Judge Delays Hawker Beechcraft Bonuses Decision

Roxana Hegeman, Associated Press

WICHITA, Kan. (AP) — Hawker Beechcraft on Thursday defended its plan to pay more than $5.3 million in bonuses to eight top executives, telling a bankruptcy court that its managers are a "talented and capable group" with much work left to do before the company can emerge from bankruptcy.

U.S. Bankruptcy Judge Stuart Bernstein didn't immediately rule on the Wichita, Kan.-based plane maker's request during a hearing in New York, but he did approve a $1.9 million bonus plan for 31 lower management-level employees, according to the company and machinists union, both which had representatives at the hearing.

Bernstein said he needed more information before deciding whether to approve the larger bonuses for senior executives and requested a written summary of the day's testimony, the company said. It wasn't immediately clear when the judge may rule.

The International Association of Machinists and Aerospace Workers opposes the bonus plans, as does the U.S. Justice Department's bankruptcy watchdog agency. Both have filed formal objections with the bankruptcy court, and the union said Thursday it has no plans to back down.

"This case needs to be about what is best for Hawker Beechcraft, its employees and the city of Wichita — not what is best for a few senior executives," union spokesman Frank Larkin said.

Hawker Beechcraft spokeswoman Nicole Alexander declined to comment beyond the company's court filing earlier Thursday that defended its plan to pay the bonuses, telling the bankruptcy court that its managers are a "talented and capable group" with much work left to do before the company can emerge from bankruptcy.

Hawker Beechcraft Corp., which filed for bankruptcy in May, is owned by Onex Partners and GS Capital Partners, a Goldman Sachs private equity fund. The bankruptcy court has approved exclusive talks with a Chinese firm that has offered nearly $1.8 billion to buy the company's business jet and general aviation operations.

Hawker Beechcraft told the court in its Thursday filing that just because progress has been made on the bankruptcy, it does not mean there is nothing left to do. The company said its executives must work on two business plans at the same time: one that would reorganize the plane maker and allow it to continue as a stand-alone company, and that would prepare it to be sold.

If Hawker Beechcraft reorganizes as a stand-alone company, it still must shut down

its business jet operations — which would include closing facilities and cutting the workforce, the company said. Managers also would need to resolve the treatment of their pension plans, negotiate a new retirement plan, and secure support for the restructuring from creditors.

Selling the company's business jet and general aviation operations to Beijing-based Superior Aviation Beijing Co. Ltd. would involve obtaining multiple regulatory approvals and spinning off the company's defense business. Even if it reaches a deal with Superior, there still would be a competitive bankruptcy court auction seeking higher or better offers.

Hawker Beechcraft also noted that its executives also must run the company while pursuing both options on an accelerated timeline. It said that, in order for any bonuses to be paid, the company must consummate the stand-alone plan before Dec. 15 or close the sale of the company before Jan. 15.

The company urged the bankruptcy court to overrule the objections from both the machinists union and the U.S. Trustee agency, which is tasked with overseeing bankruptcy cases. The federal agency contends the bonus plan is essentially a "disguised retention plan" that does little other than reward managers for staying during bankruptcy reorganization.

U.S. Trustee Tracy Hope Davis has argued that there must be other factors such as "challenging standards" or "high hurdles" for debtors to overcome before they can be paid bonuses, and that Hawker Beechcraft's bonus plan did not meet those standards.

The union has criticized the "complete irony and hypocrisy" of Hawker Beechcraft's plan to pay millions to top executives while other jobs are cut and the company seeks to eliminate pension plans.

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