

Pace is put under court

It's forced to liquidate, appointed lawyer to find its owner, assets

By Richard Craver
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Pace Airlines Inc. has been put in involuntary bankruptcy, with a local attorney tasked with determining its owner and sifting through its ashes for assets to pay creditors.

Edwin Allman III was appointed Dec. 29 as the Chapter 7 trustee for Pace by Thomas Waldrep Jr., a U.S. Bankruptcy Court judge for the Middle District of North Carolina. Allman is with the law firm of Allman Spry Leggett & Crumpler PA in Winston-Salem.

Three creditors, including the Airport Commission of Forsyth County, filed the petition Dec. 2.

The ownership of Pace has been a mystery since Oct. 27, when Dudley Witt, an attorney for the corporation, said that William Rodgers was no longer the owner as of Oct. 25.

No one representing Pace came forward to respond to the involuntary-bankruptcy petition. Rodgers, 59, of Liberty, Mo., is listed as its registered agent.

"I will examine corporate officers under oath to determine the ownership, and creditors can be present to ask their own questions," Allman said. He said that a creditor hearing has not been set by the judge, in part because there is not a complete list of creditors identified and notified.

"The goal is to try and make the best of a bad situation and gain as much for creditors as possible," Allman said.

In other developments, the Federal Aviation Administration said that Pace relinquished its charter-airline certificate on Dec. 31.

The airline voluntarily suspended the certificate Sept. 17. The FAA requires the surrendering of the certificate after 90 days of inactivity.

The other creditors are Piedmont Aviation Services LLC of Kernersville, which supplied aircraft parts to Pace, and Triton Aviation Services Ltd. of San Francisco, which leased aircraft

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to Pace for its charter-airline business.

They claimed a combined \$4.8 million against Pace — nearly \$2.3 million by Piedmont Aviation, nearly \$1.5 million by Triton and \$1.04 million by the airport commission for back lease payments.

The commission evicted Pace from its Smith Reynolds Airport operation in October because it had not made a monthly lease payment since October 2008. It filed a lawsuit against Pace Oct. 20.

Other creditors include about 400 former Pace employers, including 300 locally. They are owed up to six weeks of pay from early August until Pace ceased operations on Sept. 17.

Rodgers acquired Pace last May from the estate of Bob Brooks, the former owner of Hooters Air. He took over the company based on a promissory note to pay \$9 million for stock in Pace Airlines LLC and Pace Airlines II LLC and take over \$6 million in liabilities.

Rodgers told employees he was wealthy, an aviation expert and had access to tens of millions of dollars in investor capital. But the company collapsed within

four months of his taking over.

On Sept. 22, Rodgers was charged with one count of willful failure to pay group health-insurance premiums — a Class H felony — by the criminal-investigations division of the N.C. Insurance Department.

The Forsyth County District Attorney's office is handling the case.

Rodgers also faces potential charges from the N.C. and U.S. labor departments regarding non-payment of wages. Agency officials said last week that investigations are continuing.

Part of Allman's challenge is determining whether claims against Pace can be weaved back to the Brooks estate. It is unclear whether there are legal implications for the estate if it can be proven that Rodgers did not have the financial wherewithal to acquire Pace.

"We're not sure if Rodgers ever really completed his deal with the estate considering the promissory note and the way the company went down so quickly," said Tom McKim, the chairman of the airport commission.

"We realize this is not going to be an easy case, but we hope the trustee

can acquire the documents necessary to determine the owner by corporate law."

Allman said that the cost of handling the bankruptcy case would be paid first, then creditors. He believes employees "would be pretty high up" the list of creditors.

Allman said that the most that individual employees can expect in back wages is \$10,950, according to bankruptcy law. The law covers the last 180 days before a company goes out of business.

Jeff Catlin, a former employee in Pace's parts department, said that even as he's losing hope of getting his five weeks of back pay, he's becoming more disconsolate with the pace of the various investigations. Catlin has been at some of Rodgers' court appearances.

"I'm afraid that the cases are going to become rusty enough that they eventually stop moving forward," Catlin said.

"The pay would come in handy, sure, but most of us are not holding our breaths.

"We just want to see some justice served on Rodgers and all those responsible for the downfall of Pace," Catlin said.

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