

Friday, January 14, 2011

## Credit freeze stalled business sales

EXCERPT FROM PHOENIX BUSINESS JOURNAL ARTICLE BY - Angela Gonzales

Sales of businesses declined last year as prospective buyers had a tough time securing credit, but several Valley bankers expect that to change.

“Things are coming back,” said Guy Downing, managing director of investment banking firm **Columbia West Capital, LLC** in Scottsdale.

“When credit is more readily available, the wheels of business succession will start to turn again,” he said.

Downing and other bankers say they are seeing more deal activity.

“Sellers still had high expectations and buyers were handicapped because they couldn’t get debt financing and had to pay cash,” he said. “Now sellers are becoming more realistic and buyers will be able to get better financing and will be able to pay more.”

Ryan Suchala, president of Bank of Arizona in Phoenix, said he has a positive outlook for business lending this year as many owners have adjusted to a “new normal.”

Paul Merski, senior vice president and chief economist for Independent Community Bankers of America, agreed the outlook for 2011 is much better than it has been for the past several years. He predicts a gradual increase in demand for credit as businesses crawl out of the recession and the economy gains footing.

“It’s not going to be an overly robust return to credit flow (like) it was three or four years ago before the financial meltdown, but we’re certainly looking at an atmosphere where more credit will be available to businesses and more businesses will be demanding credit from the commercial banking sector,” Merski said.

For the past few years, demand for credit has dropped, he said, which is typical in a recession when businesses are more cautious. As the employment situation improves and consumer spending increases, businesses will be in a better position to apply for credit. The banking sector is becoming healthier as well and will be able to supply that credit, he said.

Jack Barry, Arizona market president for Enterprise Bank & Trust, said he also sees the lending market loosening and his bank is “ready to participate.”



Enterprise continued its expansion last week with the purchase of some the assets of Legacy Bank, which was shut down Jan. 7 by the Federal Deposit Insurance Corp. Taking over Legacy's two Scottsdale branches marks Enterprise's third acquisition in the past year. Enterprise entered a loss-sharing agreement in which the FDIC will reimburse Enterprise for certain losses incurred in the transaction.

Enterprise now has four bank branches in the Valley and more than 40 employees.

"The economy has begun to turn a little bit," Barry said. "We think it's going to be opportunistic for the merger and acquisition of a variety of companies, and we are really interested in helping those transactions if we can provide senior bank financing."