



INVESTMENT SPOTLIGHT

# Apis & Heritage: Legacy Fund I

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## Investment Spotlight

# Apis & Heritage: Legacy Fund I

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The Rockefeller Foundation's Zero Gap Fund invested \$3 million in first close of Apis & Heritage's first fund, Legacy Fund 1 (June 2021). The Fund has since raised nearly \$60 million and announced final close in September 2022. The Legacy Fund 1 seeks to convert 8-10 businesses to ESOPs via LBO, establishing independently-managed ESOP Trusts to transfer firm ownership to employees over time. The strategy aims to enable asset ownership and job preservation for low-income and BIPOC workers in the United States through employee ownership.



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# RECAP



The Legacy Fund I seeks to build wealth for Workers of Color in the United States— and for low-income workers specifically— through employee ownership. The Zero Gap Fund invested \$3M which has since mobilized ~\$55M in private capital.

## The Need

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In 2019, the median white family had nearly 8x the wealth of the typical Black family, and 5x the wealth of the typical Hispanic family. 65% of Black workers and 74% of Latinx workers retire with no retirement assets. And even Black and Latinx households that do have savings have less to put away towards their retirement. The median retirement savings for a White household between ages 25 and 61 is \$79,500. For Asian-Americans, it is \$67,025. Black and Latinx households have \$29,200 and \$23,000, respectively.

## The Impact

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A&H's novel "employee-led buyout" (ELBO) model allows workers to build wealth through ownership. The employee ownership structure is designed to bring greater returns to workers, rather than concentrating equity appreciation among a few at the top. A&H expects an average worker who benefits from an A&H-assisted buyout to retire with savings of \$70,000 to \$120,000, a potentially life changing amount.

## The Opportunity

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In the United States, there are two primary paths to amass savings and wealth— owning a home or owning a business. The benefits of even modest wealth accumulation are dramatic across all fronts. Apis & Heritage (A&H), a Black-led investment fund, aims to close the racial wealth gap by financing the conversion of companies with substantial Workforces of Color into 100% employee-owned businesses.

# WHO

“We are looking to make life-changing investments with this first fund to address the significant and growing wealth gap in this country, especially for Black and Brown workers.”

**Todd Leverette**  
Apis & Heritage

## About Apis & Heritage

Apis & Heritage (A&H) uses a novel "employee-led buyout" (ELBO©) structure to provide workers of color and workers in essential industries with the most powerful wealth building tool in the nation: equity in a thriving business. A&H finances the acquisition of companies from retiring owners/founders and converts them into 100% employee-owned enterprises. The ELBO© utilizes the employee stock ownership plan (ESOP), which has over 50 years of bipartisan political and regulatory support, to secure significant tax benefits for qualifying companies and wealth-building opportunities for employees. To facilitate the ELBO©, A&H coordinates senior financing. A&H and its operating partner, the nonprofit Democracy at Work Institute (DAWI), invest in training to build an ownership culture that ensures all employee-owners are engaged in a common endeavor to create healthy, growing, profitable, and satisfying places to work over the long term. A&H was incubated at DAWI with seed funding provided by the Kendeda Fund, the Kellogg Foundation, and support from Citi Community Development.

## Geography

United States - first 2 transactions have been in El Paso and Denver

## Sectors & SDGs





“ Closing the racial wealth gap is why we created A&H. Today, over 40% of all Americans surveyed report they could not easily pay an unexpected \$400 medical bill while about 2/3 of Black and Latino workers retire with no savings. Whereas, the average employee in an employee-owned business in the US nearing retirement has \$147,000 in his or her [Employee Stock Ownership Plan] account, which we think will be transformative for our workers, their families, and their communities. ”

**PHIL REEVES**

APIS & HERITAGE FOUNDING PARTNER

## WHAT

“We asked ourselves: if employee-owned businesses do so well for so many, how come there aren’t more of them? And we realized that it was a shortage of capital to help make these transitions happen, and so we came up with the idea of creating an employee-ownership transition fund at the end of 2018, and began building out the concept in 2019.”

**Todd Leverette**  
Apis & Heritage

## Total Investment

# \$3MM PRI

INVESTOR	SIZE	TYPE	POOL	DURATION
Zero Gap Fund	\$3MM	Debt	PRI	Ongoing

LP investment in a mezzanine debt fund

## Target Return

# 15.0%

net IRR, through a combination of current interest, PIK interest, and warrants

## Investment Structure

Legacy Fund 1 plans to finance the conversion of small businesses to 100% employee ownership through a combination of mezzanine debt, warrants, senior debt (bank debt arranged by A&H), and sometimes Seller Notes. Portfolio companies pay down senior debt over ~5 years, then with increased EBITDA and debt capacity company refines A&H investment and A&H exits. Company employees vest ownership over the Fund’s 5 to 7 year holding period.

Other investors contributed ~\$55MM and include: the Ford, Kellogg and Skoll Foundations, Gary Community Investments, Ascension Investment Management and impact-oriented individual investors.

# HOW

## The nature of the Apis & Heritage process

The A&H team identifies a healthy company with a workforce that is at least one-third people of color and 50 percent low-income, and negotiates a sale price with an owner seeking to retire.

2

Their fund buys shares in the name of an employee trust, so that from Day One, the employees own the business

3

Once it is a trust, the business pays no federal taxes and, in 44 states, no state taxes.

4

A&H negotiates with a bank as the senior lender, who carries 30 to 40 percent of the loan.

5

A&H stays with the company for five years to help make a successful transition. In that time, the company pays off the institutional lender (in about three of four years) and that lender then buys out A&H's share.

6

After an anticipated eight years, all lenders are paid off and the company is fully in employee hands.

7

Employees gain shares annually based on their salary; the shares are released over 20 years to make space for new hires.

8

To be vested, an employee must stay with the company for four years, and then can cash in the shares when they are leaving the company.

# WHEN

**2015**

DAWI led the shift in the field (which had previously been primarily concerned with startups) to focus on employee ownership conversions of established businesses.

**2019**

Founding of  
Apis &  
Heritage  
Capital  
Partners

**June  
2022**

A&H completes first two transactions: Denver-based Apex Plumbing Co. and El Paso-based Accent Landscape Contractors Inc.

**2013**

Democracy at Work Institute (DAWI) started to lead field-wide efforts to make worker cooperative development more effective, strategically directed, and better resourced

**2018**

Fund  
concept  
incubated at  
DAWI

**Juneteenth  
2021**

Initial Close of \$30M of their Legacy Fund I, surpassing its \$15M first close target.

**September  
2022**

Final close at \$55M, surpassing its initial cap of \$50M

# IMPACT & MEASUREMENT



**Impact Goal:** The investment will directly support the conversion of **8-10** profitable small businesses with meaningful workforces of color to 100% employee-owned enterprises.

- Transferring **~\$35 million in wealth to 500+ workers** over time
- Diminishing intergenerational poverty for 500+ families.

The Zero Gap Fund leverages the IMP's 5 dimensions framework to manage impact.

Key indicators will be tracked over time including:

- Total number of workers in portfolio
- Number & percentage of workers of color in portfolio
- Value of ESOP retirement savings
- Average retirement savings industry wide vs A&H worker retirement savings



“ Employee ownership is an incredibly powerful tool for employee retention, because every year, employees see their accounts growing twenty times more than the average 401(k). And this is without any financial contribution on their part; they earn the shares by staying with the company and helping it to thrive. ”

**MICHAEL BROWNRIGG**

APIS & HERITAGE MANAGING DIRECTOR