FADING HOPE: LAST OF A SERIES

Empty promises were fuel for Pace

JOURNAL PHOTO BY DAVID ROLFE

Pace Airlines was grounded less than four months after William Rodgers Sr. took over.

By Richard Craver
JOURNAL REPORTER

For nearly three years, the ownership of Pace Airlines Inc. had one command for the caretaker management.

"There was no direction from ownership except 'keep it afloat and sell it,'" according to an official who worked with Pace management while it was owned by the estate of Robert Brooks. Brooks, the former owner

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• **On the Web:** Go to www.journalnow.com to read more coverage on Pace Airlines.

Pace

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of Hooters of America Inc. and Hooters Air, died in July 2006.

Employees for the charter and maintenance company were paid, but many were under salary freezes, and operational budgets were stretched thin. The management fell behind hundreds of thousands of dollars on lease payments to the Airport Commission of Forsyth County. According to the Myrtle Beach *Sun News*, Hooters Air had at least $8.9 million in creditor claims at one time.

RODGERS

That was the dire situation at Pace when William Rodgers Sr. entered the picture in March. He was aided by Darrell Richardson, a former Pace executive under Brooks who was itching to run the company again after four years as an aviation consultant.

Rodgers claimed to be just the tonic that Pace needed.

He told employees that he was wealthy and an aviation expert, and that he had access to tens of millions of dollars in investor capital. A letter to the U.S. Transportation Department boasted that "he was extremely well qualified to serve as the sole owner, chief executive and chairman of Pace."

"I have the financial resources to make sure we can ante in whenever necessary," Rodgers said in his first meeting with Pace employees in June, which was videotaped. He also said he was not going to put in $20 million and let "everyone take a breather" at his or the company's expense.

Yet, because of Rodgers' inability to produce capital, whether his own or investors' money, Pace was grounded less than four months after he took ownership.

Its operations at Smith Reynolds Airport were suspended and almost all of its 400 employees let go in two mass layoffs. Most employees were not paid for work done in August and September.

Rodgers faces at least one felony charge of willful failure to pay group health-insurance premiums, with other charges pending. His next court appearance in Forsyth District Court is set for Friday.

Financial woes

A background check on Rodgers reveals that he was far from a clean credit risk, especially in a time of very limited loans by financial companies and investors.

Rodgers filed for personal bankruptcy in 1999 and for Chapter 13 bankruptcy protection in 2002 for two software companies, Rodgers Enterprises and Nescrow Technologies Inc.

A resume submitted to the U.S. DOT lists software breakthroughs for FedEx Corp., United Parcel Service and Yahoo! by Nescrow. Officials with FedEx and UPS could not verify Rodgers' claims.

There are civil and federal liens and judgments against Rodgers and his wife, Rhonda, including from the Internal Revenue Service, the state of Missouri and two financial companies.

Despite Rodgers' suspect financial status and lack of airline-management experience, the estate gave him the keys to Pace on May 28 based on a promissory note to pay $9 million for Pace stock and take over $6 million in liabilities. Estate officials could not be reached for comment.

Pace has vast experience in providing charter service — leasing Boeing aircraft and providing flight crews — for professional sports teams, entertainers and even foreign government officials.

Rodgers wanted to ramp up the charter

business through a new brand, Allstar Airlines, which primarily would cater to fans of college and professional sports teams. His goal was combining Pace with another of his entrepreneurial projects, Aerodrome Development Corp.

On his resume, Rodgers said that Aerodrome was involved in a $9 billion project that would serve as "an airport development project to include 32 NFL venues" and had "procurement of 32 primary and satellite airport letters of intent."

Rodgers' resume stated that JE Dunn Construction of Kansas City, which builds sports and entertainment venues nationwide, had been hired as the national construction manager. Greg Nook, a spokesman for JE Dunn, said he could confirm only that the company had met with Rodgers.

Wanting to believe

As Rodgers took over the company, he played to the uncertainty surrounding Pace.

"This company, not you, is in a mess," Rodgers said while meeting with employees. "I acquired $15 million in debt by buying this company. That's OK. I can handle that. This company, to me, is a $300 million company."

To assure employees of his financial wherewithal, Rodgers:

❑ Claimed he lost $700 million "in Sept. 11," but didn't explain how.

❑ Pledged he would take $1 a month in salary.

❑ Committed to building a 1-million-square-foot maintenance hangar at Smith Reynolds — twice the size of the FedEx cargo hub at Piedmont Triad International Airport.

❑ Promised free health insurance for all employees over time. "We're going to show the government of the United States how to create a health-care program," Rodgers said.

Even though some employees said that red flags popped up during Rodgers' speech, their desire for the company to be saved gave him a benefit of the doubt that they now deeply regret.

"We all loved this company through all of its problems," Scott Michael said. "So when this

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guy tells you he's going to straighten the company, that he recognizes you've been mistreated, ears perked up for some people.

"Some of us, though, thought he had a Jesus Christ complex."

Status in limbo

Pace's finances began to unravel shortly after Rodgers took over.

Employees had become nervous enough about their pay by Aug.

.... Do you see one-third of our work force furloughed?" Rodgers asked. "Do you see anyone whose medical benefits have been cut off? Do you see anyone who's not allowed to take their paid vacation time? Enough said."

All of which, however, came to pass within a month.

Rodgers also is facing an investigation by the U.S. and N.C. Labor Departments for nonpayment of wages. At least 437 employees have filed complaints with the state agency.

Administration to resume operations.

Stuart Carnie, one of Rodgers' executives with Pace, and Rodgers insist that Pace will fly again.

"We came into the company with every intention of implementing those programs, and in the growth phase, we will still implement those programs," Carnie said.

When asked if the officials had regrets about making all their grandiose pledges, Carnie said, "They were honest and truthful statements. A good company doesn't go bad in 90 days."

former Pace management officials that Pace was current on premiums to Blue Cross when Rodgers took over the company. Officials with the department and Blue Cross declined to comment.

Holton said that Rodgers welcomes an audit of Pace's books before and after he took over "to clear up any potential gray areas."

A previous Pace management official said that Rodgers should have known what he was agreeing to acquire since he had access to all company documents.

Storied history

The roots of Pace go back to 1940 and Piedmont Aviation Services Inc., an aircraft-maintenance company and the forerunner to Piedmont Airlines.

In 1987, USAir Group Inc. bought Piedmont Avia-

"chicken wings."

It was clear that Hooters Air and Pace were a financial drain on the estate. A June 2007 story in the Myrtle Beach *Sun News* reported that there were at least nearly $9 million in creditor claims just against Hooters Air. The entire estate faced $54 million in claims.

With potential buyers coming and going for nearly three years, Rodgers entered the picture in late March, boasting of his wealth and access to at least $30 million from unidentified investors.

Verifying Rodgers' claims, however, have proven as clear as flying through a dense early morning fog.

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