

# CURRENT THREADS

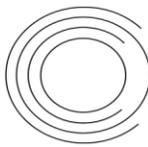


## BUSINESS PLAN

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## Executive Summary

Every year, 8 million metric tons of plastic finds its way into the ocean. For every cotton t-shirt produced, 2700 liters of water is used to grow the cotton. With 780 million people worldwide without access to safe water sources, and 150 million metric tons of plastic already in the ocean, more must be done.

Current Threads aims to mitigate these troubling statistics. Through the sale of ecofriendly clothing, the company can provide customers with products that not only directly help remove these plastics from the sea and save water, but also promote the message that living a sustainable life does not need to require compromises in quality.

Current Threads provides sustainable lifestyle apparel, carrying three separate lines: recycled plastic polyester, bamboo, and hemp. For each line, both short sleeve and long sleeve shirts are available, as well as accessories such as lanyards, beanies, and scrunchies in the plastic line. Through the water conservation of hemp and bamboo, and the recycling of plastic from polyester, the company's mission is supported through each of its lines. The environmental benefits of the products allow the company to be a focused differentiator, showing especially strong sales amongst environmentally conscious millennials looking to make a difference. However, the stylish designs and numerous other benefits of Current Threads' clothing, such as reliable durability for hemp and breathability for bamboo, draw in customers from a much wider demographic. Further, in this online world where consumers are influenced by those around them and what they see online, the company ensures that all products are of the utmost quality to retain customers.

Current Threads filed as an S corporation and obtained a loan of \$150,000 and \$20,000 in seed money from Virtual Enterprise for the initial purchase of fixed assets and the cost of early operating expenses. The company opened its production warehouse at 5010 Lisa Marie Court on October 1, 2018. A storefront was not deemed necessary at this time, but the openings of pop-up shops, or temporary storefronts, is planned for the near future. Through online sales and appearances at trade shows, Current Threads can reach customers all across the country, and through increasing sales, plans to break even in November of 2019.

Current Threads partnered with Dignity Health to manufacture the shirts that they provide at their many events. This relationship benefits both companies, as the monthly sales of \$63,784 drives early sales for Current Threads while allowing the company to develop a relationship with its community. Dignity Health, in turn, can assure that when they give a shirt, that they are also doing their part for a more sustainable future.

Through carefully planned goals for expansion, Current Threads is poised to expand into wider markets, and to broaden its impact on the world. My team and I are looking forward to this bright future.

-Sincerely

Nicholas Oosthuizen, CEO



## **Business Rationale**

### **Customer Empathy**

Current Threads is aware of the ways customers are influenced when making purchasing decisions. Customers listen to family, friends, and read online reviews and endorsements when shopping for products, especially apparel. They, in turn, share their own experiences to those around them. Thus, Current Threads can reach its new customers through online promotions and social media, which will then lead to more sales as the customer spreads word of the company to their surroundings. The company's target market (ages 16-32) seems to be more empathetic to larger social and environmental issues, and they will look to purchase products that make them feel as though they are contributing to change. However, this demographic does not have much disposable income. Therefore, Current Threads presents itself as an opportunity to this market. The company's apparel lines allow customers to support sustainable manufacturing processes at an affordable price. By making all products from recycled and low water use materials, Current Threads' customers get high quality products while supporting an environmentally sustainable future.

### **Problem Statement**

With the ease of online shopping, consumers are overwhelmed by an oversaturated market with more than 102,700 online retail clothing companies in the United States alone. According to surveys performed by International Fabric Traders, the SgT Group, consumers look closely into one of five things when purchasing apparel: price, impact on environment, quality of clothing, whether it is ethically made, or the overall appearance. Current Threads strives to meet all five expectations by ethically manufacturing its apparel out of environmentally friendly material, keeping reasonable prices, and creating products to the highest quality to ensure its customers' satisfaction.

### **Ideal State**

In the current fashion industry, the trend of stylish yet environmentally friendly clothing is growing with several companies such as *Ecovibe Apparel*, *Patagonia*, and *Last Bottle Clothing* that market as eco-friendly. Although Current Threads is similar to those companies, it differentiates itself with production of three different clothing lines that are made

of environmentally friendly materials, each with unique benefits (see appendix page 5), ensuring customers will be satisfied with the impact of their purchase. The company furthers its impact through consistent work with outside charities, reducing harm done to the environment while aligning the charity to a product to increase sales. Current Threads assists with activities such as cleaning the oceans, planting green life, and recycling.



## Company Goals

1. Current Threads will bolster its clothing lines to include sweatpants and socks by August 2019.

Strategy: Current Threads has already begun the production planning process with each of the company's fabric suppliers, to acquire necessary materials for apparel expansion.

2. Current Threads plans to expand production capacity by 40% by 2020 to ensure that the company continues to meet increased customer demand.

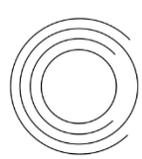
Strategy: The accounting team has done research to buy new equipment to ensure the increased customer demand is fulfilled.

3. After two years of breaking even, Current Threads will add another environmentally conscious fabric to its apparel line such as mycelium (mushroom skin) and pineapple leaves to create a plant-based leather.

Strategy: The accounting and sales teams has begun the process of researching designs and financial feasibility of implementing such fabrics.

4. Current Threads will design and implement educational events for local youth to build environmental awareness and actively work towards sustainability by 2023.

Strategy: The Company's CSR has begun networking to local schools in an effort to host events about environmental sustainability.



## About the Business

### Company Overview

Current Threads is a company not only focused on providing the highest quality of sustainable apparel, but also limiting the global ecological footprint by utilizing renewable materials. According to Global Think Tank Giving USA,



consumers spent over four-hundred billion dollars in 2017 towards charitable groups. However, most of these transactions were simple donations. While consumers gain a noble sense of philanthropic contribution, they are also left without a tangible product. Current Threads combines the best of both by providing fashionable products tied to a charitable impact.

Current Threads filed as an S Corporation as of September 2018 with a loan of \$150,000 for 5 years at a variable interest rate of 6.25%. The company's production warehouse is located at 5010 Lisa-Marie Court in Bakersfield, CA. Current Threads officially launched on October 1, 2018 with a dedicated employee base focused on creating trendy, well-made, and sustainable clothing. While Current Threads faces a rather saturated market of apparel competitors, very few companies focus on developing a brand solely dedicated on sustainable materials. Additionally, Current Threads differentiates itself from competitors by establishing three unique product lines: hemp, bamboo, and recycled plastic (See appendix page 5).

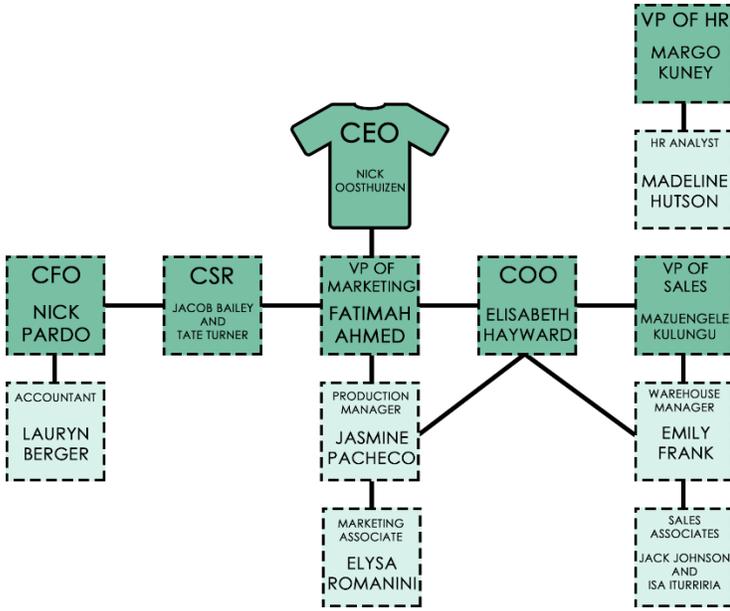
Current Threads is primarily an online company. The majority of its sales come from the Virtual Enterprise Network. However, the company has a unique sales strategy of limited pop-up shops, or temporary storefronts to move products outside of the trade show season (October-April). Through fierce sales and marketing strategies, Current Threads will target consumers from ages 16 to 32, who support an active and philanthropic lifestyle.

### Mission Statement

Current Threads provides unique apparel with a clear focus: improve your style and improve the environment. By utilizing ecologically friendly materials to create high quality clothing, Current Threads raises environmental awareness toward a more sustainable world.



## Organizational Chart



Current Threads chose to place its CEO at the top of its organizational chart, as the CEO is not only the head of the executive ring, but oversees each department within the company. The other seven members of the executive ring, excluding the CSR positions, manage a specific department based off of their own skill sets. All departments and positions are connected to each other, as Current Threads stresses cohesion in the workforce. However, the HR department is purposely kept separate for the ability to be unbiased in the event of needing an internal company evaluation.

## SWOT Analysis

### Strengths

Current Threads' products are reasonably priced at an average of \$27.78, while its main competition sells products for an average of \$35 to \$45. The low cost of the products ensures affordability and therefore consistent consumer retention. Although its prices lower, Current Threads still has a competitive 73% mark up on its apparel, allowing for a profit margin that will make its marketing campaign and charity distribution possible.

The company specifically chose three various charities to partner with each of the fabric lines (See appendix page 4). Each charity t-shirt has a custom design rotating on a monthly basis that is associated with one of the product lines. 5% of the proceeds coming from this line are then donated to charities the shirts aligned with. The recycled plastic line is tied to The Ocean Cleanup, the hemp line is tied to The Nature Conservancy, and the bamboo line is tied to The Rainforest Alliance. This charitable donation will allow consumers to have a more direct impact on the environment, as well as be incentivized towards the rotating, limited designs.

Current Threads is located in the Central Valley of California which was plagued by a major drought in 2012, forcing its citizens to take serious action by conserving water. By having an executive ring that has experienced the



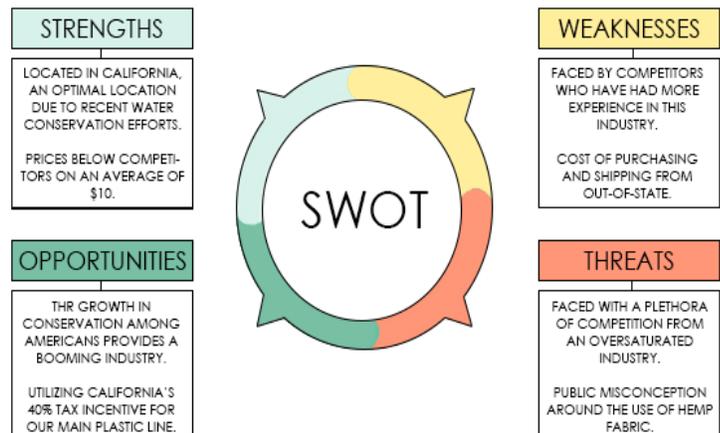
importance of conscious water use and practices, Current Threads is able to differentiate its method of producing its products from other clothing manufactures. A cotton t-shirt uses up to 2,000 liters of water over time whereas hemp and bamboo t-shirts only use 400 liters. By utilizing and marketing low water use fabrics, Current Threads becomes a company values quality, and appeals to customers' sense of responsibility towards their communities.

**Weaknesses:**

As a start-up company entering a competitive market, Current Threads faces weaknesses that force the company to take initiative. Due to the fact the company is entering its first year of production, Current Threads is automatically at a disadvantage compared to well-established competitors, such as the *North Face* and *Patagonia*, who have been in business for nearly fifty years. Since Current Threads lacks the brand recognition of these established companies, the company is forced to maximize its marketing efforts and establish itself as a brand in a timely fashion to remain competitive in its market and remain successful. The company has already made strides to reduce this weakness by offering three lines of sustainable apparel, compared to competitors' singular lines.

Another weakness the company faces is the elevated costs associated with the purchasing and shipping of production materials from out-of-state provides. Since California does not currently have established recycled plastic or hemp fabric providers, Current Threads is not able to partner with local companies for these two lines. This inconvenience gives the company's out-of-state suppliers power to increase costs without the fear of an alternative competitor. To minimize expenses when receiving production materials, the company is constantly making price inquiries with other potential vendors throughout the country in the event prices increase unreasonably.

Lastly, the nature of the clothing industry entails a frequent maintenance cost on production and operation equipment. The sheer volume of units produced in a given day leads to a high probability of temporary equipment malfunction. To combat this possibility, the accounting team schedules regular equipment maintenance and allocates cash for both depreciation and repairs, as well as research and development into emerging technology. Additionally, all Current Threads equipment was purchased with a five year warranty in preparation for malfunctions.





## **Opportunities**

California currently offers tax incentives to encourage companies to adopt more environmentally friendly practices. In fact, there is a 40% tax credit for the purchase of equipment that is used to produce products made of recycled materials. Current Threads will take advantage of this opportunity in the production of its main line, the recycled plastic line, which is made from a fabric of recycled plastic bottles. This will benefit the company in both its initial startup and expansion, as the cost of much of the equipment is significantly reduced.

Current Threads takes advantage of the fact our society is becoming more environmentally conscious, including a concern for water and plastic usage. According to a study by the University of Florida, 44% of Americans are water conservationists and according to INC (business magazine), 66% of global consumers will pick eco-friendly clothing over other options. Current Threads will specifically market its low water use items to these demographics, such as the hemp and bamboo lines, in order to capitalize on this trend.

Today, fashion is flourishing as the largest growing industry, as consumers spend \$150 billion annually towards apparel. According to McKinsey & Company, this market is also increasing annually at a rate of 5.5% each year, which is a clear sign that customers will continue contributing towards this bustling industry. Additionally, the United States have also seen the lowest unemployment rate in the past two decades and a steady inflation at 1.9%, giving our consumers a more steady source of income. These positive and stable attributes to this industry will give Current Threads a solid foundation to build its company.

## **Threats**

Current Threads does face a couple threats involving a misunderstanding of two of its fabrics. Firstly, the company is faced with the public misconception over the use of hemp as one of the clothing lines. Hemp is commonly associated with the drug marijuana, thus giving it a negative connotation which could hurt sales on the line specifically. However, according to a 2018 article by Business Insider, scientists have found that hemp contains negligible amounts of THC (the intoxicating substance in Marijuana) and cannot put an individual under the influence. Marijuana contains up to 30% THC, while hemp contains even less than 0.3% THC. Current Threads will provide educational materials on the company website to educate and inform customers weary of this stigma.



Lastly, although bamboo is proven to both create sustainable fabric and clean air, it is often the topic of controversy as it is commonly associated with its unethical cultivation. China, the only country growing bamboo on a commercial scale, often sparks criticism for clearing natural forestland in order to grow the plant in larger amounts. The association between bamboo and the environmental harm China is causing may create a sense of hesitation in customers when shopping from Current Threads' bamboo line if they are not familiar with the companies' alternative and ethical source. Current Threads sources its bamboo fabrics from Green Textiles, located in California, which eliminates controversy and unnecessary harm to the environment. By locally sourcing the bamboo, customers seeking both a sustainable and environmentally friendly product are able to find their fit.

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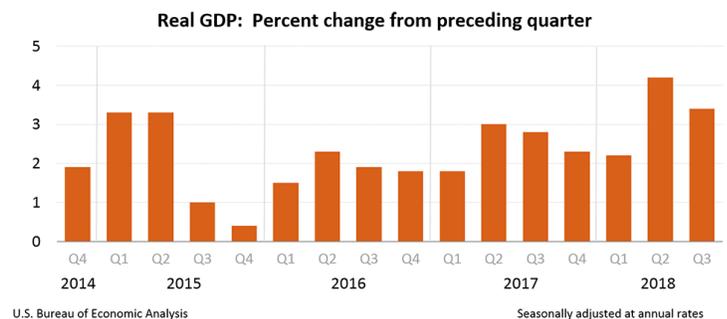
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## External Environment

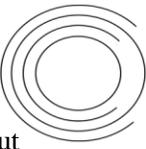
### Economic Conditions

An analysis into both local and national economic trends reveals an optimal time for start-up enterprises. Current Threads looks closely at unemployment rates and sales tax, as these two indicators can predict the quantity of people that can afford to purchase their products. As of February 2019, the national unemployment rate stands at 3.8%. California's unemployment rate is slightly higher than the national average at 4.2%, while Kern County has seen unemployment drop by 0.7% in the past year to an improved 6.6%. Bakersfield's sales tax is 7.25% which mirrors California's state sales tax while being lower than the national average of 8.25%. Because Kern County is a relatively inexpensive place to live, Current Threads has found a stable consumer base with a greater disposable income.

The economy is not only improving on a local scale, but on the national scale as well. The third quarter 2018 Gross Domestic Product growth rate was 3.4% as reported by the Bureau of Economic Analysis, which follows a 4.2% growth in second quarter.

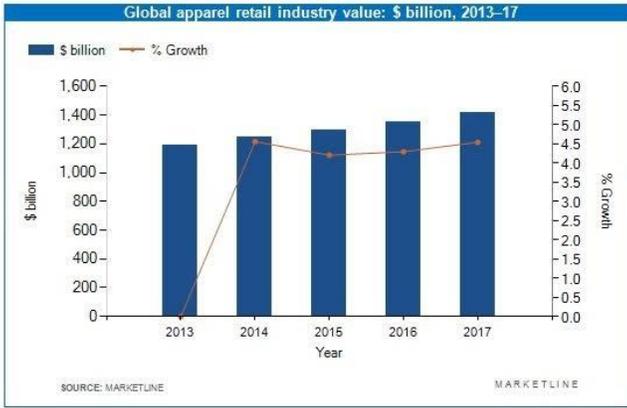


According to Trading Economics, consumers spent over \$14 trillion for the third quarter of the fiscal year. In 12 months, it is predicted to stand at nearly 3% which is in the ideal GDP growth rate range, 2-3%. This statistic indicates a healthy economy.



As of January 2019, the U.S. inflation rate was reported at 1.6%. The inflation rate averaged 2.4% throughout 2018, which was in line with the Federal Reserve’s predictions. The relatively stable inflation rate translates to consistent consumer prices.

## Real Industry Analysis



According to FashionUnited, the fashion industry in the United States holds 4% of the market share with a domestic value of \$385.6 billion while employing 4 million Americans. With an annual growth rate of 5.5%, as reported by McKinsey & Company, the modern fashion industry does not cease to prosper.

Fashion, by its very nature, is always refining and improving itself for each approaching season, specifically

targeting the dominance of social and technological platforms. The U.S. Census Bureau reports that consumers spent \$127 billion dollars on online purchases alone within the second of quarter 2018, including a rise by \$80 million dollars within that same time period. Current Threads will make a conscious effort to expand its online presence to tap into a consumer base throughout the nation.

With the growth of the e-commerce, companies feel pressure from consumers for manufacturers to use ethically sourced manufacturing processes and materials. The World Wildlife Foundation states that it can take up to 2,000 liters of water to grow the cotton needed to manufacture a single T-shirt, thus coining the term “virtual water” to emphasize the amount of water humans unknowingly deplete. These facts combined with the modern day beliefs of conservation provides a clear juxtaposition that leaves the fashion industry in a crisis.

Current Threads’ use of recycled plastics, hemp, and bamboo uses 80% less water and prevents hazardous plastics from entering the oceans in order to find its niche in the industry.

## Virtual Industry Analysis

Similar to Current Threads, 122 out of 509 total companies in the virtual market produce clothing or like-minded accessories. Companies such as *Fabricated* sell street wear at a higher price than traditional apparel. To remain competitive, Current Threads provides reasonably priced clothing which will cater to a larger demographic of customers.



Additionally, Current Threads makes a greater environmental impact compared to virtual competitors. Though companies provide products similar to Current Threads, few of them use eco-friendly material to make accessories. Current Threads utilizes recycled plastic and other natural fabrics consisting of bamboo and hemp to create its products. These sustainable fabrics make an even greater impact by also minimizing the amount of water used for production considerably.

In addition to using eco-friendly materials, Current Threads partners with a different national charity organization for a specific shirt in each t-shirt line, as opposed to competitors like *Epparel*, who simply use their products as a way of contributing to environmental conservation. Current Threads participates in protecting the environment on a global scale. Customers not only create a more sustainable environment when purchasing products from the company's sustainable materials, but make a direct impact when supporting the charity line that donates 5% of the proceeds.

## Competitive Analysis

A look into Porter's Five Forces of Industry will reveal Current Threads' competitive strategies within both the real and virtual network.

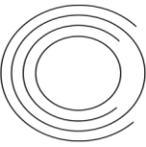
### *Competitive Rivalry:*

There are many big brand companies in the fashion industry such as Nike and Tommy Hilfiger, along with several others that use ecologically friendly materials such as Patagonia. Current Threads distinguishes itself from average clothing brands because of its sustainability and unique lines such as hemp, bamboo, and plastic to allow for more options than most eco-friendly companies that only offer single lines.



### *Supplier Power:*

Current Threads gets its hemp from *Enviro Textiles* and recycled plastic from *Repreve*. Because these suppliers are outside of California, they are able to drive up prices via shipping. However, Current Threads has identified additional available suppliers, so there is the option to replace them if financially beneficial.



*Buyer Power:*

In the fashion industry, there are many stores in all ranges of quality and price. Consumers are able to go to stores like Walmart that offer affordable clothing options, or to stores with more expensive brands such as *Patagonia*. Current Threads creates a balance of affordable yet high-quality, by offering reasonably priced sustainable lifestyle apparel.

*Threat of Substitution:*

There are many products marketed as eco-friendly available, such as reusable straws and grocery bags. Although there are other sustainable product options, these only prevent plastic pollution in the ocean, while recycled plastic apparel helps clean up plastic pollution already in circulation. Current Threads not only sells products that help the environment but also contributes to different environmental charities.

*Threat of New Entry:*

The apparel industry has a large threat of new entry due to its low initial capital investment and easy access to distribution channels. However, with respect to the *sustainable* apparel industry, the threat of new entry is relatively low. The industry lacks volume in regards to available material suppliers. Although finding suppliers for sustainable materials is difficult due to few sources, Current Threads has contacts for all 3 of its lines.

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## **Marketing Plan**

### **Target Market & Market Segmentation**

Current Threads strives to create sustainable yet fashionable clothing to appeal to its target market of millennials and Generation Z (ages 16-32). According to INC, 73% of Millennials claim they are willing to pay extra for sustainable goods, and 90% will choose sustainable products over a non-environmentally friendly product. Along with Millennials, Current Threads will play an active role in this growing environmental movement.

Now more than ever, millennial customers are looking for “practical fashion”, meaning they seek both purpose and durability in their apparel. The company offers unisex clothing which highly appeals to the millennial generation by being a more inclusive brand (see appendix page 6). Current Threads also fits this mold by committing to sustainable practices such as utilizing environmentally friendly hemp and bamboo, as well as elongating the life of plastic bottles by recycling them into polyester for all of the company’s products.



Millennials spend more on clothes than any other generation and invigorate the economy with nearly 600 billion consumer dollars spent annually, even though 72% of Millennials have less than \$1,000 in their savings accounts. Millennials are also more likely to spend money on “luxuries” compared to other generations, spending 33% more than Generation X.

### **Market Segmentation (secondary market)**

#### **Mature Adults**

**Age:** 33 and older

**Estimated Income:** \$48,000 (U.S. Census Bureau)

**Buying Patterns:** This age demographic will be more open to creative designs, and therefore more likely to purchase Current Threads’ custom design t-shirts.

**Marketing Strategies:** Direct Marketing through pop-up shops, commercials, and online advertisements. Current Threads’ website.

**Psychographic:** Generation X and older make up a large portion of the fashion industry, spending roughly \$2,500 on clothing each year, and is therefore another potential market for Current Threads. Baby Boomers have also contributed to a growing of the environmentally conscious market.

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## **Marketing Mix**

### **Products**

Current Threads offers three unique lines of sustainable unisex apparel, all of which contribute to the mission of reducing the world’s carbon footprint. The main line is a polyester blend created from recycled plastic water bottles. The blend the plastics create result in a fabric that is more durable than traditional cotton. Additionally, the fibers woven from the plastics receive dyes better than cotton counterparts, making vibrant and colorful shirts and accessories. The second line is made from hemp. Hemp based products offer the consumer a unique product, as the clothing is highly durable yet has fibers that make the shirt softer after each wash. The final line consisting of bamboo is proven to be highly insulating, helping consumers stay cool in the





summer and warm in the winter. Bamboo fabric is also antibacterial and sweat resistant which appeals to customers in warmer climates.



Current Threads provides a variety of options for customers to personalize their T-shirts. Personalization allows customers to have creative freedom when it comes to their clothing. The basic logo tee comes in both a short and long-sleeve option. For the charity t-shirts, each of the three lines has a unique design specific to its material and the charity organization assigned to it, emphasizing its environmental contribution. The Plastic Line

comes with five different color possibilities while both the Hemp and Bamboo lines each contain three. In addition to selecting the color and sleeve length, customers are also able to choose the size and placement of the company’s logo on any of the three lines. Current Threads has four unisex sizing options that are available for customer convenience, ranging from small to extra-large.

In order to reach a wider market, Current Threads expanded the each line to have accessories such as beanies, scrunchies, and lanyards. The beanies come in three color options: black, white, and tan. The lanyards and scrunchies come in three pattern options: a wave, leaf, or floral print that correlate to the companies’ mission with each of the three product lines.

**Price**

Current Threads utilizes a competition-based strategy when pricing its products. The company conducted research into the clothing industry in order to determine what customers were willing to pay for similar clothing lines. This led to the recycled polyester line being priced at \$25-\$30 dollars, both the hemp and bamboo lines at \$30-\$35, lanyards at \$6, scrunchies at \$5, and

Recycled Plastic		Bamboo		Hemp	
Product	Price	Product	Price	Product	Price
Short sleeve (logo)	\$25.00	Short sleeve (logo)	\$30.00	Short sleeve (logo)	\$30.00
Short Sleeve (design)	\$28.00	Short Sleeve (design)	\$33.00	Short Sleeve (design)	\$33.00
Long Sleeve	\$30.00	Long Sleeve	\$35.00	Long Sleeve	\$35.00
Lanyard	\$6.00	Lanyard	\$6.00	Lanyard	\$6.00
Scrunchie	\$5.00	Scrunchie	\$5.00	Scrunchie	\$5.00
Beanie	\$20.00	Beanie	\$20.00	Beanie	\$20.00

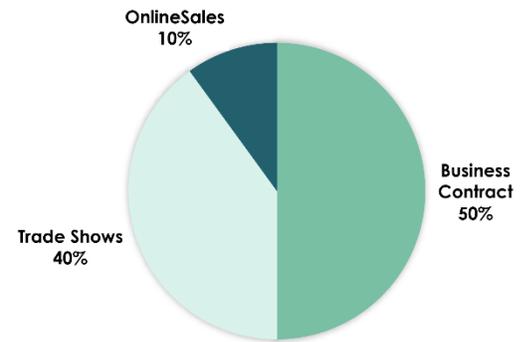


beanies at \$20. By keeping prices competitive in the market, the company assures that all of its products are affordable to consumers and that the price will not be a deterrent for those looking to purchase environmentally-friendly apparel.

Product production cost was determined through research into the costs of each line's fabric, clothing dyes, and packaging related costs. The company also reached out to fabric manufacturers to more accurately determine these prices. The company's cost of goods sold are the following: The plastic shirt line was determined to be between \$7 and \$13, bamboo between \$11-\$21, and hemp between \$9 and \$18. The accessory line's cost of goods sold is the following: lanyards at \$1.16, scrunchies at \$3.33, and beanies at \$3.24. The clothing industry often sees relatively high item markups, so the company can ensure healthy profits while still keeping its products competitively priced.

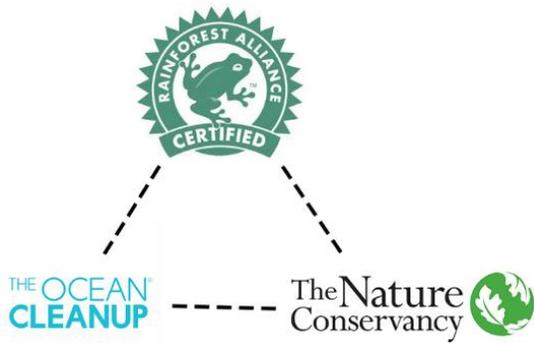
### **Placement**

Current Threads generates its revenue from various sources such as trade show events, online sales, and a business contract with Dignity Health (see appendix page 3). The company anticipates that trade show sales will account for 40% of the company's sales during the time frame of December 2018 - April 2019. During this same time frame, online sales are expected to account for 10% of revenue while the contract will account for 50%. After trade show months conclude, online sales will see a percentage increase as more emphasis and attention will be placed in constantly updating the site for customer appeal. Due to the absence of trade shows, Current Threads will also seek to participate in pop-up shop events along the coast in order to promote the brand and account for the inevitable loss of the revenue source.



### **Promotion**

In order to maintain a successful marketing campaign, Current Threads follows the marketing strategy DAPPS: direct marketing, advertising, personal selling, public relations, and sales promotions. By emphasizing each strategy of DAPPS, the company will make the most efficient use of its marketing budget. With a growing concern for the environment and social media presence among millennials, emphasizing Current Threads' environmental outreach and online marketing will be vital to the company's success.



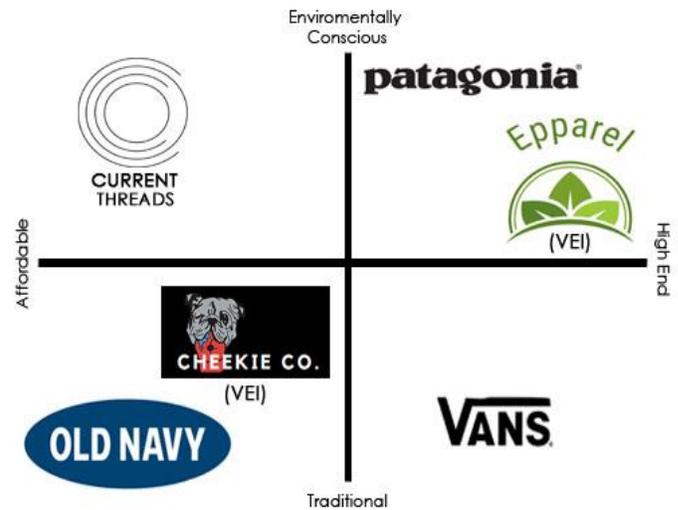
The company's biggest incentive is that every purchase of a uniquely designed charity t-shirt from its respective line of hemp, bamboo, or recycled plastic will donate 5% of the profit to an aligned charity. The Recycled Plastic Line is partnered with *The Ocean Clean-Up*, The Hemp Line is paired with *The Nature Conservancy*, and The Bamboo Line is associated with the *Rainforest Alliance*. Each of the

designs are custom made by local artists through a competition-based program, allowing consumers to take a more active role in the company. The rotating designs of the charity line are popular products because of the incentive of purchasing limited time products and the feeling of the purchase making a more direct impact.

To further promote the company's products across the country, Current Threads will provide an easily accessible newsletter through email, where customers receive an initial 20% off coupon for their entire order along with other additional incentives during the month. Current Threads also grants free shipping for customers with purchases exceeding \$50.

### Positioning

Current Threads' mission of creating a sustainable planet through unique, high-quality clothing, appeals not only the environmentally conscious niche of all generations, but to customers looking for a brand that better reflects their creativity and individuality. Current Threads projects an image to hit a specific niche market. Having a targeted, strategic market allows for a greater focus in one area of sales to employ a more efficient marketing plan. Current Threads positions itself as an environmentally conscious lifestyle apparel brand that steers toward consumer affordability.





## Discussion of Business Risks

Trade show sales have a large effect on Current Threads' success, bringing in an average of 40% of monthly revenue. If trade show predictions are not met, the company is at risk of not meeting sales projections. Therefore, in the event trade shows are falling short of expectations, Current Threads would be forced to increase the amount of focus and funding assigned to the website and online sales in order to maintain stability. Current Threads has already begun communicating with VEI firms regarding online exclusive sales promotions. The company would also participate in more pop-up shop events to build the brand and create a presence in its surrounding communities. These procedures would keep Current Threads afloat until trade show sales return to its expected projections.

What makes Current Threads unique from competition is not only the materials used for production, but the environmental impact they make. According to INC, 66% of consumers are willing to pay more for sustainable goods and products. However, consumer trends can be fickle. If customers choose to purchase lower cost traditional fabrics (ie cotton, polyester, etc.), then Current Threads would experience a decline in sales. Although this possibility would potentially hurt revenue, the company would remain afloat due to the strategically created designs that set it apart from competitors regardless.

Current Threads' supplier agreements with third party suppliers could create future risks. For example, if *Repreve*, the company's recycled material provider, decides to not continue or renew the company's contract, Current Threads faces the issue of not having a source for the recycled fabric necessary to create its products. To combat this, the sales department is constantly making efforts to contact and build relationships with alternative suppliers in the unlikely case agreed prices or contracts fall through.





## Financial Planning

### Financial Write-up

Current Threads began with a loan of \$150,000 and \$20,000 in seed money. The company selected a variable interest rate of 6.25%, as the lower rate was deemed beneficial for the company in its startup stages. As seen on the balance sheet, the company holds \$177,742.21 in current assets (cash, inventory) as of February 28th, with a current liabilities of \$89,664.25. Current Threads had initially anticipated to end the month with a current assets of roughly \$195,000, which when compared to its current liabilities, gave the company a current ratio of 2.2. With a higher ratio, the company realized that it was not utilizing its assets to their full potential. Thus, the company made a loan principal payment of \$27,163.24 in February, 2019. The loan was to be paid off in 60 monthly payments across 5 years, but with this extra payment, the loan will be repaid 10 months earlier, by December, 2022, and saving Current Threads around \$7,600 in interest payments. The company now has a current ratio of around 1.9, which in comparison to the apparel industry average of 1.77, as provided by Bizstats.com, shows that Current Threads is in a stable position to pay of its monthly liabilities while also properly utilizing its assets to further grow the company. The company decided to hold a slightly higher number in current assets than the apparel industry average to provide more stability in meeting monthly liabilities in the company's earlier stages of operation.

The company holds \$6,161.59 in retained earnings which demonstrates that Current Threads is growing revenues in order to meet monthly expenses and is becoming profitable in its early months. Due to the fact that revenues have come exclusively from the business contract, trade show, and online sales, Current Threads does not hold any receipts for accounts receivable, and does not anticipate any for the near future due to the automatic trade show point-of-sale system implemented by Virtual Enterprise. The company also pays its sales tax, payroll, and payroll tax at the beginning of the following month from which it was incurred, so these accounts, along with the current portion of the loan, make up current liabilities.

Sales projections were initially calculated through market research, and the shortage of other environmentally friendly clothing companies on the Virtual Enterprise Network, with less than ten other virtual companies selling similar apparel. These projections were increased after Current Thread's first trade show in October, where the company exceeded its projected sales, further showing demand for these products. The company has seen that this strong performance accurately reflected Current Thread's market position, as ambitious sales projections were exceeded at both

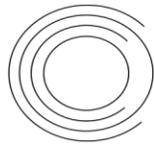


the California State and Pasadena Trade Shows by roughly \$34,000 and \$28,000 respectively. All units of sales are calculated to be the same monetary value as they are found using the average selling price, \$25.83, of all products, except for the business contract, \$31.68, which due to the nature of including cost of goods sold in the selling price, allows for greater gross profits. An average selling price was used in order to streamline the financial documents, and to make comparisons between the company's revenue sources more clear.

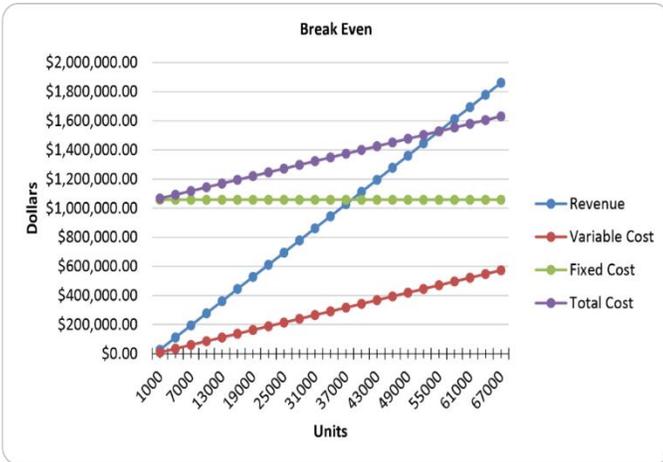
The profit and loss statement tracks the monthly revenues earned and expenses incurred, with actual sales for October through February and projections for the following months. A significant portion of monthly revenue, \$63,784, is sourced from the company's business contract with Dignity Health, a California-based not-for-profit public-benefit corporation while the company establishes itself in trade shows and online. The website launched on November 1, 2018 accounting for the lack of online sales in October. The company has made actual sales totaling \$288,295.96 in trade show sales, \$318,920 in business contractual sales, and \$39,693.08 in online sales as of February 28, 2019. With current projections, the company anticipates a net profit of \$55,169.30 by April 30, 2019.

To calculate the breakeven, Current Threads uses an average unit of sale, based on an average retail price per sale of \$27.78 (including business contract) and the average cost of goods per sale of \$8.55. These prices were arrived at by averaging the selling prices and cost of goods sold for every item the company sells. The total cost is a summation of the variable expense, from the cost of goods sold per sale, and the fixed expense, of \$1,058,131 from the P&L statement calculated for one year of operation (October 2018- October 2019). The average cost of goods per sale when calculated with the average retail price per sale produces an average gross profit rate of 69.22%. Current Threads is estimated to reach its breakeven point at 55,025 sales units equating to \$1,528,594.86 in August of 2019. Based on five months of sales data, the company is on target toward reaching break-even projections.

Based on the income statement, balance sheet, break even analysis, and strong sales performance, Current Threads is in an optimal position to be a successful clothing brand on the Virtual Enterprise Network.



## Break Even



\*The breakeven point was calculated using an average unit of sale of \$27.78, and an average cost of goods sold of \$8.55. The fixed costs were calculated using the entire fiscal year from October 2018 to October 2019, for a total of \$1,058,131.00 and variable costs were calculated as cost of goods sold relative to units sold. Current Threads is estimated to reach its breakeven point by August 2019 at just over 55,000 sales equating to roughly \$1.53 million.

## Balance Sheet

\*The balance shows that the company's asset collection is stable for paying off liabilities with current ratio of approximately 1.9. The company pays sales tax, payroll, and payroll tax the following month from which it was incurred, accounting for the company's current liabilities. From the company's larger principal loan payment in February, notes payable long term has been reduced from \$120,000 to \$95,030.08. The company has nothing appropriated for accounts receivable and allowance for doubtful accounts due to the new payment system that only accepts valid cash payments. Depreciation was calculated at 20% of the fixed assets for the year and booked as a monthly amount of \$498 against fixed assets.

<b>Balance Sheet</b>	
Actual for 2/28/19	
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$165,963.18
Accounts Receivable*	\$0.00
Allowance for Doubtful Accounts	\$0.00
Inventory	<u>\$11,779.03</u>
<b>Total Current Assets</b>	<b>\$177,742.21</b>
<b>Fixed Assets</b>	
Computers	\$1,526.98
Production Equipment	\$30,047.60
Furniture and Fixtures	\$4,029.13
Less: Depreciation	<u>-\$2,490.00</u>
<b>Total Fixed Assets</b>	<b>\$33,113.71</b>
<b>Sum of Assets</b>	<b><u>\$210,855.92</u></b>
<b>Liabilities+Equity</b>	
<b>Current Liabilities</b>	
Loan Payable Current Term	\$19,141.97
Salaries Payable	\$49,664.00
Sales Tax Payable	\$12,734.62
Payroll Tax Payable	<u>\$8,123.66</u>
<b>Total Current Liabilities</b>	<b>\$89,664.25</b>
<b>Long Term Liabilities</b>	
Notes Payable Long Term	<u>\$95,030.08</u>
<b>Total Long Term Liabilities</b>	<b>\$95,030.08</b>
<b>Equity</b>	
Seed Money	\$20,000.00
Retained Earnings	<u>\$6,161.59</u>
<b>Total Equity</b>	<b>\$26,161.59</b>
<b>Sum of L+E</b>	<b><u>\$210,855.92</u></b>

\*Due to new trade show point of sale system, the company does not have any accounts receivable for this month, and thus, it does not have the bad debt that goes with it.

# Profit & Loss Statement

## Profit & Loss Statement For the Year Ending 4/31/2019

	Actual October	Actual November	Actual December	Actual January	Actual February	Projected March	Projected April	TOTAL
<b>Gross revenues</b>								
Trade show revenues	\$ 45,902.00	\$ 36,084.51	\$ -	\$ 108,563.89	\$ 97,745.56	\$ 72,324.00	\$ 116,235.00	\$ 476,854.96
Contractual sales to non-VE entities	\$ 63,784.00	\$ 63,784.00	\$ 63,784.00	\$ 63,784.00	\$ 63,784.00	\$ 63,784.00	\$ 63,784.00	\$ 446,488.00
Online Sales	\$ -	\$ 3,900.33	\$ 7,117.72	\$ 13,672.00	\$ 15,003.03	\$ 12,915.00	\$ 14,206.50	\$ 66,814.58
Returned Items Shipping Expense	\$ -	\$ (518.84)	\$ (354.51)	\$ (1,860.20)	\$ (882.66)	\$ (745.12)	\$ (971.13)	\$ (5,332.46)
<b>Total gross revenues</b>	<b>\$ 109,686.00</b>	<b>\$ 103,250.00</b>	<b>\$ 70,547.21</b>	<b>\$ 184,159.69</b>	<b>\$ 175,649.93</b>	<b>\$ 148,277.89</b>	<b>\$ 193,254.37</b>	<b>\$ 984,825.08</b>
<b>Cost of goods sold or services provided</b>								
Trade Show Revenues	\$ 16,863.73	\$ 13,257.53	\$ -	\$ 39,886.62	\$ 35,911.94	\$ 26,572.00	\$ 42,705.00	\$ 176,436.34
Contractual sales to non-VE entities	\$ 13,449.40	\$ 13,449.40	\$ 13,449.40	\$ 13,449.40	\$ 13,449.40	\$ 13,449.40	\$ 13,449.40	\$ 93,762.48
Online Sales	\$ -	\$ 1,432.99	\$ 2,615.07	\$ 5,023.12	\$ 5,512.15	\$ 4,745.00	\$ 5,219.50	\$ 24,721.39
<b>Total Cost of Goods Sold</b>	<b>\$ 30,313.13</b>	<b>\$ 28,139.92</b>	<b>\$ 16,064.47</b>	<b>\$ 58,359.14</b>	<b>\$ 54,873.49</b>	<b>\$ 44,766.40</b>	<b>\$ 61,373.90</b>	<b>\$ 294,920.21</b>
<b>Gross profit</b>	<b>\$ 79,372.87</b>	<b>\$ 75,110.08</b>	<b>\$ 54,482.74</b>	<b>\$ 125,800.55</b>	<b>\$ 120,776.44</b>	<b>\$ 103,511.49</b>	<b>\$ 131,880.47</b>	<b>\$ 689,904.87</b>
<b>Gross Profit Margin %</b>	72	73	77	68	69	70	68	70
<b>Operating expenses</b>								
Payroll	\$ 49,664.00	\$ 49,664.00	\$ 49,664.00	\$ 49,664.00	\$ 49,664.00	\$ 49,664.00	\$ 49,664.00	\$ 347,648.00
Payroll Tax	\$ 8,123.66	\$ 8,123.66	\$ 8,123.66	\$ 8,123.66	\$ 8,123.66	\$ 8,123.66	\$ 8,123.66	\$ 56,865.62
Rent	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 28,000.00
Depreciation	\$ 498.00	\$ 498.00	\$ 498.00	\$ 498.00	\$ 498.00	\$ 498.00	\$ 498.00	\$ 3,486.00
Matching Social Security Expense	\$ 3,079.16	\$ 3,079.16	\$ 3,079.16	\$ 3,079.16	\$ 3,079.16	\$ 3,079.16	\$ 3,079.16	\$ 21,554.12
Matching Medicare Expense	\$ 720.12	\$ 720.12	\$ 720.12	\$ 720.12	\$ 720.12	\$ 720.12	\$ 720.12	\$ 5,040.84
State Disability Withholding Insurance	\$ 496.64	\$ 496.64	\$ 496.64	\$ 496.64	\$ 496.64	\$ 496.64	\$ 496.64	\$ 3,476.48
Advertising/Promotion	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 28,000.00
Insurance	\$ 715.00	\$ 715.00	\$ 715.00	\$ 715.00	\$ 715.00	\$ 715.00	\$ 715.00	\$ 5,005.00
Loan Interest (6.25%)	\$ 781.25	\$ 770.21	\$ 759.12	\$ 747.97	\$ 736.76	\$ 595.29	\$ 583.28	\$ 4,973.88
Supplies	\$ 415.83	\$ 415.83	\$ 415.83	\$ 415.83	\$ 415.83	\$ 415.83	\$ 415.83	\$ 2,910.81
Utilities - Gas+Electric	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 49,000.00
Utilities - Water	\$ 310.00	\$ 310.00	\$ 310.00	\$ 310.00	\$ 310.00	\$ 310.00	\$ 310.00	\$ 2,170.00
Accounting/Legal Expenses	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 3,500.00
Sales Tax (7.25%)	\$ 7,952.24	\$ 7,485.62	\$ 5,114.67	\$ 13,351.58	\$ 12,734.62	\$ 10,750.15	\$ 14,010.94	\$ 71,399.82
Security	\$ 275.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 365.00
Telephone/Internet	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 840.00
Petty Cash	\$ 200.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 500.00
<b>Total operating expenses</b>	<b>\$ 88,850.90</b>	<b>\$ 87,963.24</b>	<b>\$ 85,581.20</b>	<b>\$ 93,806.96</b>	<b>\$ 93,178.79</b>	<b>\$ 91,052.85</b>	<b>\$ 94,301.63</b>	<b>\$ 634,735.57</b>
<b>Income from operations</b>	<b>\$ (9,478.03)</b>	<b>\$ (12,853.17)</b>	<b>\$ (31,098.46)</b>	<b>\$ 31,993.59</b>	<b>\$ 27,597.65</b>	<b>\$ 12,458.64</b>	<b>\$ 37,578.84</b>	<b>\$ 55,169.30</b>
<b>Other revenues/gains and expenses/losses</b>								
<b>Net income before taxes</b>	<b>\$ (9,478.03)</b>	<b>\$ (12,853.17)</b>	<b>\$ (31,098.46)</b>	<b>\$ 31,993.59</b>	<b>\$ 27,597.65</b>	<b>\$ 12,458.64</b>	<b>\$ 37,578.84</b>	<b>\$ 55,169.30</b>
Corporate income tax								
<b>Net income after taxes</b>	<b>\$ (9,478.03)</b>	<b>\$ (12,853.17)</b>	<b>\$ (31,098.46)</b>	<b>\$ 31,993.59</b>	<b>\$ 27,597.65</b>	<b>\$ 12,458.64</b>	<b>\$ 37,578.84</b>	<b>\$ 55,169.30</b>

\*The website went live on November 1, so the company did not have any online sales for October

\*The company did not attend a trade show in December

\*Returned Revenue Shipping Expense is booked in revenue as it is a contra-revenue account instead of an expense

To assure monthly profitability, the profit and loss statement tracks revenues and expenses on a month by month basis.

To better document sales sources, an average sale price and cost of goods sold was determined for the products, and then the average tracked across trade show sales, contract sales, and online sales. Current Threads expects all revenues to come from these sources at this time, so direct sales and other sales were not listed. The months of October has no online sales and

December has no trade show revenue due to the website not being fully operational in October and there not being any trade shows in December. Returned shipping expense accounts for 5% of all sales for all revenue streams, excluding contract sales.



**Current Threads**  
**2018-2019 Monthly Sales Projections**  
**Year 1 of Operations**

	Actual Sales Oct	Actual Sales Nov	Actual Sales Dec	Actual Sales Jan	Actual Sales Feb	Projections Mar	Projections Apr	Total
<b>Average Unit Cost</b>								
Trade Show Sales	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49
Online Sales	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49
Direct Sales	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49
Out-of-network Sales	\$6.68	\$6.68	\$6.68	\$6.68	\$6.68	\$6.68	\$6.68	\$6.68
Other	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49	\$9.49
<b>Average Unit Price</b>								
Trade Show Sales	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83
Online Sales	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83
Direct Sales	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83
Out-of-network Sales	\$31.68	\$31.68	\$31.68	\$31.68	\$31.68	\$31.68	\$31.68	\$31.68
Other	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83	\$25.83
<b>Average Unit Markup</b>								
Trade Show Sales	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%
Online Sales	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%
Direct Sales	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%
Out-of-network Sales	374.3%	374.3%	374.3%	374.3%	374.3%	374.3%	374.3%	374.3%
Other	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%	172.2%
<b>Units Sold</b>								
	<b>3,790</b>	<b>3,561</b>	<b>2,289</b>	<b>6,746</b>	<b>6,378</b>	<b>5,313</b>	<b>7,063</b>	<b>35,142</b>
Trade Show Sales	1,777	1,397		4,203	3,784	2,800	4,500	18,461
Online Sales		151	276	529	581	500	550	2,587
Direct Sales								-
Out-of-network Sales	2,013	2,013	2,013	2,013	2,013	2,013	2,013	14,094
Other								-
<b>Gross Sales</b>								
	<b>\$109,686.00</b>	<b>\$103,768.84</b>	<b>\$70,901.72</b>	<b>\$186,019.89</b>	<b>\$176,532.59</b>	<b>\$149,023.00</b>	<b>\$194,225.50</b>	<b>\$990,157.54</b>
Trade Show Sales	\$45,902.00	\$36,084.51	\$0.00	\$108,563.89	\$97,745.56	\$72,324.00	\$116,235.00	\$476,854.96
Online Sales	\$0.00	\$3,900.33	\$7,117.72	\$13,672.00	\$15,003.03	\$12,915.00	\$14,206.50	\$66,814.58
Direct Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Out-of-network Sales	\$63,784.00	\$63,784.00	\$63,784.00	\$63,784.00	\$63,784.00	\$63,784.00	\$63,784.00	\$446,488.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Cost of Goods</b>								
	<b>\$30,313.13</b>	<b>\$28,139.92</b>	<b>\$16,064.47</b>	<b>\$58,359.14</b>	<b>\$54,873.49</b>	<b>\$44,766.40</b>	<b>\$61,373.90</b>	<b>\$293,890.44</b>
Trade Show Sales	\$16,863.73	\$13,257.53	\$0.00	\$39,886.62	\$35,911.94	\$26,572.00	\$42,705.00	\$175,196.82
Online Sales	\$0.00	\$1,432.99	\$2,615.07	\$5,023.12	\$5,512.15	\$4,745.00	\$5,219.50	\$24,547.83
Direct Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Out-of-network Sales	\$13,449.40	\$13,449.40	\$13,449.40	\$13,449.40	\$13,449.40	\$13,449.40	\$13,449.40	\$94,145.80
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Gross Profit</b>								
	<b>\$79,372.87</b>	<b>\$75,628.92</b>	<b>\$54,837.25</b>	<b>\$127,660.75</b>	<b>\$121,659.10</b>	<b>\$104,256.60</b>	<b>\$132,851.60</b>	<b>\$696,267.10</b>
Trade Show Sales	\$29,038.27	\$22,826.98	\$0.00	\$68,677.27	\$61,833.62	\$45,752.00	\$73,530.00	\$301,658.14
Online Sales	\$0.00	\$2,467.34	\$4,502.65	\$8,648.88	\$9,490.88	\$8,170.00	\$8,987.00	\$42,266.75
Direct Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Out-of-network Sales	\$50,334.60	\$50,334.60	\$50,334.60	\$50,334.60	\$50,334.60	\$50,334.60	\$50,334.60	\$352,342.20
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Gross Profit Margin</b>								
	<b>72.36%</b>	<b>72.88%</b>	<b>77.34%</b>	<b>68.63%</b>	<b>68.92%</b>	<b>69.96%</b>	<b>68.40%</b>	<b>70.32%</b>
Trade Show Sales	<b>63.26%</b>	<b>63.26%</b>	<b>0.00%</b>	<b>63.26%</b>	<b>63.26%</b>	<b>63.26%</b>	<b>63.26%</b>	<b>63.26%</b>
Online Sales	<b>0.00%</b>	<b>63.26%</b>						
Direct Sales	<b>0.00%</b>							
Out-of-network Sales	<b>78.91%</b>							
Other	<b>0.00%</b>							

\*After trade show sales exceeded projections in October, the following projected sales were increased accordingly. The company has seen further revenue growth in January and February, exceeding sales projections by an average of \$31,000.

# Appendix

## Bank Statement-2/28/19



R. Solano (Current Threads - PF Code US012224) | [Return to portal](#) | [Sign out](#)

Account summary

Account details

Bill payment

Funds transfer

Scheduled transactions

Payees

U.S. Network Bank Manual

Overview of the VEI Banking System

### Account details

Account:  [Download account details \(Excel\)](#)

Period: from  until

Date	Name/Description/Acct#	Ref#	Amount	Balance
Feb. 28, 2019	Liz Osoy (US021801), South Pasadena, CA VEI Checkout transaction #368212 02/28/2019 03:44 PM CT Acct #630665273	4245859	\$32.10	\$165,963.18
Feb. 28, 2019	Janet Lee (US021801), South Pasadena, CA VEI Checkout transaction #368200 02/28/2019 03:34 PM CT Acct #630664978	4245837	\$32.10	\$165,931.08
Feb. 28, 2019	Caleb Goats (US012222), Nolensville, TN VEI Checkout transaction #368021 02/28/2019 02:09 PM CT Acct #630620296	4245479	\$32.10	\$165,898.98
Feb. 28, 2019	Daniel Boone (US012367), Myrtle Beach, SC VEI Checkout transaction #367686 02/28/2019 10:19 AM CT Acct #630667179	4244781	\$70.62	\$165,866.88
Feb. 28, 2019	VEI-WEST Wholesale Market, Bakersfield, CA Order #21309. Acct #610108387	4241734	-\$10,118.32	\$165,796.26
Feb. 28, 2019	VEI-WESTERN REGION CENTRAL OFFICE Business Contract with Dignity Health Acct #210003855	4238143	\$63,784.56	\$175,914.58
Feb. 27, 2019	Kaley Soren (US012001), Bakersfield, CA VEI Checkout transaction #366891 02/27/2019 01:19 PM CT Acct #630613451	4237625	\$37.45	\$112,130.02
Feb. 27, 2019	Christopher Andolina (US01076), Pittsford, NY VEI Checkout transaction #366795 02/27/2019 12:19 PM CT Acct #630604703	4237456	\$6.42	\$112,092.57



**Virtual Enterprises International  
Loan Amortization Table**

**Loan Information**

Loan Amount (Principal)	150,000
Annual Interest Rate	6.25%
Term of Loan in Years	5
# of Payments per Year	12
Payment Type	end of period
Monthly Payment	(\$2,900.00)

**Summary**

Rate (per period)	0.5208%
Number of Payments	50
Total of Payments	167,955.83
Total Interest	17,955.83

No.	Principal	Interest for the Period	Total Balance Outstanding	Payment for the period	Principal Reduction	Revised Balance Outstanding
1	150,000	781.25	150,781.25	2900.00	2118.75	147,881.25
2	147881.25	770.21	148,651.46	2900.00	2129.79	145,751.46
3	145751.46	759.12	146,510.59	2900.00	2140.88	143,610.59
4	143610.59	747.97	144,358.56	2900.00	2152.03	141,458.56
5	141458.56	736.76	142,195.32	27163.24	26426.48	115,032.08
6	115032.08	599.13	115,631.21	2900.00	2300.87	112,731.21
7	112731.21	587.14	113,318.35	2900.00	2312.86	110,418.35
8	110418.35	575.10	110,993.44	2900.00	2324.90	108,093.44
9	108093.44	562.99	108,656.43	2900.00	2337.01	105,756.43
10	105756.43	550.81	106,307.25	2900.00	2349.19	103,407.25
11	103407.25	538.58	103,945.83	2900.00	2361.42	101,045.83
12	101045.83	526.28	101,572.11	2900.00	2373.72	98,672.11
13	98672.11	513.92	99,186.02	2900.00	2386.08	96,286.02
14	96286.02	501.49	96,787.51	2900.00	2398.51	93,887.51
15	93887.51	489.00	94,376.51	2900.00	2411.00	91,476.51
16	91476.51	476.44	91,952.95	2900.00	2423.56	89,052.95
17	89052.95	463.82	89,516.77	2900.00	2436.18	86,616.77
18	86616.77	451.13	87,067.90	2900.00	2448.87	84,167.90
19	84167.90	438.37	84,606.27	2900.00	2461.63	81,706.27
20	81706.27	425.55	82,131.83	2900.00	2474.45	79,231.83
21	79231.83	412.67	79,644.49	2900.00	2487.33	76,744.49
22	76744.49	399.71	77,144.20	2900.00	2500.29	74,244.20
23	74244.20	386.69	74,630.89	2900.00	2513.31	71,730.89
24	71730.89	373.60	72,104.49	2900.00	2526.40	69,204.49
25	69204.49	360.44	69,564.93	2900.00	2539.56	66,664.93
26	66664.93	347.21	67,012.14	2900.00	2552.79	64,112.14
27	64112.14	333.92	64,446.06	2900.00	2566.08	61,546.06
28	61546.06	320.55	61,866.61	2900.00	2579.45	58,966.61
29	58966.61	307.12	59,273.73	2900.00	2592.88	56,373.73
30	56373.73	293.61	56,667.34	2900.00	2606.39	53,767.34
31	53767.34	280.04	54,047.38	2900.00	2619.96	51,147.38
32	51147.38	266.39	51,413.77	2900.00	2633.61	48,513.77
33	48513.77	252.68	48,766.45	2900.00	2647.32	45,866.45
34	45866.45	238.89	46,105.34	2900.00	2661.11	43,205.34
35	43205.34	225.03	43,430.36	2900.00	2674.97	40,530.36
36	40530.36	211.10	40,741.46	2900.00	2688.90	37,841.46
37	37841.46	197.09	38,038.55	2900.00	2702.91	35,138.55
38	35138.55	183.01	35,321.56	2900.00	2716.99	32,421.56
39	32421.56	168.86	32,590.43	2900.00	2731.14	29,690.43
40	29690.43	154.64	29,845.06	2900.00	2745.36	26,945.06
41	26945.06	140.34	27,085.40	2900.00	2759.66	24,185.40
42	24185.40	125.97	24,311.37	2900.00	2774.03	21,411.37
43	21411.37	111.52	21,522.89	2900.00	2788.48	18,622.89
44	18622.89	96.99	18,719.88	2900.00	2803.01	15,819.88
45	15819.88	82.40	15,902.28	2900.00	2817.60	13,002.28
46	13002.28	67.72	13,070.00	2900.00	2832.28	10,170.00
47	10170.00	52.97	10,222.97	2900.00	2847.03	7,322.97
48	7322.97	38.14	7,361.11	2900.00	2861.86	4,461.11
49	4461.11	23.23	4,484.34	2900.00	2876.77	1,584.34
50	1584.34	8.25	1,592.59	1592.59	1584.34	0.00
<b>Totals</b>		<b>17,955.83</b>		<b>167,955.83</b>	<b>150,000.00</b>	

\*After the large principal payment in February, the time period to pay off the loan reduced from 60 months to 50 months.

Business Contract

This legal document is an official agreement between Morgan Clayton of Dignity Health and Current Threads. The terms of this legal document will be in effect as of October 1, 2018 and will be reviewed prior to its expiration date of October 1, 2019.

**Terms and Agreements**

Current Threads consents to provide Dignity Health with t-shirts monthly for the return price of \$63,784. Current Threads will provide the product transportation for Dignity Health.

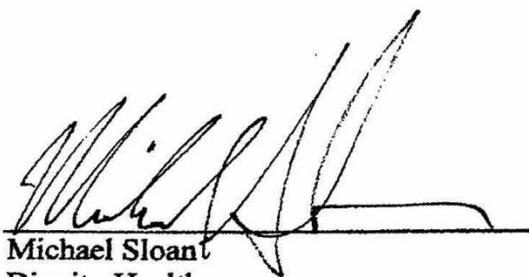
**Terms of Payment**

Current Threads consents to provide Dignity Health with \$63,784 worth of goods and services stated above. In return, Dignity Health will make a monthly payment of \$63,784 for the goods and services provided.

**Terms of Contract**

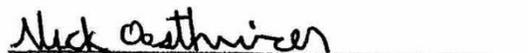
This agreement will be renewed yearly. If during review either party decides they no longer wish to comply with the agreed upon terms of this sales contract, the terms will either be renegotiated or terminated.

These terms above have been reviewed by the representatives of the two companies and they consent to this contract as of October 1, 2018.



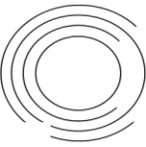
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Michael Sloan  
Dignity Health  
*Vice President of Human Resources*  
(661) 397-5511



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Nick Oosthuizen  
Current Threads  
CEO  
(661) 900-5233



# our impact:

5% of the profits made from our charity lines will be donated to the following charities



**The Rainforest Alliance** brings “real, measurable benefits to forests, communities, and wildlife around the world.” By donating to Rainforest Alliance we help stop deforestation, climate change, and other urgent social and other environmental problems.

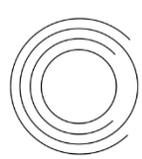


**The Nature Conservancy** keeps animals in their habitats by stopping the development of harmful construction. Current Threads donates 5% of hemp line sales to aide their pursuits.



**The Ocean Cleanup** has designed the first, reliable way to get rid of the huge amounts of plastic in the ocean. The Ocean Cleanup does their part in saving sea life and by donating to them, we can do our part too.





## our materials:

Current Threads utilizes 3 lines of sustainable materials in its products that offer quality and a contribution to our planet



**Plastic water bottles** broken up and weaved into thread creates a durable and long-lasting product with an even bigger impact. By purchasing our plastic line, you are helping take a dent out of the 100 million tons of littered plastics currently in our oceans, killing 100 million marine animals a year.

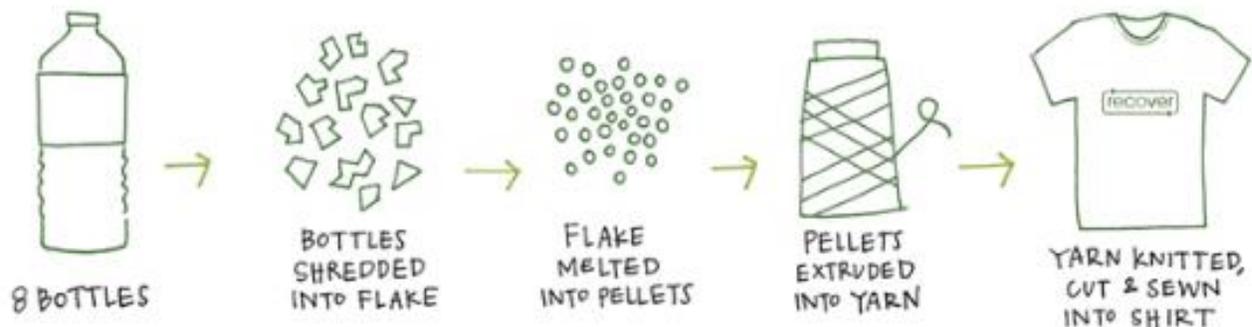


**Hemp** creates a shirt like no other as it gets softer and softer with each wash. By using roughly 300 gallons less than traditional cotton per shirt, hemp provides a comfortable product that conserves our most important resource.

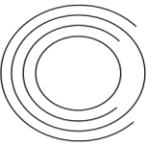


**Bamboo** apparel is highly insulating: helping customers stay cool in the summer and warm in the winter as well as offering UV resistance. Much like hemp, bamboo is also a great alternative to traditional cotton shirts by using approximately 200 gallons of water less.

### Plastic Bottles to Usable Fabric Process



\*The process begins by collecting plastic bottles, which are then shredded into flakes and melted into pellets. These pellets are extruded into a thread that is used to make the final fabric.



# CurrentThreads



\$25



## Plastic



\$30

\$28



## Bamboo



\$35

\$33



\$30



## Hemp



\$35

\$33



\$5



## Accessories



\$20

\$6



# Cash Flow

	Cash Flow						
	Actual October	Actual November	Actual December	Actual January	Actual February	Projected March	Projected April
<b>Beginning Balance</b>	\$ -	\$ 185,426.94	\$ 171,868.00	\$ 131,585.78	\$ 170,567.57	\$ 165,963.18	\$ 174,156.14
<b>Cash Flows from Operating</b>							
<b>Inflows</b>							
Cash Revenues	\$ 109,686.00	\$ 103,768.84	\$ 70,901.72	\$ 186,019.89	\$ 176,532.59	\$ 149,023.01	\$ 159,355.01
Returned Items+Discounts	\$ -	\$ (518.84)	\$ (354.51)	\$ (1,860.20)	\$ (882.66)	\$ (745.12)	\$ (796.78)
<b>Outflows</b>							
Payroll	\$ -	\$ (49,664.00)	\$ (49,664.00)	\$ (49,664.00)	\$ (49,664.00)	\$ (49,664.00)	\$ (49,664.00)
Payroll Tax	\$ -	\$ (8,123.66)	\$ (8,123.66)	\$ (8,123.66)	\$ (8,123.66)	\$ (8,123.66)	\$ (8,123.66)
Rent	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)
Matching Social Security Expense	\$ (3,079.16)	\$ (3,079.16)	\$ (3,079.16)	\$ (3,079.16)	\$ (3,079.16)	\$ (3,079.16)	\$ (3,079.16)
Matching Medicare Expense	\$ (720.12)	\$ (720.12)	\$ (720.12)	\$ (720.12)	\$ (720.12)	\$ (720.12)	\$ (720.12)
State Disability Withholding Insurance	\$ (496.64)	\$ (496.64)	\$ (496.64)	\$ (496.64)	\$ (496.64)	\$ (496.64)	\$ (496.64)
Advertising/Promotion	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)	\$ (4,000.00)
Insurance	\$ (715.00)	\$ (715.00)	\$ (715.00)	\$ (715.00)	\$ (715.00)	\$ (715.00)	\$ (715.00)
Loan Interest (6.25%)	\$ (781.25)	\$ (770.21)	\$ (759.12)	\$ (747.97)	\$ (736.76)	\$ (595.29)	\$ (583.28)
Supplies	\$ (415.83)	\$ (415.83)	\$ (415.83)	\$ (415.83)	\$ (415.83)	\$ (415.83)	\$ (415.83)
Utilities - Gas+Electric	\$ (7,000.00)	\$ (7,000.00)	\$ (7,000.00)	\$ (7,000.00)	\$ (7,000.00)	\$ (7,000.00)	\$ (7,000.00)
Utilities - Water	\$ (310.00)	\$ (310.00)	\$ (310.00)	\$ (310.00)	\$ (310.00)	\$ (310.00)	\$ (310.00)
Accounting/Legal Expenses	\$ (500.00)	\$ (500.00)	\$ (500.00)	\$ (500.00)	\$ (500.00)	\$ (500.00)	\$ (500.00)
Sales Tax (7.25%)	\$ -	\$ (7,952.24)	\$ (7,485.62)	\$ (5,114.67)	\$ (13,351.58)	\$ (12,734.62)	\$ (10,750.15)
Security	\$ (275.00)	\$ (15.00)	\$ (15.00)	\$ (15.00)	\$ (15.00)	\$ (15.00)	\$ (15.00)
Telephone/Internet	\$ (120.00)	\$ (120.00)	\$ (120.00)	\$ (120.00)	\$ (120.00)	\$ (120.00)	\$ (120.00)
Petty Cash	\$ (200.00)	\$ (50.00)	\$ (50.00)	\$ (50.00)	\$ (50.00)	\$ (50.00)	\$ (50.00)
<b>Net Cash from Operating</b>	\$ 87,073.00	\$ 15,318.14	\$ (16,906.94)	\$ 99,087.64	\$ 82,352.18	\$ 55,738.57	\$ 68,015.39
<b>Cash Flows From Investing</b>							
<b>Outflows</b>							
Purchase of fixed assets	\$ (35,603.71)						
Purchase of Inventory	\$ (33,892.35)	\$ (26,716.33)	\$ (21,203.73)	\$ (57,923.44)	\$ (59,793.33)	\$ (45,240.90)	\$ (48,331.48)
<b>Net Cash from Investing</b>	\$ (69,496.06)	\$ (26,716.33)	\$ (21,203.73)	\$ (57,923.44)	\$ (59,793.33)	\$ (45,240.90)	\$ (48,331.48)
<b>Cash Flows from Financing</b>							
<b>Inflows</b>							
Business Loan	\$ 150,000.00						
Seed Money	\$ 20,000.00						
<b>Outflows</b>							
Loan Principal Payment	\$ (2,150.00)	\$ (2,160.75)	\$ (2,171.55)	\$ (2,182.41)	\$ (27,163.24)	\$ (2,304.71)	\$ (2,316.72)
<b>Net Cash from Financing</b>	\$ 167,850.00	\$ (2,160.75)	\$ (2,171.55)	\$ (2,182.41)	\$ (27,163.24)	\$ (2,304.71)	\$ (2,316.72)
<b>Ending Cash Balance</b>	\$ 185,426.94	\$ 171,868.00	\$ 131,585.78	\$ 170,567.57	\$ 165,963.18	\$ 174,156.14	\$ 191,523.33



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