

CLIMBER Loan Fund Summary

In 2022, Apex Business Consulting focused on two goals for the CLIMBER Loan Fund:

- Continue to engage with businesses from 2021 that are seeking grant approval.
- Promote the CLIMBER Loan Fund to new businesses that were previously not reached.
 - Explore community driven outlets such as cultural events to meet people where they are.

Engagement by Apex:

- Emails 1,210
- Phone calls 855
- Text messages 325
- Onsite Visit: 26
- Community events: 13

Qualifying

Apex pre-screened approximately 52 businesses that did not qualify in 2022. This number represents those businesses who Apex connected with at a networking event, community events, or through general outreach. It was determined the businesses did not qualify based on the following:

- Did not file taxes
- Time in business (less than 2 years)
- Negative credit
- Bad debt
- Money owed to the IRS
- Did not want to pursue a loan
- Pursuing alternative financing
- Already have financing SBA, PPP, EIDL etc.

Surveys Completed

Apex completed 51 surveys. This number represents the number of businesses that completed the survey and met the minimum requirements.

Sent to Lender (Not qualified)

Twenty-six businesses completed the survey however they did not meet the requirements of the lender or were non-responsive. The following were some of the reasons why the businesses did not qualify:

- Non-responsive. Did not complete the application
- Chose to go another route
- Did not want to pursue the loan
- Did not qualify due to money owed to IRS
- Did not qualify DSCR 1:1
- FICO score below threshold of lender parameters

Please note that of those small businesses that did not qualify for the CLIMBER program, the lender offered them another product that may be a better fit.

Sent to lender

There were 4 businesses that qualified and in total were awarded \$970,000

In credit underwriting

There are 4 businesses in credit/underwriting for a total of \$1,450,000

Pending Loans Sales Review

There are currently 10 pending loans in the queue for a total of \$2,548,322

Declined/Withdrew Application/Unresponsive

There are 27 businesses that did not complete the application process totaling \$7,000,000

Additional Outreach

Mid-summer 2022 the CLIMBER Fund made some amendments to widen the net and allow more businesses to qualify by doing the following:

- Lowering the minimum loan amount from 30k to 10k
- Lowering the minimum number of employees from 5 to 1
- Requesting 1 year of positive cash flow within the last 5 years vs. 2 years of positive cash flow prior to Feb. 29, 2020

Due to these changes, Apex was tasked with following up with all those businesses who either did not qualify based on 1:1 DSCR and/or not having the minimum of 5 employees, but also for those businesses who only needed 10k vs. the previous minimum of 30k.

Challenges with Qualification

There were a multitude of reasons why businesses did not qualify. Two of the most common reasons include:

- Not meeting the minimum requirements of a 1:1 DSCR (Debt Service Coverage Ratio)
- Not meeting the minimum threshold of a minimum of 5 employees.

Even after the amendments were made in the middle of 2022, the overall common denominator for most businesses that never made it to the pre-qualification checklist which consisted of the following:

- Business Tax Returns
- Financial Statements
 - P&L, Balance Sheet
- Interim Financial Statements
- Most Recent Personal Tax Return(s)
- Personal Credit Score
- Collateral
- Explanation of Use of Funds

- Entity Documents
 - Articles of Inc. Articles of Org. Operation Agreement, and Bylaws

Apex continues to see a lack of application readiness on behalf of the small businesses (i.e., not keeping accurate bookkeeping records, co-mingling funds, not filing taxes, etc.). This only affirms what we learned in 2021; many small businesses lack the operational infrastructure necessary to access capital. This type of engagement takes time and continuous touchpoints to address the needs of the businesses. However, we continue to run into situations where small business owners believe they have the proper paperwork, but they don't.

In 2022 there were also some administrative challenges for the CLIMBER Loan Fund. The lack of participating lenders for the CLIMBER Loan Fund coupled with some of the staffing challenges the lender experienced in 2022 were a challenge. This shortage added to the response time in connecting with the small businesses which at times added to their frustrations of getting access to working capital and processing their information in a timely manner.

Tracking was also a bit difficult. Apex is currently using Google Excel Spreadsheets to track incoming leads as well as a survey intake process to start the pre-checklist work. The tracking and reporting are one of the big lifts of the program. An initiative of this magnitude would require a full Customer Relationship Management (CRM) System to manage the flow of documentation and reporting that is critical to the success of any one project.

2022 Wins

This year, we explored new ways to reach new businesses. Apex was present at several community events and gatherings targeting communities of color or underserved populations. To accomplish this, Apex onboarded a multilingual business consultant that speaks Japanese, Mongolian, Russian and Polish. Therefore, Apex was able to attend the Asian Mid-Autumn festival to begin to build trust and a partnership with this community. From this event there are 2 Asian owned businesses that have been handed off to the lender and are now preparing their documents for their loan application.

Other events that Apex was able to attend include: The Black Chamber of Commerce, Puerto Rican Festival, Latino Chamber of Commerce of Pueblo 4th Annual Small Business Summit, The Latino Chamber of Commerce of Boulder Food Truck Event, Hispanic Chamber of Commerce of Metro Denver, The Small Business Resilient Summit hosted by Mi Casa Resource Center, Northern Colorado's Women's Business Expo and a multitude of webinars hosted by the City and County of Denver, RTD and Advance Colorado.

Unfortunately, the numbers at these in person events were lower than pre-pandemic levels. However, Apex was still able to disseminate the much-needed information to the small business community. As society continues to deal with COVID and learn how to work around it, Apex will continue to be as creative as possible to find ways to reach those small business communities who need access to working capital.

Reflections and Recommendations

Over the past 14 months, Apex has been laying the foundation and adjusting our approach to reach the small business community. COVID has simply changed the way small businesses conduct their business and society is adapting to this new way of life. These changes require flexibility. We also believe this requires discipline because what used to work is either taking longer in today's world or not working. We are finding that it's harder than ever to reach businesses because they are still trying to dig themselves out of the hole that the pandemic caused. As the market continues to fluctuate and the rumors of a pending recession are rumored, one can conclude that small businesses are leery of taking on new debt. Conversely, a case can be made that businesses should take advantage of the low interest rate loan to prepare for worst case scenarios. Whatever the correct assumption is, the need for small business assistance is still in high demand. Programs like the CLIMBER Fund can be the deciding factor of success or failure for a lot of small businesses.

The first recommendation is to stay the course. Keep on disseminating collateral, attending events, making phone calls, emails, onsite visits, and text messaging to get the word out. In addition, Apex is in the process of translating the Checklist and CLIMBER flier to a multitude of languages starting with Russian and Mongolian. This coupled with the marketing campaign through the State of CO scheduled to be launched in the coming months via TV, radio and print, Apex is confident it will make tremendous strides in CLIMBER 2.0.

To complement the marketing efforts, it is recommended to implement a full CRM. In doing so, it will enable the program to launch large email campaigns to reach the masses as well as streamline communications between the small business owner, Apex, and the lender.

Lastly, it is recommended to gain access to the 6,000 businesses that are registered with the SOS to inform them of the CLIMBER Fund and the favorable terms of the CLIMBER Fund. This remains as a low hanging fruit that could directly impact our outreach efforts.