

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

HANNA KLEINPETER-FLECK, Individually	:	Civil Action No.
and On Behalf of All Others Similarly Situated,	:	
	:	CLASS ACTION COMPLAINT FOR
Plaintiff,	:	VIOLATIONS OF FEDERAL SECURITIES
	:	LAWS
vs.	:	
	:	JURY TRIAL DEMANDED
COLLINS & AIKMAN CORPORATION,	:	
DAVID A. STOCKMAN, J. MICHAEL	:	
STEPP AND BRYCE M. KOTH,	:	
	:	
Defendants.	:	

Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Collins & Aikman Corporation ("Collins & Aikman" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of purchasers of the common stock of Collins & Aikman between May 6, 2004 and March 17, 2005, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission ("SEC") [17 C.F.R. §240.10b-5].

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1337 and Section 27 of the Exchange Act [15 U.S.C. §78aa].

4. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. §1391(b).

5. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

6. Plaintiff Hanna Kleinpeter-Fleck, as set forth in the accompanying certification, incorporated by reference herein, purchased the common stock of Collins & Aikman at artificially inflated prices during the Class Period and has been damaged thereby.

7. Defendant Collins & Aikman is a Delaware corporation with its principal place of business located at 250 Stephenson Highway, Troy, MI 48083. The Company supplies automotive interior systems, including textile and plastic products, acoustics and convertible top systems.

8. (a) Defendant David A. Stockman (“Stockman”) is, and was at all relevant times, Collins & Aikman’s Chairman and Chief Executive Officer (“CEO”).

(a) Defendant J. Michael Stepp (“Stepp”) was Collins & Aikman’s Vice Chairman and Chief Financial Officer (“CFO”) until his retirement on October 13, 2004.

(b) Defendant Bryce M. Koth (“Koth”) is Collins & Aikman’s CFO.

(c) Defendants Stockman, Stepp and Koth are collectively referred to herein as the “Individual Defendants.”

9. Because of the Individual Defendants’ positions with the Company, they had access to the adverse undisclosed information about the Company’s business, operations, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company’s operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

10. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company’s public filings, press releases and other publications as alleged herein are the collective actions of the

narrowly defined group of defendants identified above. Each of the above officers of Collins & Aikman, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

11. As officers and controlling persons of a publicly-held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded on the New York Stock Exchange (“NYSE”), and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate promptly, accurate and truthful information with respect to the Company’s financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company’s publicly-traded common stock would be based upon truthful and accurate information. The Individual Defendants’ misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

12. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of

their Board membership and/or executive and managerial positions with Collins & Aikman, each of the Individual Defendants had access to the adverse undisclosed information about Collins & Aikman's business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about Collins & Aikman and its business issued or adopted by the Company materially false and misleading.

13. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

14. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Collins & Aikman common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Collins & Aikman's business, operations, management and the intrinsic value of Collins & Aikman common stock; (ii) enabled the Company to complete an offering of \$415 million in aggregate principal amount of its senior subordinated notes; (iii) enabled the Company to enter into a new credit facility on more favorable terms than it would have had the truth been known; and (iv) caused plaintiff and other members of the Class to purchase Collins & Aikman's common stock at artificially inflated prices.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

15. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the common stock of Collins & Aikman between May 6, 2004 and March 17, 2005, inclusive (“the Class”) and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

16. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Collins & Aikman common shares were actively traded on the NYSE. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Collins & Aikman or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

17. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

18. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

19. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Collins & Aikman; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

20. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

21. Defendant Collins & Aikman is engaged primarily in the design, engineering and manufacture of automotive interior components, systems and modules. The Company supplies products from three primary categories: plastic components and cockpits, soft trim and convertible roof systems. Its products include instrument panels, fully assembled cockpit modules, floor and acoustic systems, automotive fabric and interior trim, as well as exterior trim and trim set, backlights, well slings, tonneau covers and power actuating systems.

22. The Class Period begins on May 6, 2004. On that date, Collins & Aikman issued a press release announcing its financial results for the first quarter of 2004, the period ending March 31, 2004. For the quarter, the Company reported net sales of \$1.066 billion and a loss of \$23.3 million or 28 cents per share, which included after-tax charges for restructuring, long-lived asset impairments and costs related to early extinguishment of debt of \$10.6 million (or 13 cents per

share). Defendant Stockman commented on the Company's performance, stating, in pertinent part, as follows:

We are pleased with the significant performance improvement in EBITDA before restructuring and impairment charges. For the third consecutive quarter our EBITDA results were up double digits from the prior year on a comparable basis. We are also seeing our previous problem plants turning around their financial results from the 2003 levels.

23. Collins & Aikman's financial results for the first quarter of 2004, the period ending March 31, 2004, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about May 7, 2004, which was signed by defendant Stepp.

24. On August 2, 2004, Collins & Aikman issued a press release announcing its financial results for the second quarter of 2004, the period ending June 30, 2004. For the quarter, the Company reported net sales of \$1.036 billion and a loss of 35 cents per share, which included after-tax charges for restructuring and long-lived asset impairments of \$26.0 million (or 31 cents per share). Defendant Stockman commented on the Company's performance, stating, in pertinent part, as follows:

For the fourth consecutive quarter our EBITDA performance, excluding restructuring and impairment charges was up significantly from the prior year on a comparable basis. The savings from the restructuring program that began in the third quarter of 2003 is resulting in significant fixed cost savings as indicated by our year-over-year decline in selling, general and administrative expenses.

Concerning the Company's outlook, the press release continued, in pertinent part, as follows:

2004 Outlook

The company continues to estimate net sales for the full year 2004 will be approximately \$4.0 billion. EBITDA is expected to be at the lower end of the \$355 million to \$370 million range given in our previous guidance. Our guidance for 2004 net earnings is to now range between a loss of 20 cents and a loss of 30 cents per common share. This adjustment in EPS guidance is principally due to higher than expected foreign exchange losses, slightly increased interest and depreciation and amortization expense and lower tax benefits. All of these numbers exclude the impacts of restructuring or impairment charges. Capital spending remains on track at \$150 million for 2004 as per prior guidance.

25. Collins & Aikman's financial results for the second quarter of 2004, the period ending June 30, 2004, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about August 3, 2004, which was signed by defendant Stepp.

26. On August 26, 2004, the Company issued a press release announcing that its wholly owned subsidiary, Collins & Aikman Products Co. ("Products"), completed an offering of \$415 million in aggregate principal amount of its senior subordinated notes due 2012 for gross proceeds of approximately \$400 million. The notes are guaranteed by Collins & Aikman Corporation and each of Products' domestic subsidiaries that is a guarantor under its senior credit facility. The gross proceeds from the notes offering will be used to redeem all \$400 million in principal amount of Products' 11-1/2% senior subordinated notes due 2006.

27. On November 9, 2004, Collins & Aikman issued a press release announcing its financial results for the third quarter of 2004, the period ending September 30, 2004. For the quarter, the Company reported net sales of \$864.8 million and a loss of 67 cents per share, which included after-tax charges for restructuring and long-lived asset impairments and loss on early extinguishment of debt of \$25.1 million (or 30 cents per share). Defendant Stockman commented on the Company's performance, stating, in pertinent part, as follows:

For the fifth consecutive quarter our EBITDA performance, excluding restructuring and impairment charges, was up from the prior year on a comparable basis. This was achieved despite the headwinds from increased commodity costs and OEM production cuts. The savings from the restructuring program that began in the third quarter of 2003 has generated significant fixed cost reductions.

Concerning the Company's outlook, the press release continued, in pertinent part, as follows:

2004 Outlook

Primarily due to lower third and fourth quarter Big 3 NAFTA production, we now expect our full year 2004 sales to be approximately \$3,875 million, reflecting a \$25 million decline from plan in the third quarter and an approximate \$100 million reduction in fourth quarter revenue. 2004 full year EBITDA before restructuring and impairment charges is now projected at \$335 million to \$345 million, reflecting

approximately \$25 million in lower contribution margin on reduced third and fourth quarter sales, with additional cost savings off-setting expected commodity price increases. After approximately \$150 million of depreciation and amortization charges, operating earnings before restructuring and impairment charges are projected to be \$185 million to \$195 million. Earnings per share before restructuring and impairment charges and loss on early extinguishment of debt is now projected at a loss of \$0.60 to \$0.65 per common share. Full year 2004 capital spending levels are now projected at approximately \$155 million (net of equipment leasing).

28. Collins & Aikman's financial results for the third quarter of 2004, the period ending September 30, 2004, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about November 9, 2004, which was signed by defendant Koth.

29. On December 13, 2004, the Company issued a press release announcing that Collins & Aikman Products Co. ("Products"), a wholly owned subsidiary of Collins & Aikman, and CARCORP, Inc., a wholly owned subsidiary of Products, amended their existing receivables transfer agreement related to its off-balance sheet accounts receivable financing facility. The amended terms included extending the term of the facility to March 10, 2006, and installing General Electric Capital Corporation ("GECC") as the new Administrative Agent. Additionally, Products and CARCORP entered into a commitment letter agreement with GECC whereby GECC committed to provide a new 5 year, \$300 million accounts receivable facility to replace the existing receivables facility, subject to the terms and conditions described therein.

30. The statements referenced in ¶¶22-25, 27 and 28 were each materially false and misleading when made because they failed to disclose and/or misrepresented the following adverse facts, among others:

(a) that Collins & Aikman was materially overstating its financial results by engaging in improper accounting practices. As detailed herein, Collins & Aikman has admitted that its prior financial reports are materially false and misleading and has announced that it is going to

restate its results for the first three quarters of 2004 and possibly other periods. The Company has admitted that it was improperly accounting for supplier rebates;

(b) that the Company lacked adequate internal controls and was therefore unable to ascertain its true financial condition; and

(c) that as a result of the foregoing, the values of the Company's revenue and net income were materially overstated at all relevant times.

31. Then, on March 17, 2005, Collins & Aikman issued a press release announcing that it had initiated an internal review of how it was accounting for supplier rebates. This review revealed that the Company was prematurely or inappropriately recognizing revenue. Due to the review, the Company expects to restate its results for the nine months ended September 30, 2004 to reflect the correct accounting for these rebates and is continuing to evaluate whether a restatement of its 2003 results will be necessary. The Company expects to reduce its previously reported operating income by \$10 - \$12 million for the nine months ended September 30, 2004. The press release stated, in pertinent part, as follows:

Collins & Aikman Corporation announced today the following:

-- The Company did not file its Annual Report on Form 10-K containing fiscal 2004 audited financial statements by its due date yesterday since it requires additional time to complete the review of the accounting issues referred to below, the financial reporting process, and the Company's assessment of controls over financial reporting. As permitted by Rule 12b-25 under the Securities Exchange Act of 1934, the Company today filed a notification providing that, among other things, its Form 10-K filing will nonetheless be timely filed if it is filed no later than 15 calendar days after its original due date. The audit, and other necessary work required for the Form 10-K to be filed, may not be completed within that extended time frame.

-- **During the course of finalizing its financial statements for its fiscal year ended December 31, 2004, the Company identified certain accounting for supplier rebates that led to premature or inappropriate revenue recognition or that was inconsistent with relevant accounting standards and the Company's policies and practices. The Company immediately initiated an internal review of these matters and expects to restate its results for the nine months ended September 30, 2004 to reflect the correct accounting for these rebates. The Company is**

continuing to evaluate whether a restatement of its 2003 results will be necessary. The Company presently expects to reduce its previously reported operating income by \$10 - \$12 million for the nine months ended September 30, 2004. The Company's outside auditors have not reviewed these conclusions, and additional adjustments may be required.

Preliminary Summary Results

The Company further announced today anticipated summary results for 2004, which reflect the Company's present assessment of the impact of the accounting issues referred to above, and are subject to change. The Company announced fourth quarter 2004 net sales of \$937 million compared to \$1.013 billion in the fourth quarter of 2003, a 7.5% decrease which mainly reflects reduced volumes in the fourth quarter on several key North American programs and the delay in new program launches that were scheduled for the fourth quarter. For the full-year 2004, the Company reported sales of \$3.904 billion compared to \$3.983 billion for 2003. Additional information regarding the Company's results of operations will be available via the teleconference and related slide presentation referred to elsewhere in this press release.

During the fourth quarter 2004, the Company continued to achieve solid marketing progress by adding more than \$175 million of annual newly booked business. This brings the last-twelve-months' total to over \$880 million. These programs begin with model years incepting 2005 to 2008. A significant win for the quarter included an instrument panel, cockpit and console program for a valued European customer. Additionally, the Company secured numerous contracts for our instrument panel, carpet and acoustic, accessory mat and plastic interior trim products.

The Company has completed its annual impairment test as required by SFAS 142 as of November 1, 2004 and took into consideration, among other factors, the impact of increased raw material prices in 2004, increased pricing pressure from customers, general economic conditions, the state of the automotive industry, and other factors beyond management's control. The Company determined that the fair values of its U.S. and Mexico Plastics reporting unit and its Global Fabrics reporting unit were less than the respective units' carrying values. As a result, the Company expects to recognize an impairment charge of approximately \$500 million, which will reduce U.S. and Mexico Plastics' goodwill by approximately \$325 million and Global Fabrics' goodwill by approximately \$175 million.

The Company has also performed an analysis of future taxable income and believes that there is now sufficient negative evidence and uncertainty as to the timing of when the appropriate level of taxable income will be generated in the U.S. to recover the deferred tax assets, necessitating a full valuation allowance against those deferred tax assets. As a result, the Company's provision for income taxes for the fourth quarter of 2004 includes a write down of the U.S. and Italian net deferred tax assets of \$175 million. In addition, the impact of the valuation allowance on the 2004 operating results for the U.S. and Italy was approximately \$25 million.

The above preliminary results have not been audited or reviewed by the Company's outside auditors and may be impacted by our continuing review of the accounting matters referred to herein, any expansion in the number of transactions under review and new information or situations that may arise prior to completion of the audit. These results are summary and a complete disclosure of financial statements would necessarily reveal additional information that the Company is not presently in a position to provide.

EBITDA before Restructuring and Impairment Charges

EBITDA before restructuring and impairment charges is expected to be approximately \$72 - \$73 million for the fourth quarter of 2004. The fourth quarter 2003 EBITDA before restructuring and impairment charges was \$91 million. EBITDA before restructuring and impairment charges for the full year 2004 is expected to be approximately \$320 - \$321 million. The comparable result for 2003 was \$311 million. Due to the status of the accounting investigation and the pending audit, we are not presenting net income at this time. A reconciliation of our EBITDA before restructuring and impairment charges, a non-GAAP financial measure, to U.S. GAAP operating income, our most comparable GAAP figure, is set out in the attached reconciliation schedule. The Company believes that EBITDA is a meaningful measure of performance as it is commonly utilized in the industry to analyze operating performance. EBITDA should not be construed as income from operations, net income (loss) or cash flow from operating activities as determined by generally accepted accounting principles. Other companies may calculate EBITDA differently.

Net Debt and Liquidity

The Company's net debt, including outstandings under an off-balance sheet accounts receivable facility, was \$1.613 billion at December 31, 2004. As of December 31, 2004 the Company had undrawn commitments under its revolver and accounts receivable facility, along with cash equivalents, of \$86 million. The liquidity available to the Company in the ordinary course is impacted by seasonal factors, the timing of cash inflows and outflows and the general level and timing of industry build volumes. In general, the Company's cash requirements are highest during the first two to three weeks of a month. In the first quarter, the Company's cash requirements increased due primarily to slow industry build volumes, the timing of interest payments and the termination of certain accelerated pay programs. The Company has taken several actions to enhance its liquidity position, including agreements with customers, and modifying its accounts receivable securitization facility to increase the advance rate and availability. Continued access to credit facilities in satisfactory amounts is essential to the Company. Adverse developments in our cash flows or credit terms could materially impact us.

Certain impacts of the delay in our Form 10-K filing and the accounting matters under our facilities are discussed below.

Internal Accounting Investigation and Related Matters

In the ordinary course, the Company has received and continues to receive rebates as a result of arms length transactions with its vendors. Depending upon the terms of the rebate agreement, these rebates are either recognizable in the quarter in which the rebate agreement is reached or recognized over an appropriate future period. **In the course of finalizing the Company's 2004 financial results, the Company identified certain issues related to accounting for supplier rebates that led to premature or inappropriate income recognition or that was inconsistent with relevant accounting standards and the Company's policies and practices. The Company immediately initiated a review of all vendor rebates it received from 2002 through 2004 to ensure that it has properly recognized the rebates in the appropriate quarterly period. The Company has completed its accounting review of these rebates, but expects to undertake a thorough review of its controls, procedures and other circumstances that led to the premature or inappropriate income recognition and that was inconsistent with relevant accounting standards and the Company's policies and practices.** The nature and scope of that review is under consideration. The Company's Audit Committee and outside auditors have been informed of these issues and are evaluating an appropriate course of action.

The Company's internal review of vendor rebates covered an aggregate of approximately \$88 million of vendor transactions in fiscal years 2002 through 2004. Of such amount, the Company believes that net adjustments of approximately \$10 - \$12 million, are required primarily occurring during fiscal 2004. The Company expects to restate its results for the nine months ended September 30, 2004 to reflect these revisions. The Company is continuing to evaluate whether a restatement of its 2003 results will be necessary. We have not taken into account this impact in our preliminary report of 2004 results. These preliminary results remain subject to material change and have not been reviewed by our outside auditors.

The Company is working towards completion of its assessment of internal controls over financial reporting required under Section 404 of the Sarbanes- Oxley Act and has concluded that certain material weaknesses, in addition to the matters leading to the restatement described above, existed at December 31, 2004, but its assessment of the effectiveness of the Company's control over financial reporting is ongoing and the extent of those material weaknesses remains under review. The Company's outside auditor is in the process of completing its audit of internal controls over financial reporting and has communicated the existence of material weaknesses. **The potential material weaknesses identified include the following: (i) the adequacy of the Company's resources with appropriate accounting expertise to address accounting and reporting matters in certain areas, including revenue recognition, vendor arrangements and post-retirement benefits, and to supervise the Company's decentralized and disparate accounting environment and ensure an appropriate segregation of duties; (ii) the adequacy of the Company's internal audit function's resources and ability to monitor**

compliance with established policies and procedures; (iii) the effectiveness of certain information technology controls and the sufficiency of documentation to assess the effectiveness of such controls including embedded system application controls; (iv) the adequacy of procedures to consistently identify and reconcile fixed assets and periodically review assets for impairment; and (v) the completeness and consistent adherence to Company policies and procedures. These issues include a range of documentation- related issues and reconciliation issues. Other material weaknesses may be identified as a result of further investigation of the circumstances surrounding the expected restatement arising from vendor rebates. Our review and the audit is ongoing.

While the Company has implemented remediation steps with respect to certain significant deficiencies and material weaknesses, a number of issues still need to be addressed. The Company's remediation plans include the assignment of specific resources with given timelines for each finding. Measurement criteria have also been established to monitor the progress of these remediation efforts. To ensure that the Company addresses these issues thoroughly, effectively, and timely, the internal audit department has been supplemented with the services of several outside specialists. Further required remediation will be identified and undertaken as a result of the internal accounting investigation.

Impact on Financing Arrangements

The Company intends to operate in the ordinary course, but it cannot presently comment upon the timing for completion of, or the ultimate scope or outcome of, the internal accounting investigation, the audit and the restatements. Until the audit and any restatements are complete, it will be difficult to determine the full scope of any financial restatement or prior period adjustments arising from these irregularities. Consequently, the Company is still evaluating its financial covenant compliance under its senior credit facility, as well as other compliance issues under other financing arrangements. If necessary or desirable, the Company will seek a waiver of relevant provisions.

The Company is obligated to provide audited financial statements under a number of its debt, receivables facility, operating lease and other agreements within prescribed periods. The Company relies upon its receivables facility with GE Capital Corporation for its liquidity and the unavailability of funds thereunder would be material and adverse. The Company has received waivers of various provisions of its receivables financing facility and its Hermosillo, Mexico funding arrangements, both of which are held by GE Capital Corporation, so that it will continue to provide the Company with access to financing under those facilities in the ordinary course of business until May 20, 2005, absent certain new adverse developments. The Company also intends to seek waivers and amendments of its bank credit facilities and of various lease agreements, as required or desirable. There can be no assurance that any other required or desirable waivers will be received on a timely basis and the failure to obtain waivers could be material and adverse.

Heartland Investment in Preferred Stock held by Textron

The Company also announced today that it has been informed that its largest shareholder, Heartland Industrial Partners, L.P., has entered into an agreement with Textron Inc. that gives Heartland and its designees the right to acquire all of the Series A-1 and B-1 Preferred Stock currently outstanding. It is presently anticipated that Heartland will acquire a majority of the outstanding preferred stock itself and will seek co-investors for the balance, although such co-investment may not occur. [Emphasis added.]

32. Upon this shocking news, shares of the Company's stock fell \$0.39 per share, or over 30%, to close at \$1.24 per share, on unusually heavy trading volume.

33. The market for Collins & Aikman's common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Collins & Aikman's common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Collins & Aikman common stock relying upon the integrity of the market price of Collins & Aikman's common stock and market information relating to Collins & Aikman, and have been damaged thereby.

34. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Collins & Aikman's common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

35. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading

statements about Collins & Aikman's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Collins & Aikman and its business, prospects and operations, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

ADDITIONAL SCIENTER ALLEGATIONS

36. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Collins & Aikman, their control over, and/or receipt and/or modification of Collins & Aikman's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Collins & Aikman, participated in the fraudulent scheme alleged herein.

37. Defendants were further motivated to engage in this course of conduct in order to: (i) complete an offering of \$415 million in aggregate principal amount of its senior subordinated notes; and (ii) enter into a new credit facility on more favorable terms.

**Applicability of Presumption of Reliance:
Fraud on the Market Doctrine**

38. At all relevant times, the market for Collins & Aikman's common stock was an efficient market for the following reasons, among others:

(a) Collins & Aikman's stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, Collins & Aikman filed periodic public reports with the SEC and the NYSE;

(c) Collins & Aikman regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Collins & Aikman was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

39. As a result of the foregoing, the market for Collins & Aikman's common stock promptly digested current information regarding Collins & Aikman from all publicly available sources and reflected such information in Collins & Aikman's stock price. Under these circumstances, all purchasers of Collins & Aikman's common stock during the Class Period suffered similar injury through their purchase of Collins & Aikman's common stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

40. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as “forward-looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Collins & Aikman who knew that those statements were false when made.

COUNT I

Violation of Section 10(b) of the Exchange Act Against and Rule 10b-5 Promulgated Thereunder Against All Defendants

41. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

42. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public regarding Collins & Aikman’s business, operations, management and the intrinsic value of Collins & Aikman common stock; (ii) enable the Company to complete an offering of \$415 million in aggregate principal amount of its senior subordinated notes; (iii) enable the Company to enter into a new credit facility on more favorable terms than it would have had the truth been known; and (iv) cause plaintiff and other members of the Class to purchase Collins & Aikman’s common stock at

artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

43. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Collins & Aikman's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

44. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Collins & Aikman as specified herein.

45. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Collins & Aikman's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Collins & Aikman and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Collins & Aikman common stock during the Class Period.

46. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

47. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Collins & Aikman's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

48. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Collins & Aikman's common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of Collins & Aikman's publicly-traded common stock were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the common stock trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired Collins & Aikman common stock during the Class Period at artificially high prices and were damaged thereby.

49. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding Collins & Aikman's financial results, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Collins & Aikman common stock, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

50. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

51. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

COUNT II

Violation of Section 20(a) of the Exchange Act Against the Individual Defendants

52. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

53. The Individual Defendants acted as controlling persons of Collins & Aikman within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

54. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

55. As set forth above, Collins & Aikman and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a)

of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

WHEREFORE, plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;
- (b) Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: April 13, 2005

Respectfully submitted,

LERACH COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP

SAMUEL H. RUDMAN
SAMUEL H. RUDMAN (SR-7957)
DAVID A. ROSENFELD (DR-7564)
MARIO ALBA JR. (MA-7240)
200 Broadhollow Road, Suite 406
Melville, NY 11747
Telephone: 631.367.7100
631.367.1173 (fax)

Attorneys for Plaintiff

G:\malba\complaint (collins and aikman).doc