

Overview

- ▶ Established in 2004, the Prison Entrepreneurship Program (PEP) pioneered an innovative program that united the nation's top executives, business owners, and entrepreneurs with convicted felons. Our entrepreneurship boot camp and reentry programs are proven solutions for preventing recidivism, maximizing self-sufficiency, and transforming broken lives.
- ▶ PEP is not just your average reentry program. PEP is a revolution, achieving amazing results with profound impacts. Our work empowers men to reconstruct their identities from tax consumers to taxpayers, gang leaders to servant leaders, felons to community role models.
- ▶ We are proud of our many accomplishments over the past 17 years, including:
 - 3,000+ men made the transformational journey from brokenness to healing – pursuing a middle-class life and an opportunity to realize the American dream.
 - Our character-based program model has produced industry-leading results with recidivism rates consistently below 9 percent (compared to the Texas 3-year average of 21.4 percent), dropping to approximately 4 percent for those who live in our transitional homes and graduate from our post-release program.
 - One hundred percent of our graduates were employed within 90 days of release, with average starting wages of \$12 per hour, growing to almost \$30 per hour within three years.
 - Through training, mentorship and capital investment, PEP has helped graduates, primarily minority owned, launch more than 600 businesses, including several generating over \$1 million in annual gross revenue.
 - As validated by Harvard's Initiative for a Competitive Inner City (ICIC), our graduates saved Texas taxpayers \$4.3 million per year as they became taxpayers themselves and took responsibility for their children, families and the outcomes of their own lives. Every dollar invested in PEP produces a 794 percent return on investment.

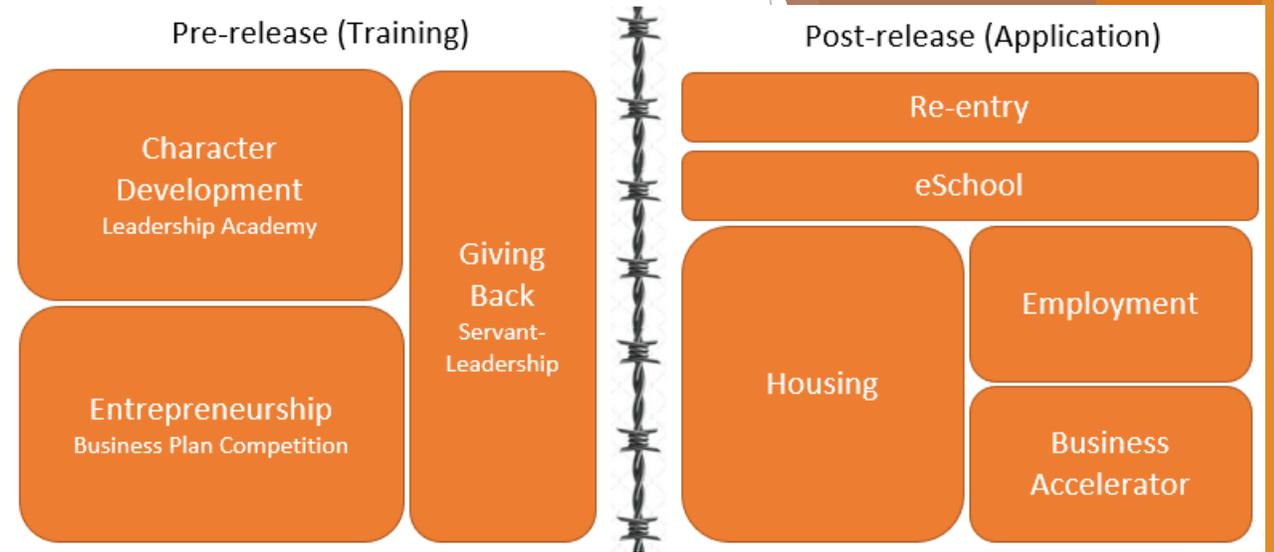
Community Need

- ▶ On average, 120,000 people are incarcerated in Texas prisons at any given time, more than any other state and most First World countries (prisonpolicy.org, 2018), 95 percent of whom will eventually be released back into their communities. Moreover, this inmate population continues to reflect an entrenched disparity disproportionately affecting racial minorities. While Black people comprise 13 percent of Texas' population, they make up 33 percent of the people behind bars (Texas Criminal Justice Coalition, 2020).
- ▶ In Texas, released inmates are typically given a \$50 check and a bus ticket to a city within the state. They are not provided with identification (a driver's license or state ID), spare clothes or food. Furthermore, they are left largely to their own skills and resources to find a job, transportation, and safe housing: barriers that can be overwhelming for individuals who have spent years practicing limited decision-making. Left to their own devices and given less than the bare minimum to survive, many see no other option than to return to crime.
- ▶ Inequitable access to these basic needs perpetuates the cycles of poverty and crime. According to Prison Policy Initiative, people who go to prison just once experience homelessness at a rate nearly 7 times higher than the public. Recidivism is also highly prevalent among these individuals. In 2018, the Department of Justice reported 83 percent of state prisoners were rearrested at least once within nine years of release.

PEP Response

► For 17 years, PEP has given incarcerated men the opportunity to lead successful lives that have an exponential impact with their families and in their communities. The recidivism rate for the state of Texas is alarming. For PEP clients, however, the recidivism rate falls dramatically to under 10 percent; and for those who complete PEP's post-release program, the rate of recidivism drops to 4 percent. PEP mitigates the challenges facing released inmates by providing them with the resources, skills and professional network needed to overcome reentry barriers.

► PEP is the only program of its kind that provides a holistic approach to prison rehabilitation that begins inside prison and continues post-release. PEP unites and engages the various aspects of participants' lives to create a community of accountability that includes PEP Life Caddies, parole officers, employers, mentors, families, churches, community groups and other PEP graduates and volunteers. No other program in the country has a track record of creating so many meaningful and durable sources of community support for returning citizens. Our program seamlessly supports participants on both sides of the prison fence



► We believe character building is more life changing than job training. The latter absent the former is of little value to a man's long-term success. PEP's pre-release program begins the character development process on day one. This process begins with the end in mind – whatever you want your eulogy to be, today is the time to start writing that script. Character is reinforced throughout the pre-release program

from start to finish – from instilling our 10 driving values in our participants to them serving as servant leaders post-graduation.



In-prison programming includes:

- Leadership Academy: Men develop character, adopt prosocial values, and learn conflict resolution skills.
- Business Plan Competition: A "mini-MBA" program on entrepreneurship and intrapreneurship culminating in a "Shark Tank"-like competition, in which each student pitches his business plan to corporate volunteers. Participants also earn a Certificate in Entrepreneurship from Baylor University at this phase's completion.
- Servant Leadership: Program graduates give back by assisting with subsequent classes.

PEP's post-release services are holistic, focusing on helping men overcome barriers to success as they find living-wage employment and/or launch a business, including:

- Life Caddie (Case Management): Most inmates are released with \$50, a one-way bus ticket and the clothes on their backs. PEP graduates are met outside by a trusted PEP Life Caddie, who provides guidance on how to successfully reenter society.
- Transitional Housing/Basic Needs: After release, PEP provides up to 3 weeks of rent-free housing with access to peer support, internet, and other essentials. PEP also provides groceries until participants are eligible for nutrition assistance programs and/or receives his first paycheck. About 60-65% of graduates live in one of five PEP-managed transitional homes.
- Transportation Assistance: PEP provides transportation for healthcare needs, job interviews, parole check-ins, public benefit programs and state ID offices.

Participants receive bus passes until employment is obtained, as well as financial assistance to help them secure IDs and documentation.

- Weekly eSchool: Participants receive training and network with Executive Volunteers and peers.
- Work Clothes and Basic Tools: PEP provides clothing and supplies needed for work, including PPE, footwear, eyeglasses and basic tools.
- Entrepreneurial Support: PEP has helped 1,400 graduates launch approximately 600 businesses, including several generating over \$1 million in annual gross revenue. PEP's entrepreneurial ecosystem strongly supports minority business ownership.

Entrepreneurial Leadership

Our Management Team

Our executive leadership team have extensive experience working with pre-release and post-release participant entrepreneurs. Collectively they have over 70 years of prison insight, augmented by 40 years of successful reentry.



Bryan Kelley
Chief Executive Officer



Pat McGee
Director, In-Prison Initiatives



Phi Tran
Chief Operating Officer



Allison Sheeder
Director of Development



Tim Hamilton
Chief Financial Officer

Governing Board of Directors

PEP's leadership team is supported by an engaged and entrepreneurial Board of Directors.

▶ Executive Committee:

- Patrick Gotcher, PEP Chairman
CEO & COB LifeSynch (Retired)
- Mike Humphrey, former PEP Chairman
Tanglewood Investments
- Roger Manny
CFO Range Resources (Retired)

As CEO and COB, Mr. Patrick Gotcher built a managed behavioral healthcare company to include 60,000 behavioral health providers serving over 2 million plan members.

In 1996, Mr. Mike Humphrey acquired and grew a precision manufacturer and from one location in Houston to 29 plants in six countries with more than 1,500 employees.

Mr. Roger Manny had a successful career which culminated as CFO of a publicly traded energy company.

▶ Governing Board:

- Robert Barkley,
Managing Director (Retired)
Barrow, Hanley, Mewhinney & Strauss, Inc.
- Oliver J. Bell
Former Chairman, Texas Dept. of Criminal
Justice
CEO, Oliver Bell Inc.
- Charles Blain
Founder, Urban Reform
- Dougal Cameron
President, Cameron Management
- Mike Coffey
President, Intex Commercial Flooring
- Steve Hausman
Executive Chairman, Triumph Business Capital
(Retired)
- Nancy White
Executive, Timex Corp. (Retired)

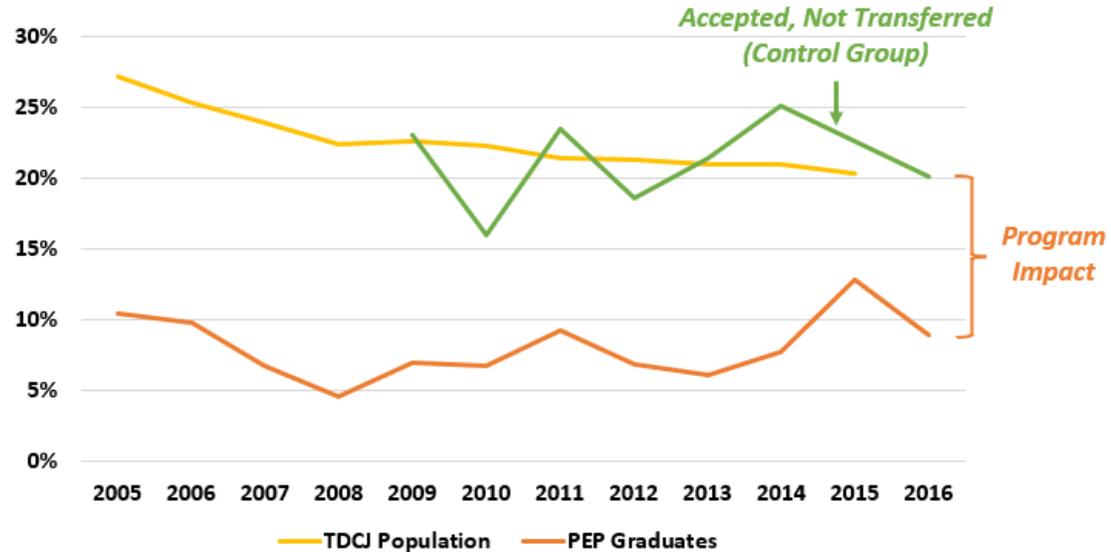
Who We Serve

- ▶ PEP serves convicted male felons in Texas, beginning up to three years prior to their release and continuing indefinitely post-release. About 60 percent were convicted of a violent crime and 40 percent have previously served time in prison; none is a convicted sex-offender. About two-thirds of PEP participants are African American or Hispanic and 75 percent are under the age of 40. PEP's headquarters are in Houston with an office in Dallas as well. We operate transition homes in these two cities with about 50 percent of PEP graduates releasing to Houston, 40 percent to Dallas and 10 percent to other areas.
- ▶ Per the Federal Financial Institutions Examination Council, the Houston MSA's 2020 estimated family median income is \$80,000. If low-and moderate-income (LMI) individuals are those earning 80 percent or less of the area median income, this would be an annual family income of \$64,000 or less. We estimate 80 percent of our participant business owners are LMI. When released from prison, our men are not just low income; they are zero income. They are literally starting with nothing.

Results

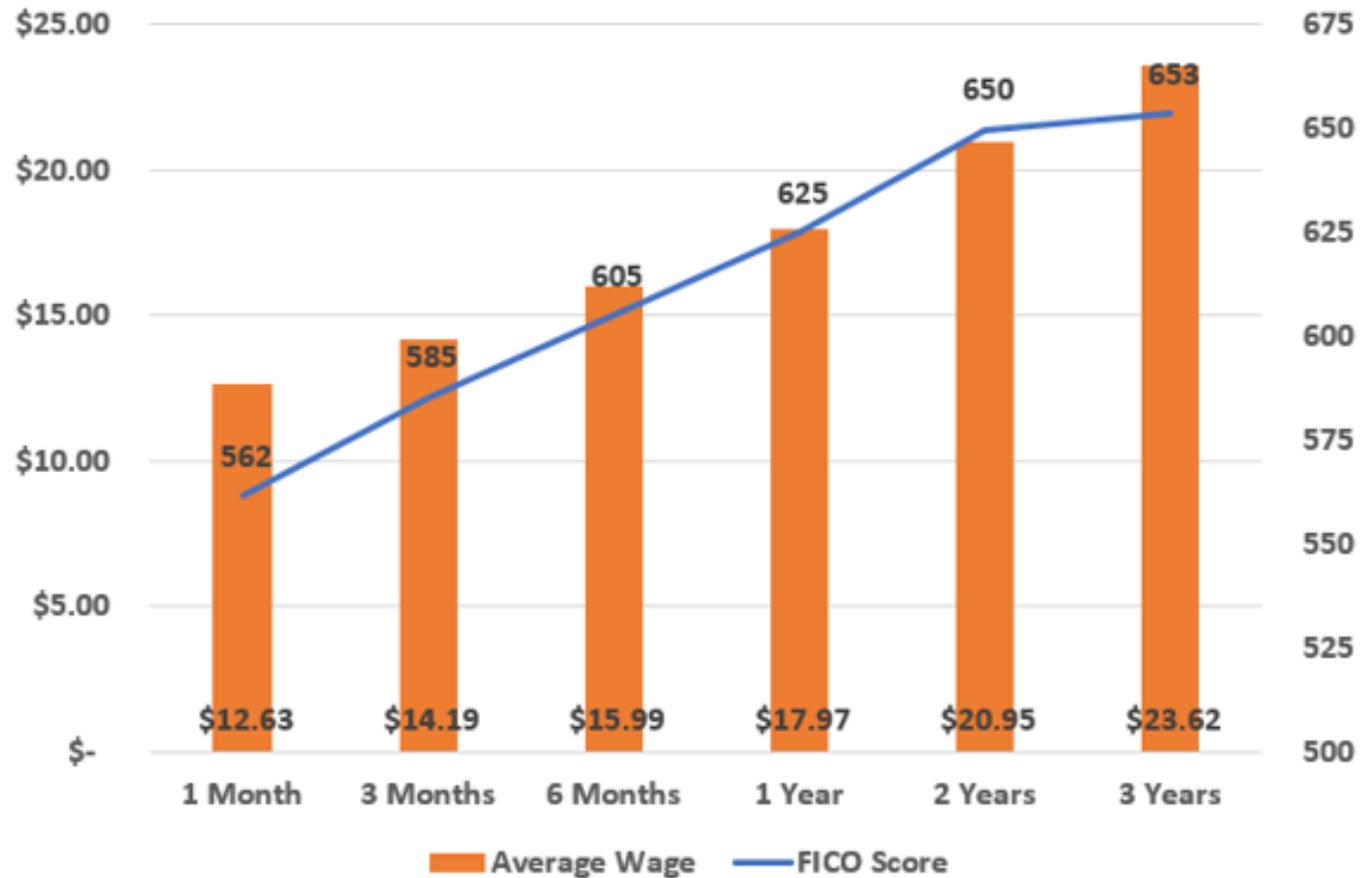
▶ PEP's pioneering, character-based model produces industry-leading results with recidivism consistently less than 10 percent. We recruit from over 80 prisons all over Texas and request transfers to one of our two primary unit campuses. The Texas Department of Criminal Justice (TDCJ) approves about 70 percent of PEP's transfer requests with the 30 percent denied based on TDCJ's assessment of security, education, family, or health considerations.

▶ As shown in the following chart, PEP tracks the 3-year recidivism rate for both those who are transferred (program result) as well as those who are denied (control group). PEP's rate is less than half the state and control group rates.



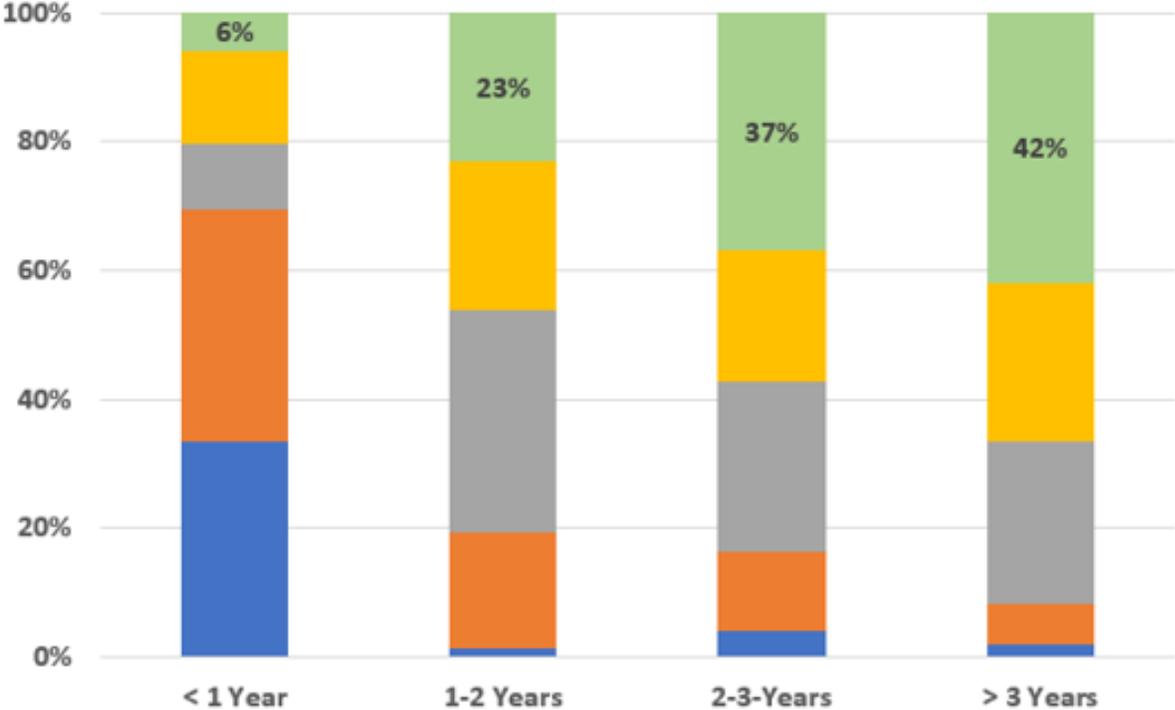
For programs who operate in our space, recidivism is the lowest measure of success. Not returning to prison is good but by itself, this metric does not address an individual's quality of life. PEP's model is a data-supported pathway to a "startup" middle-class life.

Results



As illustrated in the previous chart and the one below, we track multiple employment metrics and their resulting impact on FICO scores and ultimately home ownership. We strive to help our men thrive, not merely survive.

Results



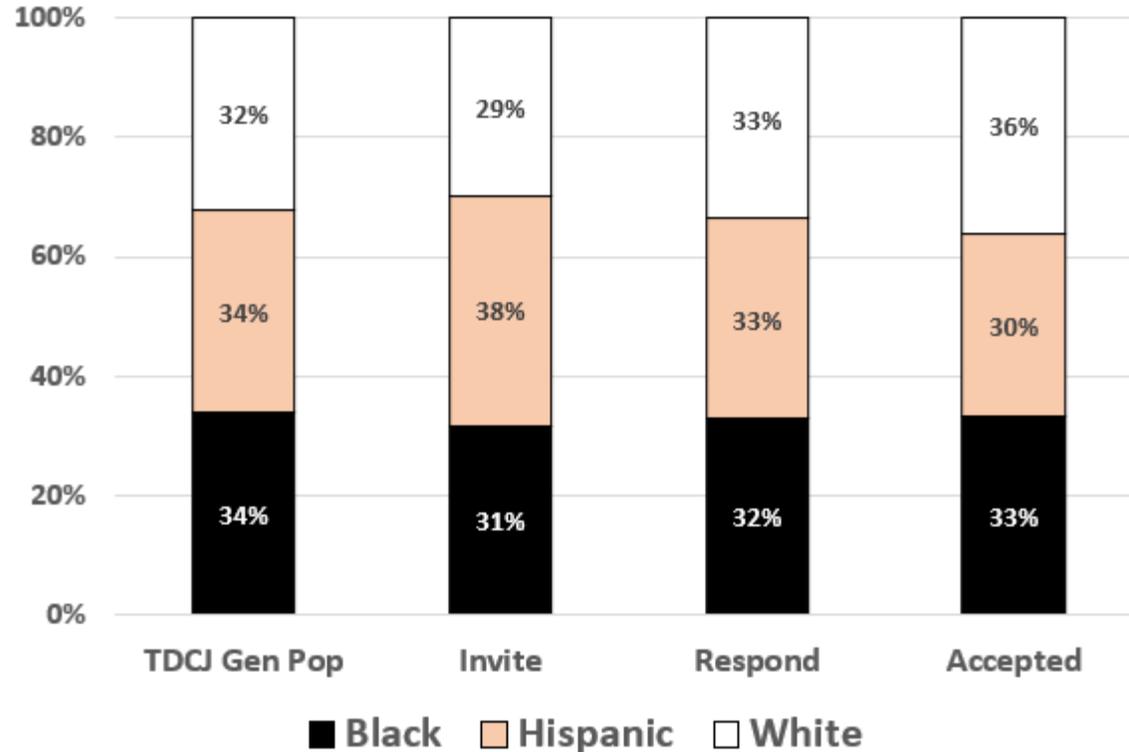
- Transitional home
- Live with relative(s)
- Rent an apartment/condo
- Rent a house
- Own a home

Assumed % responders
reflective of nonresponders

Resulting Home Ownership Rates

100%	6%	23%	37%	42%
50%	5%	17%	25%	29%
0%	4%	11%	14%	16%

Results



The effects of racism in the criminal justice system are well documented, and PEP's success would not be genuine unless we were inclusive of all men. To that point, PEP's participants are virtually identical to TDCJ's general population. As shown in the following chart, PEP is a racially and socially inclusive organization, and our commitment to inclusivity extends to our post-release services. We don't talk about inclusivity because it's front and center across America; it's been at the core of PEP's DNA since our inception 17 years ago.

Validation

Our data-supported model is built with third-party validation. In 2018, Harvard Business School Institute for a Competitive Inner City (ICIC) conducted an independent impact analysis of PEP, summarized below:

Reducing Recidivism

7%

PEP 3-Year Recidivism Rate
(2011-2016 Weighted Average)

23%

Texas 3-Year Male Recidivism Rate
(2011-2016 Weighted Average)

Texas Economic Impact

189

Businesses

\$46.3M

Total Annual Income



471

Direct Jobs



\$67.1M

Total Annual Value Added

389

Additional Jobs
Supported

\$122.5M

Total Annual Output

Economic Opportunity

100%

employed or self-
employed within 90 days

\$17.17 - \$21.19

Avg. hourly wages for PEP graduate
employees and entrepreneurs

Net Fiscal Impact

\$4.3 million

in total cost savings to the
Texas State Government and the Federal
Government in 2017

361

businesses started by
PEP graduates

1 in 4

released PEP graduates
start a business

794%

Five-Year
"Return on Investment"

ICIC's findings echo those of other independent researchers. Two Harvard business school professors—Michael Porter and Arthur Brooks—laud PEP as the leading reentry solution in America. Porter's team produced a report exhibiting the comparative advantage of PEP's pre-release through post-release continuum of services. Brooks called PEP the key to a start-up life. When you invest in PEP, you are investing in a proven product.

Future

- ▶ PEP's vision of an entrepreneurial ecosystem includes a combination of capital formation (Entre Capital), business acceleration (warehouse and support services), incubation (entrepreneurial education, pipeline building), and ignition (events). Under the guidance of a former McKinsey & Company Managing Partner, a strategic review of PEP's program was conducted. Two pillars were identified as critical to our success: deepen of key initiatives and scale the success.
- ▶ **Deepen Key Initiatives**
- ▶ To support PEP participant businesses and operate in a post-COVID world, our vision is to scale and enhance our program to serve more returning citizens more effectively via a road map that includes four lanes of focus: technology, volunteer experience, curriculum and entrepreneurial support. These lanes pave the way for the national expansion of PEP's reentry revolution.

Lane 1: Technology

- ▶ Technology is the engine powering PEP's high-quality content, documenting performance, tracking longitudinal data and further developing analytics to monitor outcomes. Expansion of technology capabilities will allow PEP to serve more returning citizens within Texas and ultimately create scalability to grow programs

outside of the state of Texas. We envision systems for Learning Management and Video Management. In our post-release environment, we recently adopted the open-source software platform, Open edX, which has greater content sharing flexibility and is cost effective. PEP has also installed a cloud-based test shell with Amazon Web Services to beta test a portion of our existing curriculum. We have also implemented Zoom and MS Teams in our weekly classes for post-release participants. For the in-prison environment, we are excited to see TDCJ's willingness to embrace tablets and what our collaboration with your company may allow.

Lane 2: Volunteer Experience

- ▶ Volunteers are the catalysts for PEP's success; therefore, PEP is finalizing the design plans of a new Volunteer Center in Houston that will provide a professional, dynamic networking and learning hub for graduates and executive volunteers.
- ▶ We signed a long-term lease in the East End Maker Hub (eastendmakerhub.org) to house our volunteer center, accelerator, warehouse initiatives and offices. This is an exciting relationship with mission-minded partners TXRX Labs and Urban Partnerships Community Development Corporation. TXRX offers hands on training in CNC machining, 3D printing, welding, fabrication, woodworking and other trades.



Lane 3: Curriculum

- ▶ Our Director of Education is reviewing, revamping and integrating current program curriculum through all PEP phases (Leadership Academy, Business Plan Competition, eSchool and business formation) to identify gaps and integrate technology. Additionally, PEP hired a curriculum curator to build the education library that is expanding to include expert, topic-specific entrepreneurship videos and curriculum from Baylor University and Brigham Young University.

Lane 4: Entrepreneurial Support

- ▶ With over 600 PEP businesses and growing, access to capital and infrastructure support is critical, and the need for expanded entrepreneurial support is evident. PEP believes employment fuels economic mobility, but entrepreneurship ignites equitable financial independence.
- ▶ In 2019, PEP formed Entre Capital, a social impact fund capitalized through investments from donor-advised funds, corporations and individuals. Returning citizen businesses face severe barriers to accessing capital, including felony convictions and low-to-no credit scores. Current credit ratings measure how many times a borrower is knocked down. Entre measures how many times they get back up. At this time, Entre has originated 10 loans totaling about \$300,000, all of which are current. Each borrower underwent character, business and credit underwriting and was paired with an executive volunteer mentor.
- ▶ Entre submitted a Community Development Financial Institution (CDFI) application whereby Entre can leverage social impact capital with banks' Community Reinvestment Act (CRA) funds for more significant social impact. CDFI designation also unlocks grant revenue opportunities (CRA sources and US Treasury Technical Assistance funds) separate from lending capital. We expect a decision in early 2022. Entre was also awarded a \$125,000 technical assistance grant to further its work.



To showcase Entre Capital and the businesses supported, we held our first Barbed Wire to Business Accelerator (BW2BA) event in 2019 with three PEP entrepreneurs competing in a shark tank style setting for \$200,000 of social impact investments. Over 250 impact investors attended the event, with 200 more on a waiting list, and more than 9,000 people live-streamed our event online. Our second BW2BA event was in September 2021 and replicated the inaugural event with even greater success. We plan to host our next event in Dallas, Texas in September 2022.

Scale the Success

PEP has been sought out by leaders in a dozen states around the country. To properly execute PEP's replication in other states, it is clear that a new business unit will need to be created. PEP's Governing Board, drawing on their private-sector experience, is establishing PEP-USA to replicate the program with full integrity of its curriculum, pre-release services and post-release support. PEP has partnered with the Baylor Collaborative and commissioned an expert from the Koch's Stand Together network to design a "pathway to affiliation" model for all states interested in implementing PEP. This pathway will ensure full integrity of the model by requiring a dozen or so steps to be achieved in each of the four phases of implementation ranging from expressing interest to full affiliation.

"The secret to success is not a start-up business, but a start-up life,"

Arthur Brooks, American Enterprise Institute

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