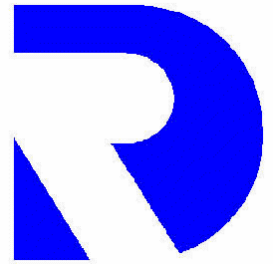


# **Dan River Inc.**

## **Key Employee Retention Plan**

June 1, 2004



# Retention Bonus



- The proposed **retention bonus plan** operates as follows:
  - A total of 47 key employees, representing 0.9% of Dan River's current workforce of 5,200 employees, are eligible for retention bonuses and divided into 5 "tiers" based on responsibility
  - Proposed award levels are tied to tiers and range from 20% of salary (Tier 5) to 60% of salary (Tier 3)
  - Tiers 1 and 2 are not addressed in the KERP at this time
  - Payouts are tied to the following schedule: 25% paid 120 days after filing, 50% upon the earlier of emergence or the sale of substantially all assets, and 25% 90 days after the second payment

# Retention Bonus (Continued)



- No pro-rata payments are allowed; participants must be employed through the end of a designated payout period to receive the corresponding award
- New hires or newly promoted employees may be added to the program provided that the overall cost does not increase
- A \$500,000 discretionary pool will be established to fund awards for other employees
  - Payments to these employees will be subject to the consent of Dan River's DIP lenders and Creditors' Committee
- Including the discretionary pool, aggregate awards will total up to \$3 million

# Severance Program



- Dan River will **provide severance benefits** as follows:
  - KERP-eligible employees in Tiers 3-5 will receive severance benefits as provided under pre-petition contracts
  - 3 employees without contracts will receive severance equal to one year's base salary plus incentive opportunity, calculated in the same manner as for employees with contracts
  - Other employees without contracts will receive severance benefits according to Dan River's existing severance policy
    - Exempt salaried employees will receive two weeks of pay plus an additional one week for every year of service, with a maximum benefit of 28 weeks, plus up to 4 weeks' accrued vacation
    - Nonexempt salaried employees will receive a maximum of four weeks of salary per the existing plan
  - Payments will be made in a lump sum upon termination and not subject to mitigation
  - Total severance payments to Tiers 3-5 will not exceed \$5.5 million

# Severance Program (Continued)



- Severance will not be payable to employees in the event of an employee's (i) voluntary resignation; (ii) discharge for cause; (iii) receipt of an employment offer from the purchaser of substantially all of Dan River's assets, which employment offer is on substantially the same terms and conditions as the employee's current employment with Dan River; (iv) failure to work through the date that employment is scheduled to be terminated; or (v) failure to perform all required duties until the date that employment is scheduled to be terminated
- A material reduction in salary or annual incentive opportunity, material change to or removal from participation in any compensation or benefit plan, or termination due to sale of substantially all of the assets of Dan River in a manner that results in the employee's not receiving payment of one or more installments of a retention bonus will constitute an involuntary severance by Dan River entitling a KERP-eligible employee to a severance payment

## **Severance Program (Continued)**



- Severance will be conditioned on an employee's execution of a general release and separation agreement and any other document or agreement which Dan River in its discretion may require as a condition of payment, including a non-solicitation agreement with respect to employees, trade secrets, and other matters, the term of which shall extend 18 months.
- The right of any employee to severance will terminate on the earlier of (1) six months after the effective date of any plan of reorganization or liquidation, (2) six months after the sale, merger, or disposition of substantially all of Dan River's assets, or (3) six months after a determination by Dan River's board of directors that the severance program is no longer in effect.

# General Provisions



- Participation in the KERP is voluntary
- By “opting in” to the KERP, eligible employees will be deemed to agree that the terms and conditions of the KERP supersede any contractual obligations related to compensation or severance in their employment contracts
- Retention payments and severance benefits are not set off or credited against one another