Old Claims Follow Hawker Beechcraft In Bankruptcy

Roxana Hegeman, Associated Press

WICHITA, Kan. (AP) — A long-running legal fight involving allegations that Hawker Beechcraft made false statements and misrepresentations in the sale of military aircraft to the United States is now dogging the company's bankruptcy proceedings in New York.

Former employees of a subcontractor of Hawker Beechcraft sued the company more than five years ago under the False Claims Act, which allows citizens to bring claims on behalf of the government. The complex case has yet to be resolved.

When Hawker Beechcraft filed for bankruptcy protection in May, those court proceedings were halted.

But plaintiffs Donald Minge and David Kiehl this week asked the bankruptcy court to find that their claims are not dischargeable in bankruptcy. They argued that because they are prosecuting the false actions claim on behalf of the government, the debt is owed to "a domestic governmental unit." They are also seeking costs and attorney fees.

Hawker Beechcraft has not yet filed its answer to the bankruptcy court, but the company has vehemently fought the allegations in original court proceedings. A company spokeswoman did not immediately respond to an email seeking comment.

The claims involve the sale of military training aircraft known as Texan T-6, or the Joint Primary Aircraft Training System (JPATS) trainer aircraft. It also alleges misrepresentations in the sale of specially modified King Air airplanes. At issue in the case is the sale of 48 planes, which the plaintiffs say represent misrepresentations involving all 347 planes sold.

The 151-page complaint alleges the government's damages are more than $763 million because the alleged misrepresentations induced it to accept the planes, which are now in suspect condition and will need their wings inspected or replaced.

The False Claims Act allows for treble damages — three times the amount of original damages — and the plaintiffs contend they are also entitled to $3.8 million in fines alone.

Hawker Beechcraft subcontracted with TECT Aerospace Wellington, Inc., a manufacturer of aerospace structures, to produce some parts. The suit claims that the subcontractor used unapproved processes that made the parts brittle and subject to corrosion and premature failure. It claims Hawker Beechcraft knew about the problems and didn't tell the government.

TECT Aerospace has said in court filings that any manufacturing processes it may have used that were not expressly authorized were not material to the design or airworthiness of the planes. Both TECT Aerospace and Hawker Beechcraft have aggressively defended themselves in court proceedings.

So far, the parties have combed through 410,000 pages of documents and more than 27 depositions, and have made 359 court pleadings in the case. They also hired experts and inspected two plants.

The United States notified the court in 2009 that it was declining to join the case, although the government has kept tabs on it and reserved its right to intervene at a later date.

This is not the first time claims have been made against Hawker Beechcraft under the False Claims Act. In 2007, the company agreed to pay $286,000 to end a federal investigation into what it charged the government for aircraft parts.

Investigators at the time alleged unjust enrichment by Hawker Beechcraft but found no evidence of fraudulent conduct, and the company denied any wrongdoing in that settlement agreement.

Source URL (retrieved on *07/25/2014 - 9:48pm*):
http://www.impomag.com/news/2012/10/old-claims-follow-hawker-beechcraft-bankruptcy?qt-digital_editions=0&qt-recent_content=1