



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER
REBEKAH CARMICHAEL
PUBLIC INFORMATION OFFICE
(212) 637-2600

USPIS
AL WEISSMAN
PUBLIC INFORMATION OFFICE
(212) 330-2270

**U.S. CHARGES DAVID STOCKMAN -- FORMER CEO OF
AUTO PARTS MAKER -- AND OTHER FORMER
EXECUTIVES WITH SECURITIES FRAUD;
COMPANY NOT CHARGED**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and RON WALKER, Inspector-in-Charge of the New York Division of the United States Postal Inspection Service ("USPIS"), announced today the unsealing of charges against DAVID A. STOCKMAN, the former Chief Executive Officer and President of Collins & Aikman Corporation ("C&A"), and seven other former members of C&A's management. An indictment unsealed today in Manhattan federal court charges STOCKMAN with conspiracy, securities fraud, bank fraud, wire fraud, and obstruction of an agency proceeding, in connection with his participation, from December 2001 through May 2005, in a scheme to conceal from investors and lenders the truth about C&A's declining operating performance and financial results. The Indictment also charges former C&A Chief Financial Officer J. MICHAEL STEPP; former Controller DAVID R. COSGROVE; and former Director of Purchasing PAUL C. BARNABA. Four felony Informations, filed today and last week, charge other C&A executives with related crimes.

Mr. GARCIA also announced a non-prosecution agreement between his Office and Collins & Aikman Corporation.

SUMMARY OF THE FRAUDULENT SCHEME

The Indictment alleges that starting in December 2001, STOCKMAN, STEPP, and others knew that C&A's true operating

performance and financial results were not meeting internal and external expectations. Rather than reveal C&A's true condition, which might trigger default on the financial covenants governing C&A's credit facilities and impede C&A's ability to raise additional capital in the debt markets, STOCKMAN, COSGROVE, STEPP, BARNABA, and others joined in a scheme to defraud C&A's investors, banks, and creditors by manipulating C&A's reported earnings, according to the Indictment.

From December 2001 through 2004, STOCKMAN, STEPP, COSGROVE, BARNABA, and their co-conspirators schemed to misrepresent C&A's true operating performance and financial results by causing C&A's reported figures for EBITDA (earnings before interest, taxes, depreciation, and amortization), operating income, and other financial metrics to be falsely and fraudulently inflated through the systematic premature recognition of cost reductions based on supplier rebates.

According to the Indictment, to further the scheme and conceal the fraud, STOCKMAN, STEPP, COSGROVE, BARNABA, and their co-conspirators caused C&A to file financial statements with the United States Securities & Exchange Commission (the "SEC") that presented this misleading picture of C&A's operating performance and financial results, including Quarterly and Annual Reports that misrepresented C&A's expenses, operating income, and earnings per share.

At the end of 2004 and the beginning of 2005, C&A's true operating results substantially deteriorated, causing an unprecedented liquidity crisis. The Indictment charges that STOCKMAN directed a scheme to further defraud C&A's creditors by, among other things, misrepresenting to General Electric Capital Corporation ("GECC") the nature of C&A's portfolio of accounts receivable, against which GECC was permitting C&A to borrow over a hundred million dollars on a daily basis. Also in the beginning of 2005, as C&A's improper rebate accounting practices came under scrutiny from its auditors, STOCKMAN directed a scheme to further defraud C&A's investors and creditors by making numerous false statements to the public and to C&A's creditors concerning: (a) C&A's current liquidity situation, (b) C&A's forecasted EBITDA for the first quarter of 2005, and (c) the scope of the improper rebate recognition practices that C&A's outside auditors and Audit Committee were beginning to examine.

In early April 2005, STOCKMAN repeated many of these false assurances to Credit Suisse First Boston ("Credit Suisse"), in order to secure \$75 million in additional financing. These additional funds, however, were not sufficient to meet C&A's

needs and were depleted by late April 2005, according to the Indictment.

In May 2005, the Board of Directors discovered that C&A had run out of cash and had, at STOCKMAN's direction, misled C&A's investors about C&A's true operating performance. When the truth about C&A's operations and finances was revealed, C&A went into bankruptcy, its common stock became nearly worthless, and the value of its bonds plummeted, resulting in hundreds of millions of dollars in investor and creditor losses.

REBATE SCHEMES

According to the Indictment unsealed today, C&A engaged in various types of rebate schemes. First, starting in late 2001, STOCKMAN and STEPP, along with others, arranged for "round trip" transactions between C&A and a supplier, Joan Fabrics, in order to manipulate C&A's EBITDA. Over \$14 million in payments from Joan Fabrics to C&A were characterized as supplier rebates to allow C&A to account for them as cost reductions and therefore increase C&A's EBITDA. This characterization was false, however, because STOCKMAN and STEPP had agreed with the Chief Executive Officer ("CEO") of Joan Fabrics that C&A would make Joan "whole" for the payments at some point in the future. At STOCKMAN's direction, according to the Indictment, C&A repaid Joan Fabrics by systematically overpaying Joan, or entities controlled by Joan's CEO, for purchases of equipment or businesses. Thus, the \$14 million worth of transactions were round trips of cash, not supplier rebates, and should not have affected C&A's EBITDA.

The Rebate Scheme Expands

Beginning in 2002, the Indictment charges, STOCKMAN, STEPP, COSGROVE, and BARNABA responded to continued financial pressures on C&A by scheming to inflate C&A's income by systematically recognizing "rebates" from C&A's suppliers before those cost reductions had in fact been earned by C&A. C&A demanded up-front lump sum payments -- referred to by STOCKMAN and others as "rebates," "pay to play," or "slotting fees" -- from its suppliers, which were contingent on the suppliers receiving future business from C&A. According to the Indictment, STOCKMAN, STEPP, COSGROVE, and BARNABA knew that C&A could properly recognize and record supplier rebates as a reduction in cost of sales only after C&A earned the rebate from the vendors -- in other words, when C&A satisfied all the contractual terms that would entitle it to receive payment or keep any up-front lump sum payments.

STOCKMAN and COSGROVE directed employees in C&A's Purchasing Department to pull rebate income forward into the current reporting period and thereby falsely pad C&A's reported income. They knew that the rebates, which were contingent on future business, could not properly be recorded in the current quarter, and understood that, in order to record the supplier rebates in the current quarter, C&A's employees were soliciting false documentation from suppliers. Specifically, the Indictment charges, STOCKMAN and COSGROVE knew that C&A was having its suppliers complete a template letter, approved by COSGROVE, that falsely portrayed the rebates as being paid in consideration of past business, when in fact the rebates were paid based on the promise of future business. Purchasing employees, acting at BARNABA's direction, solicited this false documentation from suppliers, and, according to the charges, STOCKMAN, STEPP, COSGROVE, and BARNABA knew that it would be used to justify immediate and improper recognition of the supplier rebates in C&A's books and records and in its financial reports filed with the SEC.

Expansion Of The Rebate Scheme To Capital Equipment Transactions

The Indictment further alleges that, by 2004, because of changes in market conditions and the up-front rebates it had already sought, C&A was having difficulty obtaining new commitments for lump sum payments for suppliers. As a result, STOCKMAN, STEPP, COSGROVE, and BARNABA and their co-conspirators expanded the rebate scheme to capital equipment being purchased by C&A.

According to the prior practice at C&A, any discounts on the purchase of capital would result in a reduction of the cost basis of that asset, and would have no impact on EBITDA. However, for the sole purpose of inflating C&A's reported EBITDA and operating income, STOCKMAN and COSGROVE, with STEPP's knowledge and approval, directed BARNABA and other C&A employees to negotiate discounts on purchases of capital equipment and to falsely document those discounts as "rebates" for past purchases of non-capital items, thereby falsely inflating EBITDA. At STOCKMAN's and COSGROVE's direction, C&A obtained documentation from equipment suppliers that falsely represented the rebates as given for purchases of non-capital items or services.

STOCKMAN'S SCHEME TO DEFRAUD GECC

In January 2005, as industry pressures on C&A increased, C&A faced an unprecedented liquidity crisis.

Throughout much of the first quarter of 2005, C&A was fully drawn on its revolving credit facilities, and did not have sufficient liquidity to pay its bills. On January 6, 2005, C&A's Treasury Department prepared a daily report for GECC that revealed that C&A had to make an immediate payment to GECC of almost \$22 million. Employees in C&A's Treasury Department and STOCKMAN understood that C&A did not have sufficient liquidity to make the payment to GECC, and that not making the payment would cause C&A to default on its obligations to GECC. With STOCKMAN's knowledge and approval, employees from the Treasury Department intentionally misled GECC about the status of the daily report and the approximate \$22 million payment.

First, according to the Indictment, C&A employees, with STOCKMAN's knowledge and approval: 1) used a computer systems error as an excuse for not having generated for GECC a complete borrowing base report; 2) delayed providing daily reports due to GECC on January 6 and 7, 2005; and 3) failed to disclose to GECC that C&A owed GECC approximately \$22 million that C&A could not afford to pay. Second, STOCKMAN allegedly thereafter directed employees to commence a fraudulent invoicing scheme in order to increase the available liquidity under C&A's accounts receivable securitization facility. Following that directive, C&A employees manually invoiced millions of dollars worth of receivables over the weekend to inflate the borrowing base and mislead GECC about the default that had already occurred. Since C&A's customers had not yet agreed to pay many of the receivables invoiced over the weekend, these receivables were not eligible to be included in the borrowing base, according to the Indictment.

As a result of the early January 2005 crisis, STOCKMAN reviewed C&A's liquidity situation on a daily basis during the first and second quarters of 2005. Each day, STOCKMAN personally decided which of C&A's suppliers and creditors would get paid, and personally managed all of C&A's liquidity. According to the charges, STOCKMAN and others continued to defraud GECC by intentionally including ineligible receivables in the borrowing base of the accounts receivable securitization facility to obtain cash and increase liquidity. As described in the Indictment, the majority of these ineligible receivables -- which usually totaled over \$100 million -- were invoices to C&A's customers for equipment, or "tooling," for which the customers had not yet agreed to pay.

**FALSE STATEMENTS TO INVESTORS, LENDERS,
AND THE PUBLIC IN 2005**

The Indictment further alleges that, in 2005, based on questions from C&A's auditors and other events, STOCKMAN knew that C&A's practice of soliciting false side letters in connection with rebate transactions would likely be disclosed. Therefore, in March 2005, STOCKMAN reluctantly agreed to conduct an investigation of C&A's rebate accounting. He took control of the investigation in hopes of minimizing its scope and controlling its conclusions, as well as concealing his own and other C&A management's involvement in fraud. STOCKMAN's prepared conclusions of the investigation's findings -- presented to C&A's outside auditors with COSGROVE's knowledge -- minimized the financial impact of the rebate accounting conduct and falsely characterized the source of the rebate accounting errors as "separation of duties," rather than the intentional fraud that it was.

On March 17, 2005, C&A issued a press release and conducted a public earnings call announcing lagging 2004 financial results and disclosing the existence of an internal investigation into improper accounting for supplier rebates. To mitigate the negative impact of these announcements, STOCKMAN presented false and misleading information concerning the internal investigation into the supplier rebates. These misstatements were material in that they falsely suggested to the public, investors, and outside auditors, that the improper accounting for rebates was minor in scope and impact and did not involve intentional misconduct by senior management.

During the same call, two weeks before quarter-end, STOCKMAN provided a misleading forecast for EBITDA for the first quarter of 2005, stating that EBITDA would be between \$65-75 million, even though the most current financial information for the company showed that EBITDA would only be roughly half that figure. Moreover, STOCKMAN represented that his projection did not assume that C&A would be able to obtain cost concessions from its customers, when in fact his forecast included millions of dollars of such assumed recoveries.

During the same call, it is alleged, STOCKMAN, in an effort to hide the fact that C&A had effectively run out of cash, also provided false and misleading information concerning C&A's capital expenditures for the first quarter of 2005 and its liquidity problems. Given that STOCKMAN was managing C&A's cash position on a daily basis by that point, he was well aware that C&A could not pay its bills and was facing an unprecedented liquidity crisis.

According to the charges, STOCKMAN continued to paint a misleading picture of C&A's financial situation throughout the beginning of 2005. At each meeting or conference call described in the Indictment between March and April 2005, STOCKMAN sought to minimize the impact of the rebate accounting problem, overstate the expected EBITDA for the first quarter of 2005, and reassure investors and lenders that C&A was not running out of cash. During that period, however, it is alleged that STOCKMAN knew that the first quarter results were going to fall well below the estimates STOCKMAN had provided to the public and to lenders, and that C&A was desperate for cash.

As a result of these false statements by STOCKMAN, according to the Indictment, Credit Suisse provided C&A with a loan of \$75 million on April 8, 2005. Within weeks, however, C&A, acting at STOCKMAN's direction, had spent all of the \$75 million. As the Board of Directors began to learn of STOCKMAN's deceit and fraud, according to the Indictment, it requested STOCKMAN's resignation on or about May 12, 2005. Because it had run out of cash, C&A filed for bankruptcy on or about May 17, 2005, causing hundreds of millions of dollars in investor and lender losses.

OBSTRUCTION OF AN SEC INVESTIGATION

In August 2003, the Audit Committee of C&A's Board of Directors began an investigation of certain related party transactions, including the "rebates" paid by Joan Fabrics to C&A. Thereafter, the SEC opened an investigation into the matter. According to the Indictment, STOCKMAN and STEPP -- knowing that the Audit Committee would keep the SEC apprised of its findings - sought to mislead the Audit Committee, and directed others to do so, including by concealing the true nature of the "rebate" transactions with Joan Fabrics and by creating false and fraudulent justifications for the "rebates."

CHARGES

The eight-count Indictment charges STOCKMAN, STEPP, COSGROVE, and BARNABA each with one count of conspiracy to commit securities fraud, make false filings with the SEC, falsify books and records of C&A, commit wire fraud, commit bank fraud, and obstruct justice, and with three counts of securities fraud (arising from fraud in connection with the purchase and sale of, respectively, C&A common stock, C&A notes due 2011, and C&A notes due 2012). STOCKMAN alone is charged with two counts of bank fraud (arising from fraud on GECC and JP Morgan Chase) and one count of wire fraud (arising from fraud on Credit Suisse).

STOCKMAN and STEPP together are charged with obstruction of an agency proceeding.

The conspiracy charge carries a maximum sentence of 5 years in prison and a fine of the greatest of \$250,000, or twice the gross gain or loss resulting from the offense. Each of the securities fraud counts carries a maximum sentence of 20 years in prison and a fine of the greatest of \$5 million, or twice the gross gain or loss resulting from the offense. Each of the bank fraud counts carries a maximum sentence of 30 years in prison and a fine of the greatest of \$1 million, or twice the gross gain or loss resulting from the offense. The wire fraud count carries a maximum sentence of 20 years in prison and a fine of the greatest of \$250,000, or twice the gross gain or loss resulting from the offense. Finally, the obstruction of an agency proceeding count carries a maximum sentence of 5 years in prison and a fine of the greatest of \$250,000, or twice the gross gain or loss resulting from the offense.

OTHER CHARGES FILED IN CONNECTION WITH THIS INVESTIGATION

On March 22, 2007, former C&A Treasurer JOHN A. GALANTE entered a plea of guilty to a three-count Information charging him with conspiracy, securities fraud, and bank fraud. On the same date, the former CFO of C&A's Plastics Division, THOMAS GOUGHERTY, entered a plea of guilty to a two-count Information charging him with conspiracy and securities fraud. On March 23, 2007, former president of C&A's Fabrics Division GERALD JONES entered a plea of guilty to a one-count Information charging him with obstruction of an agency proceeding. Finally, this morning, CHRIS WILLIAMS, former head of C&A's commercial group, entered a guilty plea to a one-count Information charging him with conspiracy.

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STOCKMAN, 60, resides in Greenwich, Connecticut.

STEPP, 62, resides in Charlotte, North Carolina.

COSGROVE, 48, resides in Rochester, Michigan.

BARNABA, 37, resides in Orion, Michigan.

NON-PROSECUTION AGREEMENT WITH C&A

In light of C&A's cooperation with the Government's investigation and the current financial situation of C&A, among

other factors, the Government has entered into a non-prosecution agreement with C&A. C&A will continue to cooperate with the Government as a condition of that agreement.

Mr. GARCIA, a member of the President's Corporate Fraud Task Force, praised the efforts of the USFIS, and thanked the SEC for its assistance in the investigation.

Separately today, LINDA THOMSEN, the Director of the Division of Enforcement of the SEC, announced the filing of a civil action against STOCKMAN, STEPP, COSGROVE, BARNABA, GALANTE, GOUGHERTY, JONES, WILLIAMS, ELKIN B. McCALLUM, and COLLINS and AIKMAN CORPORATION, arising out of the fraudulent schemes described above.

Assistant United States Attorney HELEN V. CANTWELL is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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