



U.S. Department of Justice

United States Attorney  
Southern District of New York

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The Silvio J. Mollo Building  
One Saint Andrew's Plaza  
New York, New York 10007

March 23, 2007

Martine Beamon, Esq.  
Davis Polk & Wardwell  
450 Lexington Avenue  
New York, New York 10017

Re: Collins & Aikman Corporation

Dear Ms. Beamon:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York ("this Office") will not criminally prosecute Collins & Aikman Corporation or its wholly owned direct or indirect subsidiaries ("C&A") for any crimes (except for criminal tax violations as to which this Office cannot and does not make any agreement) related to C&A's participation in the conduct set forth in the C&A Audit Committee's report, dated March 21, 2007 and any other conduct undertaken on behalf of C&A by employees of C&A in place on or before May 1, 2005, to the extent C&A has disclosed such conduct to this Office as of the date of this Agreement.

Moreover, if C&A fully complies with the understandings specified in this Agreement, no information provided by or on behalf of C&A or any testimony given by any then-current employees at the request of this Office (or any other information directly or indirectly derived therefrom) will be used against C&A in any criminal tax prosecution. This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to C&A and not to any other entities or any individuals except as set forth herein. C&A expressly agrees that the protections of this Agreement shall not apply to any successor entities or purchasers, whether the successor's or purchaser's interest arises through a merger or plan of reorganization, unless and until such successor or purchaser formally adopts and executes this Agreement. The protections arising from this agreement will not apply to any purchasers of all or substantially all of the assets of C&A, unless such purchaser enters into a written agreement, on terms acceptable to the Office, agreeing in substance to undertake all obligations set forth in the Continuing Obligation To Cooperate

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paragraph. Moreover, should C&A cease to exist, as part of its plan of reorganization or any other bankruptcy proceeding, all obligations and benefits from this Agreement shall be assigned to any post-consummation trust established for the benefit of C&A.

Continuing Obligation To Cooperate

It is understood that, in connection with any matter relating to C&A's operations, finances, and corporate governance between 2000 and the date of the signing of this Agreement, C&A: (a) shall truthfully and completely disclose all information with respect to the activities of C&A, its officers and employees, and others concerning all such matters about which this Office inquires, which information can be used for any purpose, except as limited by the second paragraph of this agreement; (b) shall cooperate fully with this Office, the United States Postal Inspection Service, and the United States Securities and Exchange Commission ("SEC"), and any other investigative agency designated by this Office; (c) shall, at the Office's request, use its best efforts to assist the Office in any prosecution or investigation by providing logistical, technical, and accounting support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding, (d) shall, at the Office's request, use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, agent or employee at any meeting or interview or before the grand jury or at any trial or other court proceeding; (e) shall use its best efforts promptly to provide to this Office upon request, any document, record, or other tangible evidence relating to matters about which this Office or any designated law enforcement agency inquires; and (f) shall bring to this Office's attention all criminal conduct by or criminal investigations of C&A or their respective senior managerial employees which comes to the attention of C&A's board of directors, senior management, or trustee, as well as any administrative proceeding or civil action brought by any governmental authority which alleges fraud by or against C&A. It is further understood that C&A shall commit no crimes whatsoever. Moreover, any assistance C&A may provide to federal criminal investigators shall be pursuant to the specific instructions and control of this Office and designated investigators. C&A obligations under this paragraph shall continue until the later of (1) a period of two years from the date of the signing of this Agreement or (2) the date upon which all prosecutions arising out of the conduct described in the C&A's Audit Committee Report dated March 21, 2007 are final.

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Restitution Obligations

In light of the dire financial condition of C&A and the unlikely prospect that C&A will emerge from bankruptcy protection as a going concern, no restitution will be required by this Office.

Additional Obligations

It is understood that, should C&A commit any crimes subsequent to the date of signing of this Agreement, or should it be determined that C&A has given false, incomplete, or misleading testimony or information, or should C&A otherwise violate any provision of this Agreement, C&A shall thereafter be subject to prosecution for any federal criminal violation of which this Office has knowledge, including perjury and obstruction of justice. The running of the statute of limitations with respect to any such prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement shall be tolled from the date hereof until the aforementioned period of cooperation has expired. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any such prosecution that is not time-barred on the date that this Agreement is signed, to the extent set forth above.

It is understood that if it is determined that C&A has committed any crime after signing this Agreement or has given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, (a) all statements made by C&A to this Office, the SEC, or other designated law enforcement agents, and any testimony given by any then current officer, agent or employee of C&A before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement, and any leads from such statements or testimony shall be admissible in evidence in any criminal proceeding brought against C&A; and (b) C&A shall assert no claim under the United States Constitution, any statute, Rule 11(e)(6) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. It is the intent of this Agreement to waive all rights in the foregoing respects.

It is further understood that this Agreement does not bind any federal, state or local prosecuting authority other than this

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Office. This Office will, however, bring the cooperation and remedial actions of C&A to the attention of other prosecuting offices, if requested by C&A.

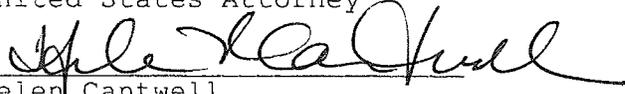
Both sides agree that this Agreement can be made public.

With respect to this matter, this Agreement supersedes all prior, if any, understandings, promises and/or conditions between this Office and C&A. No additional promises, agreements, and conditions have been entered into other than those set forth in this agreement and none will be entered into unless in writing and signed by all parties.

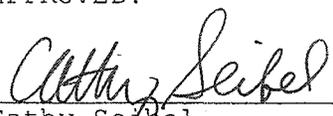
Very truly yours,

MICHAEL J. GARCIA  
United States Attorney

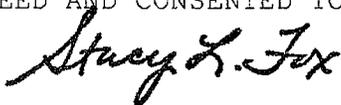
By:

  
Helen Cantwell  
Assistant United States Attorney  
(212) 637-2193

APPROVED:

  
Cathy Seibel  
Acting Chief, Criminal Division

AGREED AND CONSENTED TO:

  
Pursuant to Authority Conveyed  
By Resolution of the Board of  
Directors of C&A

3/23/07  
DATE

APPROVED:

\_\_\_\_\_  
Martine Beamon, Esq.  
Davis Polk & Wardwell,  
Attorneys for C&A

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MICHAEL J. GARCIA  
United States Attorney

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Helen Cantwell  
Assistant United States Attorney  
(212) 637-2193

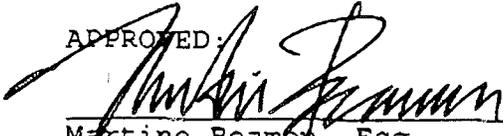
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Davis Polk & Wardwell,  
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