



# Department of Justice

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## **CARPET COMPANY INSIDERS SENTENCED** **IN MULTI-MILLION DOLLAR FRAUD**

### *Yarn Scheme Unravels With Exposure of Theft & Kickbacks*

Rome, GA - JOHNNY LAMAR SMITH, 54, of Bridgeport, Alabama, and WILLIAM J. PERCY, 65, of Dalton, Georgia, were sentenced to prison today by United States District Judge Harold L. Murphy on a charge of conspiracy to commit interstate transportation of property obtained by fraud.

United States Attorney David E. Nahmias said, "The carpet industry is a vital source of jobs and pride for many of our North Georgia communities. But these two defendants had no pride, using their knowledge of and positions in the industry to divert under-valued yarn to illegally obtain millions of dollars. These two insiders are about to go inside a federal prison."

SMITH was sentenced to 2 years, 6 months in prison to be followed by 3 years of supervised release, and ordered to pay restitution in the amount of \$2,499,999. PERCY was sentenced to 1 year, 3 months in prison to be followed by 3 years of supervised release, and ordered to pay restitution in the amount of \$2,499,999. SMITH and PERCY pleaded guilty to the charge on January 15, 2009.

According to United States Attorney Nahmias and the information presented in court: SMITH was a long time employee of Beaulieu Carpets, holding the position of Quality Assurance Manager at the Bridgeport, Alabama, plant. SMITH's wife also worked at the plant in the accounting department. PERCY owned Glenwood Tufters, a carpet processing company in Dalton, Georgia.

For over three years, from 2001 through 2003, using his wife's password, SMITH manipulated Beaulieu's computer system and diverted more than 3,931,000 pounds of first-quality yarn. He then sold the yarn as second-quality yarn at a price of twenty cents per pound to PERCY, when the yarn was in fact worth over eighty cents per pound. PERCY paid SMITH more than \$289,000 in kickbacks. Beaulieu sustained a loss of almost \$2.5 million. When Beaulieu discovered the loss, the company fired SMITH, and

SMITH's wife resigned from Beaulieu.

This case was investigated by Special Agents of the Federal Bureau of Investigation.

Assistant United States Attorney David Leta prosecuted the case.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/gan](http://www.usdoj.gov/usao/gan).