

Stable companies find funds despite economy

Association for Corporate Growth hosts 1st meeting of year

By Michael C. Juliano

Staff Writer

Posted: 01/13/2009 07:38:15 AM EST

Lenders are looking to do business with stable companies in today's credit crunch, according to Charles Garoklanian, Northeast marketing manager for PNC Business Credit, a unit of Pittsburgh-based PNC Financial Services Group Inc.

"There's typically a flight to quality," Garoklanian said Friday during a panel discussion on "State of the Capital Markets" at the Connecticut chapter of the Association for Corporate Growth's first 2009 breakfast meeting.

Credit is expected to continue to tighten as the economy weakens, first-quarter results for 2009 are expected to be "very soft" and 2009 corporate earnings will be uncertain, he said.

"I don't see any relief in sight until the economy bottoms out," Garoklanian said to the 180 attendees.

Randy Schwimmer, senior managing director and head of capital markets for Churchill Financial LLC, a middle-market commercial lender based in New York City, said bank lending may not revive in 2009 despite significant increases in liquidity brought about by the Federal Reserve. Regional banks less affected by toxic assets will be first to provide senior capital, he said.

"That's where the liquidity is now," Schwimmer said.

The outlook for 2009 is uncertain, however, he added.

"Anyone who tells you exactly what's going to happen doesn't know what they're talking about because they're the ones who could have told you what was going to happen in 2008," Schwimmer said. "At the end of the day, I think

it's going to be soft, especially for the first half of the year."

The pressure on lenders to invest unwisely should be a lot lower this year than last year, Schwimmer said. "Now it's be careful, don't lose money," he said.

Richard Zahm, principal and portfolio manager for Darien-based short-term lending firm Second Angel Fund LLC, said his firm and other asset-based lenders are doing well in today's environment by requiring collateral, and others are following suit.

"Everyone's simplifying and getting back to basics, especially with Madoff and black-box investing," he said. "That's going to be a lot less appealing to investors."

- Staff Writer Michael C. Juliano can be reached at michael.juliano@scni.com or 964-2417.