2022
ANNUAL REPORT

Incubate the man
Accelerate his vision
This past year has been one of tremendous accomplishment to lay a solid foundation for 2023; PEP has much to be thankful for. With tremendous help from you and others, PEP’s graduates in 2022:

• Committed to restored hope and new identity to graduate at a record level of 337,
• Reached 100% employment for active graduates within 90 days of release (13th consecutive year, even through the COVID lockdown),
• Earned an average starting wage of $16.07 an hour (a record wage up 27% from 2019),
• Achieved a 3-year recidivism rate of less than 10%,
• Borrowed $704,000 through Entre Capital for business growth capital and
• Extended the amazing outcomes and impacts that helped PEP be recognized by a national corporate and foundation audience.

Spring boarding on our graduates’ success, PEP is well-positioned strategically and well resourced to execute new initiatives (to 10X in 5 years) in 2023 including:

• Capitalizing on disruptive tablet technology within TDCJ to touch more lives,
• Becoming a community solution for all returning citizen businesses (not just PEP graduates) and
• Building the team to reach those in other states (national replication).

As you read this report, you will discover the very energy that led you to join and support PEP with a servant’s heart. PEP continues to stand where we have stood for the past 19 years – at the intersection of criminal justice reform and economic mobility with an inclusive, faith-inspired solution that works for those who are too often the least, the lost and the left behind. In 2023 and beyond, we are committed to transforming even more returning citizens with the hope, confidence and life they need to build meaningful futures for themselves, their families and our communities.

Thank you,
Your PEP Team
The PEP Collider opened in Houston in 2022 - a physical space yes, but much more, it is PEP’s intentional process to foster the volunteer-participant “collisions” at the heart of our entrepreneurial ecosystem. The Collider is PEP’s fullest expression yet of moving returning citizens from survive to thrive (economic independence).

Building on Harvard Business School strategy professor Michael Porter’s study of PEP, the PEP Collider serves as an innovative, community-wide solution using entrepreneurship as a proven vehicle for economic mobility. We seek to serve not just PEP graduates, but all returning citizen entrepreneurs in our community. Currently in Houston, we plan to open a Dallas PEP Collider in 2025.

Just as PEP clients are unique, so is the PEP Collider. Our process invests volunteer expertise and encouragement into returning citizens as they start their ventures to build bankable businesses with thoughtful capital deployment.

Our service is an incubator/accelerator supporting returning citizen businesses with the education, mentoring, capital access and bookkeeping services fundamental to success. Our concept is an intentional process moving from eSchool Networking through eSchool Aspiration to Big Aspirational Mingle (BAM!) supported along the way by volunteers, workshops and events to sharpen and execute ideas. Ultimately, the PEP Collider is the services bridge to step from vision to launch enhanced with Entre Capital (commercial lending) and the annual PEP B2B event.

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PEP believes employment fuels economic mobility, but entrepreneurship ignites economic independence. Entrepreneurship produces not only employment for the business owner but is an:

• economic engine creating employment opportunities (multiplier effect) for other returning citizens and
• enterprise with a greater propensity to hire justice-impacted individuals (scalable solution).

Both pre- and post-release, we focus on teaching entrepreneurship skills by bringing executive volunteers and participants together – combinations that are typically out of the social norm of both – with each group impacting the other. Our executive volunteers share not only educational topics but impart the confidence and willingness to take the risk to be an entrepreneur.

But education alone is insufficient. PEP continues to build its entrepreneurial ecosystem for returning citizens through our PEP Collider program. The following graph illustrates some of our key pillars.

Our executive volunteers share PEP’s heart: impact returning citizens grounded in the beliefs of God-given human dignity, personal responsibility, dignity of work and free market capitalism. These shared passions empower the volunteers to be a catalytic force of transformation in our men. What PEP participants accomplish is made possible only through mission-minded volunteers who invest their experience and expertise.

In 2022, 570 unique volunteers engaged in one or more PEP programmatic activities contributing 2,500 hours of missional service. This volunteer impact – serving as mentors, coaches, encouragers, teachers, business advisors and technical experts – is a Kingdom exchange where volunteers often find significance through their contributions to men’s hopeful spirits. PEP is grateful for the heart, time and leadership our volunteers invest in PEP’s marketplace work.
Our theory of change is to transform re-entry credit as credit programs are historically based on how many times a borrower falls down – late payments, repossessions, liens, judgments, bankruptcies, felony convictions. Our heart is to calibrate how many times they get back up. Our loan products and development services are designed to help our clients build strong businesses and strong credit one monthly on-time payment, one coaching session, and one customer transaction at a time. While Entre makes loans, ultimately, we are in the business of transforming our borrowers’ lives through equal access to growth capital.

In 2022, Entre originated 16 loans totaling $704,000 (average loan $44,000) with 63% to businesses owned by returning citizens of color. The loans are collateralized with the majority secured with trucks and equipment. In 2022, Entre originated 16 loans totaling $704,000 (average loan $44,000) with 63% to businesses owned by returning citizens of color. The loans are collateralized with the majority secured with trucks and equipment.

Volunteers serve in several Entre roles including mentors, advisors and Entre's management. Additionally, our executive volunteers are social impact investors in Entre's capital stack alongside traditional bank credit and philanthropic gifts from foundations and individuals.

Picture an entrepreneur — someone dressed for success with a passion that undeniably shines forth — on stage pitching his idea to a group of savvy investors. His knowledge and confidence inspire belief in change. His energy is palpable. He is a chain-breaker, a positive disruptor.

Now realize that this person is a felon; the chains he broke were his own. He is not a posterchild for homelessness, poverty and recidivism. Rather, his is a truly transformed life arising from marketplace discipline meeting inclusive entrepreneurship.

PEP’s Barbed Wire to Business Accelerator event (PEP’s B2B) showcases participant business growth strategies and secures the capital needed to bring those strategies to fruition. This pitch event is a tangible expression of PEP’s mission to unite business executives and former inmates through entrepreneurial passion and servant leadership to transform lives, restore families and rebuild communities. PEP’s B2B is a platform for our returning-citizen business owners to harness social impact capital and secure executive mentors to ignite economic independence in their pursuit of tangible transformation.

What we are is an effective, apolitical, capital solution born of humanity.

Our 2022 event in Dallas was an amazing evening thanks to the incredible support of our three judges – Doug Deason, Carly Fiorina and Jason McCann. Kyle Cox of Texas Tree Transformations, Roderick Hearn of IronRod Steel Co and Juan Vasquez of N-Cell-8 competed with Roderick taking home the prize. Our 2023 PEP B2B event will be in Houston on April 20.
IN-PRISON

We introduced several new in-prison initiatives in 2022 including:

- Team-based business plans to let each man best use his natural talents while fostering teamwork,
- Competition between unit BPC winners to foster camaraderie,
- Learning/video management systems (LMS and VMS) and
- Launch My Business program for servant leaders to have the pragmatic tools needed to launch their businesses post-release.

In 2022, TDCJ began introducing tablet technology to inmates. By the end of 2023, every inmate will have a free tablet that allows access to administrative, educational and entertainment content. Our vision is to scale our program deeper with a video-enabled, tablet-based curriculum (OnLine model) to reach individuals who cannot participate in the OnCampus model. This disruptive-technology, paradigm shift empowers PEP to achieve an order of magnitude impact (10X by 2028) by unlocking a key, historical friction point in PEP’s OnCampus model. Those completing the tablet entrepreneur phase will step into re-entry services and the PEP Collider initiative post-release.

RE-ENTRY

Economic mobility to social stability:

- 63% of PEP participants are citizens of color
- 178 men provided with fresh-start housing and wrap-around services upon release
- 3,330 graduates since 2004
- 100% employment within 90 days of release
- 33% Black
- 30% Latino
- 34% White
- 03% Other

Incubating character first produces the tangible outcomes above; the individual is empowered to take ownership of his success in re-entry leading to self-sufficiency.
## Balance Sheets ($ in 000's)

<table>
<thead>
<tr>
<th></th>
<th>Programs</th>
<th>Lending</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, unrestricted</td>
<td>2,305</td>
<td>-</td>
<td>2,305</td>
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<tr>
<td>Receivables, donations</td>
<td>4,747</td>
<td>110</td>
<td>4,857</td>
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<tr>
<td>Receivables, 2nd chance loans</td>
<td>697</td>
<td>-</td>
<td>697</td>
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<tr>
<td>Prepaids, deposits, other</td>
<td>3,762</td>
<td>-</td>
<td>3,762</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>3,762</td>
<td>-</td>
<td>3,762</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(932)</td>
<td>-</td>
<td>(932)</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>16</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>Net intercompany</td>
<td>(458)</td>
<td>458</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>5,918</td>
<td>1,263</td>
<td>7,165</td>
</tr>
</tbody>
</table>

| **Liabilities** |          |         |              |
| Accounts payable | 110 | -  | 120 |
| Accrued salaries and payroll taxes | 129 | -  | 129 |
| Long-term debt, current maturities | 130 | -  | 130 |
| Transition home mortgages | 344 | -  | 344 |
| Capitalized operating leases | 926 | -  | 926 |
| **Total liabilities** | 1,639 | 306 | 1,944 |

| **Net Assets** |          |         |              |
| **Beginning of year** | 3,888 | 271 | 4,144 |
| **End of year** | 4,279 | 957 | 5,221 |

## Statements of Activities ($ in 000's)

<table>
<thead>
<tr>
<th></th>
<th>Programs</th>
<th>Lending</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support</td>
<td>2,967</td>
<td>904</td>
<td>3,871</td>
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<tr>
<td>Rental income</td>
<td>256</td>
<td>-</td>
<td>256</td>
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<tr>
<td>Interest and other income</td>
<td>268</td>
<td>-</td>
<td>268</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>3,241</td>
<td>904</td>
<td>3,103</td>
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<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs</td>
<td>2,349</td>
<td>-</td>
<td>2,349</td>
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<tr>
<td>Fundraising</td>
<td>256</td>
<td>-</td>
<td>256</td>
</tr>
<tr>
<td>Administrative</td>
<td>268</td>
<td>-</td>
<td>268</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>2,873</td>
<td>56</td>
<td>2,930</td>
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<tr>
<td><strong>Change in net assets</strong></td>
<td>391</td>
<td>848</td>
<td>947</td>
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</table>

Presentation: Programs include PEP’s traditional pre-release education, post-release re-entry services, and entrepreneurship support activities. Lending includes Entre Capital’s (PEP’s wholly-owned CDFI) commercial lending activities.
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Executive Relations Manager, Houston
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Executive Relations Manager, Dallas
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Re-Entry Manager, Houston
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Re-Entry Manager, Dallas
Clinton Free
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Michael Galloway
Life Caddie, Houston
Julia Medina
Life Caddie, Houston
Jeremy Jones
Life Caddie, Dallas
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Life Caddie, Dallas

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ENTRE CAPITAL STAFF

Grant Derderian
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Helma Gentry
Chief Lending Officer
Tim Hamilton
Chief Financial Officer