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BEING PETE



By Shane Snider

RALEIGH – Pete Loftin, chairman of Business Telecom Inc., sits on a sofa in his lavish north Raleigh mansion, as the head of a lion rug on the floor of his office peers off in the other direction.

"It's not easy being me," he, Loftin that is, says with a sigh.

With a curly, reddish mane of his own covered by a baseball cap, Loftin doesn't look the part of a multi-millionaire. He's wearing a fleece shirt, a pair of blue jeans and work boots that look as if they were just pulled out of the box.

"But God's been good to

Loss of control of BTI 'definitely hurts, but life goes on.'

me," he adds.

The lap of luxury has been a painful seat for the telecom lion. It's been a tough year for both the company and the man – from much-publicized allegations of sexual assault involving a 23-year-old bikini contest participant to losing control of the company he built from the ground up.

It's been a bumpy road.

Walking up to Loftin's newly built, 15,000-square-foot home, you wouldn't think the 43-year-

old would have so much on his mind. Guests are greeted by large, brass "L's" on the towering front doors of the house. It's a house you would expect to see in Beverly Hills and not in the hills of north Raleigh.

"I love this house," Loftin says with a chuckle. It's hard to believe that he shares the 70-acre property with only his 4-year-old son, Jorian, who visits him every month.

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LOFTIN: As headlines appeared in Florida, company struggled in Raleigh

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Inside, the visitor looks straight up to see a sort of outdoorsman's cathedral – a stone wall rises two stories to meet hand-carved wooden beams, and natural light pours through carefully placed windows. The foyer of the home is set up much like an exclusive hotel lobby – complete with reading materials and trees. A small elevator takes visitors to the second floor.

No expense was spared. Outside, a gigantic swimming pool is surrounded by a cave-like stone structure. In the pool, an indication of Loftin's free-wheeling spirit appears – an empty 40-ounce bottle of beer bobs up and down in the perfect blue water. Loftin's eyes meet the bottle, and he gives a quick laugh and a smile.

A NEW BOOK

Loftin started back in the early 1980s, selling cordless telephones door-to-door. "That was the first chapter of my book," he says. "I told everyone I was the vice president because nobody would believe the president would go door-to-door."

He dropped out of North Carolina State University in 1980, after only a semester, to start his own business. After hours of pouring over business books and magazines at the library, Loftin came upon the idea that would give birth to BTI.

"I was looking at the numbers," he says. "And the numbers were all in long distance."

At the time, AT&T controlled most of the long-distance business. When the federal government forced the breakup of AT&T, Loftin jumped at the opportunity.

After winning the backing of financiers A.B. Andrews and Peyton Woodson III, Loftin started BTI, a business that handled long-distance services for medium-sized and small businesses by buying it wholesale and reselling it retail. He says he spent many days and nights nursing the business in the beginning. "I said to myself, 'Pete, if you ever make it, just remember: You deserve it.'"

Dr. John McCall, a psychologist hired by Andrews and Woodson in 1984, helped BTI and its leaders communicate with one another. McCall, 81, remembers meeting a talented group of young people.

"I went up to Peter and asked him what he needed. He said, 'I don't need anything.' Peter's like that. He's gruff, but he's a really good human being," McCall says. "They would come to points where they would argue and I would mentor them. It had something special from the very beginning."

He says there was always something special about Loftin.

"He'll be famous again after all this," McCall promises. "He'll come up with some other idea. He has hope. He listens to people. He's not arrogant."

He adds, "Peter has yet to invent the real Peter."

Loftin is a big and likable man. Through a mischievous smile, he admits that his fun-loving personality has led him astray on many occasions.

"There's been a lot of sleepless nights," he says. "I'm just like any other man. I understand why people become reclusive. One of my weaknesses is that I sometimes allow people in that shouldn't be in my life. I still think of myself as that kid from New Bern."

Loftin's \$19 million purchase of a South

Florida mansion owned by slain fashion designer Gianni Versace in the spring of 2000 raised eyebrows back home in Raleigh among people who felt maybe he'd forsaken his upbringing.

Loftin later announced plans to turn the mansion into a luxury hotel, and he now says that was his intention all along. "Everybody assumed I was going to live there," Loftin says with a chuckle. "That property was purchased with the intention of making it commercial. I'm just diversifying a little."

Despite that, some of Loftin's critics believe the telecom shakeout coupled with the massive financial obligations that go with a millionaire's lifestyle, may have forced Loftin to seek an alternative use of his Miami home.

ROUGH WATERS

As Loftin made headlines in Florida, his company back in Raleigh was struggling with a growing debt load and falling revenues. To rescue it, Loftin in September agreed to reduce his ownership interest from 99 percent to 53 percent. Some observers believe Loftin's stake has gone down below 50 percent in the company once all the voting and non-voting shares are taken into consideration. Besides that, Joseph Cece was brought in by BTI's prime financial backers to take over Loftin's position as chief executive officer.

Those moves took Loftin out of the driver's seat of the company he founded.

"When you're building something, there's a big piece of you tied to it," Loftin says with a sigh. "It definitely hurts, but life goes on."

McCall says there is something different about the new BTI.

"Peter was interested in helping the poor. BTI had a heart. My own theory is once you have 60 people running it, the heart stops," he says.

But BTI's heart hasn't quite stopped yet, with a tender offer from Welsh, Carson, Anderson & Stowe that wiped out \$231 million of BTI's \$400 million debt load.

Cece is optimistic about the future of the company and says he will be able to devote more time to the company's interests.

"There's always a transition period, but it was not like Pete was here everyday in the office running the business," Cece says. "Pete and I talk once every couple of weeks. He knows what I'm doing here, and I'm sure there are things he might do differently. His insight has been invaluable, but these are challenging times, and the company needs someone who is focused 100 percent on growing the company and making it more profitable."

Loftin's personality, Cece says, is not unlike other entrepreneurs.

"I've worked with a lot of founders, and they all share common characteristics," Cece says. "In the case of Pete, he is a down-to-earth guy. He's not a structured, typical businessman, and that's great. That's how he formed this company."

But that down-to-earth personality got into a heap of trouble in December, when a contestant in the Hawaiian Tropic Bikini Contest held at the Versace mansion accused Loftin of sexual assault. He hired high-profile lawyer Roy Black, who defend-



Loftin says he loves his lavish home in north Raleigh.

ed William Kennedy Smith and Marv Albert in cases involving sexual allegations.

After a lengthy investigation, and a number of unflattering headlines, the Miami Police Department cleared Loftin.

"Unfortunately, there are people that do that," Loftin says of the allegations. "That was a very unfortunate situation where I was preyed upon. It was very hurtful because I've never even been involved with any kind of sexual harassment case. It's almost beyond comprehension that someone could do that – and then the media pick up on it, and it gets worse, even though it was fully investigated. They knew from the moment she walked in there that it was a phony allegation."

He says the only regret he has about the situation is the timing.

"My father died last Labor Day weekend, and I was unable to mourn his death like I would have liked," he says with the brim of his hat covering his eyes as he looked at the slain lion.

WRITING A CONCLUSION

Loftin says he feels a bit resentful about the attention the allegations attracted in Raleigh, especially since he and BTI had donated more than \$10.3 million to various charities since 1987 – not to mention a personal donation of \$3.1 million to help renovate Memorial Auditorium, now known as the BTI Center for the Performing Arts.

"I wanted to spread that sense of generosity throughout the company," he says. "We've always felt the need to give to others who are less fortunate. I like being successful. Giving back is just a part of that."

Charity, Loftin says, is sometimes a double-edged sword, giving him grief as it helps

others. "It puts you out there on the radar screen," he says. "People start watching you more closely."

As a member of the board of governors for the American Red Cross, Loftin currently finds himself lodged in another controversy – this one involving the Liberty Fund, which was set up after the Sept. 11 attacks to help victims of any future attacks.

Critics said the organization should have used the money only for the victims of the Sept. 11 attacks. Bernadine Healy, former CEO of the organization, stepped down because of internal pressure. She was replaced by Harold Decker, who last week apologized, calling the Liberty Fund "a failure in communications between the American Red Cross and the American public." He said all of the more than half a billion dollars would be redirected to families affected by the Sept. 11 attacks, according to the Associated Press.

Loftin says he felt bad about Healy's resignation. "I was one of the only ones who dissented on" accepting the resignation, he says. "I think Bernadine did a terrific job. We were right to set up the Liberty Fund."

Healy was unavailable for comment.

At BTI, Loftin remains chairman. He speaks passionately about the future of the company. "It's not a telecom recession. It's a depression, and we've survived, and we'll continue to survive," he says.

And the lion says he'll continue to roar as well.

"I'm still young," Loftin says. "Some day, my son will read some of the things people have said about me – but my book still has chapters to finish."

Shane Snider can be reached at ssnider@bizjournals.com.