

**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
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**MOTION FOR AUTHORITY TO RETAIN
KING & SPALDING LLP AS COUNSEL TO THE DEBTORS**

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. By this Motion, the Debtors respectfully request the entry of an order, pursuant to Section 327(a) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 2014, authorizing them to employ King & Spalding LLP as their counsel in these bankruptcy cases and other proceedings.

Basis for Relief

17. King & Spalding LLP has been the Debtors' principal outside counsel for more than fourteen years and has been providing restructuring advice to the Debtors for several months. Pursuant to Section 327(a) of the Bankruptcy Code, the Debtors request that the Court approve their retention of King & Spalding LLP as their attorneys to perform the extensive legal services that will be necessary during their Chapter 11 cases, under a general retainer, in accordance with King & Spalding LLP's normal hourly rates and disbursement policies.

18. The Debtors request that the Court approve King & Spalding LLP's retention not only for legal services related directly to the bankruptcy cases, but also for continued legal representation in other areas such as litigation, antitrust matters, environmental matters, general corporate matters, ERISA and other employee benefits matters, securities law and SEC-related matters, and finance and finance-related matters and transactions.

19. The Debtors have selected King & Spalding LLP as their attorneys because of the firm's extensive knowledge of the Debtors' businesses and financial affairs, its general experience and knowledge, and its recognized expertise in the field of debtors' protections, creditors' rights, and business reorganizations under Chapter 11 of the Bankruptcy Code, as well as in other areas of law related directly or indirectly to these bankruptcy cases, such as those areas listed in the preceding paragraph. King & Spalding LLP has the necessary background to deal effectively with many of the potential legal issues and problems that may arise in the context of the Debtors' bankruptcy cases as well as with those matters that exist independent of the bankruptcy cases. The Debtors believe that King & Spalding LLP is both well qualified and uniquely able to represent them in these cases and in other matters in a most efficient and timely manner.

20. The employment of King & Spalding LLP under a general retainer is appropriate and necessary to enable the Debtors to execute faithfully their duties as debtors and debtors-in-possession and to implement the reorganization of the Debtors' financial affairs. Subject to further order of this Court, it is proposed that King & Spalding LLP be employed for the following purposes:

- (a) to advise the Debtors with respect to their powers and duties as debtors-in-possession in the continued management and operation of their businesses;
- (b) to take all necessary action to protect and preserve the estates of the Debtors, including the prosecution of actions on the Debtors' behalf, the defense of any actions commenced against the Debtors, the negotiation of disputes in which the Debtors are involved, and the preparation of objections to claims filed against the Debtors' estates;
- (c) to prepare on behalf of the Debtors all necessary motions, applications, answers, orders, reports, and other papers in connection with the administration of the Debtors' estates;
- (d) to negotiate and prepare on behalf of the Debtors a plan of reorganization, a disclosure statement, and all related documents;

- (e) to negotiate and prepare documents relating to the disposition of assets, as requested by the Debtors;
- (f) to advise the Debtors, where appropriate, with respect to federal, state, and foreign regulatory matters;
- (g) to advise and represent the Debtors on litigation matters, specifically including (but not limited to) representation of the company in the pursuit of claims arising from alleged price fixing and customer allocation in the polyester staple fiber market;
- (h) to advise the Debtors on antitrust matters, specifically including advice on distribution arrangements, pricing structures, and acquisitions by the company and others;
- (i) to advise the Debtors on environmental matters, general corporate matters, ERISA and other employee benefits matters, securities law and SEC-related matters, finance and finance-related matters and transactions; and
- (j) to perform such other legal services for the Debtors as may be necessary and appropriate.

21. It is necessary for the Debtors to employ attorneys under a general retainer to render the foregoing services.

22. King & Spalding LLP has stated its desire and willingness to act in these cases and to render the necessary professional services as attorneys for the Debtors.

23. To the best of the Debtors' knowledge: (a) King & Spalding LLP neither holds nor represents any interest adverse to the Debtors' estates; and (b) King & Spalding LLP has had no connection with the Debtors, their creditors or any party in interest, or their respective attorneys and accountants, the United States Trustee, or any person employed in the office of the United States Trustee, except as specifically disclosed more fully in the Declaration of James A. Pardo, Jr., a partner of King & Spalding LLP (the "Pardo Declaration"), attached hereto as Exhibit A. The Debtors believe that King & Spalding LLP is a "disinterested person" within the meaning of Sections 101(14) and 327(a) of the Bankruptcy Code.

24. Pursuant to Section 328(a) of the Bankruptcy Code, the Debtors may retain King & Spalding LLP on any reasonable terms and conditions. The Debtors and King & Spalding LLP have agreed that King & Spalding LLP will be compensated for services at hourly rates and reimbursed for reasonable and necessary expenses, subject to approval of the Court under Section 330 of the Bankruptcy Code. King & Spalding LLP has stated present fee rates of \$170 to \$700 per hour for attorneys and \$80 to \$195 per hour for document clerks and legal assistants. Rates may be adjusted from time to time. King & Spalding LLP will file fee applications with the Court in accordance with applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and orders of this Court.

25. Prior to the Petition Date, King & Spalding LLP received from the Debtors a retainer in the amount of \$125,000, which continues to be held by King & Spalding LLP as a “last bill” or “security” retainer subject to the future direction and orders of the Court.

26. Prior to the Petition Date, King & Spalding LLP received certain amounts (as set forth in the Pardo Declaration) from the Debtors as compensation for professional services performed, and additional amounts (as set forth in the Pardo Declaration) for the reimbursement of reasonable and necessary expenses incurred in connection therewith.

Notice

27. 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,

DAN RIVER INC.
and its debtor affiliates

By: /s/ Harry L. Goodrich
Harry L. Goodrich
Vice President, Secretary
and General Counsel

Exhibit A

**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-__
)	
Debtors.)	Jointly Administered
)	
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**DECLARATION OF JAMES A. PARDO, JR.
AND DISCLOSURE OF COMPENSATION**

I, James A. Pardo, Jr., hereby state and declare as follows:

1. I am a partner in the firm of King & Spalding LLP, a law firm that maintains an office at 191 Peachtree Street, Atlanta, Georgia 30303. I am duly authorized to make this Declaration on behalf of King & Spalding LLP, and I make this Declaration in support of the Motion of Dan River Inc. and its affiliated debtor entities (collectively, the “Debtors”) for the approval of their retention of King & Spalding LLP as legal counsel in the above-referenced bankruptcy cases (the “Motion”). The facts set forth in this Declaration are personally known to me, and, if called as a witness, I could and would testify thereto. Unless otherwise defined, all capitalized terms used herein have the meanings given to them in the Motion.

2. Neither I, King & Spalding LLP, nor any partner of, associate of, or counsel to King & Spalding LLP represents any entity other than the Debtors in, or in connection with, the Debtors’ Chapter 11 cases.

3. King & Spalding LLP is a “disinterested person,” as that term is defined in Section 101(14) of the Bankruptcy Code, in that, except as otherwise disclosed herein, King & Spalding LLP, its partners, counsel, and associates:

- (a) are not creditors, equity holders, or insiders of the Debtors;
- (b) are not and were not investment bankers for any outstanding security of the Debtors;
- (c) have not been, within three years before the Petition Date, (i) investment bankers for a security of the Debtors, or (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtor;
- (d) are not and were not, within two years before the Petition Date, a director, officer, or employee of the Debtors or an investment banker as specified in subparagraph (b) or (c) of this paragraph; and
- (e) have not represented any party in connection with matters relating to the Debtors (although King & Spalding LLP has in the past represented and currently represents various of the Debtors’ creditors and parties in interest in matters unrelated to the Debtors or their Chapter 11 bankruptcy cases).

4. King & Spalding LLP has been the Debtors’ principal outside counsel for approximately 15 years and has, at various times during that representation and, in particular, since October 1, 2003, provided restructuring advice to the Debtors.

5. King & Spalding LLP is not a creditor of the Debtors. Since January 1, 2003, the Debtors have paid King & Spalding LLP \$1,655,807.39. Of that amount, \$1,530,807.39 was for services rendered and expenses incurred and \$125,000 was for a last bill or “security” retainer (the “Retainer”) to be maintained during the Chapter 11 cases and applied in accordance with future orders of the Court.

6. To the best of my knowledge, information, and belief formed after reasonable inquiry, other than in connection with this case, neither I nor King & Spalding LLP has any connection with the Debtors, their creditors, the United States Trustee, or

any other party with an actual or potential interest in these Chapter 11 cases, or their respective attorneys or accountants, except that (a) King & Spalding LLP may have appeared from time to time in the past, and may appear in the future, in other cases or matters where one or more of such parties may have been or may be involved; and (b) King & Spalding LLP may have been retained by certain creditors and other parties in interest or their attorneys, accountants, or professionals in other cases or matters unrelated to the Debtors or their Chapter 11 cases.

7. King & Spalding LLP has researched its client database to determine whether it has any relationships with the following entities (collectively, the “Interested Parties”):

- (a) the Debtors;
- (b) the agent for and lenders in the Debtors’ senior secured credit facility;
- (c) the indenture trustee for the Debtors’ 12 ¾% Senior Notes due 2009;
- (d) the Debtors’ thirty (30) largest unsecured trade creditors on a consolidated basis as of January 31, 2004;
- (e) the Debtors’ non-debtor subsidiaries;
- (f) the Debtors’ current and past officers and directors;
- (g) the Debtors’ accountants for the prior three years; and
- (h) those other creditors and parties in interest listed on Attachment 1 hereto.

The identities of the Interested Parties were provided to King & Spalding LLP by the Debtors and are listed on Attachment 1 hereto.

8. My review of the results of the search of our client database with regard to the Interested Parties indicates that King & Spalding LLP currently represents the following entities or one or more of their parent companies, subsidiaries or affiliates in connection with matters totally unrelated to the Debtors or their Chapter 11 cases:

Deutsche Bank Trust Company Americas, AmSouth Bank, Fleet Capital Corporation, General Electric Capital Corporation, GMAC Commercial Finance LLC, LaSalle Business Credit LLC, The Provident Bank, UPS Capital Corp., U.S. Bank National Association, Wachovia Bank National Association, WellsFargoFoothill Capital Corp., HSBC Bank USA, T. Rowe Price Associates, Inc., Honeywell/Allied Signal, Inc., Inland Paperboard and Packaging, Inc., Solutia, Inc., Mitsui Textile Corp., Cargill Cotton, Salomon Smith Barney, Duke-Weeks Realty Limited Partnership, SunTrust Bank, Industrial Risk Insurers, ACE Bermuda, Gulf Insurance Co., Toyota Motor Credit Corporation, and Ernst & Young LLP.

9. My review of the results of the search of our client database with regard to the Interested Parties also indicates that King & Spalding LLP previously represented the following persons and entities or one or more of their parent companies, subsidiaries or affiliates in connection with matters totally unrelated to the Debtors or their Chapter 11 cases: Whitehall Business Credit Corp., Transamerica Business Capital Corp., Joseph L. Lanier, Jr., Wellman, Inc., BASF Corporation, TrizecHahn 1065 Avenue of the Americas LLC, Lexington Insurance Co., National Union Fire Insurance Co., Hartford Fire Insurance Co., Continental Insurance Co., BCC Equipment Leasing Corporation, WAMCO XXIV, Ltd., MDFC Equipment Leasing Corporation, and FUJI Photo Film USA Inc.

10. As part of its practice, King & Spalding LLP appears in cases, proceedings, and transactions involving many different attorneys, accountants, financial consultants, and investment bankers, including other professionals representing the Debtors. In certain instances, such professionals may be the client of King & Spalding

LLP. (For example, as disclosed above King & Spalding LLP represents the Debtors' present accountants, Ernst & Young LLP, in matters wholly unrelated to the Debtors or these Chapter 11 cases.) All of the other cases, proceedings and transactions in which King & Spalding LLP is involved and professionals representing the Debtors or other parties in interest are also involved are totally unrelated to the Debtors and these Chapter 11 cases.

11. There are approximately 22,000 creditors and parties in interest in the Debtors' Chapter 11 bankruptcy cases. I anticipate that a review of King & Spalding LLP's client database with regard to all of the Debtors' creditors and parties in interest would disclose that King & Spalding LLP previously represented and/or currently represents one or more creditors or parties in interest (or one or more of their respective parent companies, subsidiaries and affiliates) in addition to those of the Interested Parties who are specifically identified in paragraphs 8 and 9 of this Declaration. My review of the results of the search of our client database indicates, however, that any and all such other representation(s) of a creditor or party in interest would have been or would be in connection with matters totally unrelated to the Debtors or their Chapter 11 cases.

12. To the best of my knowledge, information, and belief formed after reasonable inquiry, neither I nor King & Spalding LLP holds or represents any interest adverse to the Debtors' estates.

13. In addition, and based upon inquiries made in connection with the preparation of this Declaration, one or more partners, associates or counsel in King & Spalding LLP (a) owns publicly issued debt or equity securities issued by one or more of the Interested Parties (other than the Debtors) identified on Attachment 1 to this

Declaration; (b) was formerly an employee of, or has a relative who is or was an employee of, one or more of the Interested Parties (other than the Debtors) identified on Attachment 1 to this Declaration; and (c) maintains a bank account, brokerage account, credit card account, or loan or mortgage relationship with, or is insured by, one or more of the Interested Parties (other than the Debtors) identified on Attachment 1 to this Declaration.

14. The Debtors have consented to the continued and future representation by King & Spalding LLP of persons and entities who are creditors or parties in interest in these Chapter 11 cases on matters unrelated to the Debtors and these Chapter 11 cases, and has waived any conflict that might otherwise exist as a result of such other unrelated representations.

15. Deutsche Bank Trust Company Americas, the agent for and a lender under the Debtors' senior secured credit facilities similarly has consented to King & Spalding LLP's representation of the Debtors in connection with these Chapter 11 cases and has waived any conflict that might otherwise exist as a result of such representation. In addition, King & Spalding LLP has disclosed its representation of the Debtors to, or obtained additional waivers and consents from, General Electric Capital Corporation, GMAC Commercial Finance LLC, UPS Capital Corp., and SunTrust Bank.

16. As part of the waivers and consents from Deutsche Bank Trust Company Americas and UPS Capital Corp., King & Spalding LLP and the Debtors have agreed that King & Spalding LLP's representation of the Debtors will not include the representation of the Debtors (a) in any challenge by the Debtors to the amount, validity, priority or extent of liens or claims asserted or held by the Debtors' senior secured bank group against the

Debtors or their assets or (b) in connection with any adversary proceeding or civil action that might be commenced by the Debtors against the senior secured bank group. Instead, the Debtors would be represented in connection with any such challenge, adversary proceeding or civil action by a separate firm of “conflicts counsel.” Notwithstanding the foregoing, and to avoid any doubt or misunderstanding, the waivers and consents from Deutsche Bank Trust Company Americas and UPS Capital Corp. make clear that King & Spalding LLP’s representation of the Debtors could include, if needed, the representation of the Debtors in connection with (y) contested matters arising in these Chapter 11 cases in which the Debtors and the senior secured bank group have differing positions or interests (other than a contested matter brought by the Debtors to challenge the amount, validity, priority or extent of liens or claims asserted or held by the Debtors’ senior secured bank group against the Debtors or their assets) and (z) the defense of the Debtors in any litigation that is commenced by the Debtors’ senior secured bank group against the Debtors.

17. Subject to the Court’s approval of the Motion, King & Spalding LLP will earn and receive only those fees and other payments authorized by this Court.

18. Prior to the filing of these Chapter 11 cases, the Debtors caused to be paid to King & Spalding LLP the Retainer, in the amount of \$125,000, which continues to be held by King & Spalding LLP as a “last bill” or “security” retainer subject to the future direction and orders of the Court. In consideration for services to be rendered to the Debtors in this Chapter 11 case, King & Spalding LLP, subject to the approval of the Court, will be compensated for such services rendered at its standard hourly rates and will be reimbursed for all reasonable and necessary out-of-pocket expenses.

19. The current standard hourly rates of attorneys resident in King & Spalding LLP's Atlanta office range from a low of \$170 per hour to as much as \$700 per hour for certain senior partners, and the current standard hourly rates of paralegals, legal assistants and document clerks resident in King & Spalding LLP's Atlanta office range from a low of \$80 to a high of \$195. The firm's standard hourly rates are subject to adjustment annually as of January 1 of each year.

20. No agreement or understanding in any form or guise exists between King & Spalding LLP and any other person for a division of compensation for services rendered in or in connection with these cases, and no such division of compensation prohibited by Section 504 of the Bankruptcy Code will be made, except among partners of King & Spalding LLP. King & Spalding LLP has not shared or agreed to share any compensation received in these cases with any entity other than its partners.

21. Accordingly, I believe the proposed employment of King & Spalding LLP is appropriate under Section 327(a) of the Bankruptcy Code and is not prohibited by or improper under Federal Rule of Bankruptcy Procedure 5002. King & Spalding LLP and the professionals it employs are qualified to represent the Debtors in the matters for which King & Spalding LLP is proposed to be employed.

22. To the extent any information disclosed herein requires amendment or modification upon King & Spalding LLP's completion of further review or as additional party-in-interest information becomes available, a supplemental declaration will be submitted to the Court reflecting such amended or modified information.

I declare under penalty of perjury pursuant to 28 U.S.C. § 1746 that the foregoing
is true and correct.

Executed on March 30, 2004, at Atlanta, Georgia.

/s/ James A. Pardo, Jr.
James A. Pardo, Jr.

Attachment 1

List of Interested Parties

Company

Dan River Inc.

Current or Past Directors

Joseph L. Lanier, Jr.

Donald J. Keller

Richard L. Williams

Edward J. Lill

John F. Maypole

Rainer H. Mimberg

Current or Past Officers

Joseph L. Lanier, Jr.

Richard L. Williams

Barry F. Shea

Thomas L. Muscalino

Gregory R. Boozer

Anthony J. Bender

Joseph C. Bouknight

Harry L. Goodrich

Denise Laussade

Mark K. Tapp

Gary D. Waldman

Publicly Identified Shareholders

Donald J. Keller

Joseph L. Lanier, Jr.

Edward J. Lill

John F. Maypole

Rainer H. Mimberg

Richard L. Williams

Thomas L. Muscalino

Barry F. Shea

Gregory R. Boozer

Mezzanine Investment Limited Partnership-BDR Dimensional Fund Advisors, Inc.

T. Rowe Price Associates, Inc.

Debtor Subsidiaries

The Bibb Company, LLC
Dan River International, Ltd
Dan River Factory Stores, Inc.

Non-Debtor Subsidiaries

Dan River de Mexico, S. de R.L. de C.V.
Maquilas Pinnacle S. de R.L. de C.V.
Adsercorp S. de R.L. de C.V.
Dan River, B.V.

Senior Secured Bank Group

Deutsche Bank Trust Company Americas, Agent and Lender
AmSouth Bank
Fleet Capital Corporation
General Electric Capital Corporation
GMAC Commercial Finance LLC
LaSalle Business Credit LLC
The Provident Bank
UPS Capital Corp.
U.S. Bank National Association
Wachovia Bank National Association
WellsFargoFoothill Capital Corp.
Whitehall Business Credit Corp.
Transamerica Business Capital Corp.
Washington Mutual Bank, N.A.

144A Senior Unsecured Notes

HSBC Bank USA, Indenture Trustee

Top 30 Unsecured Trade Creditors as of 1/31/04

Ixtaccihuatl, S.A. de C.V.
Sunshine Mills, Inc.
Honeywell/Allied Signal Inc.
Wellman Inc.
GTP Greenville Inc/Picanol
Teijin Akra, S.A.de C.V.
Inland Paperboard & Pkg Inc.
CHT R. Beitlich Corp.
P. Kaufman, Inc.
Industrias Quiltex S.A. de C.V.

Solutia, Inc.
Nanya Plastic Corp America
Noveon, Inc.
Diolen Industrial Fibers Inc.
O'Mara Incorporated
Vita Prelude Fibers
Alpha Decade First
Omnova Solutions, Inc. (Gencorp)
Mitsui Textile Corp.
Shamash & Sons, Inc.
Hanes Converting Co.
Cargill Cotton
UNIFI, Inc.
BASF Corporation
Chemical Technologies, L.L.C.
Sevier Co Trustee
Staplcotn
Salomon Smith Barney
United Embroidery Inc.
Coats American Inc.

Lessors of Real Property

Paramount Group, Inc., as Agent for 1325 Avenue of the Americas, L.P.
TrizecHahn 1065 Avenue of the Americas LLC
Manhattan Properties Company
Shamrock Ventures, Ltd.
1801 Partnership L.P.
Winship Properties
Orlando Corporation
Nom Shores, Ltd.
Pattillo Lumber Company
U.S. Outlets, L.L.C.
North Atlanta Partners, LLC
Dukes-Weeks Realty Limited Partnership
The Westminister Partnership
Boonesville Industry, Inc.
Susan E. Wilson
Home Accents Direct Outlet Center, LLC
City of Sevierville
Hall Stonebriar Three Associates, Ltd.
Lake Kiowa Enterprises
Nancy R. Lea and American National Bank as Co-Trustees of W. Townes Lea Martial Trust
Elizabeth S. Marshall
Gerdau International, Inc.
City of Danville, Virginia

Dimon Incorporated
Felton Brothers Transit Mix, Inc.

Lessors of Personal Property

Pullman Bank and Trust Co.
MDFC Equipment Leasing Corporation
BCC Equipment Leasing Corporation
Yale Financial Services
Hyster Credit Company
Raymond Leasing Corporation
Toyota Motor Credit Corporation
IOS Capital, LLC
WAMCO XXIV, Ltd.
SunTrust Bank
J. Zimmer Maschinenbau Gesm.b.H.
NMHG Financial Services Inc.
Fuji Photo Film USA, Inc.
Industrial Development Authority of Danville, Virginia

Mortgage Holders

American National Bank

Insurance Companies Providing Coverage to Dan River

Industrial Risk Insurers
American Guarantee & Liability Ins. Co.
ACE American Ins. Co.
United States Fire Ins. Co.
Lexington Ins. Co.
Arch Specialty Ins. Co.
General Security Indemnity Co of AZ
ACE Bermuda
AXIS Specialty Limited
Endurance Specialty Ins. Ltd.
Montpelier Re
Employers Ins. of Wausau
Hartford Steam Boiler Inspection & Insurance Co.
Twin City Fire Insurance Co. (Hartford)
Hartford Fire Insurance Co.
United States Aircraft Insurance Group
National Casualty Company
Continental Insurance Co.
American Bankers Inc. Co. of Florida
Zurich Insurance Co.

Grupo Nacional Provincial, S.A.
Zurich American Ins. Co.
Gulf Ins. Co.
Federal Ins. Co.
Navigators Mgmt. Co. Inc.
Federal Insurance Co. (Chubb)
National Union Fire Insurance Co.
Employers Reinsurance Corp.

Auditor

Ernst & Young LLP

**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
)	

**ORDER AUTHORIZING DEBTORS TO RETAIN
KING & SPALDING LLP AS COUNSEL**

This matter is before the Court on the Motion of Dan River Inc. and its debtor affiliates (collectively, the “Debtors”) for authority to retain King & Spalding LLP as their counsel pursuant to Section 327(a) of the Bankruptcy Code (the “Motion”).

The Court has considered the Motion, the Declaration of Barry Shea in Support of First-Day Applications and Motions, the Declaration of James A. Pardo, Jr., and Disclosure of Compensation, 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’ pre-petition 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, subject to any objections filed within twenty days after entry of this Order (the “Objection Deadline”).

2. Subject to any such objections, the Debtors are authorized to retain King & Spalding LLP as their attorneys, pursuant to Section 327(a) of the Bankruptcy Code, as of the Petition Date on the terms set forth in the Motion and the Pardo Declaration.

3. If any supplemental declarations are filed and served after the entry of this Order, absent any objections filed within twenty days after the filing and service of such supplemental declarations, King & Spalding LLP's employment shall continue as authorized pursuant to this Order.

4. King & Spalding LLP shall be compensated upon appropriate application in accordance with Sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and orders of this Court.

5. King & Spalding LLP is authorized to apply the retainer received from the Debtors to pay any fees, charges, costs, or expenses relating to services rendered to the Debtors prior to the Petition Date that remain unpaid.

6. Within five days of the entry of this Order, the Debtors shall serve a copy of this Order on the Office of the United States Trustee, counsel for the Debtors' pre-petition secured lenders, the indenture trustee for the Debtors' senior note holders, counsel to the Agent for the Debtors' proposed debtor-in-possession lenders, the Debtors' thirty largest unsecured creditors on a consolidated basis and any counsel or party that has filed a notice of appearance or request for notice within such time.

7. Any objection to the relief requested in the Motion shall be filed with the Court, 18 Greenville Street, Post Office Box 1408, Newnan, Georgia 30263, by the Objection Deadline and shall be served upon (i) the Office of the United States Trustee, 75 Spring Street, S.W., Room 362, Atlanta, Georgia 30303; and (ii) James A. Pardo, Jr., King & Spalding LLP, 191

Peachtree Street, Atlanta, Georgia 30303, so as to be received by the Objection Deadline. If no objection is timely filed and served, this Order shall be deemed a final order, and no further hearing on the Motion shall be held.

8. 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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