




Supporting Quality Jobs through Value Creation

2022 ANNUAL IMPACT REPORT


A photograph of a modern building interior. The top half shows a wooden slat ceiling structure with a central light fixture. The bottom half shows a staircase with grey steps and glass railings. The text is overlaid on a semi-transparent white background in the center.


“Quality jobs are the cornerstone of a thriving economy and a financially secure workforce. Through our Gainful Jobs Approach™ and other value creation activities, we work with portfolio companies to build environments where employees thrive, which ultimately leads to better financial results and enhanced investment returns.”

- Tom Woelfel, Senior Director of Impact at HCAP Partners

HCAP PARTNERS SNAPSHOT

HCAP Partners has managed more than \$670 million across four funds, providing mezzanine debt and equity for underserved, lower middle market companies throughout California and the Western United States. Managed by a team of diverse investment professionals, HCAP Partners is nationally recognized for its thought leadership and commitment to intentional impact. The firm actively works to set industry standards as a mission-driven fund manager and has been an ImpactAssets 50 Fund since 2014.

 Founded in 2000

 Based in San Diego, CA

Key Industries Served

 Healthcare  Technology

 Services  Manufacturing

- ✓ Investments of \$3M to \$25M
- ✓ Investments in established businesses with \$10M to \$100M in revenues
- ✓ Capital for expansion, growth, recaps, acquisitions, and management or private equity buyouts

 **\$670M+**
Capital Managed*

 **60+**
Investments Across 4 Funds

 **13,093**
Employees Across Portfolio

 **58%**
Female Workforce

 **57%**
Diverse Workforce

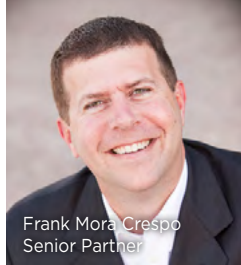
 **75%**
Low- to Moderate-Income Workforce

* Across four funds (HCAP II, III, IV and V), includes active and exited companies. Data as of 12/31/22 or last period of data collection prior to exit.

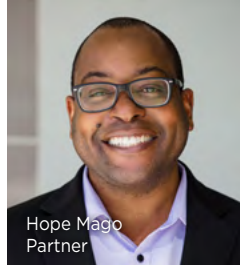




Tim Bubnack
Managing Partner



Frank Mora Crespo
Senior Partner

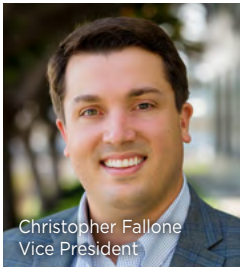


Hope Mago
Partner

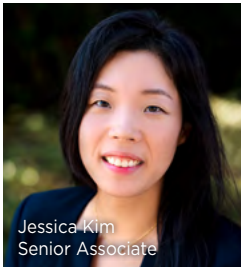


Stefan Okhuysen
Partner

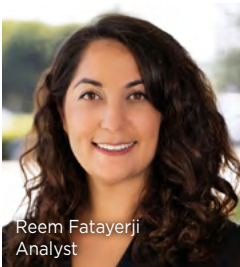
PARTNERS



Christopher Fallone
Vice President



Jessica Kim
Senior Associate



Reem Fatayerji
Analyst

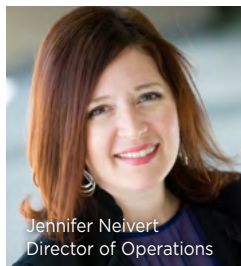
INVESTMENTS & IMPACT TEAM



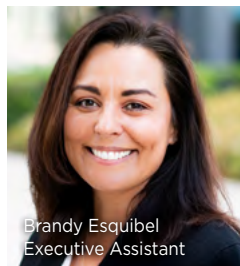
Tom Woelfel
Senior Director of Impact



Kurt Noyes
Chief Financial Officer



Jennifer Neivert
Director of Operations



Brandy Esquibel
Executive Assistant

OPERATIONS

MESSAGE FROM THE TEAM

The past year brought with it a series of new and unexpected challenges for American workers and families. The COVID-19 pandemic continued for a third year, the U.S. experienced inflation at 40-year highs, and the U.S. economy slowed—inflicting new financial hardship on many. Americans saw their real average hourly earnings fall 1.7 percent from December 2021 to December 2022¹ while the price of food increased 10.4 percent² and gas rose over 40 percent. Amidst rising inflation, the Great Resignation became the Great Reshuffle³ as Americans returned to the workforce in search of better jobs, resulting in increased employment in 42 U.S. states and stable employment in 8 others⁴. Despite this encouraging sign, half of Americans reported feeling worse off financially—levels not seen since Gallup’s polling during the Great Recession of 2008 and 2009⁵. It is clear that the U.S. continues to have a quality jobs problem and too few workers are able to provide sufficiently for themselves and their families to feel financially secure.

Given this reality, we see our work with portfolio companies to improve job quality through the Gainful Jobs Approach™ as more important than ever. In addition to this work being the right thing to do, we view improving job quality as a core component of how we support value creation with portfolio companies. When we collaborate with companies to support their workforce and build

environments where employees thrive, companies are better positioned to reach their goals, which translates into better financial results and, ultimately, enhanced investment returns.

In this year’s annual impact report, we are pleased to highlight value creation as our central theme. We’ve included case studies that examine how we’ve positively contributed to our portfolio companies, including through the Gainful Jobs Approach™ and other value creation activities. In addition, we introduce the HCAP Employee Assistance Fund, a new resource launched to support portfolio company employees experiencing financial hardship.

In September 2022, we announced the final close of our fifth fund, a \$353 million Small Business Investment Company (SBIC) fund, HCAP Partners V, LP. We are pleased to share impact results for this latest fund as well as for our previous fund, HCAP Partners IV, LP. which is fully invested.

As we continue to grow as a firm, invest more capital, and support value creation, we are thankful to have our portfolio companies, investors, and other partners on this journey with us. We look forward to continuing to work together to demonstrate how businesses and investors can prioritize investments in workers as a key driver of value creation and make quality jobs the norm for U.S. workers.

FORMALIZING HCAP'S IMPACT APPROACH

HCAP Partners provides mezzanine debt, private equity, and technical assistance for underserved businesses to drive operational excellence, quality job creation, and economic opportunity for women, people of color, and low- to moderate-income (LMI) workers.

As part of formalizing our impact strategy and guiding our ongoing work with our portfolio companies, we developed an impact thesis that summarizes the positive impacts we seek to achieve through our capital and approach to value creation. An impact thesis illustrates an investor's hypothesis for how its actions positively contribute to a set of social outcomes.

Our impact thesis is organized as a logic model that can be read left to right. It describes (1) the job quality challenges in the U.S., particularly among low-wage workers, women, and people of color, (2) how we contribute to addressing these challenges in partnership with our portfolio companies, including through the Gainful Jobs Approach™, and (3) the associated positive societal outcomes that we hope to achieve together as identified by the United Nations Sustainable Development Goals.



HCAP PARTNERS' IMPACT THESIS

CHALLENGE

» **50.5 million Americans reside in distressed communities** and a majority of distressed zip codes lost businesses and jobs⁶

» **44% of the U.S. workforce are low-wage workers** with fewer opportunities for upward mobility

Women and Black workers are overrepresented in low-wage jobs⁷

Hispanic and Black women have the lowest shares of upward transitions: **37%** and **43%**, respectively⁸

» **40% of American workers experienced worsening job quality** since the start of the COVID-19 pandemic⁹

» **Social and economic inequities across race, ethnicity, and gender are exacerbated** by low job quality, hindering economic opportunity¹⁰

HCAP CONTRIBUTION

» **Capital and value creation activities**

- + Mezzanine debt and private equity tailored to business needs
- + Strategic support, engagement, and value-added resources

» **The Gainful Jobs Approach™**

- + Quantitative measurement system to assess job quality
- + Hands-on engagement with leadership and management to improve job quality
- + Access to HR guidance, tools, resources, and technical assistance to support job quality improvements
- + Sharing of data, evidence, expertise, and lessons learned to support investors, employers, and government in creating quality jobs

IMPACT

» **Outputs**

- + Greater access to capital for underserved businesses, particularly those led by women and people of color
- + Increased wages for frontline workers
- + Increased access to 401(k), ESOPs, and profit sharing
- + Increased access to healthcare and wellness benefits
- + Increased workplace satisfaction
- + Reduced turnover
- + Greater pay equity
- + Increased women and people of color in leadership

» **Outcomes**

- + Targeted societal outcomes as identified by the United Nations Sustainable Development Goals



SDG 8.5



SDG 10.1



SDG 3.8



SDG 10.2



SDG 5.5

INVESTING IN QUALITY JOBS TO DRIVE BETTER BUSINESS OUTCOMES

HCAP Partners focuses on building quality jobs at lower-middle market businesses, particularly for LMI workers, women, and people of color to foster operational excellence and achieve business success. This work is done alongside deeply committed management teams who value and understand the benefits of investing in their employees to strengthen their business.

GAINFUL JOBS APPROACH™

Developed through collaboration with our LPs and industry thought leaders, HCAP Partners’ Gainful Jobs Approach™ is our operational impact framework for understanding job quality standards at our portfolio companies through:

- + A robust quantitative measurement system to assess existing job quality standards and improvements
- + Active portfolio engagement to identify and implement workplace initiatives aimed at creating and maintaining high-quality jobs



Operational Impact Creation Cycle

JOB QUALITY FRAMEWORK

 Economic Opportunity	Broad-Based Participation Types of plans offered: 401(k) plans, stock options, bonuses, etc. Eligibility criteria Matching	+	Opportunities for Advancement Types of training offered Policy on internal promotion Education benefits Retention abilities Accessibility of promotion Hiring practices	+	Sustainable Livelihood Factors considered when setting salaries Standards for pay raises Predictable schedules Living wage Pay equity Benefits
	 Diversity, Equity & Inclusion		Belonging DEI commitment & policies Advocates Flexible work arrangements Childcare benefits		Paid Time Off Eligibility by employee type Accrual

KEY STEPS IN THE GAINFUL JOBS APPROACH™

HCAP applies a systematic approach to impact management through the Gainful Jobs Approach™ by undertaking the following key steps to support portfolio companies throughout the investment period to achieve job quality outcomes and operational excellence.

PRE-INVESTMENT

- ✓ Deal leads socialize the Gainful Jobs Approach™ including HCAP's DEI commitment with prospective companies
- ✓ HCAP includes language in term sheets on companies' commitment to implementing the Gainful Jobs Approach™
- ✓ Companies complete quantitative and qualitative baseline job quality assessment as part of due diligence
- ✓ Baseline job quality assessment results are examined by HCAP with DEI lens and reviewed with company leadership
- ✓ Company leadership and HCAP develop an initial Strategic Roadmap with quality jobs and DEI goals prior to investment close that is integrated in company's overall value creation plan

ONGOING INVESTMENT MGMT.

- ✓ HCAP provides ongoing advisory support, guidance, resources, and tools to company leadership as they implement the value creation plan and make progress towards their quality jobs and DEI goals
- ✓ Portfolio companies report quarterly progress on their quality jobs and DEI goals within the value creation plan
- ✓ HCAP analyzes job quality data and administers employee engagement surveys to understand how employees are experiencing job quality improvements and progress on DEI
- ✓ HCAP conducts quarterly check-ins with companies to review progress towards goals, discuss job quality and DEI data and findings, and revisit/update the value creation plan where necessary

PRIOR TO EXIT

- ✓ HCAP and company leadership conduct a final check-in to review overall progress on quality jobs and DEI goals utilizing the Gainful Jobs Approach™ exit analysis and to capture successes, challenges, and lessons learned to inform the Gainful Jobs Approach™ moving forward
- ✓ HCAP and company leadership review plans to implement carrot agreements that provide low- to moderate income and frontline workers with cash bonuses upon a successful exit so they share in the upside of the acquisition; HCAP and company leadership ensure that the bonus pool is distributed equitably to employees

IMPLEMENTING THE DEI PILLAR WITHIN THE GAINFUL JOBS APPROACH™ TO DRIVE VALUE CREATION

In 2022 we expanded our Gainful Jobs Approach™ to include a third pillar—Diversity, Equity, and Inclusion (DEI)—to help portfolio companies build workplaces where all employees thrive and are able to make meaningful contributions to their companies. We view our work with portfolio companies on DEI as an important lever to helping companies achieve their job quality goals and another opportunity to support value creation and strengthen the businesses we invest in.

Included below is a summary of how we think about DEI at HCAP. We recognize that often these terms are used interchangeably or narrowly interpreted to focus on only one aspect of DEI.

DIVERSITY Representation of varied identities, including but not limited to:		EQUITY Everyone within the organization receives:	INCLUSION The organization provides:
✓ Race and ethnicity	✓ Age	✓ Fair treatment, accounting for individuals' circumstances	✓ A sense of belonging
✓ Gender and gender identity	✓ Sexual orientation	✓ Quality of opportunity	✓ Psychological safety
✓ Socioeconomic status	✓ Professional experiences	✓ Same access to information	✓ An invitation to contribute and participate
✓ Education	✓ Life experiences	✓ Resources	✓ A celebration of the power of differences
✓ Family and upbringing	✓ Personality types		
✓ Skills and abilities	✓ Neurodiversity		
✓ Religion	✓ Veteran status		

HCAP'S INTERNAL DEI COMMITMENTS

As part of implementing the DEI pillar within the Gainful Jobs Approach™ with our portfolio companies, we've begun the process of making our own internal commitments to more explicitly advance DEI within our firm. We acknowledge that we are still early on in our own DEI journey and that there is more work to be done, but we're excited to share the following commitments that will guide our internal efforts and assessment of progress.

- + HCAP is committed to maintaining a majority diverse team
- + HCAP is committed to hiring additional women and non-binary individuals to its team to achieve greater gender diversity
- + HCAP is committed to promoting diverse individuals from within to support the next generation of firm leadership
- + HCAP is committed to building an equitable and inclusive workplace where everyone thrives
- + HCAP is committed to advancing DEI through the Gainful Jobs Approach™ by supporting portfolio companies in implementing workplace practices that create a more inclusive and equitable work environment and by adding diverse board members to company boards of directors



HCAP Partners team, March 2022

DEI GOAL SETTING AND PROGRESS

In 2022 we met with our portfolio companies to introduce HCAP's focus on DEI and begin discussing the opportunity to integrate specific DEI goals among their quality jobs goals outlined in their Strategic Roadmaps. As our portfolio companies formulated these goals we served as a sounding board and provided resources and guidance to help our portfolio companies in identifying goals that would be reflective of their

culture, mission, and organizational priorities. As part of implementation of DEI goals, we observed that companies focused their initial year's work on supporting culture building to promote inclusive work environments, implementing foundational human resources policies and practices that had not previously been formalized, and extending new benefits to employees.



Award winners at BetterNight's core values luncheon.


EXAMPLES OF DEI GOALS COMPLETED BY HCAP PORTFOLIO COMPANIES IN 2022

Company	DEI Goal	Description
<i>HCAP V</i> DFW Neuropathy	Develop company culture and values statement	DFW Neuropathy held an all-day company offsite focused on team reflection and culture building. As part of the agenda, all staff came together to draft a company culture and values statement that will guide the company’s work with patients and internal operations.
<i>HCAP V</i> FleetNurse	Recruit diverse candidates to open board positions	FleetNurse added diverse members to its board of directors as part of formalizing its governance mechanisms.
<i>HCAP IV</i> Atlantic Closing & Escrow	Implement sexual harassment and bullying prevention training	Atlantic Closing & Escrow expanded its sexual harassment prevention training to include anti-bullying training to support workforce health, psychological safety, and productivity.
<i>HCAP IV</i> Chordline Health	Expand healthcare travel reimbursement policy	Chordline Health extended healthcare travel reimbursement to cover reasonable travel and lodging expenses arising from the legal need to travel to another state to seek healthcare services. All employees and their dependents covered under the Chordline Health insurance plan are eligible for this benefit.
<i>HCAP IV</i> Lone Star Analysis	Provide minimum of 4 weeks paid maternity and paternity leave and reimbursement for adoption and fertility treatment	Lone Star Analysis implemented 4 weeks of paid parental leave to support employees in welcoming a child, whether by birth, adoption, or foster care. Furthermore, Lone Star added a new reimbursement policy of up to \$2,000 for adoption or fertility expenses.
<i>HCAP IV</i> BetterNight	Implement an anonymous reporting system / employee grievance system	BetterNight introduced an anonymous reporting system to provide employees an opportunity to speak up about issues in the workplace that they may not be comfortable sharing openly or with their supervisor to promote a more inclusive work environment.

RESOURCES TO SUPPORT FRONTLINE WORKERS

In January 2023, HCAP Partners launched its Employee Assistance Fund in partnership with Canary, a technology platform created to provide individuals with money at pivotal moments in their lives. Designed to provide a safety net for HCAP portfolio company employees and their families during difficult times, funds can be used to cover expenses such as unexpected medical bills, childcare, and other essential needs.

The Fund is a charitable vehicle seeded by the HCAP team and presently made available to all current and future HCAP Partners V, L.P. portfolio company employees. Portfolio company employees can request up to \$1,500 per year for eligible financial hardship events via a website hosted by Canary. Grants are non-taxable with no expectation of repayment and are a complement to HCAP's existing work through the Gainful Jobs Approach™ to improve job quality for frontline and LMI workers.



“The ongoing wellbeing of our portfolio company employees is foundational to their personal lives and career development as well as the economic success of the businesses we invest into.”

- Tim Bubnack, Managing Partner of HCAP Partners

HCAP EMPLOYEE ASSISTANCE FUND

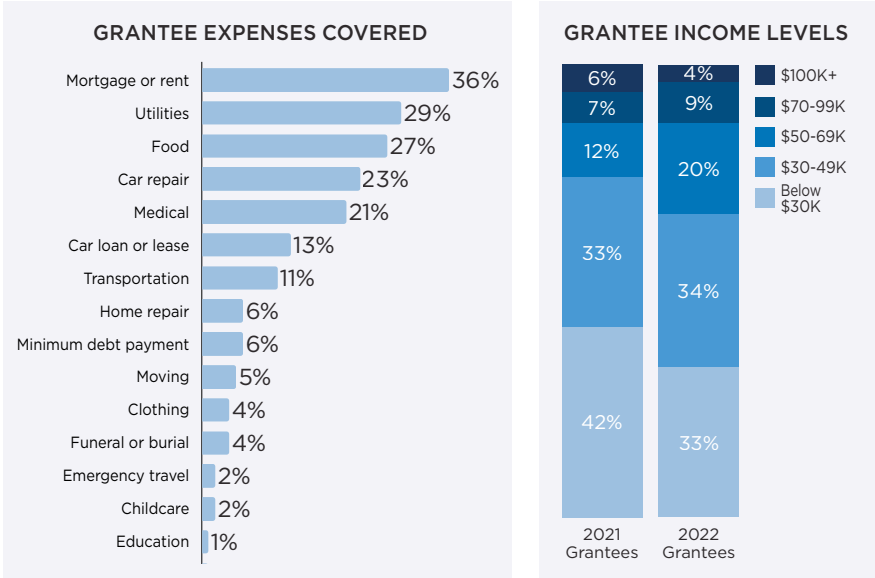
FUND GOALS

- + Provide timely support to help workers manage unexpected health, family, and personal needs during HCAP’s investment
- + Create an additional safeguard for workers during periods of financial difficulty or recession
- + Innovate on the private equity model to pilot new and non-extractive approaches that are worker-centered and contribute to improved job quality
- + Support workers experiencing a wide range of financial hardships including: COVID-19, natural disasters or catastrophes, medical issues, car issues, evictions or forced moves, death in the family, home or property issues, significant and involuntary loss of income, or other forms of financial hardship

Canary’s online platform provides a confidential, easy-to-use portal for portfolio company employees to apply for assistance and track the status of their application.



INSIGHTS FROM CANARY-ADMINISTERED EMPLOYEE ASSISTANCE FUNDS



Data from employee assistance funds administered by Canary, September 2021 through September 2022. Source: Canary 2022 Impact Report.

HCAP PARTNERS IV, L.P. OVERVIEW

DATA AS OF 12/31/2022

2018

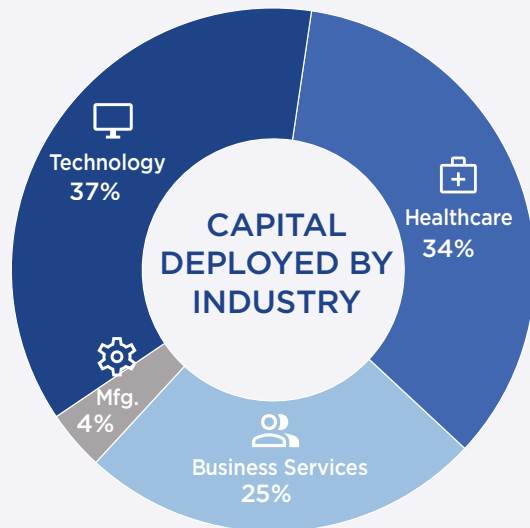
Vintage Year

17

Total Investments:
11 Active, 6 Exits

\$161.2M

Total Capital Deployed:
\$120.7M Debt, \$40.5M Equity



ACTIVE PORTFOLIO COMPANIES



5th Kind is an industry-leading developer of workflow management software that supports remote workflows, digital collaboration, and media/digital asset management needs. The company's solutions are used by the world's most innovative entertainment companies and consumer brands. 5thkind.com



Atlantic Closing & Escrow provides title, closing, and escrow services focused on residential real estate properties. Fully licensed in over 20 states, the company operates under the ACE and Kriss Law brands and holds a dominant position in Massachusetts with an established brand and loyal client base. krisslawatlantic.com



Arosa is a premier national in-home care and care management provider for elderly Americans and their families. The company is dedicated to providing quality care management services and differentiating itself as a best-in-class employer of caregivers and innovative service with approximately 24 offices across 8 states and 1,500 employees. arosacare.com



BetterNight is a leading provider of sleep services for 28 years, serving approximately 60,000 patients annually. BetterNight is the nation's only comprehensive virtual care sleep solution, combining a clinically validated sleep assessment with a CBTi solution and a telehealth-based sleep apnea platform. betternightsolutions.com

ACTIVE PORTFOLIO COMPANIES CONT.



Chordline Health, formerly TCS Healthcare Technologies, was founded in 1983 and is a leading provider of software and clinical solutions designed to support and improve medical management operations for health plans, insurers and other healthcare organizations that serve both the private and public sectors. chordline.com



CortiCare is a leading neurotelemetry and remote neurological patient monitoring company providing telehealth services technology and continuous EEG brain monitoring solutions to neurology and neuro critical care areas within acute care settings. The CortiCare EEG platform covers ICU, NICU, ED and EMU departments offering a nationwide network of remote EEG monitoring and reading services including long term, stat, and routine studies. corticare.com



DYPER launched the first subscription-based, eco-friendly diaper delivery service. Diapers are made with responsibly-sourced materials and are free of harmful chemicals, prints, scents, chlorine, and more. They can be safely composted and are backed by carbon offsets each month. dyper.com



ELB Learning is a leader in the corporate learning technology industry. The company provides a complete suite of integrated training development and delivery tools, including the leading authoring tool Lectora and virtual reality course builder CenarioVR. elblearning.com



Excel ER operates freestanding emergency rooms where patients can receive immediate care that is both high-quality and convenient. Staffed with skilled physicians and nurses and equipped with advanced technology, Excel ER locations offers a wide array of services to treat both adults and children. excel247er.com



Lone Star Analysis provides decision analysis and advanced analytics software/solutions for clients in industries such as transportation and logistics, aerospace and defense, and industrial. Lone Star enables customers to make smarter decisions by quickly leveraging data to provide foresight and decision making solutions. lone-star.com



Myndshft is a provider of Real Time Medical Benefits Check (RTMBC) + electronic prior authorization (ePA) solutions. The company's platform allows post acute care providers to check the benefits and eligibility of patients in real-time and process prior authorization requests in an efficient and timely manner. myndshft.com

EXITED PORTFOLIO COMPANIES



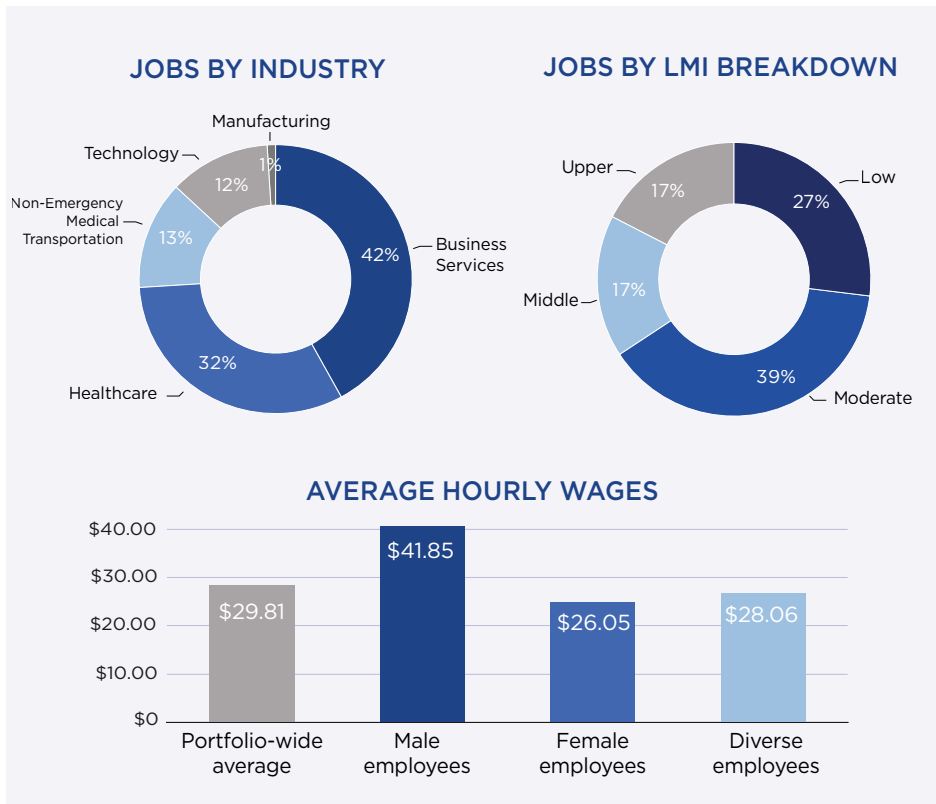
HCAP PARTNERS IV, L.P. IMPACT METRICS

DATA AS OF 12/31/2022

As of Q4 2022, HCAP IV has invested across seventeen companies, with 71% of the capital invested going into traditionally underserved businesses, i.e. businesses that are either located in a low- to moderate-income census tract or employ a majority low- to moderate-income workforce.

The impact metrics highlighted on this page and the next illustrate the composition of the portfolio as well as improvements in job quality during 2022.

We are pleased to report that 88% of jobs in the portfolio were improved during 2022 across multiple attributes of the Gainful Jobs Approach™.



70.6%

Diverse ownership/
leadership*

94.1%

Board diversity**

76.2%

Female workforce

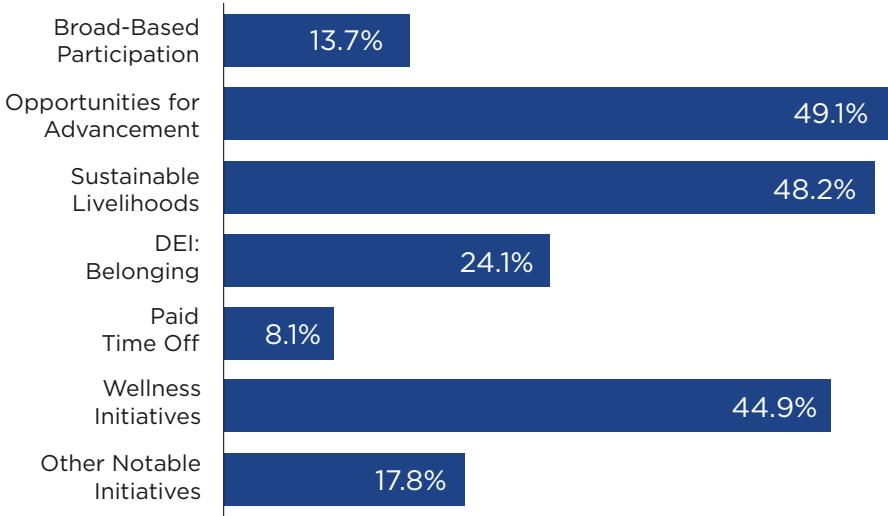
52.3%

Ethnically diverse workforce

* Percentage of companies for which at least one owner or member of the leadership team is a woman, non-binary individual, or person of color.

** Percentage of boards for which at least one board member is a woman, non-binary individual, or person of color.

JOBS IMPROVED BY ATTRIBUTE



2022 KEY JOB IMPROVEMENT STATISTICS

2,875

Portfolio jobs improved

88%

% portfolio jobs improved

2,624

Jobs with multiple improvements

1.56

Average number of attributes improved per job

PORTFOLIO-WIDE EMPLOYMENT STATISTICS



5,061

Total jobs*



1,028

Total jobs created since investment*



21.9%

Annual employee turnover rate**



78.2%

Employee satisfaction***

* Reflects total jobs and jobs created at active companies as of 12/31/2022 and exited companies as of the last period of data collection prior to exit.
 ** 2022 annual portfolio-wide turnover rate among active companies. In comparison, the average monthly U.S. turnover rate in 2022 was 3.9% or 46.8% annualized. See: https://www.bls.gov/news.release/archives/jolts_03082023.pdf
 *** Portfolio-wide average employee satisfaction rate among active companies.





HCAP IV CASE STUDY: BETTERNIGHT

BetterNight is a healthcare technology company that streamlines the process of diagnosing, treating, and providing care management for sleep disorders, including sleep apnea. BetterNight leverages telemedicine, home sleep tests, and sleep therapy to increase accessibility, affordability, and adherence of sleep apnea care to improve patient outcomes.

Sleep disorders affect between 50 to 70 million Americans¹¹, and 80% of people experiencing sleep apnea in the U.S. have yet to be diagnosed. It is a challenge for individuals to get diagnosed and receive treatment for sleep disorders as the typical process takes an average of 4 months and can cost \$3,500 to \$7,800¹². Only 33% of patients ultimately adhere to their prescribed treatment for sleep apnea¹³. Through BetterNight's care, patients receive a diagnosis within two weeks, pay on average \$1,800 for treatment, have significantly higher treatment adherence of 67% at one year, and report 99% satisfaction levels.

BetterNight was founded in San Diego, CA in 1995 and pioneered the use of home sleep testing processes in Southern California to help individuals sleep better at night. In 2019, the company began to explore raising capital to scale nationally. The HCAP team stood out from other investors with its track record and established relationships within healthcare, and its thoughtful approach to helping BetterNight scale. HCAP's focus on job quality aligned well with BetterNight's core values and practices, and HCAP was flexible in structuring the transaction to meet BetterNight's needs. In August of 2019, HCAP invested a combination of mezzanine debt and private equity to grow the BetterNight platform.

Industry	Healthcare	Investment Amount	\$12M
Headquarters	San Diego, CA	Date of Investment	Aug 27, 2019
Fund	HCAP IV, L.P.		
SDG Targets/ Outcomes & ABC Classification	Contribute to Solutions* Targets 3.8 & 8.5		
	Benefit Stakeholders** Targets 5.5, 10.1 & 10.2		
Employment & Employee Demographics	Total Employees: 359 Jobs Created Since Investment: 185 (105% growth) Percentage of Women Employees: 72% Percentage of Diverse Employees: 59% Percentage of LMI Workers: 69%		
HCAP Gainful Jobs Approach™ Summary	Presence of Quality Jobs Attributes: 5 of 6 <input checked="" type="checkbox"/> Broad-Based Participation <input checked="" type="checkbox"/> Opportunities for Advancement <input type="checkbox"/> Sustainable Livelihood <input checked="" type="checkbox"/> DEI Belonging <input checked="" type="checkbox"/> Paid Time Off <input checked="" type="checkbox"/> Wellness Initiatives		

* BetterNight Contributes to Solutions by (1) improving sleep apnea diagnosis and treatment so that patients experience improved health outcomes (SDG 3.8), and (2) partnering with HCAP on the Gainful Jobs Approach™ to strengthen workplace practices so that workers experience improved job quality (SDG 8.5).

**BetterNight Benefits Stakeholders by (1) employing women in leadership roles and supporting a majority woman workforce of sleep therapists and clinicians in advancing in their careers (SDG 5.5), (2) helping sleep therapists and clinicians earn more income and benefits (SDG 10.1), and (3) employing a workforce that is majority people of color and majority women and supporting equal opportunity by encouraging women, people of color, the disabled, and veterans to apply for jobs (SDG 10.2).



VALUE CREATION HIGHLIGHTS

When asked to report on how HCAP has contributed to value creation, BetterNight President Bretton Lane noted the following initiatives and outcomes:

Business Areas	Initiatives & Outcomes
Hiring and Recruiting	HCAP has connected the BetterNight team to recruiters and hiring firms and has advised on key hires, including a new Chief Revenue Officer.
Governance and Formalizing Reporting	As a member of the board, HCAP has helped BetterNight formalize governance processes and standardize the reporting of financials and key performance indicators. This has helped BetterNight more effectively present information to the board for their guidance and ensured that BetterNight can reflect the kind of information that would be of interest to investors. In addition, HCAP has helped management evaluate potential board members and strategic advisors.
Industry Connections	HCAP has provided connections and recommended potential partners, including an introduction to a former portfolio company CEO who was then engaged to consult on their sales and marketing strategy. HCAP also connected BetterNight with portfolio company Myndshft to contract on health benefit eligibility and integration checks.
Capital Raising and Acquisition Strategy	HCAP has continued to advise BetterNight on its capital raising and acquisition strategy and has provided follow-on funding to support growth. The firm participated in BetterNight’s Series B and Series C rounds of funding and brought on new co-investors to facilitate the investment of additional capital into the company.
The Gainful Jobs Approach™	BetterNight’s staff, leadership, and board are all aligned on promoting good quality jobs and diversity, equity, and inclusion. The employee engagement survey and job quality data collection and analyses implemented as part of the Gainful Jobs Approach™ have provided measurable insights into employee experiences and opportunities to improve job quality and inclusion. BetterNight’s VP of HR has used the findings to introduce new offerings and opportunities such as expanded health benefit options, accelerated 401(k) match vesting schedules, enhanced employer-paid life insurance, an anonymous reporting system, regular leadership lunches with all staff, and an annual core values award luncheon.



BetterNight President, Bretton Lane, (left) at the company’s annual core values luncheon.

“We appreciate HCAP very much as partners in this journey that we’re on. We have a significant growth plan and we feel poised to be able to really scale and grow in a meaningful way together.”

**– Bretton Lane
President, BetterNight**

HCAP PARTNERS V, L.P. OVERVIEW

DATA AS OF 12/31/2022

2021

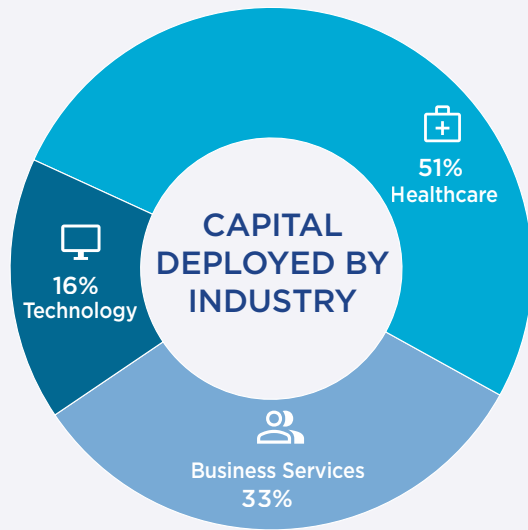
Vintage Year

5

Total Investments:
5 Active, 0 Exits

\$61.5 M

Total Capital Deployed:
\$38M Debt, \$23.5M Equity



In September, HCAP announced the final close of its new \$353 Million SBIC fund. More than twice the size of its predecessor fund, HCAP Partners V, L.P. had strong support from a diverse investor base of existing limited partners from previous funds and new limited partners, including highly regarded foundations, financial institutions, and family offices.

“The strong backing of investors and the industry’s growing recognition of the attractiveness of funds like these is encouraging for the bright future of impact investing. We are proud to support HCAP Partners and its work to unlock resources for underserved businesses so they have the tools they need to grow, spurring new opportunities and high-quality jobs where they’re needed most.”

- Roy Swan, Ford Foundation Director of Mission Investments

ACTIVE PORTFOLIO COMPANIES



DFW Neuropathy is a neuropathy treatment company based in North Texas that specializes in Combination Electroanalgesia Treatment to heal or reverse peripheral neuropathy that can commonly result from diabetes, impact injuries, or medication, damaging the peripheral nerves. dfwneuropathy.com



FleetNurse connects health systems to quality healthcare providers on-demand, aka "per diem" nurse staffing. The company recruits and qualifies nurses to their platform, and healthcare facilities are then able to post and fill shifts at the last-minute with these high-quality, qualified nurses. fleetnurse.com



IronRod Health is a Phoenix, AZ-based remote physiological monitoring solution leveraging a proprietary technology infrastructure and white glove services to provide an end-to-end platform for cardiology practices and their patients. IronRod Health provides patient verification and authorization, education and consent, clinical and technical support, billing services, and analytics to providers in cardiology monitoring. ironrod.health



Lumifi is a managed detection and response cybersecurity platform heavily focused on solving for human capital shortage through automation and advanced telemetry. Lumifi's platform combines continuous attack simulation technology (vulnerability identification and assessment) with a 24/7 security operations center to provide proactive and 'always on' coverage. lumifycyber.com



Saphyre provides an AI-based SaaS platform that serves as a workflow management and metadata tracking tool to facilitate the pre- and post-trade onboarding and operations in the securities trading market. Its primary customers are large financial institutions that serve as the buy side, sell side, or custodian on any given transaction. saphyre.com

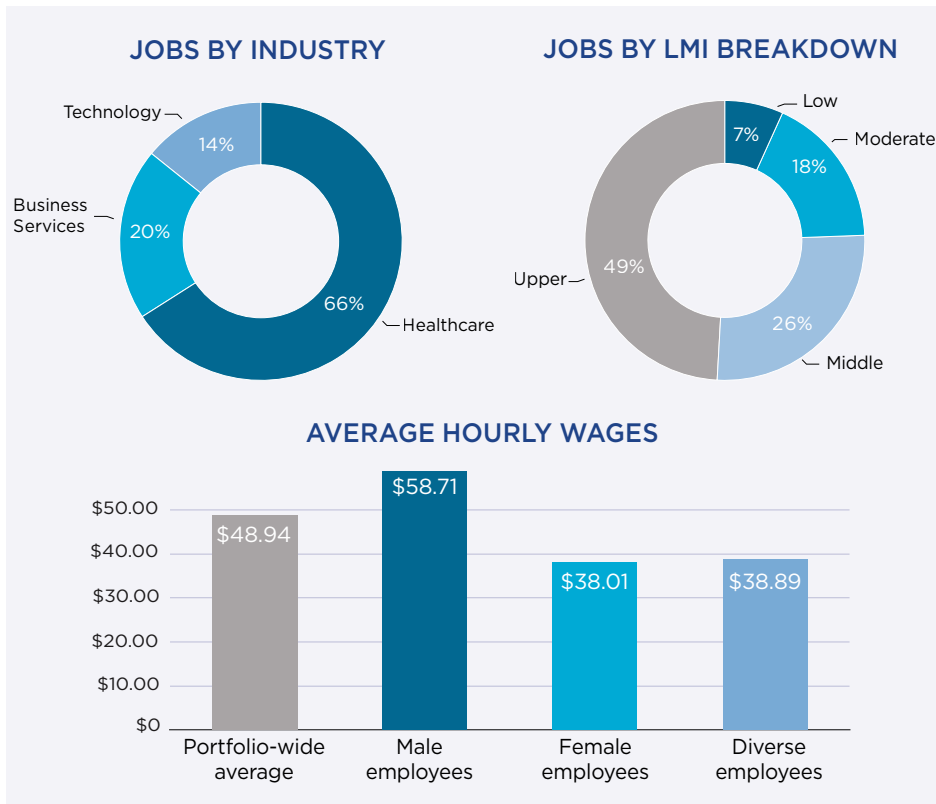
HCAP PARTNERS V, L.P. IMPACT METRICS

DATA AS OF 12/31/2022

As of Q4 2022, HCAP V has invested across five companies, with 72% of the capital invested going into traditionally underserved businesses, i.e. businesses that are either located in a low- to moderate-income census tract or employ a majority low- to moderate-income workforce.

The impact metrics highlighted on this page and the next illustrate the composition of the portfolio as well as improvements in job quality during 2022.

We are pleased to report that 96% of jobs in the portfolio were improved during 2022 across multiple attributes of the Gainful Jobs Approach™.



60.0%

Diverse ownership/ leadership*

60.0%

Board diversity**

46.8%

Female workforce

21.2%

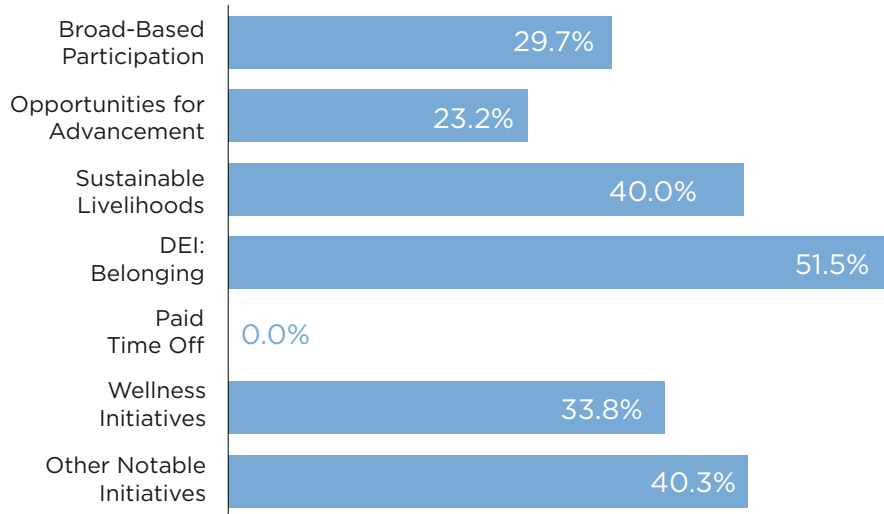
Ethnically diverse workforce***

* Percentage of companies for which at least one owner or member of the leadership team is a woman, non-binary individual, or person of color.

** Percentage of boards for which at least one board member is a woman, non-binary individual, or person of color.

*** Race and ethnicity data is unavailable for 40% of employees portfolio-wide. HCAP is working with portfolio companies to enhance data collection.

JOBS IMPROVED BY ATTRIBUTE



PORTFOLIO-WIDE EMPLOYMENT STATISTICS



340
Total jobs



134
Total jobs created since investment



31.6%
Annual employee turnover rate*



83.7%
Employee Satisfaction

2022 KEY JOB IMPROVEMENT STATISTICS

185

Portfolio jobs improved

96%

% portfolio jobs improved

183

Jobs with multiple improvements

1.86

Average number of attributes improved per job

* 2022 annual portfolio-wide turnover rate. In comparison, the average monthly U.S. turnover rate in 2022 was 3.9% or 46.8% annualized. See: https://www.bls.gov/news.release/archives/jolts_03082023.pdf.



HCAP V CASE STUDY: FLEETNURSE

FleetNurse is a healthcare technology company that connects health systems to quality healthcare providers on-demand, 24/7, helping them meet their staffing needs.

As the U.S. population ages, there is a growing need for nurses and clinicians. Approximately 190,000 registered nurse openings are projected each year over the next decade¹⁴. In addition, the nursing profession has seen a significant decline in job satisfaction since 2018 that has only worsened due to overwork and the challenges placed on healthcare workers during the COVID-19 pandemic. As a result, health systems are increasingly stressed trying to maintain adequate staffing levels to safely care for patients.

FleetNurse was founded in 2019 based on the belief that technology could help address the growing staffing challenges facing health systems while empowering nurses with greater flexibility and control over their schedules. During the pandemic, the company saw dramatic growth as health systems struggled to staff their facilities and as many nurses and clinicians sought work after being furloughed due to the cancellation of elective medical procedures and non-critical surgeries.

In April 2022, HCAP provided mezzanine debt and private equity to support the company’s growth initiatives and hiring needs. The financing also helped FleetNurse launch Cascade FN, a SaaS-based shift management system that supports health systems by optimizing their internal float pools of nurses and accessing additional support through partners such as FleetNurse.

Industry	Healthcare	Investment Amount	\$4.9M
Headquarters	Eugene, OR	Date of Investment	April 7, 2022
Fund	HCAP V, L.P.		

SDG Targets/ Outcomes & ABC Classification	Contribute to Solutions* Targets 3.8 & 8.5		
	Benefit Stakeholders** Targets 5.5, 10.1 & 10.2		
Employment & Employee Demographics	Total Employees: 40 Jobs Created Since Investment: 19 (86% growth) Percentage of Women Employees: 73% Percentage of Diverse Employees: 40% Percentage of LMI Workers: 8%		
HCAP Gainful Jobs Approach™ Summary	Presence of Quality Jobs Attributes: 5 of 6 <input type="checkbox"/> Broad-Based Participation <input checked="" type="checkbox"/> Opportunities for Advancement <input checked="" type="checkbox"/> Sustainable Livelihood <input checked="" type="checkbox"/> DEI Belonging <input checked="" type="checkbox"/> Paid Time Off <input checked="" type="checkbox"/> Wellness Initiatives		

* FleetNurse Contributes to Solutions by (1) improving staffing levels at healthcare facilities so that better patient care is provided and patients experience improved health outcomes (SDG 3.8), and (2) partnering with HCAP on the Gainful Jobs Approach™ to strengthen workplace practices so that workers experience improved job quality (SDG 8.5).

**FleetNurse Benefits Stakeholders by (1) employing women in leadership roles and supporting nurses (majority women) in selecting shifts that work for them (SDG 5.5), (2) helping nurses and clinicians secure shifts to earn more income (SDG 10.1), and (3) supporting nurses (majority people of color) in finding work on their own terms (SDG 10.2).



VALUE CREATION HIGHLIGHTS

When asked to report on how HCAP has contributed to value creation, FleetNurse founder and CEO Israel Angeles noted the following initiatives and outcomes:

Business Areas	Initiatives & Outcomes
Formalizing Hiring Processes and Compensation	HCAP introduced FleetNurse to a human resources executive to help formalize compensation practices and hiring, offered guidance on candidates being considered for sales and marketing roles, and assisted with searches for Chief Technology and Chief Revenue Officers.
Governance	HCAP joined the board of directors and assisted with the selection of a final independent board member, bringing on an individual with strong administration and nursing experience. FleetNurse also formed an independent nurse advisory board to advise on opportunities to better serve clinicians on the platform and guide the company's growth.
Industry Connections	HCAP facilitated two new banking relationships for FleetNurse as well as third-party support for financial planning, analysis, and forecasting. As part of introducing CascadeFN to additional health systems, HCAP connected FleetNurse to an investment bank that offers strategic guidance to healthcare corporations, leading to potential new partnerships.
Capital Raising and Acquisition Strategy	HCAP served as a strategic partner as the company considers future capital-raising activities, including potential acquisitions or strategic partnerships, and has been a sounding board as the company considers the best avenues for growth.
The Gainful Jobs Approach™	As an outcome of its partnership with HCAP and the implementation of the Gainful Jobs Approach™, FleetNurse is thinking more critically about how investments in human resources and benefits can both support employees and drive revenue to build a stronger company. FleetNurse joined a Professional Employer Organization (PEO) which has enabled the company to provide more generous employee benefits than the company would have been able to afford on its own ¹⁵ . In addition, the Gainful Jobs Approach™ has been a helpful tool for FleetNurse's Director of HR and Credentialing in formalizing workplace practices and considering future opportunities to make FleetNurse one of the top companies to work for in Oregon and nationally.



“HCAP has been a true partner that has provided helpful advice and guidance while letting the FleetNurse team run the company as they know best. I am excited about our future growth and appreciate HCAP’s willingness to continue to be a resource to help FleetNurse achieve its goals.”

**-Israel Angeles
Founder & CEO, FleetNurse**

INDUSTRY PARTICIPATION & FIELD-BUILDING

HCAP Partners plays an active role in field-wide initiatives to help shape the impact investing ecosystem. We are pleased to share a few select highlights.

IMPACTASSETS 50

HCAP Partners was selected to the ImpactAssets 50 as part of the IA 50 Emeritus category showcasing impact fund managers who have been on the IA50 for at least five years, demonstrating resilience within the impact investing market and consistent ability to generate positive impact. This marks the tenth consecutive year that HCAP Partners has been recognized as an IA 50 fund.



GOOD JOBS WORKING DEFINITION

HCAP provided feedback and became a signatory on a [field-wide definition of a quality job](#) developed by the Aspen Institute Economic Opportunities Program and Families and Workers Fund. The shared definition is an important step in encouraging more concrete action on job quality.



JOB QUALITY MEASUREMENT INITIATIVE

HCAP served as an advisor to the Job Quality Measurement Initiative, a collaborative between the U.S. Department of Labor and the Families and Workers Fund to better measure the quality of jobs in the U.S. HCAP offered feedback on the Initiative's recommendations detailed in [Reimagining Job Quality Measurement](#).



WANT TO ACHIEVE ALPHA? MAKE JOBS BETTER

HCAP Partners' Tom Woelfel co-authored an article with Ellen G. Frank-Miller, PhD of WORC titled, [Want to Achieve Alpha? Make Jobs Better](#), which discusses the impact and benefits of improving frontline jobs.



HCAP supports the next generation of diverse fund managers through our work with the following organizations:



IMPACT CAPITAL MANAGERS

HCAP Partners is a founding member of Impact Capital Managers, a membership network for private capital impact fund managers focused on investing for superior returns and meaningful impact. HCAP is committed to field-building and works actively through ICM to advance the performance of its members and help the impact investing field scale with integrity and authenticity. As ICM Board Chair, HCAP Partners’ Hope Mago advises on priorities and helps shape member programming, and other members of the HCAP team are active participants in ICM events and initiatives. Key highlights over the past year include:

ICM 2022 Spring Convening: Impact@Work

HCAP Partners attended the ICM 2022 Spring Convening focused on private capital’s role in improving job quality, preparing workers for the careers of tomorrow, increasing job access and upward opportunity for underserved communities, and the potential of the green economy to be a net job creator for the benefit of people and planet. Hope Mago helped develop the two-day agenda and HCAP’s Tom Woelfel moderated a discussion that explored how ICM member fund managers had integrated a job quality focus in their work and opportunities to support public policy and field-building on good jobs.

ICM Commentary on Proposed SEC Rulemaking

HCAP helped ICM organize member discussions and comments on proposed SEC rules: “Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices” and the Investment Company Act “Names Rule”.

ICM Fall Convening: Impact vs. ESG Investing – the Private Capital Approach

HCAP helped organize programming for the ICM Fall Convening in San Francisco during the SOCAP conference. Attended by over 40 member firms, the convening included a range of sessions, including an ESG+Impact policy landscape discussion that reviewed proposed SEC rulemaking and its implications. In addition, Hope Mago moderated an LP Perspectives Panel: Obstacles +Opportunities for Impact at Scale.

ICM Evening of Impact

The HCAP team attended ICM’s inaugural Evening of Impact event in New York celebrating ICM’s achievement of 100 members, representing over \$50 billion in AUM. The event also recognized the contributions of impact investing leaders Cassidy Leventhal of Achieve Partners, Dave Kirkpatrick of SJF Ventures, and Roy Swan of Ford Foundation.



HCAP’s Hope Mago (top left) with Ford Foundation’s Roy Swan (top right) at ICM’s Evening of Impact.

REFERENCES

- 1 [Real average hourly earnings down 1.7 percent from December 2021 to December 2022](#). U.S. Bureau of Labor Statistics.
- 2 [Consumer Price Index: 2022 in review](#). U.S. Bureau of Labor Statistics.
- 3 [Cultivating career agility in the new world of work](#). Deloitte.
- 4 [Employment up in 42 states over the year ending December 2022](#). U.S. Bureau of Labor Statistics.
- 5 [Half in U.S. Say They Are Worse Off, Highest Since 2009](#). Gallup.
- 6 [Distressed Communities Index](#). Economic Innovation Group
- 7 [Meet the low low-wage workforce](#). Martha Rossa and Nicole Bateman, Brookings Metropolitan Policy Program
- 8 [The American Dream in crisis: Helping low low-wage workers move up to better jobs](#). Marcela Escobari and Eric Krebs, Brookings
- 9 [How COVID-19 Affected the Quality of Work](#). Jonathan Rothwell and Steve Crabtree, Gallup
- 10 [Why Job Quality?](#) Aspen Institute
- 11 [The State of Sleep Health in America](#). American Sleep Apnea Association.
- 12 [BetterNight](#).
- 13 Ibid
- 14 [Importance of Safe Staffing in Healthcare Facilities](#). FleetNurse.
- 15 [What is a PEO? What are its advantages and disadvantages?](#) SHRM.



Tom Woelfel
Senior Director of Impact
tom@hcap.com

HCAP Partners
4250 Executive Square, Suite 500 • La Jolla, CA 92037
(858) 259-7654 • www.hcap.com