

# Ex-Pace workers still grasping for closure

BY RICHARD CRAVER  
Winston-Salem Journal

**M**ove on. Two simple words that about 300 local Pace Airlines Inc. employees have struggled to do since the Winston-Salem company collapsed under the weight of crushing debt and inept management on Sept. 17, 2009.

Two years ago, the death of Pace Airlines was one of the largest corporate shutdowns in city history, made particularly melancholy because Pace was an heir to the rich aviation history of Piedmont Airlines and was the largest tenant at Winston-Salem's Smith Reynolds Airport.

An additional 123 employees were affected in out-of-state Pace operations, mostly tied to its charter-airline business.

The employees were dumped into one of the worst job markets in decades after working up to their final six weeks without pay, because most feared being denied unemployment benefits if they left. They also discovered that their health coverage had been cancelled because Pace failed to pay their premium costs.

Some employees have had to file for personal bankruptcy to fend off creditors wanting mortgage, car and other payments. Many have had to move into smaller housing to bal-

## Slow legal process

Co-owner Rodgers appears no closer to trial. Page A11.

ance their sharply reduced family income.

The downfall was overseen by William Rodgers Sr., a Missouri businessman who acquired Pace based mostly on brandishing a letter saying he had \$32 million in backing. He was later proven to have little or no money to pay for his May 2009 purchase of a floundering company, or to back up outlandish promises to employees hoping, if not praying, for a turnaround.

In his first employee meeting at Pace in June 2009, which was taped by a worker, Rodgers claimed he was going to:

- ◆ Offer free health insurance to employees;
- ◆ Build a 1 million-square-foot maintenance hangar at Smith Reynolds — twice the size of the FedEx cargo hub at Piedmont Triad International Airport.

- ◆ Oversee a \$9 billion project that would serve as "an airport development project to include National Football League venues" and had "procurement of 32 primary and satellite airport letters of intent." He also claimed to have lost \$700 million "in Sept. 11," but didn't explain how.

The company was forced into Chapter 7 bankruptcy by creditors in January 2010. Rodgers is facing one criminal count of willful failure to pay group health-insurance pre-

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Former Pace Airlines employees got information from insurance representatives on Sept. 25, 2009, outside the company headquarters on North Liberty Street.

**The lack of legal and financial closure after the collapse of Pace Airlines Inc. two years ago continues to haunt and frustrate many of its 300 former local employees.**



WALT UNKS/JOURNAL

**Former Pace Inspector Richard Kemp talked during an assembly Sept. 25, 2009, at the North Liberty Street site, where he shared information with fellow former employees about benefits for which they may have been eligible.**

## Pace

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miums — a Class H felony. He is out of jail on a \$50,000 secured bond.

Much like someone grieving the loss of a loved one, many Pace employees still grasp for closure over the loss of a job and a work family. Some had worked together for decades, first with Piedmont and then later for US Airways and then Pace.

"I haven't been able to find work and, when you're not getting paid, it works on your brain," said Art Newman, 57, of Winston-Salem, who worked in Pace's stockroom from 2006 until its end. He is owed \$3,514, according to Pace bankruptcy filings.

"There's still an empty feeling inside after two years," he said. "I can't find anything to take its place."

Even though Pace was based at Smith Reynolds, it drew mostly blue-collar employees from every Triad county, including a few married couples.

They were attracted by the relatively high pay for the maintenance work, which is why most are owed between \$2,500 and \$12,000 in back wages and unpaid vacation.



DAVID ROLFE/JOURNAL

A cannibalized jetliner, painted in the colors of the defunct Pace Airlines, and idle maintenance scaffolding sat rusting Oct. 5, 2009, beside the empty offices of Pace Airlines.

# Pace's slow legal process painful for ex-employees

Co-owner Rodgers appears no closer to going to trial than he did two years ago

BY RICHARD CRAVER  
Winston-Salem Journal

The collapse of Pace Airlines Inc. may have happened in less than four months in 2009. But for former employees, the handling of the criminal and legal follow-up has taken on a maddeningly methodical pace over the past two years.



Rodgers

William Rodgers Sr., co-owner of the defunct company, appears no closer to going to trial over his one felony criminal count than he did when he was arrested by state insurance officers on Sept. 22, 2009 — just five days after Pace was shut down for good.

Rodgers took over Pace based on a promissory note to pay \$9 million to the estate for stock in Pace Airlines LLC and Pace Airlines II LLC and take over \$6 million in liabilities. The company was forced into Chapter 7 bankruptcy by creditors in January 2010.

Rodgers faces one count of willful failure to pay group health-insurance premiums — a Class H felony. He has been out of jail on a \$50,000 secured bond.

The N.C. Labor Department has filed a claim for \$1.5 million in back wages for 423 employees with the Chapter 7 bankruptcy trustee. The department is also requesting interest on the back wages.

Edwin Allman III, the bankruptcy trustee, has said the employees' claims are ranked highest in terms of priorities after the lawyers are paid.

However, none of the former employees contacted by the Winston-Salem Journal said they are holding their breath on receiving any back wages.

"When you're counting on nothing, whatever we do get is all good, even if it doesn't make us whole," said Chad Brinkley of Lexington, a former inspector who is owed \$7,280.

The employees all want justice to prevail against Rodgers.

Some also hope the legal system extends to the people who allowed Rodgers to take over Pace — the trustees in charge of the estate of the late Bob Brooks, the founder of the Hooters restaurant chain.

Most of all, even when the recollections of Pace's final months still tears open scars for some, the employees don't want their ordeal to be forgotten.

"I held on to the very last day because I believed in Pace even as I lost faith in the new owner when the paychecks dried up," said Anthony Johnson, 68, of Clemmons, who is owed \$8,687 for his work as an aircraft maintenance controller. He is getting by on Social Security and a US

## Pace Airlines timeline

- ◆ The roots of Pace Airlines Inc. go back to 1940 and Piedmont Aviation Services Inc., an aircraft-maintenance company and the forerunner to Piedmont Airlines.
- ◆ In 1987, US Air Group Inc. bought Piedmont Aviation for \$1.6 billion, a deal that eventually stripped away 5,100 local jobs and most of Piedmont's local operations.
- ◆ In July 1992, Piedmont Holding Co. Inc. bought the maintenance part of Piedmont Aviation. In 1996, it established Pace Airlines so it could fly larger planes for its charter-airline service.
- ◆ In December 2002, Robert Brooks, founder of the Hooters restaurant chain, bought Pace to take its hotties-in-tight-shirts concept to commercial-passenger service. He grounded the airline in 2006, citing rising fuel costs and a decline in passengers.
- ◆ In July 2006, Brooks died, leaving his son, Coby, in charge of Hooters of America and as chairman of his estate's board of directors. For nearly three years, the estate provided just enough money for the caretaker management to keep the company in business.
- ◆ After multiple attempts to sell the company, the estate accepted on May 28, 2009, an offer from William Rodgers Sr. He signed a promissory note to pay \$9 million toward the stock of Pace Airlines LLC and Pace Airlines II LLC, as well as \$6 million in liabilities.
- ◆ By late July 2009, Pace was falling behind on paying employees.
- ◆ By the time it shut down on Sept. 17, 2009, most employees had not been paid in up to six weeks and the company had not paid employees' health premiums to Blue Cross Blue Shield of N.C.

Source: Winston-Salem Journal research



Newman



Hamby

landed work because former Pace colleagues looked out for them with hiring recommendations.

However, some workers have found themselves back in the job market, whether losing their job through a restructuring by Dynamic or the August shutdown by Victory Jet LLC.

purchasing job by Dynamic about a year ago.

Asked if he was leery going back to work for an aviation company, Hamby feels confident in Dynamic's future despite its recent restructuring, saying, "they have a strong parent company."

Although Hamby is commuting again, he said he tries not to dwell on Pace's downfall even as he hopes justice is served.

"I'm not going to lose sleep over whether Rodgers is found guilty or not because there's nothing I can do about it," Hamby said. "I expect the bankruptcy trustee will have a pretty good payday from Pace, but the rest of us likely won't."

Brinkley, an inspection officer for 5½ years for Pace, felt he was "swimming upstream" for the first eight months after the company's collapse even though he said he had "skills that translate beyond airplanes."

He said the responsibility of paying a mortgage and providing for his wife and three small children weighed heavy on his shoulders.

His plight ended in May 2010 when he was hired — on recommendation by a former Pace colleague — on a contract basis as a tooling engineer by Honda Aircraft Co. for its operations at Piedmont Triad International Airport. Brinkley became a full-time employee in November.

After the Forsyth County District Attorney's Office took over the case in September 2009, a preliminary hearing in District Court was continued five times before the case was assigned to the N.C. Attorney General's Office in September 2010. The hearing has been continued at least once since.

Noelle Talley, a spokeswoman for the attorney general's office, said last week that she had no update on its investigation.

"It's a complicated case, and attorneys with our office are continuing to work on it," Talley said. "The attorney who was originally handling it for our office retired, and the case has been reassigned."

In August 2010, the N.C. Labor Department filed a claim for \$1.5 million in back wages for 423 employees with the Chapter 7 bankruptcy trustee. The department is also requesting interest on the back wages.

Dolores Quesenberry, a Labor Department spokeswoman, also said last week that she had no update on its claim.

Edwin Allman III, the bankruptcy trustee, has said the employees' claims are ranked highest in terms of priorities after the lawyers are paid.

Allman has been successful in adding to the Pace estate's assets. Counting the \$9,500 gained from the sale of two pieces of company property last week, there is about \$403,000 in the estate.

Allman requested last week that the bankruptcy court judge approve a \$32,000 offer from a buyer wanting some of the defunct company's tooling equipment. A hearing has been set for 2 p.m. Oct. 12 in the U.S. Bankruptcy Court in Winston-Salem that could draw other bidders.

The bulk of the potential recovery for the employees could come from two legal proceedings Allman is pursuing.

He has received permission to pursue \$1.46 million from a South Carolina tourism company based on a breach-of-contract lawsuit filed by Pace shortly before its collapse. The lawsuit involves a dispute with South Carolina Tourism LLC, which

"I had every intention of working until 70 at Pace because I really enjoyed my job," Johnson said. "Since then, I did a lot of employment searching, attending job fairs, but never found suitable employment. Eventually, I just accepted my fate and accepted forced retirement."

Many former employees are languishing in the job market, barely getting interviews, much less responses to applications that seem to go into an Internet black hole.

As their unemployment benefits have run out, they have struggled to keep their homes and their dignity.

Newman, a 30-year industry veteran, commuted for nine years to US Airways operations in Charlotte. Going to work for Pace was "a godsend" — like coming home, he said.

Even though Newman said he knew Pace was in trouble because of the missing paychecks and misleading memos from Rodgers, he stayed out of loyalty to the company and his co-workers.

However, Sept. 8, 2009, proved to be a crushing day in two ways for Newman. Just 15 minutes after he was told his job was being eliminated, he learned his ailing

mother, Polly, had died. The lack of pay, and fear of losing his job, had kept him from visiting her when she was dying in Florida.

"I feel I still haven't properly grieved the loss of my mother because of all the worry and energy I've spent on trying to find work," Newman said.

"At first, even though I knew Pace was struggling, I wonder why I was chosen for being let go. I took it personal, and it gave me a lot of self-doubt."

Newman and his wife, Carol, have struggled to keep their home of 23 years, falling behind on their mortgage with Bank of America Corp., as his unemployment benefits ran out in August. They have grown weary of the run-around in their attempts at securing a loan modification.

Newman's only job interview was for an \$8-an-hour job at a retailer that couldn't promise more than 30 hours a week. At the time, he was receiving more money in unemployment benefits.

"Neither amount is going to make a house payment," Newman said.

Some employees were able to gain work within months of the collapse, many with Triad aviation companies such as Timco, Dynamic Airways and Honda Aircraft Co.

In many instances, they

Thomas Cartwright of Pfafftown is back in the job market after Victory Jet ended its attempt at gaining federal certification as a charter-airline company.

He was hired by Dynamic just four months after the Pace shutdown and stayed 13 months before taking the gamble on Victory Jet. In both instances, Cartwright's 10 years of doing maintenance work at Pace got him hired.

Cartwright, who is owed \$9,137 in Pace wages, said he wants to stay in the aviation industry despite losing his job twice.

"I've been in it for 32 of my 51 years on this Earth," he said. "I know when it's done right, it can be a great job."

Ken Hamby of Pfafftown was another legacy Piedmont and US Airways employee let go in the Pace collapse.

Not only was he owed \$7,725, but he entered the job market when three of his four children were reaching college age. He went to work for Pace in 2007 to be closer to home because "I was missing too many of their functions" while working in Charlotte.

Hamby went six months without a job before taking a job with a cargo company in Badin. His Pace connections helped him get hired for a

"I know I was one of the lucky ones, getting to work for such a great company," Brinkley said.

Brinkley estimates there are at least two dozen former Pace employees working at Honda Aircraft, meaning it has hired about 8 percent of the local Pace workforce.

"The Pace guys always try to keep their ears and eyes open for job opportunities, watching each other's back," Brinkley said.

He said it still feels surreal to look back on Pace's collapse, particularly considering how delusional Rodgers appeared to him during his first speech to employees in June 2009.

"I try to live by faith and feel blessed to move on because I know so many families who haven't been able to," Brinkley said.

"I just hope that some business school or employment law firm will examine how Pace collapsed and perhaps figure out a way to legally keep others from having to go through what we did.

"That might be the best sense of closure any of us can hope to expect."

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Journal librarian Kate Kapetanakis contributed to this report.

In July, Allman filed a request that the estate of Bob Brooks return \$800,000 to the defunct company that Rodgers used toward his purchase obligation. Allman said there has not been a response from the estate.

Brooks was the founder and chairman of Hooters of America Inc. when he bought Pace in 2002 to convert its charter-airline service to Hooters Air. However, his idea for taking the hotties-in-tight-shirts concept into commercial-passenger service failed quickly.

After Brooks' death in July 2006, the estate controlled Pace until Rodgers took over. Allman said Pace was nearly insolvent at the time of Rodgers' acquisition. He said Pace was not obligated to make the purchase payments for Rodgers to the estate.

Attorney fees are likely to eat into any money that comes from the lawsuit or the legal action with the Brooks estate.

Allman said a final report will be filed that will set all receipts and disbursements and proposed distributions. "This will not occur until all assets have been reduced to cash or abandoned," he said. His projected timetable for completing that task has been the end of 2013.

Former employee Wayne Gunter of Lewisville, who is owed \$5,000, said he's "just about given up hope that anything will come of it, charges against Rodgers and any recovered money."

"You really haven't seen the legal system put much emphasis on our case. It's almost like they are willing to just let it go as much as they seem to be investigating it."

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