

# Things Turning Out 'Rite' for Fledgling Company

By Sherry Robinson

ASSISTANT BUSINESS EDITOR

Sometimes the bread falls with the buttered side up.

George "J.R." Lovato Jr., who had to abort an initial public offering last year, has decided that he and his company, Rent Rite Reservation Network Inc., were probably unripe at the time. He also admits that the success of his recently completed offering gives him the luxury of being philosophical about the earlier disaster.

"A lot of people two years ago looked at my age and said, no way," said Lovato, who just turned 30. "It's probably just as well. There's been a lot of compressed learning since then."

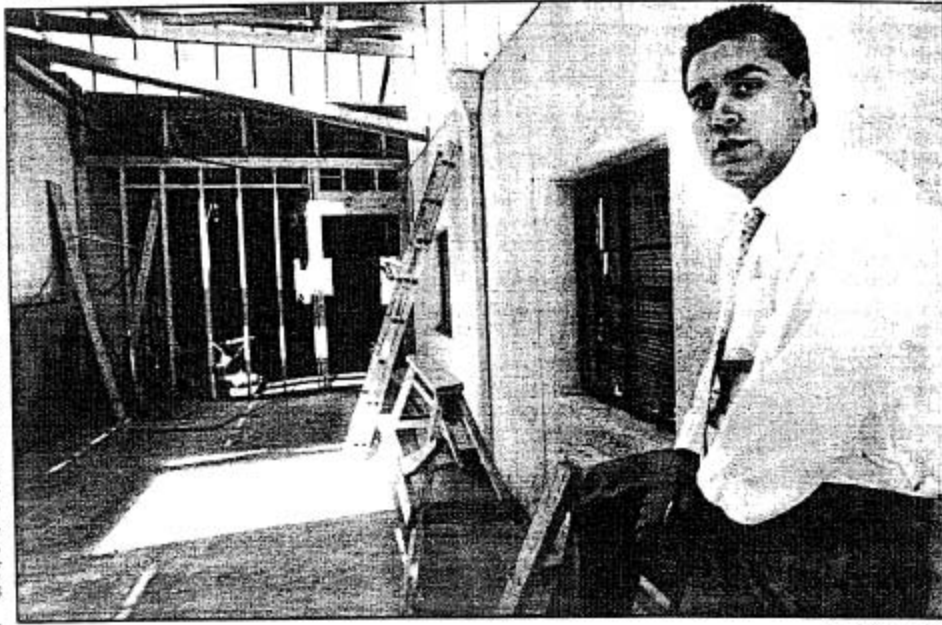
"It's good it happened now instead of then," added Ken Baker, a Rent Rite director and business professor at the University of New Mexico's Anderson Schools of Management. "There have been a lot of heartaches, but we've matured as individuals and as a company."

Rent Rite provides car rental reservation services to a network of 35 independent car rental companies in 100 locations around the country. It also does training for car rental company management and employees and provides a fleet insurance administration program.

In November 1985, Lovato, a former nurse, attempted to take his three-year-old company public, but the young entrepreneur had trouble finding an underwriter willing to work with a 27-year-old. Eventually, he found a young underwriter who accepted the Rent Rite offering on a "best-effort" basis, which allows the underwriter to act as agent for the sale instead of buying the issue and reselling.

After five months, Lovato was unhappy with what he called mismanagement by the underwriter, and the underwriter said the stock was "incredibly speculative."

"Last year at this time, we were near bankruptcy," Lovato said. He had a choice of going with one unknown investor who offered



OUTLOOK PHOTO

George "J.R." Lovato Jr. in the foyer of his new office on San Mateo.

\$400,000 then and \$200,000 later or ending the offering at a cost of \$107,250. A flip of a coin determined the latter choice.

A year from the day of the fateful coin flip, the next offering became effective. Lovato repackaged his company and himself.

He separated a portion of the company, along with its debt load, which improved the numbers in the next prospectus. To improve his personal presentation, he said, New York investment banker Charles McLaughlin "taught me how to walk, talk and wear Wingtips. I'm really not a Wingtips person."

Lovato said he "wasted a year knocking on doors in New Mexico" and advised other entrepreneurs against doing the same because "your name gets stale here." Even though "Albuquerque virtually turned its back on us," Lovato said, he raised about \$250,000, and local

broker Tom Morin raised \$90,000.

This spring, Rent Rite and underwriter Grady and Hatch & Co. Inc. of New York launched another public offering, this time on a "firm commitment" basis.

During his out-of-state presentations, Lovato had to overcome the image of an Albuquerque headquarter. "It's hard to spell, it's hard to say," he said. "Not a lot of people know where it's at."

He softened objections by arguing that, as a service company, it's less expensive to operate here.

Lovato also came to enjoy the presentations, he said.

At the end of May, Rent Rite completed its offering, for proceeds of more than \$1.8 million, which will be used to expand the network and repay debts. At the end of March, Rent Rite showed only a \$1,300 loss after the offering expenses, Lovato said.

The new capital "will allow us to do things much more quickly," Baker said. It has also been a psychological boost to Rent Rite employees, who had been "on an emotional roller coaster with us," Lovato said.

To adjust to its new public status, the company has restructured management, staffed up from six to 20 people and is adding 3,000 square feet to its building. Lovato also revised his policies and procedures manual and tried to improve internal communications.

"We have good people in the company — some real chargers," Lovato said.

The trying times of the past year have yielded to more good news recently.

In June, Rent Rite Advantage Services Inc., a subsidiary, got a Risk Retention Group License from

the state Insurance Department to provide vehicle liability risk retention insurance to Rent Rite network members and others.

Also in June, another subsidiary, Travel Rite Travel Services Inc. signed an agreement with Delta Airlines to serve as a car rental subscriber on Delta's Datus II Airline Reservation and Information System. According to a supplement to the prospectus, Datus II is used by 10,000 travel agents in the U.S., Grand Cayman Islands and West Germany.

Rent Rite's package of services already includes SABRE, American Airlines' automated travel agent reservation system, and it is waiting for final approval to join Apollo, United Airlines' automated airline reservation system.

Lovato also sees an opportunity in the disarray at Allegis Corp.

That company's board recently fired its chief executive officer, Richard J. Ferris, after rejecting his travel-supermarket strategy for the company. Allegis was scrambling to offer rental car, hotel and airline services through its subsidiaries — Hertz, Westin and Hilton International hotel chains, and United Airlines.

"Ferris was trying to put tennis shoes on a dinosaur," Lovato said.

He also wants to link travel services, but will work through a network rather than expensive acquisitions.

Baker believes Lovato has the Rite idea.

"All the independents face a more competitive market," the professor says. "They need all the help they can get." Hertz and Avis "can outspend you and outmarket you," he said, but independents "can get all the pieces together and become a power in the market place."

The events of last year are "not something I look back on with a great deal of satisfaction," Lovato said. "I'd like to go back and do it correctly."

"In retrospect, we can talk about it with a certain amount of humor," said Baker. "It's been a long road."