

5/20/04

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

	x	
In re:	:	Chapter 11
	:	
DAN RIVER INC., <u>et al.</u> ,	:	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 20 day of May, 2004.



W. HOMER DRAKE, JR.  
UNITED STATES BANKRUPTCY JUDGE

Prepared and Presented by:

AKIN GUMP STRAUSS HAUER & FELD LLP

*Michael S. Stamer by M. A. Hall on agency permission*

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