

Pace Facing Second Probe

Complaint: Company not paying insurance

By Richard Craver
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Pace Airlines flew into more financial turbulence yesterday with news that the N.C. Department of Insurance is investigating whether the company has withheld premium payments to insurers.

The agency said it is investigating a complaint filed with its criminal-investigation department by the U.S. Department of Labor.

The complaint says that Pace has been deducting insurance premiums from employee paychecks but not paying the premiums to insurers. The federal labor department has jurisdiction since health and pension benefits are connected to the federal Employee Retirement Income Security Act.

Employees told the *Winston-Salem Journal* this week that they have either received notification of coverage cancellation by insurers or been told by health-care providers that their insurance was no longer active.

The insurance investigation is at least the second facing Pace, a charter airline and third-party maintenance company that has maintenance and training operations at Smith Reynolds Airport. The company is estimated to have more than 400 full- and part-time employees, including about 300 locally.

On Aug. 21, the N.C. Department Labor said it had opened an investigation related to at least four employee complaints about not being paid

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last month. Employees say that they are due one or more two-week paychecks and that they have grown weary of management's statements and excuses for not making payroll.

Officials with the Federal Aviation Administration and the U.S. Department of Transportation said this week that the agencies are closely monitoring the financial status of Pace as it potentially affects the security and safety of its business units.

Kristin Milam, a spokeswoman for the state insurance department, said that there are two state laws involved in the case — failure to pay the premium to insurers and failure to give employees a 45-day notice that it is canceling its insurance coverage.

Milam said that agency officials are trying to determine whether state law includes dental, vision and specialized health insurance in regard to the 45-day notification requirement.

"There are more of these cases lately, particularly involving small businesses, because of

the bad economic times," Milam said.

For example, a businesswoman in Southport was arrested Tuesday and charged with one count of willful failure to pay group insurance, a Class H felony, Doranne Flynn, by withholding premium payments, caused the cancellation in November of health insurance from Blue Cross and Blue Shield of North Carolina for her two employees, according to the arrest warrant.

They say they are afraid to leave the company for fear they won't get paid back and that the company will fight their unemployment claim.

Employees said yesterday that the owner of Pace, William Rodgers Sr., continues to tell them that he is negotiating to either sell the company or find an investor to help him make payroll.

Larry Parker, a spokesman with the N.C. Employment Security Commission, said that employees "are in a very stressful situation" because some concerns are valid.

Rodgers bought the company in June and pledged a 120-day program aimed at putting the company in a better financial status. He has made just one brief public comment since the wage issue surfaced.

He said that employees are eligible for unemployment benefits for unemployment benefits work fewer than 24 hours a week.

Instead, Continental Airlines ended its business agreement with Pace on Aug. 28, a lucrative piece of maintenance and modification business that began in late 2007 and was supposed to run through at least 2010.

Since then, the employees

Parker said he could not say whether Pace has been making its unemployment-insurance tax payments to the commission.

If Pace hasn't, the commission could take legal action that would include shutting the

company down for not paying the tax.

Dolores Quesenberry, a spokeswoman for the state labor department, said that part of the agency's duties in cases where an employer is not paying wages

is "to pursue all the pay for employees for all the hours they have worked."

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