



BUSINESS MONDAY

MY VIEW

# How to secure capital during volatile times

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The current volatile debt market has forced all businesses — large and small — to consider alternate means of financing. In the post-Lehman Brothers era, long-time banking relationships do not guarantee continued access to new capital, as banks pursue increasing levels of risk avoidance and capital preservation.



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request from the fast-food giant's franchisees for restaurant improvements. The financial institution later denied the report and eventually announced that McDonald's franchisees would receive their loans. Nonetheless, the fact that a major bank may have had second thoughts about a loan request from a highly profitable multinational corporation underscores the degree of caution in today's financial

Consider a recently disputed media report that one of McDonald's primary lending institutions turned down a loan

sector.

When the issue was first reported, McDonald's corporate spokesmen were quoted as pointing out that franchisees have access to more than 50 national and regional financial institutions. In other words, the company was prepared and was positioned to pursue a variety of available sources for cash.

Smaller businesses are well advised to plot a similar course.

A prudent company is better off being proactive by seeking out sources of potential financing, rather than being reactive to denial or the nonrenewal of a critical bank facility.

A logical first step for any company is to approach its primary lending institution and get a good reading of its status. Determine whether the institution's currently accepted financing norms have undergone any recent changes. Ask whether the bank is likely to extend a new or renewed facility to your company.

Don't be surprised if your banker suggests that a new application is likely to be denied. In the current banking environment, even the most reliable borrowers with

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spotless credit records can be turned down. Denial might result from a bad experience with a company in a similar field, or revisions in the bank's own lending policies.

Next, seek out alternate means of financing. For many businesses, regional or national banks may represent viable alternatives to refinance debt, or obtain new/additional financing. Some companies may be better positioned to seek out the other financial-service companies and tap into private equity, hedge funds, or mezzanine or junior debt.

Maintain flexible expectations because lending institutions are demanding higher interest rates and tougher risk parameters than just a few months ago. If continued access to financing is your business's lifeline, you must be prepared to accept and adapt to the realities of the current marketplace.

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