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Section: METRO**Edition:** ONE**Page:** 1D**CONTRACT, LOAN DATES SIMILAR**

TRUSTEE: TIMING IS COINCIDENCE` <

CAROL D. LEONNIG, Catawba Valley Bureau

The secret Catawba Memorial Hospital contract revealed last week would lengthen the life of an advertising agency and help ensure the agency would repay a \$100,000 loan.

The new contract, extending an old agreement with Advertising Associates Inc. that ends in December, would require the hospital to continue paying the hospital-owned agency a monthly retainer until December 1994.

That's about the time Southern National Bank, where hospital trustee Ron Lindler is president, has scheduled Advertising Associates Inc. to finish paying its five-year \$100,000 startup loan.

Hospital trustees meet Monday to decide whether to reprimand hospital President David Rice for making this deal without their approval. Several trustees said they're angered by the extended contract because the hospital had intended to sell the financially flailing agency in June. The trustees and hospital attorney said they consider the new contract invalid because trustees didn't know about it.

Rice said Saturday he never intended to keep the contract secret, but

merely extended the contract in January to continue the relationship with AAI. He wanted to continue what he thought was an efficient relationship with AAI. He has said he doesn't remember why he picked December 1994 as an extension date.

AAI President Dale Brill said that when Rice suggested the extension, Brill figured it would boost the agency's overall finances. Brill said he never realized that the due date for the bank loan and the end of the contract were the same.

"It made AAI more attractive as a company and it gave greater security to the agency," Brill said. "If you've got a client who's willing to extend, you're a fool for not extending it."

The new contract certainly made AAI more attractive. Indeed, if the agency was sold, the new terms would have guaranteed the buyer a big advertising client - at least \$800,000 worth of business - for 2-1/2 years.

Lindler said he didn't learn of the new contract, signed by Rice on Jan. 16, until late April. Lindler said that as a trustee he has intentionally kept his distance from the AAI loan arrangements and he didn't know the bank loan was due in full January 1995.

"It's merely a coincidence," Lindler said. "I did not have any idea that that paralleled the bank contract."

He stressed that the bank has never worried about the loan being repaid, because AAI's computers and other equipment could be sold to cover the debt.

When the agency borrowed \$100,000 to begin business in January 1990, the Southern National loan agreement listed the hospital contract as agency collateral. In other words, the bank considered the hospital's business part of its insurance that the agency would pay the money back.

AAI has been paying a little more than \$2,200 each month in principal and interest since January 1990, records show. The loan agreement calls for 59 payments, at the prime lending rate plus 1 percentage point. The agency now owes about \$60,000.

Monday night, Lindler is expected to present a proposal for shutting down the agency. Catawba County businesspeople and taxpayers have criticized the county hospital for entering a nonmedical business and for spending \$1.2 million on advertising last year. Trustees said they asked Lindler to hurry his review of the agency's finances after they learned of the new contract at an emergency meeting Tuesday.

Lindler has this task because he is board chairman of the Catawba Medical Foundation, the hospital's fund-raising arm and owner of AAI.

Lindler said Saturday he's been looking over agency finances and has not concluded whether it would be better to sell or liquidate the agency. He said the determining factor is whether the agency has value after all of its creditors are paid. He said he won't make that decision, but will simply present his review to the board.

Illustration:PHOTO

Lindler

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