

Legacy Fund I 2023 Impact Report



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Legacy Fund I

2023 Impact Report

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About Apis & Heritage

Centering Employee Ownership on Racial Equity

Apis & Heritage Capital Partners (A&H) is a novel investment fund that is attacking the racial wealth gap using employee ownership while generating attractive risk-adjusted returns for investors. We are backed by preeminent foundations and impact investors who believe a successful business should benefit more than just a few people. Our unique mix of high finance, legal, operational and strategic skills helps enterprises convert from limited ownership to broad-based employee ownership.

This report focuses on the social impact our fund has had and will have on the workers in our portfolio.



IMPACT
CAPITAL
MANAGERS



Apis & Heritage Team Retreat, Charlottesville, VA

“ We’re extremely proud of our team’s work this past year. We added another company with over 100 workers to our portfolio. Our commitment to the mission of racial equity and healthy companies rooted in their communities remains absolute.

Todd & Phil

Summary Metrics

During 2023 A&H continued to make progress towards our mission and generated results across the portfolio and thesis.

Data is as of 12/31/23

\$16M+

Invested In
Employee
Ownership

320+

Worker-Owners
in the Portfolio

89%

Worker-Owners
Of Color

100%

Of Ownership Held
By Workers

92%

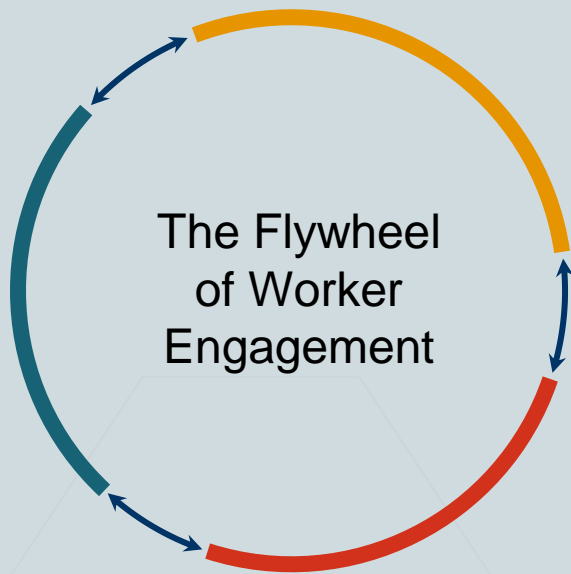
Low and Moderate
Income Workers

\$249K

In New Wealth
Generated for
Employees

Worker Wealth

Our thesis is that job quality and worker voice drive enterprise value, which in turn delivers worker wealth. Completing the flywheel effect, happier, more invested workers anchor long-term success for the company.



Engagement and Voice

Effective processes to require, receive and reward input can drive performance.

Our goal: Management skills and company structures support real input from workers and a team culture.

ESOP Account Value

Long-term ownership stakes are a critical lever for worker engagement, education and input.

Our goal: Employees know their role in how the company makes money and how they can affect share value.

Compensation and Benefits

Compensation is a critical component of job quality. We want every ESOP company to have a 401(k) and to pay a market wage.

Our goal: Wages, benefits and working conditions meet needs and reduce turnover.

Ownership: Cornerstone of Job Value

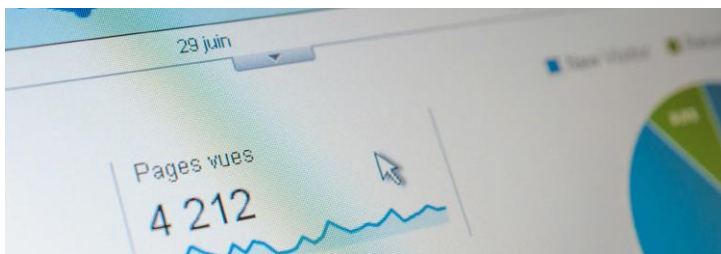
Research is often mis-cited to argue that employee ownership alone drives increased productivity and profitability. In fact, it is the combination of employee ownership and high-engagement practices that produces these remarkable results.

For A&H, ownership+engagement drives not just share value but job value. High-value jobs have pay and benefits supporting family financial security, give employees input in the workplace, offer opportunities for learning and advancement, and foster employee health and well-being. They are meaningful.

Employee ownership gives us a unique tool not available to traditional companies: the opportunity to engage workers as owners. We invest in making it feel different to work at an A&H portfolio company – for employees to understand the ESOP, have avenues for effective input, and realize real rewards from that input. When it feels different:

- Workers benefit: they self-manage and co-manage to a greater degree, notice and report problems, look for solutions, have greater job satisfaction, and stay longer.
- Companies benefit: from higher productivity and profitability and less turnover. Distributed leadership makes them less vulnerable to management departures and more readily able to build internal ladders.

Below are some of the impacts of our ownership culture work to date. The sources of these data are our annual employee survey and systems audit, averaged across companies, measured on a 0-5 scale.



Job Quality and Ownership



Employee Health and Well-being

+12% Increase
From Baseline

+3% Increase
From Baseline

Case Study: Workers on Boards

Supporting employees to serve on the Board of Directors is a key component of A&H's model, and one of the most important ways we structure worker voice in the company. This work starts with establishing good board processes. Then about a year after close we support nominations, elections, training and onboarding for the employee Board member, who will serve a 2-3 year term depending on the company.

The Role of ESOP Committees



Within the first year after the ESOP is implemented, we help the company form an ESOP Communications Committee. This is usually the internal plan admin team (HR and finance staff), the general manager or equivalent, and at least one worker from the field. The committee meets regularly (usually bi-monthly or quarterly) to help plan ESOP-related training and education initiatives, including statement day support, ESOP Month activities, and ad hoc communications. In 2023, both the Accent and Apex ESOP committees made a workplan and met with support professionals (Trustees, attorneys) to better understand their company's plan so that they can serve as a resource for their co-workers.

- From Day 1**
Management Presents to Board
- 12 Months After Close**
Orient company leadership to election process
- 14 Months**
Nominations process, Training for nominees, Training for election team
- 16 Months** Elections
- 18 Months**
Training / onboarding for Employee Director; ED attends as observer
- 18 Months**
Employee Director is formally seated
- 2-3 Years**
Second Elections

“To the 85 of you who voted for me, thank you and I will do my best to be worthy of it, and to the 15 who didn't... I will try to earn your vote.” –



* Timeline is an estimate and may vary by company

Spotlight On HR:

Vero Ruiz, Accent



Human Resources (HR) is a key function in an Employee Owned business. Below is an interview with Accent Landscaping's HR lead, Vero.

What do you do at Accent? I handle all payroll and benefits. I make sure we are compliant with all the different levels of scale pay required by public contracts. Recently I've been setting up the 401(k)s. I also lead up safety, I go out on site and make sure the guys are wearing their PPE, and I take the opportunity to answer questions and give reminders.

How did you get here? I've been working at Accent for 19 years. I started as the secretary. When our HR/payroll person Janet left to become a teacher, she chose me to take over and trained me.

But it's really a longer story. At that time, I was kind of afraid of everything. I was in a bad relationship. I had dropped out of school when I had my son. So I wasn't confident at all. But Janet and Ellie (CFO) really pushed me to get my GED. I hadn't even gotten my GED in the mail when they pushed me to enroll in college, and before I knew it, I had started school the next week. This changed my whole mentality. Ever since then, I push myself to be better.

What's your favorite part of your job? Dealing with the guys, communicating with them. Before all this change (the ESOP), I could be kind of grumpy. I wasn't rude or demeaning, but my way of approaching them was like, "You need to do this. Now." I was dealing with them how I was trained in this industry, to be tough and demanding, to a point where people are beneath you. But I'm humble, I know where they come from, I've lived paycheck to paycheck. Would I like to be talked to like that? No. I wanted to change that. So now I've changed my tone, I approach in a nice way, a jokey way, but still telling them what needs to happen. And now they come and talk to me easier.

How has your job changed since the ESOP went in? Well, for one, we took some advice from A&H and automated our payroll processing. Now I'm less stressed! And it has freed up my time to do more training and safety. I volunteered to take on the safety role last year, because I really see it as part of HR. Now I can include everything together – safety but also benefits questions and the ESOP. And it gets me into the field, which I like because it's healthy for me!

What do you like about the ESOP? You don't have to work so hard to have a little savings. You don't have to worry about having a little piece of your check taken out. You don't have to invest your own money in it.

What's been challenging about the ESOP? Trying to get everybody to be on board with it, and give it importance.

What's something people might be surprised to know about you? I'm funny. I get along with everybody. I'm a jokester.

Spotlight On HR:

Taryn Watson, Apex



Human Resources (HR) is a key function in an Employee Owned business. Below is an interview with Accent Landscaping's HR lead, Taryn.

What do you do at the company? I'm the HR manager, and we're a team of two now. I'm still involved in the day-to-day stuff, employee relations, recruiting, all that. But now I'm focusing on more high-level strategic things – looking at our compensation structures, benefits, how to highlight the ESOP.

Tell us about how you got here. I started in ABA (Applied Behavior Analysis) while I was going to school for psychology. I started doing HR in 2020 in doing interviews at a company in Las Vegas, then moved back to CO and landed my first HR job doing onboarding. Then I moved to HR coordinator, and now I'm in my current role after joining Apex in Dec 2022. This is all over the course of four years.

What's your favorite part of your job? I like the making-things-better aspect. Even if we're not always 100% successful, I really do like making employees happy. Because that's my job – helping employees and making the company better.

How has your job changed since the ESOP went in? I came in after the ESOP ... But when I started, we were at 50 employees, and now we're at 85-ish employees. With that employee growth comes a lot of work. You have to adjust. I've had to learn a lot of things very quickly, my team has expanded, so now I'm even becoming a new manager. To do that big hire, we leaned on our resources, our people. We have a referral program and we got creative. One of the big things was getting employees involved with sending in referrals, sourcing, going back and looking at previous applications, job postings.

What have you seen change in the company since the ESOP? Everything has changed since I started. Our processes, our culture, the amount of people we have, the projects we've taken on, yeah, it's all change! We really focus on, as an ESOP we want to make sure the company is doing well – if we're getting better projects the company is doing better, and that money goes back to the employees' pockets. We want to have a culture of teamwork and improvement, and if someone isn't on board with that, or is stuck in their old ways from before the ESOP and things aren't getting done how they should be, we're spending money in places we shouldn't be. It's going to impact other people and the value of the company in a real way.

What do you like about the ESOP? I like the concept of the ESOP to close the wealth gap. It really is wild – it gives us the opportunity to change our future. Honestly to be a part of something that is going to change somebody's life and their family's life... it's big. Because it's not a right now thing, it's a long term thing. One of our core values is that we're not just our 85 employees, we're 400 people, our families and the generations down the line.

What's been challenging about the ESOP? The challenge is getting buy in. People are always about the right-now – I have to work to get them to understand and see the long term value.

What's something people might be surprised to know about you? I play the piano, and back in the day I sang and was an actor, but I'm actually a pretty introverted person!

Apex Underground



Industry: Wet Utilities | **Location:** Arvada, CO | **Invest:** May 22 | **100% EO**

Apex Underground is headquartered in Arvada, Colorado, part of the wider Denver Metro area. In business for over 35 years, “the underground guys” provide crucial water, sewer and fireline connections and repairs between city infrastructure and residential or commercial buildings. Beginning in 2023, Apex also became a prime contractor for the City of Denver in its laudable effort to replace over 60,000 lead pipes bringing drinking water into residences and

SENSE OF OWNERSHIP

3.79 ▲ 57.9%
Baseline: 2.40

JOB SATISFACTION

4.24 ▲ 6.3%
Baseline: 3.99



Highlight: Denver Water:

Early in 2023, Apex landed the Denver Water lead replacement contract for \$25 million over three years – the result of a combined effort by many people across multiple departments. CEO Mowa Haile believes the management team was invigorated by the transition to ESOP and the brighter future that the long-term Denver Water contract would bring. They were willing to take risks on the bid to make their offer more competitive, knowing they could put in the extra work if they had to in order to success – which is exactly what has happened. Apex has become Denver Water’s top performing contractor, has Apex Underground’s revenue is up 65%.

Francisco, an Apex supervisor for the Denver Water project, with a happy homeowner who now has clean copper pipes for his drinking water.

Meet Mowa Haile, Apex’s President and CEO

Mowa became the CEO of Apex Plumbing in January 2023, after reaching out to A&H when he read an article in the Denver Post about Apex Plumbing transitioning to full employee ownership. He worked in the tech sector for 13 years before starting Sky Blue Builders in 2009, a general contractor with 42 employees that also recently transitioned to 100% employee-owned.

Mowa came to Apex with a 120-day game plan, with the first 60 days being learning and listening meetings with office and field leadership. He emphasized at each of the one-on-one meetings that employees are the owners, and that managers communicate to their teams the value of ownership. He also held a company-wide meeting to introduce himself and express his excitement for all of them to be owners of a great company. Then he got to work growing the company and envisioning the systems needed to support that growth.



Apex Underground

2023 was an exciting year at Apex: not only did employee ownership culture really begin to build, but winning the Denver Water contract meant adding 60% in headcount and about the same in topline revenue.



Thanks to the Inflation Reduction Act, federal dollars are complementing Denver rate payer dollars to remove lead pipes.



Mowa showing company financial results at statement day to transparently link performance and share price for the workforce.

“Apex had previously pursued the Denver Water contract twice and lost both times. The third time, we won it. It was the same contract, so what had changed? I believe one change was the ownership mentality. The team worked together to put in a great proposal with the right pricing. It meant more to them because it was their company. It was great to win, but this is a huge contract that required an additional 25 people—a very tough hurdle with the shortage in labor. Our HR manager did an amazing job in hiring new employees, and the team trained all them one month in advance of starting the project. I believe the differentiator in our hiring process—besides having an amazing HR Manager—is being able to tell potential candidates that they will have ownership in the company.”

Mowa Haile, Apex CEO
on Winning Denver Water



The Apex team on Statement Day to see their ESOP account values for the year.

Accent Landscaping

Accent
Landscape Contractors Inc.
100% Employee-Owned

Industry: Landscaping | **Location:** El Paso, TX | **Invest:** May 22 | **100% EO**

Accent Landscaping is based in El Paso, Texas, where it is the market leader in providing commercial landscaping construction, services and maintenance in a dynamic region of southwest Texas and eastern New Mexico.

SENSE OF OWNERSHIP

3.37 ▲ 41.0%
Baseline: 2.39

JOB SATISFACTION

4.24 ▲ 5.0%
Baseline: 3.84

Highlight: Increased Wages and Benefits, Staffing Stability:

When A&H closed on Accent Landscaping, a wage raise was one of the first things that needed to happen, to address job quality and retention needs. Accent raised wages for its lowest-paid employees and brought administrative and middle-management staff compensation to parity with the industry. The increase in median hourly wages of workers at close and who are still working hourly in 2023 was \$1.50, or 12.5%. The company also created a new Project Manager position and shifted staffing resources to better support the maintenance department.



The A&H Team makes a visit on site to see the landscape crews in action.

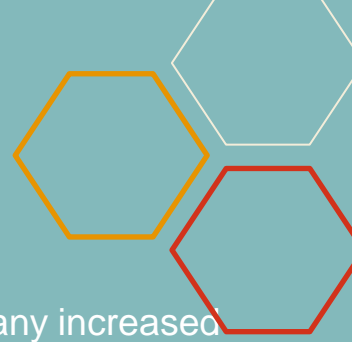
Meet Alicia Ruiz, Accent's first woman project manager

Alicia Ruiz is the first female project manager at Accent, a traditionally male-dominated role in the landscaping industry. She handles all the work for Hunt Companies, Accent's biggest client. Alicia started at Accent in 2016 as a project coordinator and was promoted into this critical role after the ESOP was implemented and General Manager Joe Aguilar became CEO, leaving a gap that he began mentoring Alicia to fill. With her background in procurement, they knew they could count on her as a coordinator, but "the hard part was having the foremen accept me as a full PM. I had to gain their trust." She did that in part by asking them if she should take the new job offer. "They said, 'take it! We'll help you out.' and they took me under their wing" Now Alicia is out on site almost every day, troubleshooting, advising, ordering materials, and making it work for her crews.



Accent Landscaping

Beyond raising wages, 2023 was a growth year at Accent, as the company increased its workforce and laid groundwork for implementing third-party payroll and benefits systems to support ongoing growth.



Accent training for company supervisors on the quarterly financial dashboard.

In 2023, the company began preparing to implement a 401(k) plan for employees, a benefit that was launched in early 2024. The ESOP committee has been researching other possible benefits, and in late 2023 conducted an employee survey to better understand employees' desires.



Accent Statement Day event where employees received their ESOP account values for the year and took part in an ESOP training.

Blooming Nursery



Industry: Wholesale Nursery | **Location:** Cornelius, OR | **Invest:** Nov 23 | **100% EO**

Blooming Nursery is based in Cornelius, about an hour west of Portland. Blooming sells high quality plants, mainly perennials and shrubs, through independent garden centers (not big box) throughout the Northwest. In its eye-catching branded maroon pots, Blooming's reputation for quality plants has been carefully cultivated over 40 years.



Explaining the Rollout

Philip Reeves explaining the changes at Blooming Nursery to its workers, many of whom have been with the company for 20 years and longer. A&H also invited Accent VP Adrian Flores to the event, so he could share his experience with the ESOP in Spanish to the workers.



Blooming Nursery

Blooming Nursery is A&H's first foray into an agricultural and rural enterprise. We were attracted by Blooming's reputation for quality and by its founder/seller's clear commitment to her workers, which in high season runs to over 110 employees.

Importantly, about 25 workers come from Mexico through the USDA H2A visa program; most of these workers will qualify for ESOP shares provided they come back each year to vest their shares.

Within a month of the Blooming transaction being in the press, A&H had received two incoming inquiries from other nursery owners around the country. As with other sectors, this one is dominated by aging owners who don't have good exit options. And during Q1, two nurseries in Oregon shut down for good. The opportunity for A&H's impact at Blooming may go beyond putting Blooming's workers on a path to wealth, it may help create a lifeline for the sector as a whole.



Blooming Nursery has a significant number of female workers on the front line, making it different than our first two ELBOs.



An employee with Blooming's signature maroon pots.



Seller Grace Dinsdale's employees toasting her upon news of the transaction – a very happy moment for all.

Capital and Support



During the year, Apis & Heritage supported a number of efforts aimed at expanding the financing available for employee ownership. We also continued to expand our expertise in and resources for ownership culture work with front line employees, a gap in the broader EO communication sector.



WOODFOREST
NATIONAL BANK

Expanding Financing Options

A&H's work with senior lenders in ELBO transactions encourages lenders to expand their work with employee owned firms. One partner, Woodforest National Bank is doing just that:

“As a longstanding ESOP company ourselves, we embrace our core values of Service, Community, Ownership, and Integrity in everything we do. The opportunity to work with A&H in supporting the transaction for Accent Landscape Contractors led us to increase our own efforts in providing senior debt financing for more ESOP conversions. We look forward to continuing to support many regional economies and local communities.”

Equity Capital Formation

We salute A&H investor Amy Brakeman and her fellow equitypreneurs for founding and seed funding the Unlock Ownership Fund, which helps impact investors place capital in investment funds aimed at expanding asset ownership for the many, not the few.



Designing Engagement for the Realities of Our Workforces

A&H portfolio company workforces are diverse across the spectrum – by race/ethnicity, age, country of origin, language, formal education and literacy levels, access to technology, and experience with employee engagement. These factors shape our program design. Fundamentally we believe that everyone can understand the ESOP and use that understanding to give input that drives company value.

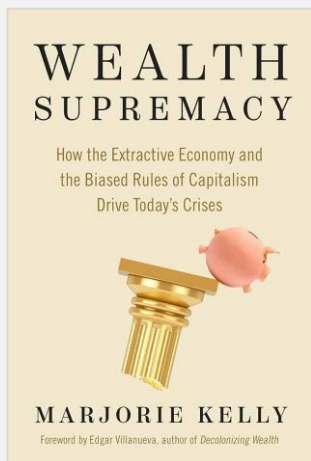
Making our work responsive to the people who may understand or trust the least actually makes it stronger for everyone. This is our special sauce, but it's not a secret sauce. When we started out, we could find very few ESOP educational resources geared for our workforces - so we started making our own and modifying what was available. (We are grateful for the excellent resources from NCEO and Certified EO!) Now we are planning to share many of the materials and methods we are refining to reach and engage all workers.

Pictured: Melissa Hoover [Democracy at Work Institute] leads our ownership culture impact work.



Storytelling

One of our key goals is to expand awareness of employee ownership to a broader audience of investors, business leaders, policy makers and the general public.



Expanding Financing Options

Apis & Heritage's novel Employee-Led Buy Out model was highlighted in two important books this year that discussed the US wealth and opportunity gaps and offered other, more equitable approaches to economic organization and growth.

Policy Education at the State and Federal Levels

A&H partners worked at the local, state and federal levels to inform legislative leaders and staff about bottlenecks to and benefits from expanding employee ownership. We underscore the long term economic health for the nation when workers, especially low income workers and workers of color, have savings and financial security as they age, and we point out that 100% employee owned companies are much more likely to stay rooted in their communities for the long term, preserving jobs and opportunities for the future.



Speaking to Impact and Non Impact Investors

Team members from A&H Capital and technical assistance partner Democracy at Work Institute participated across the country in speaking forums, conferences and gatherings to investigate means for creating higher quality jobs and broader based ownership of business assets. Such events included the National Center for Employee Ownership, Impact Capital Management, the Aspen ideas conference, the GIIN conference, SOCAP, and many more.

Impacting Young Professionals



As a team led by young professionals of color, the A&H team recognizes the importance of mentorship, opportunity and exposure. To that end, we've made targeted efforts to increase the number of professionals that learn about finance and impact investing.

Employee Ownership Fellow

Through grant funding, A&H brought its first Fellow, Jungyun Kim, onto staff in a junior analyst position. In this role, Jungyun has gained exposure to all the parts of the investment process. With portfolio companies, she has worked to provide management support and shadowed DAWI staff on ownership culture development and impact measurement.

She joined A&H because of the Fellowship, and now she's transitioning from a Fellow to a full team member. This transition not only supports her career advancement, it also opens up new Fellow spots as the firm looks to continue to provide opportunities to young professionals.



Engaging HBCU Students

Above, Philip speaking to students at Benedict College, a Historically Black College and University in Columbia, South Carolina. The goal of the event was to bring real-world knowledge and learning to the students. The session allowed Philip to share his personal story and the story of A&H in the hopes of inspiring future leaders and serving as an ongoing resource.

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