



Native Dream Nations, LLC

**MSU-Billings
AIBL Small Business Plan
2009**

I. Executive Summary

A. Overview

Native Dream Nations will be an exciting new business designed to enhance American Indian cultural awareness, promote economic growth on the Northern Cheyenne Reservation, and increase AIBL organization member involvement by operating a profitable facility in Lame Deer, MT that will market a line of T-shirts primarily marketed at the Non-Native American demographic.

B. Business Concept

Our T-shirt designs will initially feature various phrases designed to attract young adults between the ages of 18-25. These phrases will be displayed on the T-shirts in one of four selected American Indian languages. The English translation of these phrases will also be artistically displayed. The two additional phases of production that follow will implement a strategy that is designed to diversify our presentation of the American Indian culture.

C. Market Description

The U.S. T-shirt industry generates \$20 billion worth of revenue a year. Young adults encompass the largest generational percentage of this market and also spend the highest percentage of their income on apparel. They also purchase the majority of their apparel at shopping malls and retail outlets. According to market research, this demographic is aged 18-24 and is the consumers most likely to purchase our shirts.

C. Financial Features

Funding for this type of start-Up business will consist of a balanced debt/equity structure, in which angel capitalists will provide 20% of the initial cost, 20 % by the AIBL members, and the remaining 60% a SBA loan. The potential success of this business can be measured by the six financial criteria that are calculated from the financial projections.

The payback calculation is the length of time it would take to recover the initial investment of the business. The net present value is a calculation that discounts all future cash flows back to the present and then subtracting out the initial investment. Likewise, the internal and modified internal rates of return are indications of when the cash flows will make the net present value zero. However, the modified rate assumes the money

will be reinvested in another security. The following table outlines all of the financial criteria when applied to NDN base case financial projections:

Scenario	Undiscounted Payback	Discounted Payback	Net Present Value(WACC)	Net Present Value (RRR)	Internal Rate of Return (IRC)	Modified Internal Rate of Return
Base Case	3 years 1.2 months	5 years 2.2 months	\$1,864,245	\$757,004	50%	27%

Upon analysis of the figures above, it appears that NDN has a high probability of success. The favorable numbers are attributed to the low initial cost to start the venture and the high favorable sales.

II. Description of the Business

A. Business Concept

When most Americans are asked about American Indian culture, they tend to think about it in singular terms combing the entire race into one ideal with one culture. Unbeknownst to the majority of people is that there are actually 561 federally recognized tribes, most of which have drastically different languages, beliefs and values. We see an opportunity in this common misconception.

Popular culture has a substantial impact on the perception of society as a whole and one of the most visual depictions of this can be witnessed through the influence of apparel; more specifically, t-shirts.

Native Dream Nations, LLC (NDN) would like to raise American Indian cultural awareness by producing American Indian t-shirts that celebrate the diversity found throughout our nation's tribes. Our shirts will initially feature words and phrases written in various American Indian languages on the front of the T-shirts, and will provide English pronunciations accompanied by translations on the back of the shirts. Product lines that feature influential American Indian leaders and aesthetically appealing regalia from various tribes will eventually follow as part of our company's sustainability strategy.

Our primary market will be the 18-24 year old Non-American Indian demographic residing in urban and metropolitan areas. The sample targeted retailers for our shirts will be two successful novelty outlets that cater to the 18-24 year old

demographic and are located in malls across the country: Spencer's and Hot Topic, including their websites. NDN will also develop a website devoted to company promotion and direct customer distribution.

The key concept behind our T-shirts is to stylishly showcase the rich differences that exist among American Indian tribes. In doing so, our aim is to increase awareness and raise interest in the American Indian culture. Unlike other authentic American Indian apparel companies that market their products to the American Indian population, NDN will focus our efforts on marketing the American Indian culture to Non-American Indians from a unique perspective that could only be offered by enrolled tribal members. Our line of t-shirts will cater to the tastes of popular culture and produce a culturally inspiring product that benefits American Indians from the local to the national level.

B. Vision and Mission Statement

Vision Statement:

. Our vision is to provide a statement of identity and revive language among the indigenous people. Our product will also promote awareness of indigenous cultures and make powerful cross-cultural statements while bridging the cultural gap that exists between American Indians and Non-American Indians alike. Through our product, we will reveal our culture and preserve American Indian traditions.

Mission Statement:

American Indians are grossly under represented in the business environment. This is not due to a lack of ability. Our goal at Native Dream Nations is to demonstrate the pride in our cultures and empower our people. We are committed to: developing culturally educational apparel that celebrates and shares our culture, providing economic stimulus and opportunity on the reservation, and assisting the youth involved with the AIBL organization in realizing their entrepreneurial dreams and aspirations.

C. Product/Service Description

Our authentic product line will offer expressive Native American language, regalia of different styles of various tribes, and recognize significant and influential native leaders of many nations. Our genuine line of clothing will be educational and informative with powerful statements of identity to Native American tribes, revitalizing culture and language throughout the United States.

In order to establish a credible reputation for developing quality products, we have decided to use the ink sublimation process. Sublimation is a process using heat to transfer (embed) ink into a fabric surface such as a shirt. The alternative method of creating shirt designs is called silk-screening; a process in which a screen is made with an image and that image is transferred onto a shirt. The main disadvantage with this method is that silk-screening applies a thin layer of ink to the surface of the shirt inhibiting breathability. The sublimation process avoids this problem since the ink is not coating the fabric's surface, but rather, is embedded in the fabric. This technology creates an image durable enough to withstand thousands of washings.

Our first phase of production will consist of twenty translations, five each from the Crow, Cheyenne, Lakota (Sioux) and Apache tribes. Each phrase is designed to appeal to our targeted demographic and the graphic design implemented will be a reflection of that goal. Examples of the five phrases are: Ghost dogg, Have a nice day, Peace, Vote, and WhatUp? These words and phrases will be displayed on the front of the t-shirts in each of the four languages and will have English pronunciations accompanied with their respective translations.

Our second phase of production will be comprised of ten historical American Indian leaders. The imprints will be applied on the front of the shirts and will feature depictions from the pyrographic artist Jonathan Beartusk. Tentatively, the leaders will be: Cochise, Crazy Horse, Geronimo, Red Cloud, Dull Knife, Quanah Parker, Sitting Bull, Tecumseh, Sacagawea, and Chief Joseph. On the back of the shirt will be a description of the contribution the leader made to his culture and the United States.

Our third phase of production will feature ten styles of traditional regalia from various tribes. The graphic representations will be stylistically designed to address the aesthetic preferences represented by current trends in apparel. Tentatively, the regalia selected will include the following: squash blossoms, breast plates, beaded medallion, bear claws, medicine bag, and beaded vest. On the back of the shirts will a be description of the symbolic nature and tradition associated with the attire.

D. Location and Physical Facilities

Location

The headquarters and manufacturing facilities for NDN will be located on the Northern Cheyenne Indian Reservation in Lame Deer, Montana three blocks south of Highway 212 on a commercially zoned plot of land that is owned by the Walette/ Knows His Gun family. The Northern Cheyenne Reservation is currently located in the

Southeastern part of Montana and has approximately 9,496 enrolled tribal members with about 4,135 who reside there. The majority of the reservation population lives within five distinct community areas Ashland, Birney, Busby, Lame Deer, and Muddy Creek. The largest population center is Lame Deer with approximately 2,900 people. Due to lack of opportunity, the local unemployment rate is over 75%, so an eager, devoted labor force should easily be secured.

Physical Facilities

The site selected for our manufacturing facilities is owned by the family of AIBL member and NDN principal Curtis Walette. The 4,000 square foot building that will house our facilities, once it is remodeled, was originally a grocery store and recreation hall. It is connected to all available public utilities and will easily support the needs of NDN, both now and in the future. The northeastern portion of the building will contain approximately five hundred square feet of office space and a small break room for employees. Another five hundred square foot section in the northwestern part of the building will be appropriated for product storage. The remaining 3,000 square feet on the western side of the building will hold the machinery for the production line, allow an ample amount of space for product processing, room for the storage of manufacturing supplies, and permit enough space to accommodate additional machinery if growth deems it necessary.

E. Tribal and Other Local Benefits

One of the objectives stated in NDN's mission statement is the commitment to assist in the development of young entrepreneurs. We plan to embrace AIBL members from the local elementary school, high school, and tribal college chapters in various levels of our operation. For instance, elementary chapter members will be invited to the facility a few times a year for guided tours designed to excite, inspire and nurture their entrepreneurial spirits. Also, members from the high school chapter will be recruited to fill the part-time packaging and processing positions. In addition, they will be offered monthly Q&A training sessions with our management team intended to enlighten them about the responsibilities associated with managing a business. Finally, AIBL members from the tribal college will be invited to participate in internships that will be available year-round. They will work directly with the management team in the offices, as well as on the production floor. All local associations with the AIBL organization will focus on enriching the experience and understanding of every member that privileges us with their interest.

With the unemployment rate on the Northern Cheyenne Reservation hovering at around seventy five percent, a great number of capable workers are unable to secure employment simply because the opportunities do not exist. Some of these individuals leave the reservation with the hope of attaining employment in the nearby towns, but struggle due to their inadequate work experience. NDN will provide the type of manufacturing, production and general work experience for aspiring tribal members that can be utilized both on and off of the reservation.

F. Relationships to Tribal Economic/ Sustainable Development

The infrastructure on the Northern Cheyenne Reservation is extremely underdeveloped. Excluding jobs related to government operations, Lame Deer contains few businesses that supply it with currency from external sources. Revenue earned by NDN will almost exclusively be obtained from the sale of its products off of the reservation and provide the area with an increase in positive cash flow through the salaries paid to its employees. The majority of that money will be distributed among the few other businesses in town and chip away at the level of collective poverty.

Our community relationships, accompanied by our business model, will promote additional development on the reservation and contribute to the quality of life enjoyed by its inhabitants. The hope of NDN is that once we demonstrate that a manufacturing corporation based on the reservation can be successfully operated, other potential or expanding ventures will realize the availability of human resources, combined with federal incentives, and take advantage of the opportunities associated with contributing to the economic development on a reservation.

G. Development Strategy

Corporate-level Strategy

Aware of the hyper-competition that prevails in the T-shirt industry, our initial efforts at NDN will incorporate a low-cost differentiation strategy focused primarily on the production and distribution of its unique T-shirt line. Our goal is to establish brand recognition within a focused target market while expanding our distribution channels until recognition is achieved. Once our initial goal is satisfied, we will begin focusing our efforts on exploring the diversification of our apparel product line. Eventually our business model could include other items that require sublimation printing or the education of American Indian culture, the two areas that we deem to be our core competencies.

Business-level Strategy

After the preliminary launch of our T-shirt line, an exceptional amount of attention will be devoted to analyzing the individual appeal, generated through the level of consumer demand, of each T-shirt by design, size and color. This data will be utilized in adjusting our creative efforts to meet and anticipate the tastes of our consumers.

Functional-level Strategy

Our supply chain management system will integrate a just-in-time (JIT) production method in order to minimize overhead and storage costs. Attainment of maximum efficiency in every aspect of our production and distribution processes will be our primary functional goal.

Facility Development Goals

- Renovation begins July, 2009.
- Equipment purchased and installed October, 2009.
- Facility completed and ready for production December, 2009.
- Production begins January, 2010.

Product Development Goals

- Compilation of acquired phrases finalized July, 2009
- Graphic design artist contracted July, 2009
- Initial design prototypes tested for market feedback August, 2009
- Adjusted design following market feedback retested October, 2009
- Finalized designs determined and appropriate supplies ordered accordingly December, 2009

III. Market Analysis

A. Market Description

Sixty two-percent of Americans own more than ten T-shirts. That adds up to approximately 1.5 billion T-shirts in closets across the country. If stacked together this T-shirt pile would measure 852,273 miles, circle the globe thirty-four times, or cover 323 square miles. With an annual increase in demand ranging from 7% to 8.9% over the past

ten years, the potential for success in this industry is outstanding for a company that incorporates a unique and trendy approach.

T-shirts are often more than just apparel. Various brands and styles offered by the market can signify the personal, social and cultural characteristics of their respective consumers. T-shirts are owned by ninety-five percent of the American population and seventy-percent of men and 54% of women own more than ten T-shirts. Generationally, 79% of 18-24 year olds have more than ten T-shirts and 19% own thirty or more T-shirts. In fact, many Americans have associated a level of sentimental value with the T-shirts in their closets. Ninety-seven percent of those surveyed have a favorite T-shirt that they would never part with. One hundred percent of 18- 24 year olds and even 92% of 55-64 year olds stated they had a favorite they would never give away.

T-shirts represent one of the highest grossing markets in youth culture fashion. According to the International Council of Shopping Centers, an indication of this can be seen in the 189 million people that frequent the malls and retail outlets in the U.S., of which 60% are ages 16-24. This arena is where we will introduce our T-shirt line and samples of the type of retail operations targeted are the following:

- With more than \$400 million in annualized revenue, Spencer Gifts, LLC operates over 650 specialty stores in malls across the United States. It offers a large variety of novelty apparel, including T-shirts, and novelty gift items that are marketed to 18-24 year olds. The company was founded in 1947 and has demonstrated consistent growth year after year.
- Featuring specialty items largely consisting of apparel, Hot Topic Inc. posted \$728 million in revenue last year and has been featured in numerous financial magazines over the last ten years. It operates 690 stores in malls all over the country and also markets to 18-24 year olds. It also has demonstrated exceptional growth consistently since its inception.

Opportunities/Threats=Objectives

375,000 T-shirts produced first production year

1,340 combined retail distributors (Spencer's & Hot Topic)

=280 T-shirts provided to each outlet per year

280 T-shirts provided to each outlet first production year

52 weeks available on shelf

=4.3 Average number of T-shirts needed to be sold per store per week.

\$1.140 billion combined annual revenue for Spencer's and Hot Topic

1,340 combined retail stores

= \$841,791 average revenue per store

\$841,791 average revenue per store

52 weeks

= \$16,188 average revenue per store per week

4.3 Avg. number of T-shirts needed to be sold per store per wk * \$20(\$108 retail)

\$16,188 average revenue per store per week

= 0.67% that our T-shirts will comprise of each store's weekly revenue

- Two Machines running 12 hours a day, 5 days a week with a 5 percent internal failure rate and 5 percent down time has the capacity to make 650,000 shirts per year.
- Initial order of 25,000 shirts per month.
- Marketing calls for 375,000 sales for the first year of production.

B. General Market Trends

World trade in T-shirts has been growing at a healthy pace in recent years. Over the four years to 2006, global imports rose at an annual average rate of 14%, reaching \$26 billion.

In terms of geographical region, the largest market for T-shirts is the EU. In 2006 the EU imported \$9 billion worth of T-shirts, or more than one-third of global imports. The second largest market for T-shirts is the U.S. In 2006 the country imported approximately 17% of world imports, or \$4.4 billion worth. These two regions together took more than half of global imports of T-shirts during that year. The remainder was spread over a number of countries, led by Japan and followed by Hong Kong, Canada, Australia and South Korea.

Industry sources from All Business D&B Co estimate that approximately 1.4 billion cotton T-shirts are sold in North America annually with a retail value of about \$20 billion. Sales of imprinted T-shirts at the wholesale level were about \$6.1 billion in 1997

and grew at an annual rate of approximately 4% to 5%. Today that number has increased from 7% to 8%.

I.T. Strategies at Tech Exchange estimates that the U.S. market for T-shirt printing is about \$20 billion. Additionally, the related \$13 billion in the promotional products market brings the total market possibility for direct and transfer printing to about \$33 billion.

C. Customer/Consumer Profile

Demographics

According to the U.S. Census Bureau, there are approximately 25 million young adults between the ages of 18 and 24. The U.S. Department of Labor Statistics reports the average income of this demographic is \$28,258 a year of which \$1,523 is spent on apparel. Other statistics associated with 18-24 year olds are:

- 52% female
- 81% rent their housing
- 59% are attending or have attended college
- Own an average of overall average of 1.2 vehicles
- 84% unmarried

Psychographics

The average consumer that frequents the type of stores NDN has targeted to feature its T-shirt line are people who enjoy wearing statement apparel. They are not wealthy people, but are into their lifestyle and are willing to spend money on it. They appropriate a larger portion of their income than the average American to eating out, alcoholic beverages, clothing, and music. They are more likely than their elders to accept differences in race, ethnicity, national origin, family structures, and lifestyles. In addition, they are often more liberal than their elders on social issues such as the women's movement, interracial dating, homosexuality, etc.

Our T-shirts will make the type of statements with which our targeted consumer will identify. They will not only educate, inspire and excite those who purchase them, but also those who see them.

D. Competition (Threats)

Competitor	Product	Retail Price	Promotion	Place
REZ DOG	Native Phrases	\$20	Word of Mouth and Internet	Native Americans Pow Wows and Reservations
Native Threads	One color Sketch and quote	\$18	Word of Mouth and Internet	Native Americans Pow Wows and Reservations
Various	Music Bands	\$20 to \$30	Pop Culture	Concerts and Malls
Various	School Colors and Names	\$20 to \$30	On Campus, Events	Book Stores and Malls
Various	Sports Teams	\$20 to \$30	TV, Games, Events	Games and Malls

Cultural Social Environment

Popular trends change like the seasons of the year. At the moment, American Indian sparks interest among many young adults in the larger metropolitan areas, American Indian may become not cool. Our task will be to make our product high quality and fashionable. As a result of President Obama getting elected to office and being adopted by the Crow, it is now prospectively hot. Modern American Indian cultural interpretation has an unexplored potential to become the next big thing. We must cautiously monitor the approach we are adopting to enter the market to ensure that American Indian continues to be the next big thing, as opposed to Middle Eastern, or Cajun, or Irish.

Economic Environment

With the events that have transpired over the past year, the volatility of the economy has been sufficiently displayed. Although we have selected companies that continue to perform, our biggest risk is the possibility that any of our distribution channels could go out of business. Our numbers are dependent on strong relationships with select and exclusive national chains that focus on the 18-25 year old demographic.

Political Environment

Liberals tend to think anything native is cool. If the political environment turns conservative, we will have to think of way to position ourselves as ultra American, or patriotic.

Competitive Environment

Even though copyright protection exists, competition could take our ideas, and with more resources, undercut our distribution channels. The majority of our operating expense designated for marketing will be devoted to strengthening our existing distribution channels and exploring the potential for developing new relationships.

E. Risk

Strengths

- Unique Idea and Designs
- Cultural Understanding from Native Owners
- Reservation Based
- Large Work Force Available
- Own building and Land

Weaknesses

- New to Industry
- New Channel Relationships
- New Logistics Experience
- New Production Experience
- Unbranded Name

Marketing Mix

Our t-shirts will provide more value to the consumer versus our competition because they provide cultural education from a uniquely stylish perspective. We have included a means end chain model to identify the linkages between the attributes that exist in our product.

Means End Chain

Attributes	Physical Consequences	Psychological Consequences	Values
Quality printed T-shirts Timely Phrases Native Translations Native Leaders Native Regalia Historical	Long lasting Aesthetically Pleasing Comfort Style Education Cultural Insight	Easygoing Pretty More Social Responsible Native is Cool American	Self-esteem Good for the world Good for my community Making a difference Empowered

Perceptual Map

Schools	Inspiration NDN
Pop Culture	Native Culture
Music	REZ Dog Adoration

- **Product Brand:** NDN will differentiate itself from the competition with a brand position of being inspirational and extending native culture to non-natives.
- **Price:** The price will be competitive with Translations at \$20, Leaders at \$25 and Regalia at \$30.

- **Place:** Our distribution strategy to these sales channels is based on their working directly with manufacturers so that our price to them is 50% of retail or \$10, 12 and 15. We offer a quantity discount of 5% for every 10,000 ordered at one time. We offer another 5% discount for cash paid on time. We also offer another 5% discount for advertising allowance on their websites. By avoiding a middle man, we retain a healthy margin.
- We expect an additional 4% of sales from our own website at full price minus shipping costs. Development of this webpage will cost \$15,000 for initial setup and an ongoing maintenance expense of \$5,000 each year.
- **Promotion:** Our advertising allowance to distributors will include logos, advertising creative and POP displays for consistent branding across all channels. The budget for this creative strategy will be \$100,000 for the first year and \$50,000 per year thereafter, with a production cost of since \$250,000 per fiscal year.

IV. Organization and Management

A. Legal form of Organization

In an attempt to minimize personal liability issues for the owners and avoid the double taxation found in traditional corporations, our company will be a limited-liability company. Principal ownership will be four members of AIBL who have negotiated an operating agreement designed to insure that the company functions in a structurally smooth and organized way.

B. Management Team Profile

The management team for NDN will comprise a mixture of talented individuals who possess diverse backgrounds that consist of both management training and experience; all of whom are MSU-Billings AIBL members. As a result of their involvement in the AIBL organization, Curtis Walette, Mary Alice Walker, Karis Jackson, Madonna Real Bird and Angela Deputy have all formed strong bonds and are truly excited at the prospect of working together.

Curtis Walette will serve as the CEO and marketing director. He is completing his B.S.B.A. with a dual option in management and marketing and possesses a variety of previous management experience that includes stints with Wal-Mart and Ace Steel &

Recycling. He is an enrolled member of the Northern Cheyenne tribe and his family owns the property that will be leased by NDN. As a child, and later as an adolescent, he resided in Lane Deer for a total of seven years and is extremely familiar with the reservation.

Mary Alice Walker will assume the responsibility of office manager and handle public relations. She is finishing her B.S.B.A. with an option in management and has previously been employed as an office manager for Native Systems. She is an enrolled member of the Winnebago Tribe of Nebraska and has divided her adult life working jobs equally both on and off of the reservation.

Director of Sales and Promotion will be Karis Jackson who is currently a senior majoring in Health and Human Performance-Health Promotion Option. She has three years experience at Crow/Northern Cheyenne Indian Hospital and Billings Area Indian Health Service working with Native American communities. Her understanding of the cultural perspective will be an invaluable asset to the company.

C. Management and Training Plans

The management team will begin their collaborative efforts in developing the infrastructure beginning July, 2009. Each of the four primary members will saturate themselves in the norms of their individual departments concerning the industry and meet several times a week to share their newly acquired knowledge with their managerial counterparts. Over the following six months, until the beginning of production, the goal will be to have gained enough industry insight to increase the learning curve that accompanies the inception of a new company.

The hiring process for additional employees for the manufacturing facility will begin November, 2009. The final candidates will be selected by December 15, 2009 and begin their training shortly after. An experienced machine operator/representative is available from the sublimation machine production plant to aid with the training of our operators, as well as assisting in the establishment of company safety procedures.

Hierarchy Structure

The primary management team, which is comprised of the four AIBL members, will function communally with each as a board of directors might and each member will maintain an equal status concerning the day to day operations of the company. In the event of a deadlock regarding operational decisions, the CEO will function as the chair of the board and carry a weighted vote.

V. Financial Analysis

NDN has a great advantage because the costs of goods sold are minimal compared to its projected sales. The business generates a positive free cash flow in year two. This creates a financial strength for the business. The financial plan has a mixture of debt and equity financing from AIBL members and other investors. The initial investment for equipment, building and t-shirts comprise most of the startup costs.

A. Financial Assumptions

Numerous sales and expense assumptions are necessary to compile pro forma financial statements. The sales estimates are based on market and distribution channel assumptions as well as capacity assumptions.

Included in the plan is owners' salary of \$200,000 each year plus a percentage of retained earnings. The business will be run as a Limited Liability Company (LLC), and we choose to elect being taxed as a sole proprietorship. Therefore, the taxes will flow through to the owners' and the owners' must pay the taxes and include enough to provide for reasonable living expenses.

B. Capital Requirements

The initial startup cost totals \$ 667,638. This total reflects a loan but no additional infusions of capital. Undiscounted payback is 3 years 5.5 months.

C. Structure Financing

The loan consists of an SBA loan. Inclusion of an SBA loan covers the start up costs and guarantees a fixed rate of 7% on the total loan amount. Amortization of the loan is over a 25-year period. The loan structure of the business is equal to 20% provided by AIBL members, 20% provided by investors, and 60% provided by an SBA loan.

D. Financial Analysis

Explanation of Six Financial Criteria

The following criteria influence the decision of an individual to undertake a new business venture:

- Undiscounted Payback
- Discounted Payback
- Net Present Value (using WACC)
- Net Present Value (using RRR)
- Internal Rate of Return (IRR)
- Modified Internal Rate of Return(MIRR)

Undiscounted payback is a method that simply calculates the length of time it would take to recover the initial investment of all the parties involved. However, the undiscounted payback does not consider the cost of capital. This problem is somewhat solved by the discounted payback; it is the same as undiscounted payback, but the expected cash flows are discounted by the cost of capital.

The net present value (NPV) is a process that discounts the free cash flows back the present and subtracts the initial investment. It is a good indicator of the current value of the business, and if it is positive, it is a signal that the business is generating more cash than is needed to service the debt. An NPV using the weighted average cost of capital shows the present value of the business required to recover the cost of money. On the other hand, an NPV using the required rate of return is more ambitious as it is usually larger than weighted average cost of capital (WACC) because it is a required return the business needs to continue. Calculate NPV as follows:

$$NPV = \left[\frac{\text{cash flow}_1}{(1+rate)^1} + \frac{\text{cash flow}_2}{(1+rate)^2} + \frac{\text{cash flow}_3}{(1+rate)^3} + \dots + \frac{\text{cash flow}_n}{(1+rate)^n} \right] - \text{Initial Investment}$$

The internal and modified internal rates of return are discount rates that result in the NPV having a value of zero. They both produce the same conclusions; however, the modified internal rate of return takes into consideration the idea that the funds will be reinvested into another security that would generate money. If these returns are positive, the business is worth undertaking.

Calculation of WACC and RRR

The weighted average cost of capital (WACC) is the weight in the capital structure (w_e) times the cost of equity (k_e) plus the weight of the capital structure (w_d) times the cost of the debt structure (k_d) times 1 minus the tax rate (t).

$$WACC = w_e k_e + w_d k_d (1-t)$$

To calculate the required rate of return, use the risk-free rate (e.g., rate on a treasury bill) plus a risk premium (e.g., the market rate minus the risk-free rate). The risk-free rate of 5% added to the risk premium of 20% gives the required rate of return of 25%.

Analysis of Six Financial Criteria

To provide a better understanding of the financial analysis, the cash flows are extrapolated out to 10 years. The following table shows the results of the six financial criteria for the base case scenario.

Scenario	Undiscounted Payback	Discounted Payback	Net Present Value(WACC)	Net Present Value (RRR)	Internal Rate of Return	Modified Internal Rate of Return
Base Case	3 years 1.2 months	5 years 2.2 months	\$1,864,245	\$757,004	50%	27%

The figures show the payback for NDN will take less than four years, meaning it will recover the initial cost of the venture within the first four years. Discounted payback also provides positive payback projections. This is an excellent indication that NDN is a positive venture.

The positive IRR and MIRR are also strong evidence that the venture would be able to generate ample cash flows to recover the initial cost of the investment in a timely manner. Therefore, NDN is positioned for success in the T-shirt industry because the base case figures all indicate an adequate amount of future cash flows.

VI. Supporting Documents

1. Financial Attachments

(See attached PDF financials file)

2. NDN American Indian Translations: Product Phase I

Sample Phrases:

Northern Cheyenne:

Good Day	Pevee'seeva
Feeling Good	Nap'evomohtahe
See you soon	Nesta'evah'osevooatse
Sweet Medicine	Motse'oeve
She is Beautiful	Emo'onahe
This shirt fits me	N'ataa'ovo'estse'he

Lakota:

American	Mila Hanska
Brother hood	Otakuyaya
Peace, No war	Wowahawa Wakte Ku
Leader of the People	Oyaye Wakask eyuze
Beautiful women	Lili wiya waste

Crow:

How are you doing	Sho Dah Gee
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(front of T-shirt)

Nanomonestôtse

(na-no-mo-nest-tot-se)



NDN Translations

(top back of T-shirt)

Make Peace

Cheyenne

A great chief to the Northern Cheyenne who was noted for his active resistance to Western expansion and the Federal government.



Quanah Parker: Parker's words and teachings comprise the core of the Native American Church Doctrine and the "Peyote Road."



Sitting Bull: Struggled for survival and remained defiant toward American military power and contemptuous of American promises to the end.



Sacagawea: Sacagawea went westward with Lewis and Clark and got to see the wonders of the North American continent as few men or women have before or after her time.



4. NDN Traditional Regalia: Product Phase III

Breast Plate: Were originally worn by Plains warriors as armor, but today Indian men only wear them in ceremonies, as regalia.



Medicine Bag: Is a traditional North American Indian container for various items of supernatural power.



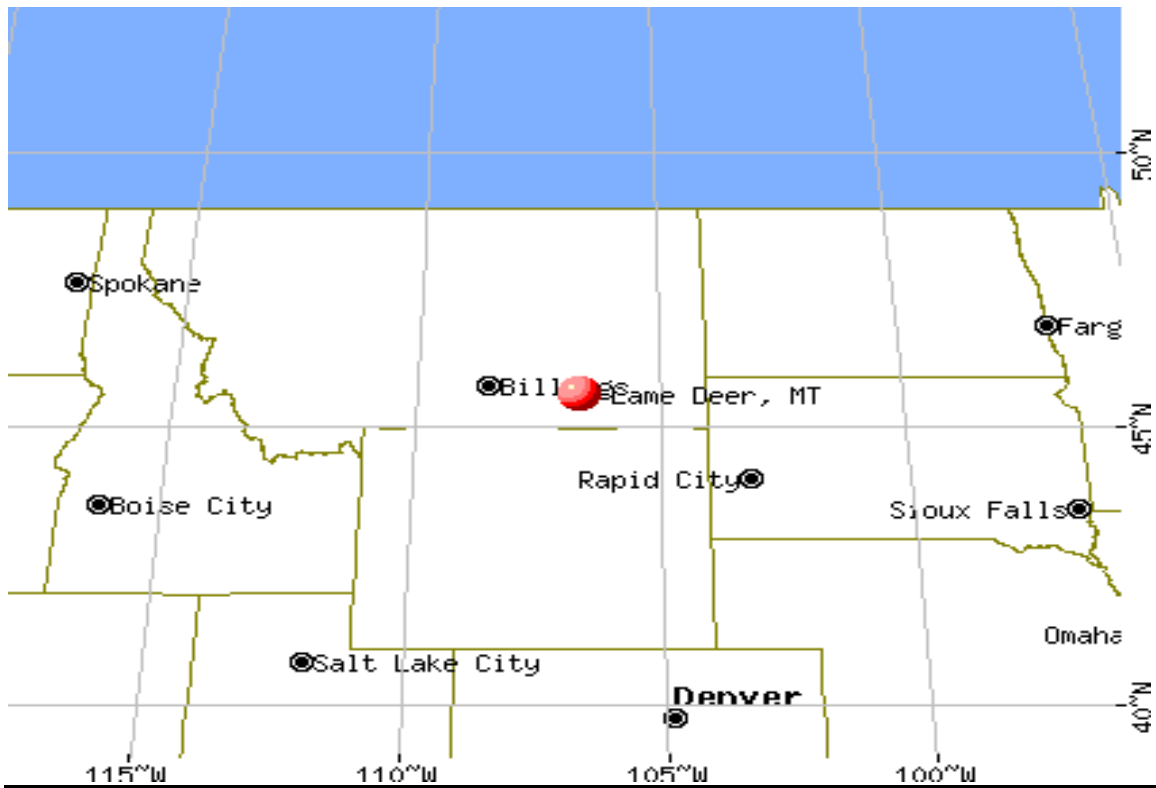
Medallion: Various religious symbols



Bear Claws: Representation of bravery, courage and status.



5. Map and Photo of Building Location



6. Sources:

<http://www.just-style.com/store/product.aspx?id=60138>

Just style, January 2006
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