
INVESTORS: Pension funds put faith in auto parts supplier

BY JEFFREY MCCRACKEN

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Among the investors losing on Collins & Aikman Corp.'s plunging stock are some of the country's largest public and private pension funds.

The General Motors Corp. pension fund and California's Public Employees Retirement Fund have invested in the struggling company. Public-employee pension funds in Ohio, Pennsylvania and Florida also have stakes in Collins & Aikman, which has strong ties to the pension-fund community.

One of the investment advisers to the \$48-billion Pennsylvania Public Schools Employee Retirement System does business with Michigan executive Samuel Valenti III, who also sits on Collins & Aikman's board. Valenti also sits on the board of Heartland Industrial Partners, a private-equity firm that has controlling interest in Collins & Aikman. Attempts to reach Valenti were unsuccessful.

C&A's stock has plummeted 80 percent in the last year amid financial losses, management upheaval and a restatement of earnings.

Valenti, who advises Michigan's pension-fund system, is founder of Valenti Capital in Bloomfield Hills, which manages money for high-net-worth people. That firm in turn often invests money in another investment-management firm, North Pointe Capital in Troy.

North Pointe, which holds 809,000 shares of Collins & Aikman, advises pension funds, including the Pennsylvania public-school pension fund that has 230,000 Collins & Aikman shares. North Pointe, which has \$1.5 billion in assets, advises the Pennsylvania fund on small-cap value investments, including Collins & Aikman.

North Pointe cofounder and portfolio manager Jeff Petherick insisted there is no conflict of interest or improper influence due to his relationship with Valenti, saying his firm is just bullish on Collins & Aikman's future.

"I think they are well positioned to get a lot of new business in 2004 and 2005. I know journalists like to kick a company when it's down, but I think these new management changes will help the company," Petherick said. "The same way we are invested in Collins & Aikman, we previously put a lot of money into suppliers like (American) Axle and Lear who had horrible balance sheets and got terrific runs from them later."

Petherick, who previously worked for Valenti at Masco Corp.'s pension fund, acknowledged he and Valenti are "good friends." "Yes, we own shares of Collins & Aikman, but we have a stake in 120 different companies, so they're not the only one we own. We get evaluated by the pension fund on our performance and not just the one purchase," he said.

This potential conflict of interest nonetheless disturbs some corporate-governance experts.

"What you have is Heartland and its board members tapping into pension funds to pay for their acquisitions and investment-banking fees. What the heck is California's pension system or Pennsylvania's or any of them doing with this type of company?" asked Bill Parish, owner of Parish & Co., an Oregon-based corporate-governance and investor-analysis firm.

"These pension funds are being preyed on. It's the people who have a public pension that are taking the hit here," he said.

Valenti, a longtime senior executive at Masco, has served for 14 years on an advisory board that recommends investments to Michigan's four public-employee pension funds. None of those funds has shares of Collins & Aikman.

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