

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

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In re: : Chapter 11
 :
DAN RIVER INC., et al., : Case No. 04-10990 (WHD)
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Debtors. : Jointly Administered
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**APPLICATION PURSUANT TO BANKRUPTCY RULE 2014(a) FOR AN
ORDER UNDER SECTIONS 328(A) AND 1103(A) OF THE BANKRUPTCY
CODE AUTHORIZING THE EMPLOYMENT AND RETENTION OF
HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL AS FINANCIAL
ADVISOR FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
NUNC PRO TUNC TO APRIL 19, 2004**

The Official Committee of Unsecured Creditors (the “Committee”) of Dan River Inc., et al. (collectively, the “Debtors”) respectfully submits this application (the “Application”), pursuant to Sections 1103(a) and 328(a) of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for an order authorizing the Committee to retain and employ Houlihan Lokey Howard & Zukin Capital (“Houlihan Lokey”) as its financial advisor in the Debtors’ Chapter 11 cases, nunc pro tunc to April 19, 2004 and, in support of its Application, the Committee respectfully represents as follows:

BACKGROUND

1. On March 31, 2004 (the ‘Petition Date’), each of the Debtors filed with this Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

2. Since the Petition Date, the Debtors have continued in possession of their properties and have continued to operate and manage their businesses as debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

3. This Court has jurisdiction over the Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory bases for the relief requested herein are Sections 328(a) and 1103 of the Bankruptcy Code and Bankruptcy Rule 2014.

THE COMMITTEE’S FORMATION

4. On April 12, 2004 (the ‘Committee Formation Date’), pursuant to Section 1102 of the Bankruptcy Code, the United States Trustee for the Northern District of Georgia (the ‘U.S. Trustee’) appointed the Committee. The Committee currently consists of six members.¹ On April 19, 2004, the Committee selected Houlihan Lokey as financial advisor to the Committee.

RETENTION OF HOULIHAN LOKEY

5. If this Application is granted, Houlihan Lokey will provide such financial advisory related services as may be requested by the Committee, including the following:

- a) Evaluating the assets and liabilities of the Debtors;
- b) Analyzing and reviewing the financial and operating statements of the Debtors;
- c) Analyzing the business plans and forecasts of the Debtors;

¹ The U.S. Trustee appointed the following entities to the Committee: L.C. Capital Master Fund, Ltd., Progressive Screen Engraving, Inc., Wellman, Inc., HSBC Bank, USA, as Indenture Trustee, Singer Children’s Management Trust and Affiliates, Sandler Capital Management and Teijan Akra, USA. Progressive Screen Engraving, Inc. subsequently resigned from the Committee.

- d) Evaluating all aspects of the Debtors' debtor in possession financing, cash collateral usage and adequate protection therefore and any exit financing in connection with any plan of reorganization and any budgets relating thereto;
- e) Providing such specific valuation or other financial analyses as the Committee may require in connection with the Cases;
- f) Helping with the claim resolution process and distributions relating thereto;
- g) Assessing the financial issues and options concerning (a) the sale of any assets of the Debtors and/or the Company, either in whole or in part, and (b) the Debtors' plan(s) of reorganization or any other plan(s) of reorganization (the "Plan");
- h) Preparation, analysis and explanation of the Plan to various constituencies;
- i) Assisting the Committee in locating and obtaining post-petition and/or exit financing; and
- j) Providing testimony in court on behalf of the Committee, if necessary.

COMPENSATION

6. Houlihan Lokey has agreed to serve as financial advisor to the Committee pursuant to the terms of the Engagement Letter (Exhibit A). The Committee respectfully refers this Court to the Engagement Letter for a full recitation of its terms. In summary, if this Application is approved, Houlihan will be entitled to the following compensation (the "Fee Structure"):

- a) a monthly fee (the "Monthly Fee") equal to \$100,000 per month, payable in cash for each month or any part thereof.
- b) if a Transaction² endorsed by the Committee is consummated, upon the consummation of the Transaction the Committee, in its sole discretion, may elect to negotiate an additional fee (the "Transaction Fee") with Houlihan Lokey on market terms as of April 19, 2004, which Transaction Fee shall not exceed 1.25% of recoveries by unsecured creditors. The Transaction Fee shall be

² As such term is defined in the Engagement Letter.

paid by the Company upon closing or consummation of a Transaction.

- c) Houlihan Lokey shall be entitled to reimbursement of all out-of-pocket expenses reasonably incurred by Houlihan Lokey before termination (or related to Houlihan Lokey's pre-termination services) in connection with the matters contemplated by the Engagement Letter. Out-of-pocket expenses include, but are not limited to, all reasonable travel expenses, duplicating charges, on-line service charges, messenger services, delivery services, meeting services, long distance and mobile telephone and facsimile charges incurred by Houlihan Lokey.

7. The Committee believes that the Fee Structure is fair and reasonable and should be approved under Section 328(a) of the Bankruptcy Code. The Fee Structure appropriately reflects the nature of the services to be provided by Houlihan Lokey and the fee structures typically utilized by leading financial advisors when billing on a non-hourly basis. In particular, the Committee believes that the Fee Structure creates a proper balance between fixed, monthly fees and contingency fees. Similar fixed and contingency fee arrangements have been approved and implemented in other large Chapter 11 cases. *See, e.g., In re Kaiser Aluminum Corporation, et al.*, No. 02-10429 (JKF) (Bankr. D. Del. March 19, 2002) (authorizing the retention of Lazard Freres & Co. LLC and subjecting compensation to same standard of review); *In re Trans World Airlines, Inc.*, No. 01-0056 (PJW) (Bankr. D. Del. Jan. 26, 2001) (authorizing retention of Rothschild, Inc. as financial advisors for the debtors, pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code); *In re Covad Communications Group, Inc.*, No. 01-10167 (JJF) (Bankr. D. Del. November 21, 2001) (authorizing retention of Houlihan Lokey with compensation subject to standard of review set forth in Section 328(a)); *In re Harnischfeger Industries, et al.*, No. 99-02171 (PJW) (Bankr. D. Del. Feb. 8, 2000) (authorizing retention of The Blackstone Group L.P. pursuant to Section 328(a)); *In re Casual Male Corp.*, No. 01-41404 (REG) (Bankr. S.D.N.Y. March 18, 2001) (authorizing retention of Robertson Stephens, Inc., subject to Section 328(a) standard of review); *In re Edison Bros. Stores, Inc.*, No. 99-00115 (MFW) (Bankr. D. Del.

March 15, 1999) (order approving the retention of Houlihan Lokey as financial advisors and investment bankers for the debtors, pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code).

8. Notwithstanding the approval of the Fee Structure requested herein, all of Houlihan Lokey's fees and expenses in these cases will be subject to approval of the Court upon proper application by Houlihan Lokey in accordance with Sections 330 and 331 of the Bankruptcy Code, Bankruptcy Rule 2016, the fee and expense guidelines established by the United States Trustee and any other applicable requirements. However, pursuant to Section 328(a) of the Bankruptcy Code, the Court may not subsequently allow Houlihan Lokey's compensation on terms different from the approved Fee Structure unless such compensation "prove[s] to have been improvident in light of developments not capable of being anticipated at the time" the Fee Structure originally was approved. 11 U.S.C. § 328(a). Houlihan Lokey does not bill its clients on an hourly basis and does not maintain a schedule of hourly rates for services provided by its professionals. Accordingly, its professionals do not generally keep logs of time spent on each assignment. The Committee therefore respectfully requests that Houlihan Lokey be excused from otherwise applicable requirements that it maintain time records in 1/10th hour intervals.

HOULIHAN LOKEY'S DISINTERESTEDNESS

9. To the best of the Committee's knowledge, other than as disclosed in the Hilty Declaration (Exhibit B), Houlihan Lokey is disinterested, does not represent and does not hold any interest adverse to the Debtors' estates or their creditors in the matters with the Debtors, their creditors, equity security holders, or any other parties in interest or their respective financial advisor and accountants, the United States Trustee or any person employed in the office of the United States Trustee, except that (a) Houlihan Lokey represents the Committee in these cases

and (b) Houlihan Lokey has on occasion provided, and may continue to provide, services to certain of the Debtors' creditors and other parties in interest in matters unrelated to these proceedings, as stated in the Hilty Declaration. However, Houlihan Lokey has a national practice and may represent or may have represented certain of the Debtors' creditors or equity holders in matters unrelated to these cases.

10. The Committee submits that Houlihan Lokey is disinterested, does not represent any entity having an adverse interest to the Committee in connection with these Chapter 11 cases, and that Houlihan Lokey is qualified to serve as financial advisors for the Committee pursuant to Sections 328(a) and 1103(a) of the Bankruptcy Code and Bankruptcy Rules 2014 and 5002.

NOTICE

11. Notice of this Application has been provided to counsel to the Debtors, the U.S. Trustee, and to the Master Service List in these Chapter 11 cases, consistent with the Order Establishing Notice Procedures [Docket No. 42]. The Committee respectfully submits that no further notice is required for this Application.

NO PRIOR REQUEST

12. No prior application for the relief sought in this Application has been made to this or any other court in connection with these Chapter 11 cases.

WHEREFORE, the Committee requests that an Order be entered authorizing it to retain Houlihan Lokey as its financial advisor in these cases, nunc pro tunc to April 19, 2004, and providing the Committee such other and further relief as the Court may deem just and proper.

Dated: New York, New York
May 18, 2004

**THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF DAN RIVER INC., ET AL.**

By: L.C. Capital Master Fund, Ltd., solely in
its capacity as Chair of the Committee and not in
its individual capacity,

By: /s/ Richard F. Conway
Name: Richard F. Conway
Title: Committee Chair

EXHIBIT A

Engagement Letter



HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

INVESTMENT BANKERS

www.hlh.com

To: The Official Committee of Unsecured Creditors (the “Committee”) of Dan River Inc. and its affiliated debtors and debtors-in-possession (the “Debtors”) and its remaining affiliate and subsidiary corporations (collectively with the Debtors, the “Company”), in care of:

Committee Chairperson

LC Capital Master Fund, Ltd.
C/O Lampe, Conway & Co. LLC
680 Fifth Avenue, Suite 1202
New York, NY 10126

Attn: Richard F. Conway

Committee Counsel

Akin Gump Strauss Hauer & Feld LLP
590 Madison Ave.
New York, NY 10022

Attn: Michael S. Stamer, Esq.

Gentlemen:

This letter confirms the terms of the agreement between Houlihan Lokey Howard & Zukin Capital (“Houlihan Lokey” or the “Firm”) and the Committee concerning the Committee’s engagement of Houlihan Lokey to provide financial advisory and related services to the Committee, effective as of April 19, 2004, in connection with the Debtors’ Chapter 11 cases (the “Cases”), which are pending in the United States Bankruptcy Court for the Northern District of Georgia (the “Bankruptcy Court”).

1. **Scope of Engagement.** Pursuant to its engagement by the Committee, Houlihan Lokey’s services will include:

- (a) Evaluating the assets and liabilities of the Debtors;
- (b) Analyzing and reviewing the financial and operating statements of the Debtors;
- (c) Analyzing the business plans and forecasts of the Debtors;
- (d) Evaluating all aspects of the Debtors’ debtor-in-possession financing, cash collateral usage and adequate protection therefore

and any exit financing in connection with any plan of reorganization and any budgets relating thereto;

- (e) Providing such specific valuation or other financial analyses as the Committee may require in connection with the Cases;
- (f) Helping with the claim resolution process and distributions relating thereto;
- (g) Assessing the financial issues and options concerning (a) the sale of any assets of the Debtors and/or the Company, either in whole or in part, and (b) the Debtors' plan(s) of reorganization or any other plan(s) of reorganization (the "Plan");
- (h) Preparation, analysis and explanation of the Plan to various constituencies;
- (i) Providing testimony in court on behalf of the Committee, if necessary; and
- (j) Assisting the Committee in locating and obtaining post-petition and/or exit financing.

As used herein, the term "Transaction" shall include the consummation of any agreement or series of agreements, or transaction or series of transactions (which agreement or series of agreements or transaction or series of transactions subsequently closes within a reasonable time period thereafter, or a similar transaction closes thereafter with a competing bidder upon Bankruptcy Court approval) which in each case may include, but not be limited to, the following:

- i. The sale of all or substantially all of the assets or operations of the Debtors and/or the Company;
- ii. Any other sale, transfer or assumption of all or substantially all of the assets, liabilities or stock of the Company;
- iii. The confirmation and consummation of a Chapter 11 plan of reorganization or liquidation;
- iv. The reinstatement, modification through consent solicitation or other means, or satisfaction of the 12 ¾% Senior Notes due 2009; or
- v. Absent any of the foregoing, an agreement in good faith by the Committee and Houlihan Lokey.

2. **Committee Engagement.** Neither the Committee, its constituents, nor any of its advisors or professionals (including, but not limited to, counsel to the Committee (“Committee Counsel”)), shall be liable for the fees, expenses or other amounts payable to Houlihan Lokey hereunder. All financial advice, written or oral, provided by Houlihan Lokey to the Committee pursuant to this Agreement is intended solely for the use and benefit of the Committee, and such advice may not be disclosed publicly or made available to third-parties without the prior consent of Houlihan Lokey, which consent shall not be unreasonably withheld. Houlihan Lokey is providing its services as the financial advisor to the Committee, and is not providing any services on behalf of the individual members of the Committee. To the extent any issue arises as to the scope, nature or substance of Houlihan Lokey’s analysis, the Committee, with the advice of Committee Counsel, shall resolve such issue. At the direction of Committee Counsel, certain communication and correspondence between Houlihan Lokey and the Committee, and work product and analyses prepared by Houlihan Lokey for the Committee in connection with this matter, will be considered in preparation for litigation over the restructuring of the Debtors, and accordingly will be subject to the attorney-client privilege and work-product privilege between Houlihan Lokey, Committee Counsel and the Committee.

3. **Advisor.** Houlihan Lokey’s services are limited to those specifically provided in this Agreement or subsequently agreed-upon by the parties hereto, and Houlihan Lokey shall have no obligation or responsibility for any other services. The parties agree that this Agreement does not create an agency relationship between Houlihan Lokey and the parties to this Agreement.

4. **Consideration.** As consideration for the services being provided by Houlihan Lokey, the Company shall pay Houlihan Lokey a fee of \$100,000 per month (the “Monthly Fee”). The first payment of \$100,000 shall be due immediately upon entry by the Bankruptcy Court of an order approving the Committee’s retention of Houlihan Lokey. Thereafter, the Company shall pay the Monthly Fee by the 29th day of each month, in advance, or to the extent there is less than 29 days in any month on the 28th day of each month. Notwithstanding the foregoing, upon entry of an order approving Houlihan Lokey’s retention by the Committee, the Company shall immediately remit payment to Houlihan Lokey as if this Agreement went into effect April 19, 2004. For the avoidance of doubt, to the extent such order is entered prior to May 29, 2004, the Company will immediately remit \$140,000 to Houlihan Lokey on account of the pro rated Monthly Fee for the month of April 2004 and for the Monthly Fee that would have been paid on April 29, 2004. Payment shall be made to Houlihan Lokey at the address above, Attention: David R. Hilty. In addition, the Company agrees to promptly reimburse Houlihan Lokey, upon request from time to time, for all out-of-pocket expenses reasonably incurred by Houlihan Lokey in connection with the matters contemplated by this Agreement. Out-of-pocket expenses shall include, but not be limited to, all reasonable travel expenses, duplicating charges, on-line service charges, messenger services, delivery services, meeting services, long distance telephone and facsimile charges incurred by Houlihan Lokey.

Additionally, the Committee, in its sole discretion, may negotiate a Transaction Fee with Houlihan Lokey on market terms as of April 19, 2004, which Transaction Fee shall not exceed 1.25% of recoveries by unsecured creditors. Any Transaction Fee shall be paid by the Company

upon closing or consummation of a Transaction either (i) during the term of this Agreement or (ii) within twelve months of the effective date of termination of this Agreement (such twelve-month period being referred to herein as the “Tail Period”). The parties acknowledge that the Committee is not obligated under this Agreement to negotiate a Transaction Fee with Houlihan Lokey.

The parties acknowledge that a substantial professional commitment of time and effort will be required by Houlihan Lokey and its professionals hereunder, and that such commitment may foreclose other opportunities for the Firm. Moreover, the actual time and commitment required for the engagement may vary substantially, creating “peak load” issues for the Firm. Given the numerous issues which may arise in these cases, the Firm’s commitment to the variable level of time and effort necessary to address such issues, the expertise and capabilities of Houlihan Lokey that will be required in this engagement, and the market rate for Houlihan Lokey’s services of this nature whether in, or out of court, the parties agree that the fee arrangement hereunder is reasonable, fairly compensates Houlihan Lokey and provides certainty to the Debtors and the Committee.

5. **Bankruptcy Court**. The Committee shall, as soon as practicable following the execution of this Agreement by the Committee, seek an order from the Bankruptcy Court authorizing the employment of Houlihan Lokey pursuant to the terms of this Agreement, as a professional person pursuant to (and subject to the standard of review of) Section 328(a) of the Bankruptcy Code, the Bankruptcy Rules and applicable local rules, and shall use its best efforts to cause such application to be considered on the most expedited basis. The employment application and the order authorizing employment of Houlihan Lokey shall be provided to Houlihan Lokey sufficiently in advance of their filing, and must be acceptable to Houlihan Lokey in its discretion. If the order authorizing the employment of Houlihan Lokey is obtained, the Company shall pay all fees and expenses as promptly as possible in accordance with the terms of this Agreement, the Bankruptcy Code, the Bankruptcy Rules and applicable local rules and orders, and the Committee will work with Houlihan Lokey to promptly file any and all necessary applications regarding such fees and expenses with the Bankruptcy Court. The terms of this paragraph are solely for the benefit of Houlihan Lokey and may be waived, in whole or in part, only by Houlihan Lokey.

6. **Termination**. This Agreement is terminable upon thirty (30) days written notice by the Committee or Houlihan Lokey, provided, however, that if the Agreement is terminated, the Company shall pay Houlihan Lokey all previously unpaid Monthly Fees and the pro-rata portion of the Monthly Fee for the month in which the Agreement is terminated. The termination of this Agreement will not affect (a) the Debtors’ indemnification, reimbursement, contribution and other obligations set forth in this Agreement and (b) Houlihan Lokey’s right to receive, and the Debtors’ obligation to pay (i) any and all fees and expenses accrued as of the effective date of termination of this Agreement, and (ii) those fees earned for any Transaction that is consummated during the Tail Period as described in this Agreement.

7. **Information** The Committee acknowledges and agrees that, in rendering its services hereunder, Houlihan Lokey will be using and relying on information made available to it by the Debtors and their advisors (the “Information”) (and information available from public sources and other sources deemed reliable by Houlihan Lokey) without independent verification thereof by Houlihan Lokey or independent appraisal by Houlihan Lokey. Houlihan Lokey does not assume responsibility for the accuracy or completeness of the Information or any other information regarding the Company.

8. **CHOICE OF LAW; JURISDICTION.** THIS AGREEMENT HAS BEEN NEGOTIATED, EXECUTED AND DELIVERED AT AND SHALL BE DEEMED TO HAVE BEEN MADE IN NEW YORK, NEW YORK. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

9. **Counterparts**. For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties hereto. Each such counterpart shall be, and shall be deemed to be, an original instrument, but all such counterparts taken together shall constitute one and the same Agreement.

10. **Severability**. If it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that any term or provision hereof is invalid or unenforceable, (i) the remaining terms and provisions hereof shall be unimpaired and shall remain in full force and effect and (ii) the invalid or unenforceable provision or term shall be replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable term or provision.

11. **Entire Agreement**. This Agreement embodies the entire agreement and understanding of the parties hereto and supersedes any and all prior agreements, arrangements and understanding relating to the matters provided for herein. No alteration, waiver, amendment, change or supplement hereto shall be binding or effective unless the same is set forth in writing signed by a duly authorized representative of each party.

12. **Indemnification** As a material part of the consideration for Houlihan Lokey to furnish its services under this Agreement, the Debtors shall indemnify Houlihan Lokey shall hold harmless Houlihan Lokey and its affiliates, and their respective past, present and future directors, officers, shareholders, employees, agents and controlling persons within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the “Indemnified Parties”), to the fullest extent lawful, from and against any and all losses, claims, damages or liabilities (or actions in respect thereof), joint or several, arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with Houlihan Lokey’s provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby. In addition, the Debtors shall reimburse the Indemnified Parties for any legal or other expenses reasonably incurred by them in respect thereof at the time such expenses are incurred;

provided, however, there shall be no liability to the Company under the foregoing indemnity and reimbursement agreement for any loss, claim, damage or liability which is finally judicially determined to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party.

If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold it harmless, the Company shall contribute to the amount paid or payable by the Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Committee and the Debtors, on the one hand, and Houlihan Lokey, on the other hand, in connection with a proposed Transaction and/or the services rendered by Houlihan Lokey. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or otherwise, then the Debtors shall contribute to such amount paid or payable by any Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits, but also the relative fault of the Committee and the Debtors, on the one hand, and Houlihan Lokey, on the other hand, in connection therewith, as well as any other relevant equitable considerations. Notwithstanding the foregoing, the aggregate contribution of all Indemnified Parties to any such losses, claims, damages, liabilities and expenses shall not exceed the amount of fees actually received by Houlihan Lokey pursuant to the Agreement.

The Committee and the Debtors shall not affect any settlement or release from liability in connection with any matter for which an Indemnified Party would be entitled to indemnification from the Debtors unless, such settlement or release contains a release of the Indemnified Parties reasonably satisfactory in form and substance to Houlihan Lokey. The Committee and/or the Debtors shall not be required to indemnify any Indemnified Party for any amount paid or payable by such party in the settlement or compromise of any claim or action without the prior written consent of the Committee and the Debtors.

Prior to entering into any agreement or arrangement with respect to, or effecting, any (i) merger, statutory exchange or other business combination or proposed sale, exchange, dividend or other distribution or liquidation of all or a significant proportion of its assets, or (ii) significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Debtors set forth in this Agreement, the Debtors will notify Houlihan Lokey in writing thereof (if not previously so notified) and, if requested by Houlihan Lokey, shall arrange in connection therewith alternative means of providing for the obligations of the Debtors set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions reasonably satisfactory to Houlihan Lokey.

Neither Houlihan Lokey nor any other Indemnified Party shall have any liability, regardless of the legal theory advanced, to the Committee, the Debtors or any other person or entity (including the Debtors' equity holders and creditors) related to or arising out of Houlihan Lokey's engagement, except for any liability for losses, claims, damages, liabilities or expenses incurred by the Committee and/or the Debtors which are finally judicially determined to have resulted

primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party. The indemnity, reimbursement, contribution and other obligations and agreements of the Committee and the Debtors set forth herein shall apply to any modifications of this Agreement, shall be in addition to any liability which these parties may otherwise have, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of these parties and each Indemnified Party. The foregoing indemnification provisions shall survive the consummation of any Transaction and/or any termination of the relationship established by this Agreement.

The obligations of Houlihan Lokey are solely corporate obligations, and no officer, director, employee, agent, shareholder or controlling person of Houlihan Lokey shall be subjected to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any other party to this Agreement or any person relying on the services provided hereunder. The Debtors' obligations with respect to any and all payments owing to Houlihan Lokey and the indemnification, reimbursement, contribution and other similar obligations of the Debtors under this Agreement shall survive any termination of this Agreement.

Dated and effective as of the 19th day of April 2004.

HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

/s/ David R. Hilty
By: David R. Hilty
Managing Director

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF DAN RIVER INC.

LC Capital Master Fund, LTD.

/s/ Richard F. Conway
By: Richard F. Conway
Title: Chair of the Committee

EXHIBIT B

Hilty Declaration

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

----- X
In re: : Chapter 11
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DAN RIVER INC., et al., : Case No. 04-10990 (WHD)
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Debtors. : Jointly Administered
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**DECLARATION OF DAVID R. HILTY IN SUPPORT OF APPLICATION
PURSUANT TO BANKRUPTCY RULE 2014(A) FOR AN ORDER UNDER
SECTIONS 328(A) AND 1103(A) OF THE BANKRUPTCY CODE
AUTHORIZING THE EMPLOYMENT AND RETENTION OF HOULIHAN
LOKEY HOWARD & ZUKIN CAPITAL AS FINANCIAL ADVISOR FOR THE
OFFICIAL COMMITTEE OF UNSECURED CREDITORS NUNC PRO TUNC
TO APRIL 19, 2004**

DAVID R. HILTY, under penalty of perjury, declares and says:

1. I am a Managing Director of the firm of Houlihan Lokey Howard & Zukin Capital (“Houlihan Lokey”), a financial advisory firm that maintains an office at 685 Third Avenue, New York, New York 10017. I am authorized to execute this declaration on behalf of Houlihan Lokey, and submit this declaration pursuant to Sections 328(a) and 1103(a) of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”) and Rules 2014(a) and 5002 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) in support of the Application (the “Application”)¹ of the Official Committee of Unsecured Creditors appointed in the above-referenced Chapter 11 cases (the “Committee”) to employ and retain Houlihan

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Application.

Lokey as financial advisor. Except as otherwise indicated, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto.²

Qualifications Of Houlihan Lokey

2. Houlihan Lokey is a leading financial services firm, providing investment banking, valuation and financial advisory services from 9 offices in the United States and Europe. Houlihan Lokey's Financial Restructuring Group provides a range of financial advisory, investment banking and valuation services to debtors, creditors committees, acquirers and other parties in interest, both in Chapter 11 cases and out-of-court restructurings.

3. I and the other professionals employed by Houlihan Lokey are well qualified to act as financial and strategic advisors to the Committee. Houlihan Lokey's business reorganization professionals have extensive experience in advising debtors, creditors, and other constituents in Chapter 11 proceedings and have served as financial and strategic advisors in numerous cases. Over the past several years, these professionals, while at Houlihan Lokey or at other firms, have represented debtors, creditors and various other parties-in-interest in Chapter 11 cases and out-of-court restructurings. Accordingly, Houlihan Lokey's professionals are well qualified to act as financial advisor and investment banker to the Debtors.

Services To Be Rendered

4. If the Application is approved, Houlihan Lokey will provide financial advisory and other related services as contemplated under the Engagement Letter and as may be requested by the Committee, including, but not limited to, the following:

- a) Evaluating the assets and liabilities of the Debtors;

² Certain of the disclosures herein relate to matters within the knowledge of other professionals at Houlihan Lokey and are based on information provided by them.

- b) Analyzing and reviewing the financial and operating statements of the Debtors;
- c) Analyzing the business plans and forecasts of the Debtors;
- d) Evaluating all aspects of the Debtors' debtor-in-possession financing, cash collateral usage and adequate protection therefore and any exit financing in connection with any plan of reorganization and any budgets relating thereto;
- e) Providing such specific valuation or other financial analyses as the Committee may require in connection with the Cases;
- f) Helping with the claim resolution process and distributions relating thereto;
- g) Assessing the financial issues and options concerning (a) the sale of any assets of the Debtors and/or the Company, either in whole or in part, and (b) the Debtors' plan(s) of reorganization or any other plan(s) of reorganization (the "Plan");
- h) Preparation, analysis and explanation of the Plan to various constituencies;
- i) Assisting the Committee in locating and obtaining post-petition and/or exit financing; and
- j) Providing testimony in court on behalf of the Committee, if necessary.

Professional Compensation

5. If the Application is granted, Houlihan Lokey will be entitled to fees and expense reimbursements as more fully set forth in the Engagement Letter, and I respectfully refer this Court to the Engagement Letter for a full recitation of its terms. In summary, if the Application is approved, Houlihan Lokey will be entitled to receive the following fees, pursuant to Section 328(a) of the Bankruptcy Code (and subject to final approval of the Bankruptcy Court):

- a) a monthly fee (the "Monthly Fee") equal to \$100,000 per month, payable in cash for each month or any part thereof.
- b) if a Transaction³ endorsed by the Committee is consummated, upon the consummation of the Transaction the Committee, in its sole discretion,

³ As such term is defined in the Engagement Letter.

may elect to negotiate an additional fee (the “Transaction Fee”) with Houlihan Lokey on market terms as of April 19, 2004, which Transaction Fee shall not exceed 1.25% of recoveries by unsecured creditors. The Transaction Fee shall be paid by the Company upon closing or consummation of a Transaction.

- c) Houlihan Lokey shall be entitled to reimbursement of all out-of-pocket expenses reasonably incurred by Houlihan Lokey before termination (or related to Houlihan Lokey’s pre-termination services) in connection with the matters contemplated by the Engagement Letter. Out-of-pocket expenses include, but are not limited to, all reasonable travel expenses, duplicating charges, on-line service charges, messenger services, delivery services, meeting services, long distance and mobile telephone and facsimile charges incurred by Houlihan Lokey.

6. No promises have been received by Houlihan Lokey, its officers or employees as to compensation in connection with this case other than as disclosed herein. Houlihan Lokey has no agreement with any other entity to share with such entity any compensation received by it in connection with this case, except as permitted by Section 504 of the Bankruptcy Code.

7. In order to perform these services in a cost-effective manner, Houlihan Lokey will endeavor when possible to work with the retained professionals in this case so as to avoid duplicating work or creating unnecessary work.

8. Houlihan Lokey intends to file and serve requests for interim and final compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules of the Court and any administrative orders establishing procedures for the interim compensation and reimbursement of expenses of professionals to be issued in these cases.

9. To the best of my knowledge, the compensation arrangement described above is consistent with and typical of arrangements entered into by Houlihan Lokey and other investment banks and financial advisory firms with respect to rendering similar services for clients such as the Committee.

Indemnification

10. The Debtors have agreed to indemnify Houlihan Lokey and certain related persons in accordance with the indemnification provisions attached to and made a part of the Engagement Letter.

Disinterestedness

11. In connection with the preparation of this Affidavit, Houlihan Lokey reviewed the list of parties-in-interest that Houlihan Lokey received from the Debtors (the “Interested Parties”), a copy of which is attached hereto as Schedule 1.

12. Attached hereto as Schedule 2 is a list of the Interested Parties with which Houlihan Lokey has identified connections. With the exception of the connections relating to the Debtors and the Ad Hoc Committee (which are more fully described below), Houlihan Lokey’s connections to the Interested Parties listed on Schedule 2 are unrelated to the proposed engagement. To the best of my knowledge, none of the connections with the entities listed in Schedule 2 accounts for more than 5% of Houlihan Lokey’s gross annual revenues.

13. To the best of my knowledge, neither Houlihan Lokey, I, nor any other employee of Houlihan Lokey that will work on the engagement has any connection with or holds any interest adverse to the Debtors, their estate or the Interested Parties in the matters on which Houlihan Lokey is proposed to be retained, except (i) as set forth in Schedule 2 and (ii) as otherwise set forth below:

- a) In 1996, Houlihan Lokey represented the Informal Bondholders Committee and subsequent Official Committee of Unsecured Creditors in the pre-arranged Chapter 11 case of The Bibb Company. As part of this process, Houlihan Lokey assisted in the selection of a new CEO (the current CEO) with industry experience to run the Company post-restructuring.
- b) In 1998, Houlihan Lokey served as the financial advisor to The Bibb Company in its sale to Dan River for approximately \$240 million in

cash and stock. As a result of the merger, a significant amount of Dan River's current operations consist of the former operations of The Bibb Company, including the juvenile licensed home furnishings business, other non-Bed-in-the-Bag home furnishings operations, the Brookneal finishing plant, engineered products division and certain apparel fabric assets. Irwin Gold, a Senior Managing Director of Houlihan Lokey, served on the Board of Directors of The Bibb Company from 1996 through the sale of The Bibb Company to Dan River in 1998.

- c) Houlihan Lokey is a large investment banking firm and has likely provided services unrelated to the Debtors for companies and individuals that have conducted business in the past and/or currently conduct business with the Debtors, and who may be creditors of the Debtors. To the best of my knowledge, Houlihan Lokey's services to these parties were and are wholly unrelated to the Debtors, their estates and these Chapter 11 cases.
- d) As part of its practice, Houlihan Lokey appears in numerous cases, proceedings and transactions involving many different professionals, some of which may represent claimants and parties in interest in the Debtors' Chapter 11 cases. Furthermore, Houlihan Lokey has in the past and will likely in the future be working with or against other professionals involved in these cases in matters unrelated to this case. Based on my current knowledge of the professionals involved, and to the best of my knowledge and information, none of these business relationships represents an interest materially adverse to the Debtors herein in matters upon which Houlihan Lokey is to be engaged.

14. To the best of my knowledge, except as set forth herein or on Schedule 2, Houlihan Lokey has not been retained to assist any entity or person other than the Committee on matters relating to these Chapter 11 cases. If Houlihan Lokey's proposed retention by the Committee is approved by this Court, Houlihan Lokey will not accept any engagement or perform any service for any entity or person other than the Committee in these Chapter 11 cases. Houlihan Lokey will, however, continue to provide professional services to entities or persons that may be creditors or equity security holders of the Debtors or Interested Parties in these Chapter 11 cases, provided, however, that such services do not relate to, or have any direct connection with, these Chapter 11 cases or the Debtors.

15. To the best of my knowledge, Houlihan Lokey is a “disinterested person” as that term is defined in 11 U.S.C. § 101(14), as modified by 11 U.S.C. § 1107(b), in that its professionals and other employees who will work on this engagement:

- a) are not creditors, equity security 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 date of the filing of the Debtors’ Chapter 11 petitions, (i) investment bankers for a security of the Debtors, (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtors; and
- d) were not, within two years before the date of filing of the Debtors’ chapter 11 petitions, a director, officer, or employee of the Debtors or of any investment banker as specified in subparagraph (b) or (c) of this paragraph.

16. If any new relevant facts or relationships are discovered or arise during the pendency of these Chapter 11 cases, Houlihan Lokey will use reasonable efforts to identify such further developments and will, if appropriate, promptly file a Supplemental Affidavit as required by Bankruptcy Rule 2014(a).

17. I am not related or connected to and, to the best of my knowledge, no other professional of Houlihan Lokey who will work on this engagement is related or connected to, any United States Bankruptcy Judge for the Northern District of Georgia, any of the District Judges for the Northern District of Georgia who handle bankruptcy cases, the United States Trustee for Region 21 or any employee in the Office of the United States Trustee for Region 21

I declare under penalty of perjury under the laws of the United States of America
that the foregoing is true and correct.

Dated: May 18, 2004

/s/ David R. Hilty
David R. Hilty

SCHEDULE 1

DAN RIVER INC. CONFLICT CHECK LIST

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

Ixtaccihauatl, 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

SCHEDULE 2

PARTIES-IN-INTEREST TO WHOM HOULIHAN LOKEY HAS PROVIDED SERVICES

GE Capital Corporation	FMV Non-Transaction Based Opinion/Exclusive Sale/Collateral Valuation
General Electric	Purchase Price Allocation
Wells Fargo Bank	Creditor Advisory/Litigation/Consulting/Collateral Valuation
American National Bank	Litigation
Dan River Holding Company	ESOP Update
Dimon, Inc.	Litigation
Shamash & Sons, Inc.	Exclusive Sale
The Bibb Company	Exclusive Sale
Fleet Capital	FMV Non-Transaction Based Opinion/Collateral Valuation
Solutia, Inc.	Creditor Advisory

Fleet Capital Corporation (Financing to certain officers, employees and affiliated entities of Houlihan Lokey to fund their respective investments in certain affiliated merchant banking funds)

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

----- X
In re: : Chapter 11
 :
DAN RIVER INC., et al., : Case No. 04-10990 (WHD)
 :
 :
Debtors. : Jointly Administered
 :
 :
 :
----- X

**ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION
OF HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL AS FINANCIAL ADVISORS
FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS NUNC PRO
TUNC TO APRIL 19, 2004**

Upon the Application (the "Application") of the Official Committee of Unsecured Creditors (the "Committee") for an order pursuant to Sections 328(a) and 1103(a) of the United States Bankruptcy Code (the "Bankruptcy Code") authorizing and approving the employment and retention of Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey"), as its financial advisor in these Chapter 11 cases; and upon the declaration of David R. Hilty of Houlihan Lokey (the "Hilty Declaration"); and the Court being satisfied, based on the representations made in the Application and the Hilty Declaration, that Houlihan Lokey does not hold or represent an interest adverse to the Debtors' estates and is disinterested under Sections 101(14) and 1103 of the Bankruptcy Code, and that the employment of Houlihan Lokey is necessary and in the best interests of the Committee and the Debtors' estates; and it appearing that notice of the Application having been given to the parties specified in the Application, and that no objections have been filed and that no other or further notice need be given; and upon all of the pleadings

and proceedings had before the Court; and after due deliberation and sufficient cause appearing for such Application, it is hereby:

ORDERED that, subject to objection within twenty (20) days from the entry of this Order (the “Objection Deadline”) by any party in interest, including the Office of the United States Trustee, the Application is approved; and it is further

ORDERED that, subject to any objection interposed by the Objection Deadline, pursuant to Sections 328(a) and 1103(a) of the Bankruptcy Code and Bankruptcy Rules 2014(a) and 5002, the Committee is authorized to employ and retain Houlihan Lokey as its financial advisor to advise and represent the Committee in accordance with the terms of the Application and the Engagement Letter, effective nunc pro tunc to April 19, 2004, to represent it in these cases under Chapter 11 of the Bankruptcy Code and such retention is hereby approved, and it is further

ORDERED that the compensation and reimbursement of expenses to be paid to Houlihan Lokey shall be in accordance with the terms of the Engagement Letter, which fees and expense reimbursements shall not hereafter be subject to challenge except under the standard of review under Section 328(a) of the Bankruptcy Code; and it is further

ORDERED that the indemnification provisions contained in the Engagement Letter, including without limitation the provisions of Exhibit A thereto, are reasonable and approved, subject to the following modifications:

(a) Notwithstanding any provision of the Engagement Letter or Exhibit A thereto to the contrary, the Debtors have no obligation to indemnify Houlihan Lokey, or provide contribution or reimbursement to Houlihan Lokey for any claim or expense that is either (i) judicially determined (the determination having become final) to have arisen from Houlihan Lokey's gross negligence, willful misconduct or fraud, or (ii) settled prior to a judicial determination as to Houlihan Lokey's gross negligence, willful misconduct or fraud, but determined by this Court, after notice and a hearing, to be a claim or expense for which

Houlihan Lokey should not receive indemnity, contribution or reimbursement under the terms of the Engagement Letter and Exhibit A thereto as modified by this Order; and

(b) If, before the earlier of (i) the entry of an order confirming a Chapter 11 plan in these cases (that order having become a final order no longer subject to appeal), and (ii) the entry of an order closing these Chapter 11 cases, Houlihan Lokey believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution and /or reimbursement obligations under the Engagement Letter and Exhibit A thereto (as modified by this Order), including without limitation the advancement of defense costs, Houlihan Lokey must file an application therefore in this Court, and the Debtors may not pay any such amounts to Houlihan Lokey before the entry of an order by this Court approving the payment. This subparagraph (b) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for fees and expenses by Houlihan Lokey for indemnification, contribution or reimbursement and not a provision limiting the duration of the Debtors' obligation to indemnify Houlihan Lokey; and it is further

ORDERED, that Houlihan Lokey shall file interim and final fee applications in accordance with the procedures set forth in Section 330 and 331 of the Bankruptcy Code, applicable Bankruptcy Rules, Local Rules of the Court and such procedures as may be fixed by order of this Court, provided, however, that Houlihan Lokey shall not be required to maintain time records for services rendered, and shall not be required to provide or conform to any schedule of hourly rates; and it is further

ORDERED that any objection to the relief requested in the Application 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) Michael S. Stamer, Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, New York, New York 10022, 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 Application shall be held; and it is further

ORDERED that 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, Houlihan Lokey's employment shall continue as authorized pursuant to this Order; and it is further

ORDERED that, to the extent that any term of this Order is inconsistent with the Engagement Letter, such term of this Order shall govern; and it is further

ORDERED that counsel to the Committee is directed to serve a copy of this Order on the Office of the United States Trustee, counsel for the Debtor's 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 three business days of entry of this Order; and it is further

ORDERED that this Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

At Newnan, Georgia, this ____ day of May, 2004.

W. HOMER DRAKE, JR.
UNITED STATES BANKRUPTCY JUDGE

Prepared and Presented by:

AKIN GUMP STRAUSS HAUER & FELD LLP

/s/ Michael S. Stamer
MICHAEL S. STAMER
590 Madison Avenue
New York, NY 10022
(212) 872-1000

Co-Counsel to the Official
Committee of Unsecured Creditors