Bankruptcy Judge To Grant Beechcraft Plan

Tom Hays, Associated Press

NEW YORK (AP) — A bankruptcy judge signaled Thursday that he's close to signing off on a reorganization plan for Kansas aircraft-maker Hawker Beechcraft.

"Assuming I don't have a problem with it, I'll approve it," Judge Stuart Bernstein said as he reviewed a draft plan with lawyers at a federal bankruptcy court in Manhattan.

Bernstein said he wanted minor changes in the wording of the plan before granting final approval. The judge also approved a plan to cut costs by having the Pension Benefit Guarantee Corp. take over two retirement plans.

There were no serious objections from creditors.

Lawyers for the Wichita-based company said it expects to emerge from Chapter 11 in the second half of February. The plan would preserve the current management team.

Another hearing was set for April 9.

The company has secured an underwriting commitment for $600 million in exit financing consisting of a term loan and revolving line of credit from JPMorgan Chase Bank and Credit Suisse.

The slimmed-down company, which plans to rename itself Beechcraft Corp., will focus on more profitable turboprop, piston, special mission and military aircraft, as well as its parts, maintenance, repairs and refurbishment business. It plans to shed its struggling business jet operations.

Under the reorganization plan, secured bank debt incurred before the bankruptcy as well as unsecured bond debt and certain general unsecured claims will be cancelled with those creditors receiving equity in the reorganized company. A board appointed by the new owners will take over once the company emerges from bankruptcy protection.

It is unclear yet how many employees the reorganized company will keep as it stops making business jets.

Hawker Beechcraft, owned by Onex Partners and GS Capital Partners, filed for bankruptcy protection in May. It has struggled with the sluggish business jet market more than other plane makers. It was purchased in 2007 in a highly leveraged deal just before the general aviation market tanked.

The complex bankruptcy proceedings have involved 18 entities, 5,400 employees

worldwide and $2.4 billion in debt. In addition to its Wichita headquarters, the company has factories in Little Rock, Ark.; the United Kingdom; and Mexico, as well as more than 100 service centers worldwide.

Hawker Beechcraft traces its Kansas roots to Beech Aircraft Corp., a company founded by Walter and Olive Ann Beech that began making aircraft in the 1930s.

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