Business Better (Season 4, Episode 4): Strategic Partnership and Company-Building Investments – A Conversation with Prairie Capital

Speakers: Jeffrey Fickes and D.J. Lipke

Steve Burkhart:

Welcome to Business Better, a podcast designed to help businesses navigate the new normal. I'm your host, Steve Burkhart. After a long career at global consumer products company BIC – where I served as Vice President of Administration, General Counsel, and Secretary – I'm now Special Counsel in the Litigation Department at Ballard Spahr, a law firm with clients across industries and throughout the country.

In today's episode, we're joined by D.J. Lipke, a Principal at Prairie Capital. Prairie Capital is a private equity firm that has provided businesses with thought partnership and strategic guidance for over two decades. Leading this discussion is my Ballard Spahr colleague, Jeffrey Fickes, Co-Leader of the Private Equity Group. So now let's turn the conversation over to Jeff.

Jeff Fickes:

Hi DJ. How are you doing today?

DJ Lipke:

Good, how are you?

Jeff Fickes:

I'm doing well. Can't thank you enough for joining the podcast today. Really excited to hear about you and Prairie Capital.

DJ Lipke:

Yeah, excited to be here. Thanks for having me. Appreciate it.

Jeff Fickes:

Oh, you're very welcome. Let's just get started. So tell me about your background and what you do with Prairie Capital.

DJ Lipke:

Yeah, so my career after college, I moved to New York and worked for JP Morgan for two years in their analyst program. I was in the financial institutions group doing M&A transactions for mostly banks. So I was there for a couple years and then ended up moving to Boston and worked for a larger private equity firm called Summit Partners. That's a kind of growth oriented fund. So I was there for three years and then ended up moving back to Chicago and got my MBA at Kellogg.

So I'm originally from Chicago, went to Kellogg in their full-time MBA program, and then started interviewing for private equity jobs basically at school, and ended up, my goal was to try to get a PE firm or PE job in Chicago area and ended up getting connected to the Prairie team.

So the story behind that was I had a college friend that was working at Prairie and he ended up leaving to go work for his family company. And so when he left, there was a spot that opened up. He called me up and said, "Hey, I know you're trying, you're looking for a job in Chicago, you should reach out to the Prairie guys. Great firm, just raised a new fund, really have performed well." And so he made the introduction and ended up joining Prairie in 2011 right after business school.

Jeff Fickes:

Well, that's amazing. It's amazing that it's kind of emblematic of private equity in that you have to have the competency and the analytical skills, but so much of what you do on a day-to-day basis is about building and developing relationships.

DJ Lipke:

Yeah, it was kind of right timing. There needed to be a spot that opened up and luckily it was a friend of mine who had a good experience at Prairie, and so got lucky there. And yeah, to your point, the networking is important, whether it's from, I've seen deals from friends from college, from business school, from JP Morgan. So yeah, it's over the course of the career you're networking with individuals and a lot of times can leverage that network for new opportunities, new deals, or even resources to help the portfolio companies.

Jeff Fickes:

What do you do at Prairie?

DJ Lipke:

Yeah, so I'm a principal at Prairie. The way I describe it is I wear three different hats. One hat is basically going out and trying to source and find new opportunities to work on. So that's one goal. And talk about networking. I mean it is building relationships with, we call them trusted advisors for family founder-owned businesses that are interacting and working with these family founder-owned companies. So one is just finding new opportunities.

The second one would be once we find the opportunities, is working on execution or diligencing those opportunities. So trying to figure out is this a deal or an opportunity that makes sense for us? And so working through that process, and if we do decide that we do want to invest in the company and we make that investment, then we work alongside and with the management teams. I will sit on the board of those portfolio companies and work with the management teams to try to help them grow and scale.

So we wear the three hats of finding opportunities, evaluating those opportunities, and then ultimately working with the management teams once we invest in the businesses.

Jeff Fickes:

You're like a juggler. You're trying to keep the balls in the air at all times. Why don't we pivot to, tell me about the founding of Prairie Capital and where it's at today and what it does?

DJ Lipke:

Yeah, so Prairie, it was started back in '97. It was started by two individuals, Brian Daniels and Steve King who were at, prior to Prairie, were at a bank here in Chicago called American National Bank, and they were providing capital to family founder-owned businesses. And basically in '97 they broke away. They started Prairie and they raised about $70 million back then in '97. And fast forward to today, we've done over a hundred transactions. We've raised seven funds. We're currently not fundraising, but we've been around for a long time and it's been a good run for Prairie and our team here.

Jeff Fickes:

So you have a lot of dry powder?

DJ Lipke:

Yeah, we have dry powder.

Jeff Fickes:

So tell me about Prairie's Investment focus?

DJ Lipke:

Our focus is to be the first institutional equity investor into a business. So these are family founder-owned companies that are looking for capital for succession planning, wealth, diversification and growth. And so the way I describe it, usually the transaction dynamic, there's usually three different scenarios that are a good fit for us.

So the first one is where there's a management buyout opportunity. We see it a lot of times where there's an inactive owner that's really not involved the day-to-day operations. And a lot of times we'll back and partner with the management team that allows them to buy out that inactive owner. We see it a lot of times the inactive owner has become more risk-adverse, maybe not reinvesting in growth opportunities for the business. And so that company needs a new owner and that can kind of drive growth. And so a lot of times we'll partner and buy into an investment thesis with the management team and help them execute on a growth strategy.

The second one is where there's an entrepreneur that's built up his or her business and gotten it to a point where they want to take some chips off the table today. They're still excited about the growth opportunities for the business, but they want to share the risk and they may have not taken a lot of money out of the business or they're not willing to double down or reinvest in certain areas.

So because they've become more risk-adverse, they're looking for some liquidity today. And that's where we come into play. So we'll invest alongside of them, again, understand their growth thesis and try to help them basically professionalize and scale the business going forward.

And then the third scenario is where a lot of times we'll get introduced to or partner with outside operators. Those might be individuals that worked at larger organizations and have decided that they want to be a little bit more entrepreneurial. And a lot of times there may be industry experts where they've built a relationship with a business or an owner that is looking for liquidity and is looking for a succession plan. And a lot of times that individual will act as that succession plan.

And so we'll partner with that operator and help that individual buy out a current owner and again, back that outside operator going forward.

So those are the three scenarios that we tend to get involved in. So really for us, it's that first institutional investor is our focus and size-wise, we invest in the lower middle market. That's all we've done. And so typically the businesses that we invest in are kind of 20 to say 150 million in revenue, and our equity check sizes are 25 to 45 million. We are control investors, so we don't do minority investments, but that's where we play.

Jeff Fickes:

How do you structure the deal so that the management team that you're backing or the founder that you're backing who's still actively running the business, has quote/unquote skin in the game and upside, but they no longer have to sign a personal guarantee because you're involved?

DJ Lipke:

Yeah, no, I mean, so on average our management team's own is between 30 and 40% of the business. And what we do, the way we structure our transactions is any equity that's rolled into the deal is treated the same as our security. So as per pursuit with our security, we don't get a liquidity preference. There's no participating preferred. We actually also, we don't take management fees, so we don't take closing fees, we don't take management fees, really trying to align our interests with the executive or the management team.

Jeff Fickes:

Wait, wait. Whoa., did you say you don't take management fees?

DJ Lipke:

Yeah, not from the portfolio companies. There's a management fee from our LP, but yeah, for us, we'd rather reinvest in the growth opportunities for the business.

So yeah, we'll structure it where management or entrepreneurs will typically roll equity into the new in the deal. And then also we typically set aside incentive units for the management teams. And whether that's sometimes for the entrepreneur or other times it's for individuals that are either at the company or we need to recruit to the company.

So yeah, significant equity ownership I would say with our management teams and the portfolio companies that we're partnering with. And we think that's important, again, aligning our interests with the team's interest.

Jeff Fickes:

What sectors do you have a preference for?

DJ Lipke:

So we've been active in healthcare, education, and consumer have been most of where we've done. We have done some, I would say manufacturing as well. A lot of those manufacturing businesses are selling into the consumer market. My focus is consumer. So I lead the consumer efforts at Prairie and have done a lot of our consumer deals here.

Jeff Fickes:

How do you constitute the board with value-added people to help guide and mentor the management teams?

DJ Lipke:

Yeah, so I think again, we've been around for a long time, '97, over a hundred transactions. And our goal is to, I draw on the experiences that we've had with our previous portfolio companies. And so really kind of the way we think about the world and sort of think about our investments. I think from our perspective, one is, we are trying to, when we're looking at a transaction, understand the transaction dynamics and we are looking for a partnership angle. So as I mentioned in all those opportunities, whether we're partnering with the management team or partnering with an entrepreneur, we're partnering with an outside executive that's important to us.

So the transaction dynamic, the partnership's important. And then when we think about growth, we're a growth oriented investor and you think about growth in the market that the company's playing in, and then you're ultimately thinking about growth within the businesses specifically and macro themes within an industry.

We want to invest in companies that have macro drivers and tailwinds within the industry that they're participating in. So sort of the rising tide lifts all boats. And so we got to check the box there. And then with the companies specifically, a framework that we've built is we call them company building investments, and we got to believe that we can help professionalize the business or make company building investments within our portfolio companies to accelerate the growth of the company. And so those company building investments, it's human capital, it's sales and marketing, it's IT, it's infrastructure and facility expansion, it's new product and services sourcing, and then add-on acquisitions. And so we work with the management teams to understand what areas within our company building investments do we need to focus on. And so that's part of our underwriting and our investment thesis.

So then we also, as you kind of mentioned, build a board and Prairie sits on the board, but we're also going out and recruiting independent board members that we're working alongside the management teams to trying to understand what would a good independent board member look like and what's their experience, what's their background? And so we're typically adding two of those individuals.

On the company building investment side. We have resources that we've used basically in all those categories. And again, we try not to force any of those resources on the management teams, but we're trying to figure out what are we trying to execute on? Where does the company need help? And then what resources have we worked with in the past that we can make introductions to.

So it's typically if there's a group that we've worked with, we may make one or two introductions, and the management team ultimately is the one that decides do they want to move forward with that group or a different group.

So for us, it's typically we're not forcing anything on the management teams, but trying to figure out how can we be a thought partner, a resource, a sounding board for the team. So I mentioned in those company building investment areas, we have third-party resources that we've used. We also have have two resources at Prairie, a managing director of human capital who basically works with all of our portfolio companies on the human capital aspects of the business. And then we also have a general counsel or a lawyer that's works, more on the less transactions, but more on the corporate side for some of the portfolio companies.

And then we've built, basically over the years, we've built a framework which we call the three S's, which is strategy, structure, and synergy. And really high level strategy is after we make an investment, we're typically doing a strategy session with our portfolio companies and thinking about purpose, mission, and vision. What's the five-year strategic plan, what are strategic pillars that we want to focus on? And so we do that alongside of the management team. So that's the board, Prairie, management team that will come up with a strategy.

On the structure side, which Michelle, our managing director of HR, she helps work with our management teams of understanding do we have the right people at the company, do we have the right positions filled? What's the structure and the organizational structure look like?

And then on the synergy side, it's really kind of us as board members making sure that the board and the management team are aligned, we know what the strategic initiatives are, and then we're kind of holding the team accountable to make sure that if we said we were going to do something in a year and five years, how are we tracking towards that?

And so the three S's is what we've come up with and sort of a framework that we utilize with our portfolio companies.

Jeff Fickes:

I want to take a little step back and ask a question about your process. So taking a step back, I'd like to learn your process as to how you get to know the management team or the founder that you're going to be backing, and what characteristics are you looking for and which type of characteristics are you not looking for you to make a decision? Because so much of the first-time institutional capital at this size of the lower middle market is so driven based on the relationship and the trust that you're going to have with the person who's running the business day-to-day, and an alignment of strategy.

DJ Lipke:

Yeah, I'd say so. Not all of our deals, but a lot of the deals that we end up doing our introductions through those trusted advisors that I mentioned. And so as we're talking to lawyers, accounting firms, wealth advisors, we're trying to make sure they understand that our goal as the first institutional investor and the types of businesses and entrepreneurs or transaction dynamics that we're interested in. So a lot of times we'll get introductions and when we get that introduction, it may not be the right time for a deal or a transaction, and we're happy to build those relationships over multiple years and trying to track the business and keep in front of the entrepreneur and again, build that relationship over multiple years. And a lot of times we could see how the business has performed and if there's been changes made to the company, but we love those types of transactions. And a lot of our deal flow comes through that where we'd rather have it where we can kind of build a relationship over a multiple year period versus a faster period.

And that's why when I started off by saying first thing we look at is the transaction dynamics and the partnership angle, and that time we're trying to figure out is this an entrepreneur or management team that we'd like to partner with and are looking for a partner over the five or six year investment?

What I've seen as we're trying to figure that out, one, you kind of brought it up, I mean trying to understand where do they need help and are they acknowledging that they want help or looking for outside, not telling someone, telling them what to do, but a thought partner, and are open to ideas and suggestions and have you thought about it this way? And you can tell when you spend time with a management team or an entrepreneur if you're asking them questions and have you thought about this or would you like this resource?

Some of them are excited about that and other ones sometimes get turned off. And so I think we want to be partnering with teams that think of us as a partner, thought partner, are looking for new ideas and are growth oriented and feel like they say that they think that they could use help. And with somebody's help like Prairie, they think they can grow the business faster. And again, that's where we're trying to evaluate is business that with Prairie's help, we can help scale the business.

And then two, I think that a lot of times with these entrepreneurial businesses is that they've under invested in human capital. And so understanding if we're going to double or triple the size of the business, what other individuals or positions do we need to fill to help that entrepreneur and allow that entrepreneur to work on the business, not work in the business. And to basically scale up and sort of manage the company appropriately and really focus on the culture and the strategy and the people aspect and the team aspect of the business.

Jeff Fickes:

That's excellent. And I am impressed that you'll spend multiple years getting to know a founder or a management team before you actually execute on a transaction.

DJ Lipke:

It doesn't always happen that way. I mean, there are times where we get introduced to a business and it is the right time, they are looking to do a deal. And so you don't always have the longer period of time. But I would say that we are willing and interested in getting those introductions to good businesses or entrepreneurial businesses that at some point they may think about liquidity, they may think about succession planning, they may think about bringing on an equity partner.

Jeff Fickes:

That partnership is so key because once the deal closes, your interests are totally aligned with the founders and the management teams.

DJ Lipke:

Yeah, and that's what it's like. You're going to have to work together for five or six years or seven years or however long that investment period is that you want to make sure that your interests are aligned. I mean, things are going to change. You're going to set out a plan and those will change and when they do change how you're going to work together. But I do think it's important when you start off that investment, that kind of having the, all right, this is what we think is going to happen in the next five years, this is the thesis, here are the areas for company building investments and let's go try to execute on it and you'll have to course correct during the period.

Jeff Fickes:

Absolutely. Do you mind giving me a handful of examples where you've applied your strategy and your toolkit of resources to a portfolio company that's significantly moved the needle on profitability and value?

DJ Lipke:

Yeah, I think that I can give an example of an investment that we made that I can walk through why it was a good fit for Prairie and where we focused. And so I would say that one that I could talk about is a business called Swiss American Products. They had two parts of the business, it was, one was a branded personal care products, so think of sunscreens and moisturizers. And then the second part of the business was the contract manufacturing business.

So they had a brand, they also made the product and we got introduced to the business. There were three managers that owned about 15% of the business, and then the founder was 85% owner that was looking for liquidity. And so we basically partnered with the management team, helped them buy out that inactive owner. It actually allowed them to increase their ownership through the structure going from 15 to 35%.

And then we basically bought into the investment thesis with them. And so we really wanted to scale the brand initially and then build out the infrastructure to support the brand's growth. And so you think about human capital side, we engaged a recruiter, we hired a head of sales, which they did not have. We tripled the size of the sales force. On the new product development we hired individuals to kind of bolster up our R&D capabilities. On the infrastructure size we tripled the size of the facility. Some of that was expansion at the current facility, some of that was expanding into a second facility.

We made significant investments in our cap or basically equipment to become more efficient. We engaged third parties that we had relationships with to help us think about operational efficiencies as we kind of continue to grow and scale. And I think that on the IT side, basically we implemented a new ERP system, a CRM system to better track our customers.

So that was one where I would say that the transaction dynamic, the entrepreneur, the owner wasn't interested in making a lot of those, what we call company building investments and had become more risk-averse and taking cash out of the business. And so we saw upside with the company, but you had to make investments to support the growth.

And so we were aligned with the management team. They had significant equity ownership, we were able to really scale the brand. So we kind of grew the brand almost 10 times with revenue growth. We ended up selling that brand to Colgate and we actually still own the manufacturing facility, so we still make product for the brand and other kind of personal care. Think of topical products, so sunscreens, anti-aging products. So we still have a facility and make the brands products. So yeah, it was a good outcome for the management team, a good outcome for Prairie, and it was fun along the ways when you're talking about a lot of growth and the investments that you're making to accelerate the growth of the company.

Jeff Fickes:

I know one of your toolkits, one your resources in your toolkits is to act as the corporate development department for the platform and do add-ons. Some private equity firms are only interested in investing in platforms where there's a known roll-up strategy or add-on strategy company you just described, it sounds like you grew the value organically through all aspects of the existing business.

How hyper focused, if at all, are you on being able to implement a roll up or an add-on strategy with any of your investments?

DJ Lipke:

Yeah, so that one actually to your point was all organic growth. We did not do an M&A transaction there, but a lot of our portfolio companies, the way I think about it, there's some that are all organic and we've gotten the returns that we're looking for with no add-ons. I say most of our companies are, we're opportunistically doing one or two, and that might be one where we find through our network typically we engage a third party that kind of helps with the project management of integration, a very key. So we've used worked with groups to do that. We think that's important.

A lot of times it's the first time that our portfolio companies have ever done an add-on acquisition. So not only providing the capital, but also making sure that you're doing the right things integration wise, when you think about the finance function, the HR function, the operations function. And so we divide the business up into different segments and then there's a leader within each segment.

We use Michelle, our HR resource at Prairie really on the communication side and the HR side to help our portfolio companies or our HR managers. We think that's very key is when you think about culture and integration of two companies, it's a very key part. And then the communication of that.

And then there's a third part where it is a roll-up strategy. So a lot of times in our multi-site businesses, our dermatology practice, our dental practice, our allergy clinics, you do need to do smaller tuck-in acquisitions to get the returns. So we've done it the three different ways. I would say most of them are in the middle where opportunistically we're doing one, but in those scenarios we can help with the capital with through additional investment from Prairie, leveraging some of the relationships we have with lenders.

And then I would say making sure because it's the first time a portfolio or a company's ever done an add-on acquisition, there's a lot of things that can go wrong. And so working with them to make sure that they're, I would say, checking all the boxes and doing the right things prior to the acquisition.

Jeff Fickes:

How do you think about bringing the management teams together from your various platforms to get to know each other and share best practices?

DJ Lipke:

Yeah, so we do, it's usually every other year, every three years a management conference where we pull together all the portfolio companies, executive leadership teams. That's a big event that we put together. And then there are the subcategories within our portfolio companies where you have the CFOs that meet with our CFO, you have our HR individual or HR directors or HR resources or chief people officers that meet with Michelle, our managing director of HR. And so there's different kind of functions within each portfolio company that are meeting with Tom and with Michelle as well.

So yeah, we do pull them together every once in a while. There could be revenue synergies and/or I would say shared issues or problems or resources that our portfolio companies will both use. And so they'll want to get references.

A good example is an operations group that we've used with at multiple of our portfolio companies. And we had success with that group with at one, and then we used them at another one, and then we got introduced them to another group. And so again, if you think about it, we say we have 15 portfolio companies, we have a lot of resources that are calling on us and know that if they do a good job, we're not only one company, but we have multiple portfolio companies that we could introduce them to. And so we kind of leverage those experiences.

Jeff Fickes:

Well, let's go to 2023 and how the year went for Prairie and its portfolio companies and then what you're thinking about in 2024?

DJ Lipke:

Yeah, it's actually a pretty good segue, Jeff. I would say the first seven or eight months, there was not a ton of new deal flow, new platform deal flow. So it was actually a lot of portfolio company work and a lot of that was add-on acquisitions. So I had three, well, three of my portfolio companies ended up doing add-on acquisitions early on in '23. And so there was a lot of, I would say probably a little bit more internally focused work with portfolio companies and also actually to fund one of those acquisitions, we had to increase our lender facility.

We put more money into the business to help fund it. So that was, I would say early on in '23 not a ton of new deal flow. It did pick up a little bit towards the end of the year, not to the levels they were prior to that. We ended up doing two transactions, which was actually, but they were both in the second half of the year. So I think we were a little worried, not worried, but it was a little slower at the beginning. It picked up a little bit at the end. They were not consumer deals.

One of them was a education business, which as I mentioned earlier, we've done a lot in education. And another one was a managed service provider. So business services doing kind of outsourced IT services for small medium-sized businesses.

Jeff Fickes:

Well, like you, thank goodness for add-ons last year.

DJ Lipke:

Yeah, yeah, exactly.

Jeff Fickes:

And kudos for getting an increase in your availability because obtaining debt wasn't that easy either.

DJ Lipke:

Yeah, it was not the best time, luckily that we got to go out to two banks that we have relationships with that we've worked with prior so that we were able to, I would say, increase the facility size just because of the relationships and prior relationships we had with the groups.

Jeff Fickes:

Also an important fact. And you don't have a crystal ball, so no one's going to hold you to it, but what's your firm's strategy for this year?

DJ Lipke:

Yeah, so like I mentioned, I do a little bit more the consumer side. So I was just at a conference earlier this month. It's, I would say it's a conference to kick off the year with and doing a lot of meetings in the space. And last year you go to the meeting and everybody's like, it's going to be pretty slow. There's not going to be much activity this year. I would say cautiously optimistic is kind of a term that was used a couple times. I think lenders are more active than they were before. I've heard even on similar deals, term sheets have gotten a little bit better in a three-month period.

Interest rates are expected to decline here. I think inflation has stabilized here. I mean that was one thing that was impacting a lot of businesses. Freight rates have come down, so there's some positives.

I think people are still cautious about is there a recession and what's the economy going to do? And so when we were looking at businesses and we were definitely trying to focus on ones that have been relatively resilient in a recession, maybe slow down but still performed okay. And so areas like food, beverage, ingredients, has been an area that we are looking at a lot of other people are looking at.

I would say that pet-related opportunities, whether it's veterinary care or food and snacks has been an area that we've spent time in. And I'd say also going back to personal care and beauty, whether it's products, personal care, skincare products, or a lot of people are looking at the med spa space or health and wellness clinics or also there's been a little bit of a pickup here, I think in fitness centers. So those are some of the areas that we've been looking at and spending time on.

Jeff Fickes:

Well, the million-dollar question from our perspective is are sellers going to kind of get a little bit more reasonable about the obtainable value in a transaction?

DJ Lipke:

Yeah, I think that something that was hard last year, which I've been told is maybe shaping out a little bit better this year was just because a lot of the noise that was going on, let's say inflation, freight, price increases, cost increases, pushing through prices. There was a lot of forma adjustments in some of the opportunities that we looked at, and a lot of people had a hard time getting their arms around those.

I think what I've heard is maybe whether either they've come to fruition or they didn't this year, but there's not as much of noise in the numbers. And so the numbers sort of are what they are. So that might help push deals across the finish line. And then also to your point, I mean there could be individuals that thought they were going to sell their business and then COVID hit, and then the supply chain disruption occurred and inflation occurred and expenses went up.

And so they may be at a point where they've waited three years or four years and are maybe ready to do a transaction. And it may not be at where it was before, but it's still life-changing, generational-changing wealth. And again, maybe they're not, at least if they're partnering with us, they're not selling a hundred percent. So they're still going to be rolling significant of equity and have significant upside in a transaction if it's with somebody with Prairie where you're rolling equity.

So yeah, it'll be interesting to see how the year shapes up. I mean, for us, we are not forced to do deals. Our LPs have been long-term LPs, and so we decide when it's the right time to put capital to work. We put a decent amount of capital to work with our portfolio companies last year and we'll figure out, and again, for us it's a lot of it is opportunistically, is this a good business? Do we like the partnership? And are there company building investments that we, alongside of the management teams can do here?

Jeff Fickes:

I've been reading a lot about LPs. This goes to the fact that you're not out there fundraising right now, but I'm reading about LPs saying they want some return of capital before they're willing to put more, to invest in a new fund, and you're not even in that situation. So tell me a little bit more about the fact that you actually have patient LPs. That's almost unheard of.

DJ Lipke:

Yeah. Well actually luck. We actually sold a couple businesses last year. So we've actually been told by our LPs that unlike many others, we actually had some liquidity events and return capital. I would say that that's-`

Jeff Fickes:

Unheard of too.

DJ Lipke:

Yeah, it is. And there's businesses that we own that if the market was a little bit better, we probably would've sold. But the ones that we did end up selling was the right time. Whether it was we got approached by an aggressive strategic, there was one business that really was not impacted at all. It was more a growth oriented company. So the lender market didn't really impact it. Another one, again, was more of a strategic play and they had capital.

So it was, again, opportunistically right time for those businesses. It was not a great time to be selling. But for those, it was. There's other ones, like I said, that we've held on longer just because that's the right thing to do with those businesses.

But yeah, on we're, we've had seven funds. And so with R LPs, I think that we've built up the trust that we're not a fund one or fund two where we need to get money back to the LPs because we need to go out and raise new capital. It's kind, we've been around long enough that we can kind of manage our capital and the businesses we see appropriate.

Jeff Fickes:

And that actually has some effect to different degrees in making investments and investing in growth in your portfolio companies. So I don't know what type of diligence founders and management teams do of the private of your firm when you're talking to them, but that situation should be important to them.

DJ Lipke:

Yeah, no, it's a good point. I mean, one of the things we do or say as we're diligent to the companies, they should diligence us and we recommend that they talk to the management teams that we've partnered with. And I ask the questions, why'd you pick Prairie? Where have we been helpful? Where haven't we been helpful? And ultimately, what's it like to work with us?

And because again, this is a partnership. We're going to be depending typically five to six years and good times and bad together, and we want to make sure that you understand how we've interacted with the other management teams that we've worked with. And ultimately they end up being good references for us because I think that we've been good partners for the portfolio companies that we work with.

Jeff Fickes:

That's incredible. DJ, I can't thank you enough for being here. I've known you for probably at least a year and a half, if not longer, and I learned a lot today from having this conversation. So it just shows the importance of communications and not just sending emails back and forth. So thanks for your time.

DJ Lipke:

No, this is great. Appreciate it. Thanks for having me on. And yeah, it's been fun.

Steve Burkhart:

Thanks again to Jeff Fickes and D.J. Lipke. Make sure to visit our website, www.ballardspahr.com where you can find the latest news and guidance from our attorneys. Subscribe to the show in Apple Podcasts, Google Play, Spotify, or your favorite podcast platform. If you have any questions or suggestions for the show, please email podcast@ballardspahr.com. Stay tuned for a new episode coming soon. Thank you for listening.