

# Judge Nixes Bonuses To Hawker Beechcraft Execs

Roxana Hegeman, Associated Press

WICHITA, Kan. (AP) — A bankruptcy judge nixed on Friday a proposal to give eight top Hawker Beechcraft executives up to \$5.3 million in bonuses, ruling the plan merely rewarded them for staying at their jobs.

U.S. Bankruptcy Judge Stuart Bernstein ruled that the bonus plan sought by the Kansas plane maker set the bar too low to qualify as anything other than a retention program for insiders.

Bernstein said that nothing in his opinion is meant to denigrate the efforts of top managers or minimize their contributions to the success of the bankruptcy case. But he said the so-called Key Employee Incentive Plan does not meet legal standards which require "challenging goals" before such bonuses are allowed in bankruptcy proceedings.

Senior management would have likely earned bonus pay under the proposed incentive plan merely by remaining at their jobs, regardless of the road the company takes to emerge from bankruptcy, and must therefore be denied, he noted.

The International Association of Machinists and Aerospace Workers had opposed the bonus plan, as did the U.S. Justice Department's bankruptcy watchdog agency. Both had filed formal objections to it.

"Aside from its legal problems, the bonus plan never made common sense — why should a company in financial distress pay millions to its executives for work they are already paid to do?" said Frank Larkin, spokesman for the machinists union. "We welcome the decision."

Hawker Beechcraft did not have an immediate comment on the ruling.

The company in the past has defended its plan to pay the bonuses, arguing that its managers are a "talented and capable group" with much work left to do before the company can emerge from bankruptcy.

During an evidentiary hearing last month, the court approved a \$1.9 million bonus plan for 31 lower management-level employees, but the judge sought additional written argument before making a decision on the separate bonus plan for the eight top executives.

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

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operations.

The decision came amid voting by Friday by machinists union members on whether to accept a proposal that would keep the company's headquarters for civilian operations in Wichita for at least 10 years and honor its commitment to the state of Kansas to employ 4,000 people.

Union members would need to approve a negotiated agreement that creates a new retirement income savings plan while freezing the pension. The union has recommended its approval. Even if ratified, the contract change would have to be approved by the bankruptcy court.

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