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Another variety of banker

[New Mexico Business Journal, Dec. 1997](#) by [Nancy Traver](#)

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Centuries ago, merchant bankers stood on the nation's greatest port cities. As towering ships were unloaded, these bankers bought all variety of goods, only to turn around and sell them to merchants who would then send them to mercantiles and trading posts all over the country. A wily bunch, these specialized bankers were risk takers, problem solvers and partners with merchants.

The concept holds true even today. There are only a couple of handfuls of merchant bankers in the country, but one lives and works right here in Albuquerque. George Lovato Jr. says what he does as president and general manager of his company, B.H. Capital Limited, is "a sort of hybrid between commercial banking and investment banking." He says, "We try to utilize all the tools available to us - commercial credit, financing structures, equity structures." Lovato, 40, who got his start in business in rental cars back in the early 1980s, calls merchant banking "a more pro-active approach to finance than you'd find at a commercial bank."

An affable man with a wide grin and a shoulder-length ponytail, Lovato offers a case in point to illustrate what he does for a living. A company president, after going to his bank, will come to Lovato. The bank has looked at his financial statements and offered to make him a certain loan, but only if he can secure some equity. The company owner says, "I know I need equity, but how can I get it?" According to Lovato, that's where the merchant banker steps in.

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In some cases, a business may not need equity, but needs a commercial credit structure instead. Lovato says he does it all: working capital loans, refinancing, fixed asset financing, operating lines of credit, equipment financing, equity structure, expansion loans, turnaround financing, capital leasing or bridge loans. "We do resolve problems," he states. "We figure out why a business can't solve its own business future. We give all kinds of solutions - to accounting problems, personnel issues, you name it."

Lovato explains that 75 percent of his clients come to him very late in the game. Some are in trouble; he often works with companies that are in bankruptcy or need to go into bankruptcy in a hurry. "You have to react to a client's needs," he says. "You have to be sensitive to the fact that their heart rate is already at 120 when they get to your front door."

Much of merchant banking then, is fast turn-around work that sets a very intense pace. That, according to Lovato, is why a lot of people shun the idea of getting into it. "There's not a lot of tolerance for crisis management in the finance industry," he says.

James Renfrow, president of the New Mexico Bankers Association and also president of Carlsbad National Bank, says federal restrictions on commercial banks also keep them from doing some of the tasks that a merchant banker can do. He says a lot of merchant banks are involved in international transactions that are primarily trade related. "Some of that is done by the big banks in New Mexico, but it is not a big part of their business," he says.

But merchant banking is just about all of what Lovato does. He operates out of an office in southeast Albuquerque, casually dressed in jeans and a polo shirt. But when he's putting together a deal, he criss-crosses the country and works until 9 p.m., seven days a week. At that point he's assessed his client's situation, closely examining all aspects.

"We've evaluated the shortfalls and designed solutions around the shortfalls," he states. "By then, the lenders know all the corrective measures have been taken."

Lovato notes that he works with clients for at least five years, so that the borrower knows he can ask for more help, and he'll get it. "That's the fun part of it - actually getting them to the point they can finance their own future," he says.

When not in the middle of a crisis, he is on the phone a good deal of every day, keeping up with developments in the banking industry. "I constantly stay abreast of new products, resources, who's looking to put out certain types of money," he says. "I'm listening to the competition."

He markets nationally through a large direct mail campaign, sending out a couple of thousand pieces of mail every month. Lovato also works with a number of consortium members, including a government relations professional, two lawyers, two accountants, two consultants and two bankers.

Lovato took a roundabout route into the banking business. After graduating from the University of Albuquerque with an associate of arts degree in health sciences, he served a short stint as a floor nurse at Presbyterian Hospital. That quickly convinced him that nursing was not the path to prosperity. When his father, a former state commissioner of motor vehicles, formed New Mexico Automobile Dealers Services to process title transfers for local dealers, Lovato signed on as executive vice president and director of marketing.

He entered the car rental business, creating a company called Kent Rite. It thrived and, at the age of 30, he took it public. The market crashed in 1987 and he sold out in 1989.

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In those days, when he was trying to get financing for his company, there wasn't a single source he could go to. He knew investment bankers, but they weren't interested in taking a risk on a young guy. Lovato says it was this experience - of having to hunt for financing and finally patching something together - that taught him the skills he would eventually need to become a merchant banker. He recently hit his ten-year mark in the business.

"I enjoy finance, but I didn't go to the Wharton School of Business. "I got a million dollar education," he says with a grin," and I truly paid nearly a million dollars for it."

Nancy Traver is an Albuquerque freelance writer who reports frequently for the New Mexico Business Journal.

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