



NEWS RELEASE

UNITED STATES ATTORNEY'S OFFICE
WESTERN DISTRICT OF VIRGINIA

John L. Brownlee
United States Attorney

Heidi Coy
Public Affairs Specialist

BB&T Building
310 First Street, S.W., Room 906
Roanoke, Virginia 24011
Phone: (540) 857-2974
FAX: (540) 857-2179

January 3, 2007

FORMER BURRUSS COMPANY EXECUTIVES SENTENCED TO PRISON FOR FRAUD AND EMBEZZLEMENT

United States Attorney John L. Brownlee announced today that John Alvis Jackson, Jr., age 65, of Lynchburg, Virginia and Larry Carey, age 59, of Lynchburg, Virginia, were sentenced to prison for fraud and embezzlement. Jackson was sentenced to nine years in prison. Carey was sentenced to seven years and three months in prison.

"The criminal actions of these two defendants impacted the lives of hundreds of others. Mr. Jackson and Mr. Carey paid themselves large bonuses with money that was meant for the medical insurance costs for their employees." said United States Attorney John Brownlee. "We hope that this case sends the message that anyone who commits fraud or embezzlement will be prosecuted and punished."

Jackson and Carey were convicted of fraud and embezzlement in United States District Court in Lynchburg on March 9, 2006.

"These criminals defrauded their workers out of more than a half million dollars in retirement and health benefits. This case sends a clear message that theft of employee benefit plan assets is a serious crime that will be prosecuted to the full extent of the law," said Bradford P. Campbell, Acting Assistant Secretary of Labor for the Employee Benefits Security Administration."

According to evidence presented by Assistant United States Attorney Jennie Waering, Jackson was the President and Chief Executive Officer of The Burruss Company from 1989 until October 2000. Carey was the Vice President of Finance of The Burruss Company from 1980 until October 2000. Burruss was a company that manufactured, marketed and sold various types of wood products. Burruss had facilities in Lynchburg, Galax, Brookneal, and Gladys, Virginia as well as in Memphis and Alcoa, Tennessee, and Louisville and Monticello Kentucky.

Between August 1999 and October 2000, both Jackson and Carey made false statements to Fleet Capital Corporation, now Bank of America, by falsely inflating Burruss lumber inventory levels and falsely re-aging accounts receivable invoices in order to gain additional funds from Fleet Capital Corporation. The inflated inventory levels allowed Burruss to obtain additional cash advances to which it was not entitled. Testimony at trial revealed that Fleet Capital Corporation lost approximately \$17 million as a result of the defendant's actions. Testimony at trial also revealed that this loss was the largest loss in the Southeast Region of Fleet Capital Corporation.

In December 1991, The Burruss Company entered into an asset-based loan agreement with Barclays Business Credit. In 1995, under an amended loan agreement, Fleet Capital Corporation became the successor corporation of the loan agreement. Jackson and Carey submitted false Borrowing Base Certificates to Fleet by fax. Fleet relied on these certificates to advance funds to Burruss. After obtaining funds Burruss was not entitled to receive, Jackson and Carey chose how to use those funds and did not pay pension benefits due to employees and health care benefits.

Jackson and Carey used an account at Wachovia Bank unknown to Fleet or The Burruss Company accountants to deposit tax refunds, equipment sales proceeds, and an insurance check. From that account, Jackson and Carey paid themselves bonuses. From 1998 to 2000 Jackson received \$514,000 in bonuses and Carey received \$230,000 in bonuses.

In 1999, The Burruss Company owed The Burruss Company Money Purchase Pension Plan \$322,169.00. On October 15, 1999, Jackson falsely reported that Burruss Company had paid

the company plan this amount when in fact no such contribution had been paid. The payment was finally made on April 18, 2000, depriving employees of six months interest earnings.

In 2000, Burruss Company owed the Company Plan \$318,246.27 for the calendar year 1999 pension contribution. This amount was due on September 15, 2000 and was never paid.

From August 11, 2000 through October 20, 2000, Jackson and Carey deducted health care contributions from employee wages and failed to pay those funds to the third party health care plan administrator. On October 4, 2000, the third party administrator stopped paying the medical claims of Burruss employees. On November 7, 2000, The Burruss Company filed Chapter 11 Bankruptcy. The third party administrator filed a claim in bankruptcy court for approximately \$374,000 which represented medical claims paid by the third party administrator, and unpaid by Jackson and Carey.

Over 700 Burruss employees lost their jobs because of the actions of Jackson and Carey.

The case was investigated by the Federal Bureau of Investigation and the Department of Labor.

Assistant United States Attorney Jennie L. M. Waering and Mandy Riedel , Trial Attorney with the Fraud Section of the Criminal Division of the Department of Justice prosecuted the case.

The jury trial was held before the Honorable Norman K. Moon in United States District Court in Lynchburg from February 21 through March 9, 2006.

END