18,700)	Annual
Advertising Liability	Claims arising from utterance & dissemination of printed, audio, visual or informational content; also copyright, patent infringements	National Casualty Company	6/1/04	\$2,873	Annual
Umbrella - Excess	Drops down on: GL, Auto, Employee benefits liability, Worker's Comp, & Foreign Liability	American Guarantee & Liability Ins. Co.	6/1/04	\$135,845	Annual
Motor Truck Cargo & Marine Cargo	MTC: Insures for direct physical loss or damage to goods, merchandise, the property of others while in due course of transit including freight charges. Marine Cargo: value of total invoice plus charges of freight plus 10% until declared Warehouse: \$500,000 any unnamed Terrorism included for flat rate \$1000	Continental Insurance Co. OC0243829	1/1/05	\$42,000	4 equal payments
Flood Policy	Primary Flood Coverage for Import Specialty, Inc. Portsmouth, VA	American Bankers Inc. Co. of Florida	6/30/04	\$664	Annual
Canadian General Liability Marsh Canada	General – including premises and products completed operations, Bodily injury, Prop. damage, Advertising liability, and Personal Injury, Auto Liability	Zurich Insurance Co.	6/1/04	Auto \$8800 GL \$3800	Annual
Directors & Officers	Full prior acts coverage; 75%/25% allocation for insured/uninsured portion of any claim	1. Zurich American Ins.Co. - \$625,000 2. Gulf Ins. Co. – \$532,250 3. Federal Ins. Co. – \$478,125 4. Navigators Mgmt. Co. Inc. - \$430,000	11/20/04	\$2,064,375 increase 224%	Annual
Crime	Employee Theft	Federal Insurance Co. (Chubb) #81800328	11/20/04	\$33,250	Annual

Dan River Inc. Insurance Coverage -- Non-Workers' Comp					
Name of Policy	Coverage	Insurer/Reinsurer	Expiration	Premium	Payment
			Date		Frequency
Fiduciary Liability Claims made	Claims due to wrongful acts related to benefit programs	Federal Insurance Co. #81800328	11/20/04	\$21,000	Annual
Special Risk	Events related to special risks	National Union Fire Insurance Co.	11/20/04	\$13,255 – 3 yr prepaid	3 Years

EXHIBIT “B”

**SUMMARY OF DEBTORS’ INSURANCE
(WORKERS’ COMPENSATION)**

State	Carrier	Policy #	Policy Dates	Limits	Annual Premium	Pmt. Frequency
VA, GA Excess	Employers Reinsurance Corp	0650634	10-01-03	\$25,000,000	\$133,078 w/ annual audit	Annual
AR – Mktg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability - \$1 million	See Note 1	Annual
CA – Mktg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability – \$1 million	See Note 1	Annual
FL- Mktg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability – \$1 million	See Note 1	Annual
IL – Mktg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability – \$1 million	See Note 1	Annual
MS – Mktg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability \$1 million	See Note 1	Annual
NJ – Mktg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability – \$1 million	See Note 1	Annual
NY – Mktg. & General	NY State Ins. Fund	M1374 781-1	11-21-03 to 11-21-04		\$36,133	25% down & 9 equal pmts.
NC – Mfg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability – \$1 million	See Note 1	Annual
OR- Mktg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability – \$1 million	See Note 1	Annual
SC – Mktg.	Twin City Fire Ins. Co.	22WBKM085	10-01-03 - 10-01-04	Statutory; Employer Liability - \$1 million	See Note 1	Annual
TN – Mfg.	Liberty Mutual	WC2-35S-348618-013	12-08-03 - 12-08-04	Statutory; Employer Liability - \$1 million	\$95,372	40% down & 11 equal pmts.
VA - Riverdan	Hartford Underwriters Co,	22WBKM159	10-01-03 - 10-01-04	Statutory; Employer Liability – \$1 million	See Note 1	Annual
VA – Mfg. & General	Self Insured	Excess #0650634	10-01-03 - 10-01-04	\$25,000,000 excess of \$325,000; \$1,000,000 for Employer Liability	\$133,078 plus Bond, L/C, Ind. Comm.	Annual *
GA – Mfg.& General	Self Insured	Excess #0650634	10-01-03 - 10-01-04	\$25,000,000 excess of \$325,000; \$1,000,000 for Employer Liability	See above premium plus Bond, L/D, Ind. Comm	Annual *
NC - Cherokee	Travelers Property Casualty	UC2JUB395J-111A98		Statutory; Employer Liability - \$500,000	Premium paid if claims are paid	
TN - Cherokee	Travelers Property Casualty	UC2JUB395J-111A98		Statutory; Employer Liability - \$500,000	Premium paid if claims are paid	
The Bibb Co.	Liberty Mutual	51-040307-34		Statutory; Employer Liability - \$500,000	Premium paid if claims are paid	

Note 1: One premium for all states except NY, TN, GA,VA; estimate premium \$455,000.

* Funded As Required

EXHIBIT “C”

SUMMARY OF DEBTORS’ BOND PROGRAMS

**Dan River Inc.
Bonds**

Reference: Section 8.4(i) and (j) of Credit Agreement

Type of Bond	Carrier Bond Number	Term Anniversary Date	Bond Amount	Premium	Obligee	Principal
Employment Related Bonds, etc. not exceeding \$1 million limit of Section 8.4(i) (ii) without Letter of Credit						
NONE						
Employment Related Bonds, etc. exceeding \$1 million limit of Section 8.4 (i) (ii) with Letter of Credit						
Self-Insurance Bond – State of Virginia	Travelers Casualty & Surety #103218707	Continuous 09/05/03	\$1,750,000 (L/C collateral at \$2,250,000)	\$33,750 Annual	State of Virginia	Dan River Inc.
Workers Comp Self-Insurance Bond – State of Georgia	Travelers Casualty & Surety #103121586	Continuous 11/21/03	\$1,000,000 (L/C collateral at \$1,000,000)	\$6,300 Annual	Georgia Self- Insurers Guaranty Trust	Dan River Inc., Successor to Bibb Company
Sub Total			\$2,750,000			
Other Bonds Supporting Ordinary Business Not to Exceed \$1 million limit of Section 8.4 (j)						
Surety Bond Dominion Va.Power	Travelers 10376641	24 months 9/25/03	\$192,536	\$5776 for 2 years	Dominion Virginia Power	Dan Rive Inc.
Customs Bond	Westchester Fire Ins. Co. 030114003	Continuous 03/09/04	\$70,000	\$520 Annual	U.S. Customs	Dan River Inc.
Subtotal			\$262,536			
Total			\$3,012,536			

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
NEWNAN DIVISION**

In re:)	Chapter 11
)	
DAN RIVER INC., <i>et al.</i>,)	Case Nos. 04-__ through 04-__
)	Jointly Administered
Debtors.)	
)	Judge Drake
)	

**ORDER GRANTING MOTION OF DEBTORS FOR ORDER PURSUANT TO
11 U.S.C. §§ 105(a) AND 363(b) AUTHORIZING CONTINUED
MAINTENANCE OF AND PAYMENT OF OBLIGATIONS WITH
RESPECT TO DEBTORS' INSURANCE PROGRAMS AND BOND PROGRAMS**

This matter is before the Court on the motion of Dan River Inc., The Bibb Company LLC, Dan River International Ltd., and Dan River Factory Stores, Inc. (collectively, the “Debtors”) for authority to continue certain prepetition insurance and bond programs (the “Motion”).

The Court has considered the Motion, the Declaration of Barry F. Shea in Support of First-Day Applications and Motions, and the matters reflected in the record of the hearing held on the Motion. It appears that the Court has jurisdiction over this proceeding; that this is a core proceeding; that notice of the Motion has been given to the Office of the United States Trustee, counsel for the Debtors’ prepetition secured lenders, the indenture trustee for the Debtors’ senior note holders, counsel to the Agent for the Debtors' proposed debtor-in-possession lenders, and the Debtors’ thirty largest unsecured creditors on a consolidated basis; that no further notice is necessary; that the relief sought in the motion is in the best interests of the Debtors, their estates, and their creditors; and that good and sufficient cause exists for such relief.

Accordingly, it is hereby ORDERED as follows:

1. The Motion is GRANTED.

2. Except as otherwise required by any post-petition financing order or the Debtors' post-petition financing agreement approved by this Court, the Debtors are authorized, but not required, to pay premiums and other amounts necessary required to maintain the Insurance Programs and the Bond Programs, as those programs are defined and more particularly described in the Motion. In no event shall payments on account of the Insurance Programs and Bond Programs exceed the amounts set forth in any budget supplied in connection with the Court's interim order authorizing the Debtors to obtain debtor-in-possession financing, as such order may be amended or finalized. The Debtors' banks are authorized to honor, process and pay checks issued and other transfers made in connection with the Insurance Programs or Bond Programs.

3. To the extent the ten-day stay of Bankruptcy Rule 6004(g) may be construed to apply to the subject matter of this Order, such stay is hereby waived.

4. The Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

SO ORDERED.

At Atlanta, Georgia this ____ day of _____, 2004.

W. HOMER DRAKE, JR.
UNITED STATES BANKRUPTCY JUDGE

Prepared and Presented by:

KING & SPALDING LLP

/s/ James A. Pardo, Jr.

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