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August 23, 2002

U.S. Department of Labor
Frances Perkins Building
200 Constitution Avenue, NW
Washington, DC 20210

2520032902389

RE: Paris Companies
EIN # 25-1152501
Phantom Stock Plan

1 Plan
3 Participants

Dear Sirs:

This letter stands as our notification to the DOL that a Phantom Stock Plan exists within the above referenced company. We have enclosed documentation relating to the plan indicating that it is a top hat plan based on the fact that it only covers select management or highly compensated employees within the company. This plan is a non-qualified deferred compensation arrangement. The above referenced company wishes to ensure it maintains its high standards and make disclosure of the existence of this plan.

Based on our research, we believe that we have complied with both DOL and ERISA governing laws by making this disclosure.

Please let us know if there is any additional information that you may require.

Sincerely,

Jason McCoy
Chief Financial Officer
Paris Companies

Enclosure (1)

cc: Dave Stern
Bill Smith

PARIS COMPANIES

PARIS UNIFORM RENTAL & SUPPLY PARIS HEALTHCARE LINEN SERVICE
PARIS CLEANERS, INC. PREMIER HEALTHCARE LINEN SERVICE HOUR GLASS CLEANERS
67 HOOVER AVE. • PO BOX 1043 • DuBOIS, PA 15801-1043
PHONE (814) 375-9700 • FAX (814) 375-9252



Paris Companies

Memorandum

To: Dave Stern, Len Kudloski, and Chris Corcoran
CC:
From: Jason McCoy
Date: August 26, 2002
Re: PARIS COMPANIES PHANTOM STOCK INCENTIVE PROGRAM

Total Company Stock Value Calculation:

Equity listed on the balance sheet +
42 X Uniform Rental average weekly regular sales +
20 X Healthcare Linen average weekly regular sales +
10 X Dry Cleaning average weekly regular sales +
10 X Paris Imagewear average weekly regular sales

Per Share Stock Value Calculation: Total Company value as calculated above divided by the total number of shares outstanding

Definitions:

Phantom Stock – A unit measurement of Company value based on a predefined formula. Phantom stock is issued for incentive purposes only and has no claim of ownership of the Company or its assets.

Equity – Listed on the balance sheet as the book value of the Company. The equity is a function of net income less shareholder distributions for taxes.

Average Weekly Regular Sales – Total Company sales less inter-company sales. Calculated by taking the monthly sales from the financial statements for the current month plus the sales for the



two previous months dividing by the number of business days in the month period and multiplying by five.

Per Share Stock Value – Total Company stock value divided by the number of shares outstanding. Stock values will be rounded to the nearest tenth of a dollar.

Performance Bonus Program Example:

The per-share stock value is calculated at the fiscal year-end. If year-end equity is \$4,000,000 and average regular, sales are:

Uniform rental \$100,000
Healthcare linen \$150,000
Dry cleaning \$12,000
Paris Imagewear \$25,000

Total average regular sales are \$287,000, and then with 1,000,000 shares outstanding, the per-share value would be \$11.60. This would equate a \$10,000 performance bonus to 863.0 shares.

Each fiscal year-end earned shares will be distributed based on the percentage of the performance goals earned.

Program Rules:

The program may be terminated at any time. In the event of termination, all unvested shares may be held until vested under rule number 2, and all vested shares will be paid out according to rules number 5, 6 and 7 below.

All Phantom shares awarded will be on a five-year vesting schedule:

Year 1	20%
Year 2	40%
Year 3	60%
Year 4	80%
Year 5	100%

The vesting schedule will begin at the beginning of the year for which the performance standards are set.

- The per-share value of the stock will be calculated and posted monthly.
- Only employees of Paris Companies may own shares.
- Shares may be cashed in at any time with the vested amount added to the next regular paycheck.
- Participants selling stock with values exceeding \$50,000 may receive the sale proceeds over three months with interest at the Prime Interest Rate, depending on Company cash flow.
- The Company, at its discretion, may limit the annual amount that an individual employee may sell during any one calendar year to \$50,000.

- The beginning number of shares of phantom stock will be 1,000,000.
- Shares awards will be rounded to the nearest whole share.
- Abnormal events such as shareholder withdrawals for reasons other than taxes and acquisition financing will be adjusted from equity.
- Upon the death of the participant, the participant's estate will have six months to liquidate the vested shares.
- The bonus amounts available and the performance levels for bonus awards will be set annually by management discretion.
- Participants will become fully vested in all unvested awards upon attained age 65.
- Upon the divestiture of a major business unit (25% or more of the Company assets), participants remaining as employees of the divested unit for a period of six months after the sale will become fully vested in all awards. Participants laid off for reasons other than cause before the six-month period has expired will become fully vested at that time.
- The awarded share price will be based on the year ending calculated per share stock value.
- In the event of an acquisition, the current year incentive targets may be revised to reflect the impact of the acquisition at the sole discretion of management.

August 26, 2002

Current Paris Companies Phantom Stock Plan Participants/Titles:

Len Kudloski, General Manager – Uniform Rental Division

Chris Corcoran, General Manager – Healthcare Linen Division

Jason McCoy, Chief Financial Officer