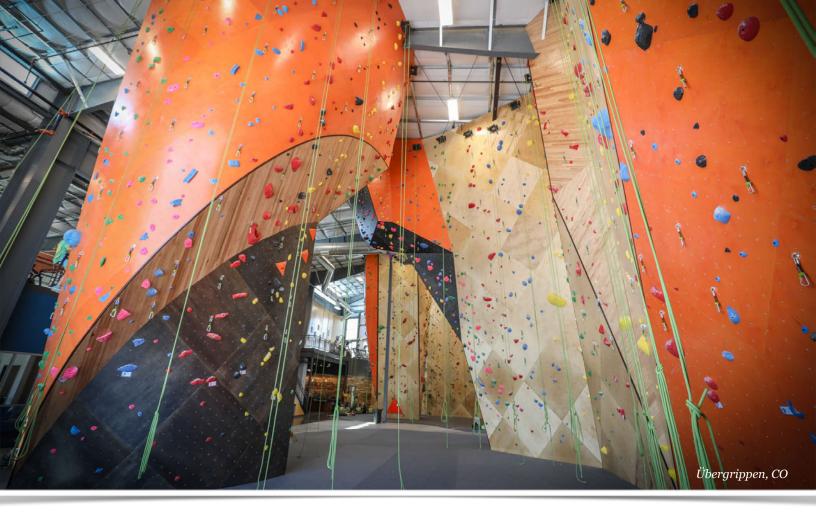
How to Start a Climbing Gym

A detailed checklist to navigate small business ownership and align you for industry success.



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Introduction

Starting a business is hard. The U.S. Bureau of Labor Statistics indicates just over 20% of small businesses fail within the first year, and less than half actually survive for over 5 years. Starting an indoor climbing gym is even harder for a variety of reasons, many of which we will NOT discuss here. Hurdles aside, this is an exciting time to be venturing into the indoor climbing industry due to the consistent growth exhibited in the past 5 years, with no signs of it flatlining anytime soon. You, as a reader of this document, have already made that mental jump into considering entrepreneurship. You should be encouraged by the fact that the popularity of this sport has led to a tremendous amount of resources available to you, and proven funding success, if you are willing to put in the hard work and time necessary to build your own business. This Start-Up Guide is just one small first step on your path, and will provide you with an overview of business start-up resources that you need to come up to speed, all in one convenient document.

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The good news is, you don't have to reinvent the business model and essential preparation steps. Other entrepreneurs have been though this process (sometimes multiple

Getting Started

The purpose of this white paper is:

- To familiarize the reader with the five major categories of action items associated with starting a climbing gym. They are nonlinear and overlapping by nature, so do not follow this guide in consecutive steps, but rather tackle each area's line items when pertinent.
- To provide the reader an overview on many of the essential action items that must be completed to legally own and operate a business.
- To introduce the reader to many of the indoor climbing-specific tools/procedures necessary for success in your market.
- To supply the reader with a reference document in the form of a nonlinear checklist, to address the necessary steps to move your ideas and business forward.

What this paper will NOT cover:

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Overview

<u>Forming a business</u> can actually be a lot easier than some people imagine. With that said, there are a lot of moving parts that many people fail to address during the initial start-up phase. We've included some basic business operations below to focus on in the early stages, as well as things that just take time to set up. Either way, take your time to ensure you don't miss anything, as the more prepared you are in this area, the more professional you will look to lenders.

"We physically started our business well before we were ready to pitch investors & lenders on our ideas. We wanted to get the word out that we were starting a climbing facility and stake our claim first to see the response. What we found out was that our early work paid off, as we built a lot of local relationships and following. It gave us the confidence to go into meetings with banks and point to the fact that people were chomping at the bit to climb." — Angel Mangual, CIBA Climbing Center



Action Items

Use this list below to slowly check off all of the things you should be focusing on. While comprehensive, many of these items should be done concurrently.



Select your business type

While it's likely that you will land on forming a Limited Liability Corporation, that isn't the only choice that could make sense for you and your partners. Research what the benefits are for you in the long run as a climbing gym owner and ultimately how you will protect your personal wealth from your professional liability.



Register your business

Things like researching trademark infringement, registering as a legal entity, registering with the IRS to obtain an EIN,





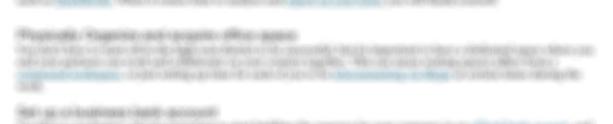


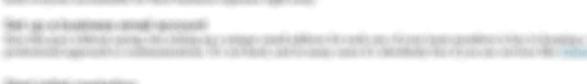






Sure, this is general logic, but there are a couple of things you need to do in order to fully comply with being a legit business. registering with the state to obtain a tax ID#, as well as obtaining your license(s) should all be taken care of early on.



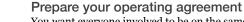






Select general council

You may think you can handle everything at first, and in many cases you can. Ultimately, there will come a time that you need an attorney's advice to guide you, or perform actual work for your business. Many people involve a lawyer during the drafting of their operating agreement, or simply retain one to handle any unfortunate events that come up during operation.





You want everyone involved to be on the same page and aligned when it comes time to make decisions and outline details of your business operations. An operating agreement provides the structure necessary to accomplish and handle things such as how your profits and losses will be allocated/absorbed, who gets to vote on important decisions, who is assigned to manage individual areas of work, and what to do if someone were to pass away unexpectedly. The operating agreement should be reviewed by your council and it will have to be revised for investors, if applicable. It's very legally charged and while you can do it without a lawyer, it's best practice to involve one.



Section Two

Business Planning

Projecting the "when"

Overview

Who are you trying to court as customers? How big is your gym going to be? What programming will you offer? What will people do when they aren't climbing? What's your financial goals with this business? What are you going to charge people? How many employees will you need? Most importantly, when will you be able to pay off your business loan(s) and rake the dollar bills in? These questions among hundreds of others, are what you need to start planning for and putting details to. There are many reasons why you need this, but it's primarily to show lenders you have done your homework and have a regimented plan that you can follow in order to pay them back on time, and make you a successful entrepreneur that has a business built for decades of ownership. You may think there are so many unknowns that you can't possible predict what will happen. Well, you are right to a certain degree, but when you have a things like a business operating model to follow for your climbing gym, the deck is stacked in your favor.

"We underestimated all that we didn't know went into operating a full-scale climbing gym. We were surprised to learn a lot of things going through our planning and projections phase that were critical to our decisions made for climbing wall square footage and projected participation rate. If we would have just 'winged it' like so many others do, it would have been detrimental to our business week-one" — Newton Dominey, The Crag



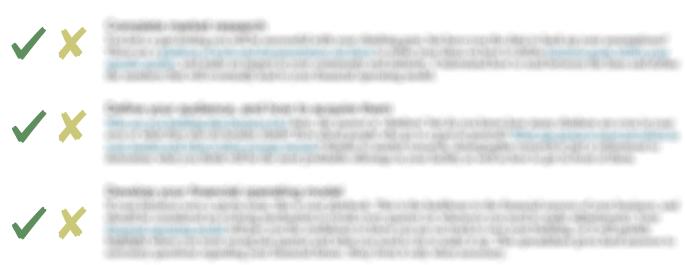
Action Items

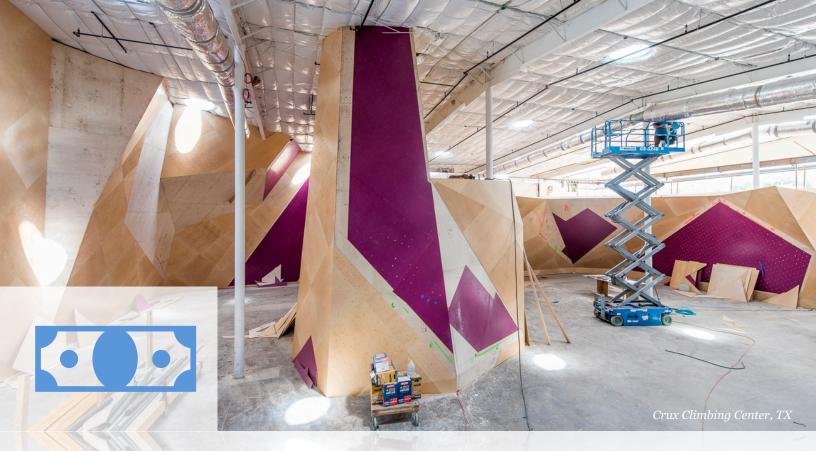
Use this list below to slowly check off all of the things you should be focusing on. While comprehensive, many of these items should be done concurrently.



Develop a business plan

An essential aspect to the foundation of your business overall, the business plan will be needed to show your lenders. More importantly, you need to know it in conversation because they likely won't actually read it, but you will need to have documentation to back up your answers. It shows you have a well thought-out approach to success.





Section Three

Capitalization

Securing the "how"

Overview

Your passion for rock climbing only takes you so far. You believe in your business, but unless you are independently wealthy (and you could be), you need at least some <u>major aspect of your venture to be financed</u>, and therefore you need to get others to believe in your business too. Understanding the financial goals for both you, your potential partners, and your potential lenders is essential to securing your business funding and eventually breaking ground on that property you worked so hard to get.

"Financing was critical to our project. We knew we had a solid idea that would be successful in our market. Before that could happen though, we almost had to become experts on positioning ourselves financially to look attractive to lenders. We quickly learned the essentials to operating a profitable business from an investor's standpoint so we came prepared to meetings with bankable answers. We couldn't get our project off the ground without that trust from outside investors, so we focused a lot of time on this area specifically." — Lauren Watson, Ground UP



Action Items

Use this list below to slowly check off all of the things you should be focusing on. While comprehensive, many of these items should be done concurrently.



Identify lenders, banks, and credit unions in your region

It goes without saying, but you first need to understand what your available options are for lending institutions of all kinds. Research them, do a deep dive and read reviews. Each SBA local office should have a list of local lenders that you may have not heard of before, and one or two of them may be well suited to your project.



Determine financing path

Outline the specifics of which financing options are available to you and which ones you are going to pursue, i.e. equity financing, a personal loan, a loan from a bank or a SBA loan etc. or a combination. Familiarize yourselves with the requirements of each and how you can meet them.



SBA 7(a) loan

The Small Business Administration's most common loan program is the 7(a). It focuses on loans under \$5M and the starting a climbing gym.

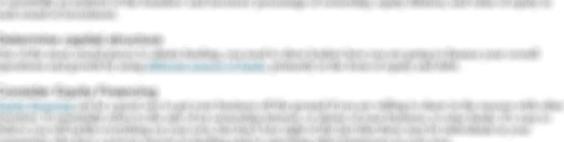






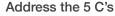


funding can be used for a wide range of purposes. As a result, the requirements and usage is very conducive to approval for



Develop pitch deck

You need to get people excited about your opportunity! If you are asking people to believe in your idea, you'll need some form of a presentation that shows what indoor rock climbing is, how big of a market you will serve, and how you are uniquely positioned to deliver on it.





Cash Flow, Collateral, Capital, Conditions, and Character. These are the five areas you as an entrepreneur need to have covered in order to increase your chances to obtain funding. Cash Flow is a measure of the individuals' ability to repay the loan. Capital is the measure of your equity investment. Collateral how the loan will be secured against a loan default. Conditions is essentially how your business plans fall within the bigger picture of economic, local, in industry climates. And finally, your character is how the lender looks at your capacity to execute the business plan successfully.



Section Four

Site Selection & Development

Securing the "where"

Overview

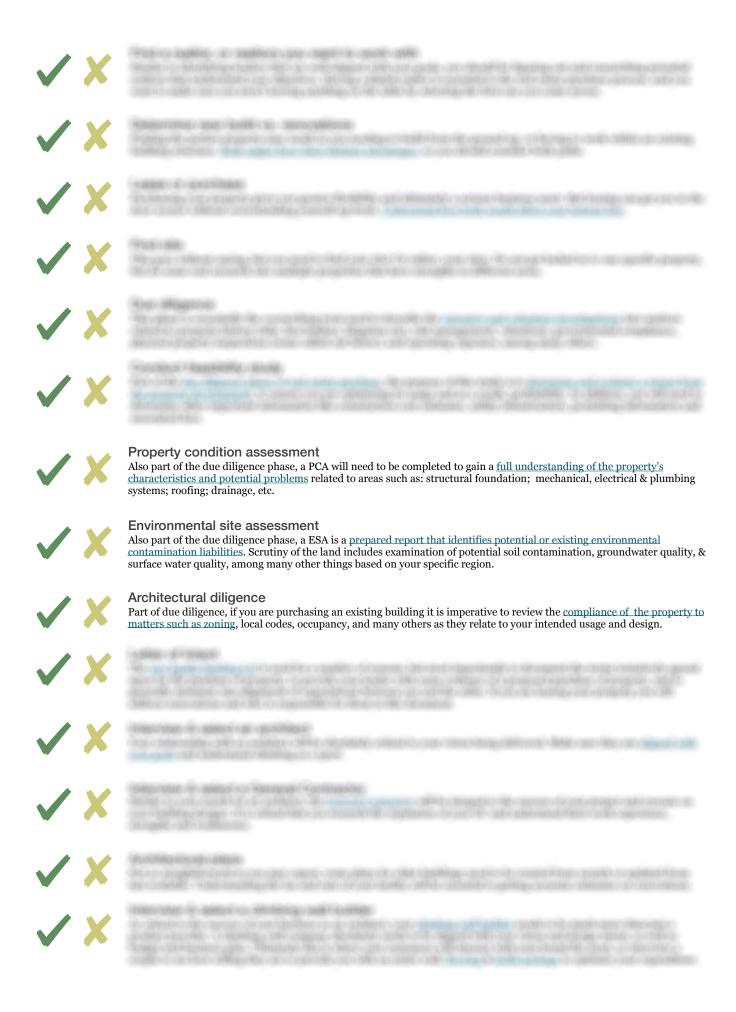
Much of your time is going to be spent in this area of your business. It goes without saying that your physical <u>location is going to be instrumental</u> in your success as a business. As a result, it makes sense that there are a number of critical components associated with securing property and making sure your community has an authentic building to call a home.

"We saw our site as the single most important phase of our business. At the end of the day, we could do everything else right and have all the financing we needed, but if the site wasn't perfect we knew our success would be limited. It was important to us that we partnered with people during this phase that were 100% aligned with our goals, and not just there to carry out a job." — Jake Crine, Ubergrippen



Action Items

Use this list below to slowly check off all of the things you should be focusing on. While comprehensive, many of these items should be done concurrently.





Overview

Operations is where the rubber meets the road. You have all of these theoretical plans but before your doors even open you have to execute on the day-to-day work you will be doing at your climbing gym. It's never too early to start on a number of these things below, especially in regards to staffing and developing industry relationships with suppliers. In the months following your opening you will get additional operational tasks added to your list, but the ones outlined below are key to your gym opening on-time as a well-oiled machine from day one.

"We saw an opportunity in our market to gain even more traction with our training facilities. We knew we had to be dialed on this operation and treated it as a separate offering altogether. So when our doors opened we had two different paths for customers to choose, each with their own set of policies, staff procedures, and logistics. It was really important that this was seamless from the customer perspective, and the work we completed beforehand was crucial." — Joe Ortega, Birmingham Boulders



Action Items

Use this list below to slowly check off all of the things you should be focusing on. While comprehensive, many of these items should be done concurrently.



Acquire general liability insurance

Your business type will dictate how your personal and professional assets are separated and protected, but <u>business</u> insurance is absolutely critical for any business to fill in all unforeseen gaps. In the climbing industry, the importance of insurance is paramount, which is why you will likely seek an offering from sports insurance companies such as <u>Monument Sports Group</u> or <u>Veracity Insurance Solutions</u>.



Rock Gym Pro Integration

RGP. Learn it. It will be your go-to for almost 100% of your gym-specific operations. This single piece of software will cover things like member management, point of sale, check-ins, digital waivers, online booking of courses and many other things. It is an essential piece to most of what you will do and even integrates within Quickbooks, to streamline your accounting.



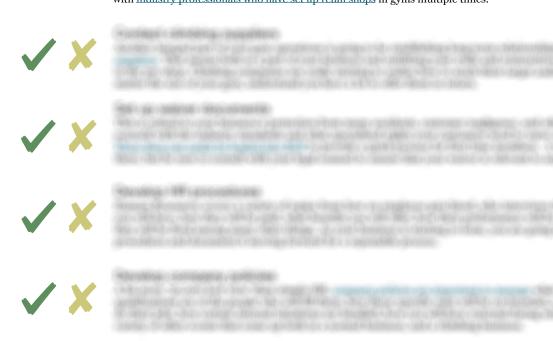
Set up rental gear

A substantial part on your efforts should be on making climbers for life. The first step to that could be you selling a new member their first rental gear, so it's essential you are ready to make that process smooth. Many suppliers have the right equipment for this and can get you set up quickly.



Set up your pro shop

You are going to be the community experts on climbing, no exception. Part of that presence is going to be having the right selection of gear available for your customers at the varying stages they are in their abilities. You want to be prepared for the novice just looking to save by not renting gear anymore, all the way up to the trad and ice climbers looking to expand their racks. Make sure you know who your customers are and what they are doing outside your walls and when needed, consult with industry professionals who have set up retail shops in gyms multiple times.







Develop programming

This is where your market and demographic research will come into play. When people aren't there to boulder or route climb with a friend, what can they do? What classes do you want to offer them? Will there be workspace for your members? You may find that your local area has a high percentage of kids that you can introduce to the sport, or there is a large population of young professionals just looking to improve their skills. Either way, know what other crossover activities & classes people are interested in and learn how to monetize it.



Hire Staff

The physical act of hiring staff can be daunting. Climbing gyms aren't for everyone and many times climbers themselves aren't the highest priority for a specific role. So finding the right people to make your company culture great and authentic is absolutely imperative to your success. Take the time to network with local businesses and see what types of people they employ and don't. Develop a good profile of the right employee and even a pipeline if possible of good qualified talent.









Section Six

Committing to your vision

Reaching out to industry veterans

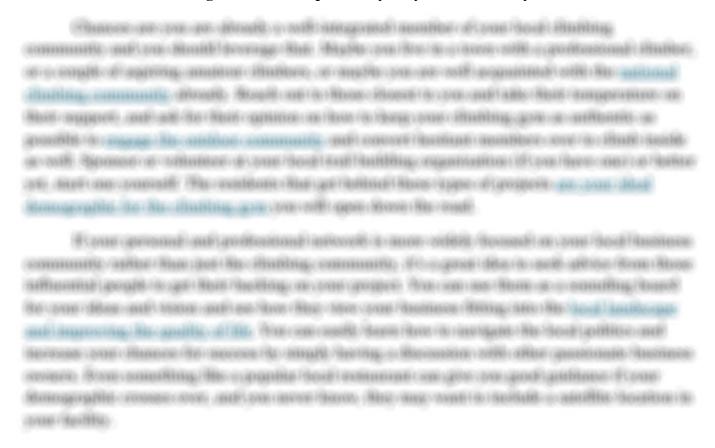
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With the industry continuing to experience significant growth, more organizations are offering refined tools and even <u>consultation services</u> to simplify the process and to keep you on your path towards success. Consider pursuing the help of an organization that has successfully opened climbing gyms. At the moment, these services are extremely cost-effective when considered as a percentage of your entire project cost. These business consultation services can

vary in quality from one company to the other, so it's imperative to discern the differences and understand the experience each one brings to the table. The primary reason these services exist is to streamline your process from concept to your grand opening, and to ensure you wind up with an authentic climbing culture built specifically for your community and residents.



Our Solution

Companies like us want you to succeed because we are just as passionate about climbing as you are. Building more authentic and modern design-driven climbing facilities only helps grow the sport even further. Last year we launched a new program and consultation package covering everything from A to Z to get a climbing gym off the ground, and we've had an overwhelming response to it. To date, dozens of new gyms are active in their plans and some have already opened their doors with our help.

Besides a decade's worth of clients that we have supplied <u>crucial products</u> and services in some capacity, we've had success in owning and operating three <u>gyms</u> of our own as well. So we've been where you are right this moment, and know what it takes to get a project across the finish line. That is why we have a number of consultation packages, from general <u>business start up</u> to actual <u>ongoing operational consulting</u>.

It doesn't take much financial commitment to start on the path. The package price of our Business Consulting package actually gets rolled up in the the design costs associated with your climbing walls, should you decide to contract with us. We believe this information should be free to those who have what it takes to successfully launch a climbing gym business. The time

we spend with each and every one of our clients is invaluable and ultimately makes the final product something everyone will be psyched on.

Here's the list of what we offer in the Startup Business Consulting Package.

- Package credit that will roll-up towards climbing wall design and construction costs.
- A fully customized Climbing Gym Financial Plan Calculator & spreadsheet, including up to 10 hours of consultation. This is crucial to your business projections.
- Full access to the entire Climbing Gym Startup Guide actions items checklist.
- Business Plan consultation to customize our Climbing Gym Business Plan to your specific vision, market, and demographic.
- A powerpoint Climbing Gym Pitch Deck with consultation and customization.
- Bank document templates for P&L, Financial Statement, and everything on the roadmap for an SBA loan.
- Market demographic & population consultation, with the beta version of our participation calculator. An exciting tool used to rough in and estimate important metrics.
- Access to marketing and industry research, reports, from various outlets that inform you on who your customers are and how to engage them.
- Partnership structure consultation.

When it comes time to take the next step, you should consider all of your options and make one considering all of the information you have in front of you. Working closely with our partners both for climbing wall projects and business consultation projects, can be analogous to a marriage. You don't want to go down the path of choosing the wrong partner, or simply choosing them without properly vetting them and their team. During many months of the project you will be in constant communication day-in and day-out, and it is crucial to be in business not only with people you like, but people who have the experience you can rely on during tough times and decisions. Please <u>reach out to us at any time</u>, to see if we are the right partner for your future indoor climbing gym.

