INSIDE FINANCIAL SERVICES BY BECKY YERAK

Pfingsten fund raises record $525 million

Exceeding its money-raising goal by more than 30 percent, **Pfingsten Partners LLC** on Friday will announce the closing of its fourth fund, a record $525 million pool of capital it will use to strike $15 million to $100 million deals in manufacturing, distribution and business-services industries.

Even with today's tighter credit markets, the Deerfield-based private-equity firm expects few problems deploying capital because it typically finances its transactions with at least 50 percent equity.

"Lower-middle-market PE firms typically invest equity of 25 percent to 30 percent," said **Thomas Bagley**, founder and senior managing director.

In the past two months, its third fund bought **Dodds Athletic Tours**, a Champaign-based collegiate sports travel company, and **Suzo Polska**, a Polish developer, maker and distributor of equipment to Eastern Europe's amusement, casino and vending industries.

Of the fourth fund's commitments, 83 percent came from institutional investors and 17 percent from wealthy individuals and Pfingsten professionals. About 20 percent of the commitments came from overseas investors.

"We had a very strong following from existing limited partners who not only reupped, but who increased their commitments," said Bagley, whose firm also has a Hong Kong office. "We had a lot of interest from new investors, but we were so oversubscribed that we could accommodate only two new institutional investors."

Pfingsten, which is moving its headquarters to downtown Chicago, initially planned to raise $400 million.

Its self-imposed fundraising limit was $525 million. When private-equity firms raise capital, they need to deploy it in a reasonable time period. If they raise too much, they might end up spending it outside of their comfort zone, such as in bigger-than-usual acquisitions or in unfamiliar sectors.

Recession worries: Bank of America Corp. has held up better than many other financial giants in the worldwide credit meltdown. But at least one of its Chicago lenders sees evidence that the economy is in a recession.

"It feels like one to me, whether the statistics say so or not," said **Mark Sander**, senior vice president and Midwest commercial banking executive. "There's enough angst out there and enough industries having issues."

The conventional definition of a recession is two straight quarters of declines in the gross domestic product.

Many BofA commercial and industrial clients are doing well, but those on the wrong side of commodity pricing are having troubles, he said.

"Overall, credit quality is holding up well, but we're cautious," said Sander, who doesn't oversee commercial real estate lending. "Even companies that are doing well—I just talked to one this morning that said, 'We're doing well, but we're nervous.' "

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