STRATEGIC PLAN

Marmani Inc.

Prepared for:

Roberto Marmani
&
Management Team

Confidential

June 28, 2019
Executive Summary

Marmani Inc. is looking to develop a new strategic plan in order to continue to expand its market share. Marmani differentiates through product leadership from competitors by capturing the smaller and lesser-known adaptive clothing segment. This niche market is slowly gaining more consumer demand resulting in increased competition.

The fashion industry offers a variety of product options to consumers and runs multi-channel marketing and distribution systems. The industry is profitable, however to remain competitive availability of funds for financing is critical.

Key success factors in the industry include product differentiation, effective and efficient marketing strategies, constant innovation of design processes and access to sustainable financing.

Four potential strategic alternatives available to Marmani:

1. Sell Marmani;
2. Athleisure Expansion;
3. Marketing Alternatives;

This report analyzed Marmani’s internal and external environment and performed a quantitative and qualitative analysis of the alternatives. Based on our analysis we recommend the following:

- Decline Witherspoon’s offer
- Launch athleisure production using the existing Toronto facility
- Hire an internal sales team
- Adopt a digital marketing strategy
- Expand adaptive clothing by outsourcing sleepwear

A detailed implementation plan and financing plan have been provided to ensure successful application.

During the review a number of operational concerns were examined. Included in the report are the recommended changes concerning:

- Updating the mission statement
- Handling ethical concerns
● Developing a performance management system
● Improving corporate structure through new governance policies
● Improving internal controls
● Switching accounting policy from cash-based to accrual-based

Effective implementation of the above-noted recommendation supports the successful expansion of Marmani’s product lines and increases customer base that drives future growth and promotes profitability.
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**Introduction**

This report evaluates Marmani’s opportunity to sell, expand into athleisure and adaptive markets, and develop different marketing strategies. The current position of Marmani was assessed, strategic options analyzed, recommendations provided, and a review of operational issues conducted.

**Situational Assessment**

**Mission, Vision, and Core Values**

*Exhibit I*

The mission statement shows what the company’s goals and main purpose are. Marmani’s current statement has not been updated since 2009 and no longer represents the current business strategy of expanding into new markets or diversification. We feel that a new mission statement should be created to better reflect the main purpose of the company.

Vision statements show what future position a company wants to be in. The current statement is well representative of Marmani’s goal, therefore it does not require changes.

Core values provide guidance for achieving company’s goals. The current values are reflective on becoming a leader within the apparel industry; however, they are directed to the athleisure market. New goals should be developed to reflect the new mission statement.

**Stakeholder Preferences**

The management team shares the desire for the company to succeed and expand, however each individual approach is different:

- **Roberto**
  - Diversification through expanding to the athleisure market
  - Profitability in the company and high growth in future
- **Ray**
  - Focused on profitability for loan repayment
  - Cash flow management to ensure timely payments
- **Karen**
  - Formalize environmental policies
  - Revise marketing strategy and include digital presence
Key Success Factors

<table>
<thead>
<tr>
<th>Key Success Factors</th>
<th>Marmani’s Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Differentiation</td>
<td>Limited number of products compared to industry standard, potentially limiting market share</td>
</tr>
<tr>
<td>Effective and Efficient Marketing Strategies</td>
<td>No online presence compared to competitors resulting in less visibility to consumers</td>
</tr>
<tr>
<td>Constant Innovation of Design Process</td>
<td>Performs well as staff utilize the latest technological equipment and are passionate concerning the adaptive clothing market</td>
</tr>
<tr>
<td>Access to Sustainable Financing</td>
<td>Although approved for a line of credit, Marmani’s main creditor, Ray, is no longer issuing loans- potential future financing risk</td>
</tr>
</tbody>
</table>

Current Strategy

Competitive Environment
As Marmani operates in the highly competitive fashion industry, the main strategy is to differentiate through product leadership by capturing the smaller and lesser-known adaptive clothing segment. This niche market is slowly gaining more consumer demand resulting in increased competition.

Customer Value Proposition
Marmani’s consumers value its high-quality clothing that offers optimal functionality, comfort and fashionability at reasonable prices.

- As the industry can be sensitive to prices; a value-based strategy has been employed
- Consideration is given that all raw materials are sourced from ethical vendors, and manufacturing operations that are environmentally conscious
- Customers appreciate the knowledgeable and personal sales approach of the sales agents in order to feel, touch and try various products.

Operational
The advanced production technology of Marmani resulted in the following:
Increased fixed expenses and the need for experienced and highly skilled employees
Underutilization of the technology
Increased oversight over quality and timing of production

Marmani now has complete control over the production process, allowing for a wider variety of future opportunities to be taken advantage of.

Qualitative Constraints

- Short supply of skilled labour; staff not able to utilize software benefits
- Limited historical information available on marketing, production, and accounting due to lack of integration and/or data collection
- Insufficient internal controls can impact the effectiveness of potential future strategies
- Marmani’s commitment to being socially conscious and environmentally sustainable will limit growth opportunities

Quantitative Constraints

- Potential financing constraint as Marmani’s current lender, Ray Cirello, is no longer an option for future loans
- Lack of internal financial controls bring into question the reliability and accuracy
- Cash flow concerns might negatively influence current operations
- Additional production capacity is limited to 10,000 direct labour hours

Major Issues and Conflicts

1) Sell Marmani
2) Athleisure Expansion
3) Marketing Alternatives
4) Adaptive Clothing Expansion

Conflicts
A decision on the share sale (1) is needed prior to the examination of the other issues as it conflicts with the sales strategy (3), and the adaptive clothing expansion (4). By selling Marmani, these options are no longer possible as the company will fall under Witherspoon’s purview.
Athleisure expansion (2) via outsourcing can be pursued either as part of Marmani or as a new entity if sale (1) occurs.

Expansion into athleisure (2) or adaptive clothing (4) needs to be examined closely as conflict can arise over the use of the excess production capacity in the Toronto facility.

Financial Analysis

Exhibit II

We examined financial ratios covering a range of topics to determine Marmani’s strengths and weaknesses. The industry metric used for comparison was from textile, clothing and footwear wholesalers, as Marmani is more concerned with production, design and distribution than retail stores.

Profitability and Revenue Growth

Overall profitability appears to be strong compared to the industry.

Revenue Growth
Industry: 4%
Marmani: 6.5%

Although growth is at 6.5% for 2018, current projections show stagnant revenue growth of 4% for 2019-2023. This will not meet Roberto’s goal to maintain 8-10% revenue growth per year. Changes are needed in order to meet the requested target.

Gross Margin
Industry: 27.8%
Marmani: 42%

Gross Margin improved in 2018 from 36% to 42% and is projected to remain around 42% in 2019-2023. This indicates strong operational cost-control compared to the industry.

Return on Assets (ROA)
Industry: 8%
Marmani: 15%

This indicates an effective use of Marmani’s asset base. ROA improved significantly in 2018 but is expected to deteriorate to around 8% over the next five years. The line of credit requires a minimum 8% return on assets; this will not be met in 2023.
Solvency
Looking at the debt ratio of 0.82, Marmani is highly leveraged as equity makes up a small part of the total financing. There is gradually improvement from 2018 onward as earnings are being retained and invested in the company while debt is being repaid. Being highly leveraged carries higher risk of financial distress and makes obtaining new financing more difficult.

Liquidity

*Current Ratio*
Industry: 2.0  
Marmani: 1.7

Marmani’s liquidity is substandard to the industry, indicating cash flow could be an issue and should be an important consideration for strategic decisions. The current ratio improved in 2018 but is expected to deteriorate over the next five years. This could create problems repaying short-term obligations.

Activity

*Average Collection Period*
Industry: 58.2 days
Marmani: 46.6 days

*Receivables Turnover*
Industry: 6.3  
Marmani: 7.8

Marmani performs well in managing its receivables compared to the industry. This will assist in cash flow issues. However these ratios deteriorated in 2018 and are projected to weaken further if no changes are made. Internal control procedures should be examined to ensure receivables and inventory are being handled efficiently.

Loan Repayments
In 2020 the debt to Ray will begin repayment with monthly principal payments of $200,000. Our projections show Marmani will have sufficient cash available to repay the loan on time, however the repayment will result in a low net cash flow to invest in other opportunities or meet other obligations.
Financing Options

As Ray Cirello is set to retire in two years and is no longer a viable option for loans, Marmani will require additional capital funding from alternative sources outside of the $600K line of credit obtained from Hurley Bank of Canada.

The following are options to raise capital:

Equity Financing
A potential source of financing could be allowing investors to purchase shares. They could be compensated either with regular dividend payments or a buy-and-hold strategy.
- Would required Roberto to sell part of his ownership.
- Ray Cirello may be interested converting some of his loan into shares, in order to have a continued interest in the company.

Bank Loan
A long-term bank loan using business’ assets as collateral is a possibility. Although the long-term debt could potentially improve Marmani’s cash flow, the required loan, interest payments, and potential covenants could be burdensome for Marmani’s expansion plan. Furthermore, failure to make required loan payments will risk forfeiture of assets that are pledged as security.

Alternative Solutions
In acquiring new equipment, manufacturer financing is a possibility to ease initial cost. Marmani also has marketable securities with a net realizable value of $500K. These securities are not important to Marmani’s operations and could be sold to raise capital.

External and Internal Analysis
Exhibit III/IV for SWOT and PESTEL analysis

Analysis of Strategic Alternatives

Marmani’s initial assessment uncovered four broad strategic issues:

1. Sell Marmani;
2. Athleisure Expansion;
3. Marketing Alternatives;

This report analyzes each issue to provide an understanding of the benefits and risks.
Sell Marmani

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
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</thead>
<tbody>
<tr>
<td>Roberto will have no further obligations to Marmani</td>
<td>Witherspoon’s known to use their own management team creating severance risk affecting morale</td>
</tr>
<tr>
<td>Liabilities will be transferred with ownership, therefore, no personal financial entanglements would exist</td>
<td>Witherspoon’s operates a manufacturing plant in China, production could be outsourced</td>
</tr>
<tr>
<td>Least complex way of selling the business for both Roberto and Marmani</td>
<td>Time constraint of June 30th</td>
</tr>
<tr>
<td>Consultant job offers Roberto financial security allowing for a longer time frame for Roberto to decide his future steps</td>
<td>Projects being considered would be put on hold or discarded. This would affect morale, particularly, Sonya and Karen.</td>
</tr>
</tbody>
</table>

Strategic Alignment

Exhibit I

Witherspoon’s and Marmani’s vision, mission, and values are similarly focused on improving the lives of customers and supporting “active independent living” through socially responsibility and quality products, however, by selling Marmani would no longer exist. Therefore, selling the company does not align with strategic objectives.

Due Diligence

Due diligence is the process ensuring all information is accounted for and accurate. Steps, requiring additional resources, need to be taken to ensure a true representation of Marmani:

- Search for unrecorded liabilities
  - Formalize loan and repayment plan from Ray
- Accuracy of accounts
  - Accounts receivables: ensuring proper evaluation and collectability
  - Inventory: ensuring proper evaluation at lower of fair value or cost, and any inventory in transit is accounted for

As Marmani currently uses cash-based accounting, not ASPE, there is an additional risk of revenue and inventory being understated as it is recorded when cash is exchanged. This could affect the value of the company because they are not represented properly on the financial statements.
Sale Agreement
To evaluate the offer a self-valuation was performed using the discounted cash flow approach. Marmani was valued at $31.2M. Due to unreliability of projections used we can expand the value by 5% to capture a range of equity values between $29.7M-$32.8M (**Exhibit V**). This exceeds the $26M offer, indicating that the proposal is below fair market value.

Additional areas of concern:
- Non-compete clause: Roberto wishes to start an athleisure line, will this clause interfere? **Recommendation:** Remove clause
- Loan Repayment: Ray might change repayment schedule as it is no longer a family relationship. **Recommendation:** Formalize agreement with Ray.
- Consultant: Roberto would be retained as a consultant: $200K annually for 30hrs/wk. This is not in-line his current compensation; could negatively impact his plans to open a new business. **Recommendation:** Renegotiate salary or hours available.

Financing
Financing is not needed. Proceeds can be used by Roberto for his “pure-play athleisure brand” or other personal reasons.

Tax Implications
Selling shares will result in a change in control triggering:
- Deemed tax year-end:
  - Tax filing due December 31st
  - Taxes payable due August 31st
- Restriction for capital loss carryovers
- CCA would be prorated for the number of days used in the year
- Witherspoon’s is acquiring the business with the intent of continuing operations, a joint election could be filed in order to be exempt from filing GST/HST on the sale

If the offer was accepted, after-tax proceeds would be $19.5M. If sold at fair value, $31.2M, after-tax proceeds would be $23.3M. These does not meet Roberto’s $25M requirement. (**Exhibit VI**)
Athleisure Expansion

Examined as a division of Marmani or new company if Marmani is sold. There are three production options available.

Market Research
The athleisure industry is not a short-term trend but a long-term mega-trend. Small clothing companies have joined larger competitors: Lululemon, Adidas, Nike and Under Armour creating overcrowding. The target consumers aged 18-34 are reached through online and retail ports. (Green)

Athleisure

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market with high growth potential due to high growth rates experienced in the past.</td>
<td>Overcrowded market due many competitors within a small market</td>
</tr>
<tr>
<td>Roberto’s ideal products as he has always wanted to compete within the athletic market</td>
<td>Risks associated with entering new markets as no current experience within market</td>
</tr>
</tbody>
</table>

Strategic Alignment
Expansion into Athleisure fits Marmani’s current vision and mission statement, as the movement would help promote Marmani’s goal to design high quality products that fit its customer’s active lifestyles. The expansion will support Marmani’s core values by developing innovative designs that support an active lifestyle maintaining their ethical environment responsibilities within their operations.

Quantitative Analysis
The new facility has a NPV of $515K, the existing facility has a NPV of $737K and outsourcing has a NPV of $194K. The existing facility has the highest NPV and requires $153K in initial capital, compared to $145K for outsourcing and $752K for a new facility. The initial investment will be recovered after two years for the new facility, six months for the existing facility and 1.5 years for outsourcing.

NPV calculations are based on assumptions in sales volumes, cost of sales, operating expenses, tax rates and growth/inflation rates. Differences between actual and estimated results will affect the NPV. It is assumed Roberto’s friend would join Marmani to design the products and the cost is included. (Exhibits VII-IX)
### New Facility
- **Pros:**
  - Job creation; positive social image
  - Develop presence in Western Canada resulting in higher market share

- **Cons:**
  - Risk of delay in production due to shipping materials and products across the country.

### Old Facility
- **Pros:**
  - Job creation; positive social image
  - Familiarity with production facility and staff

- **Cons:**
  - Not enough production capacity available, outsourcing will be needed to meet demand

### Outsourcing
- **Pros:**
  - Available if Marmani is sold
  - Availability to highest technological advance in production within industry

- **Cons:**
  - Reputation damaged as community leader
  - Reduced production quality

### Financing
Financing requirements of each production option are listed above. The new facility will require substantial outside financing. A possible option is a long-term bank loan from Hurley. Other possible sources to receive funding would be a venture capitalist, or issuing shares to investors.

### Financial Reporting
Per ASPE 3065, a lease is classified as a capital lease if there is reasonable assurance of ownership by the end of the lease term, the lease term is 75% or most of the useful life, or the present value of lease payments is 90% or more of the fair value. Based on the information provided and present value calculations, none of the criteria are met and therefore the lease is classified as an operating lease. Lease payments are expensed monthly and the free rent is amortized equally over the term of the lease.

### Tax Implications
If the Richmond option is chosen there will be separate corporate, payroll and sales tax considerations because of multiple provincial jurisdictions. Lease payments are considered a direct deduction for tax purposes.
Impact of Marmani Sale
The potential sale will result in staff and resources becoming unavailable and production needing to be outsourced. It will be harder to obtain financing without collateral.

Marketing Alternatives

Internal Sales Team

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct supervision to time, activity and quality of work</td>
<td>Increase expenses related to employee benefits and human resource management</td>
</tr>
<tr>
<td>Receive direct feedback which help determine needs or ways to improve</td>
<td>Loss of relationship between current sales team and customers</td>
</tr>
</tbody>
</table>

Strategic Alignment
Direct representation ensures high level of quality service and value to customers. Immediate access to feedback provides opportunities to respond to the needs of customers, thus improving products that support functionality, comfort and dignity. This strategy is consistent with Marmani’s mission, vision and values.

Quantitative Analysis
An internal sales team over 5 years will generate a savings of approximately $10.4M compared to an external team with 8% commission (Exhibit X). This analysis assumes that external agents will be satisfied with the 3% increase to commission. The internal sales analysis does not examine costs such as employee benefits, training and increase in utilities expense, which all will reduce projected profits. It also assumes that new employees will remain satisfied or even accept Karen’s initial salary offering of $40,000 + 2% commission.

Financing
No additional financing is required. Savings generated can alleviate part of the digital marketing financial requirements.

Tax Implications
The new sales staff will be classified as employees instead of contractors as Marmani has control over their hours, direction, and is responsible for supplying the required
resources. For tax purposes, Marmani would withhold and remit federal and provincial payroll taxes.

Independent contractors would be responsible for their own selling paraphernalia, scheduling, and tax filings. Marmani’s sole tax responsibility would be providing a year-end statement of commission income and expenses.

**Digital Marketing**

The objective is to provide an online presence for Marmani to promote product awareness, provide support to customers, and create a retail platform.

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective and efficient of promoting products will reach a wider range of consumers</td>
<td>Highly saturated as many businesses advertise on the same digital platforms</td>
</tr>
<tr>
<td>Various social media advertising platforms</td>
<td>Costly to plan, design and maintain; requires significant initial capital investment</td>
</tr>
<tr>
<td>Growing trend of shopping online</td>
<td>Potential privacy risk</td>
</tr>
</tbody>
</table>

**Strategic Alignment**

*Exhibit I*

The online presence of Marmani’s products will promote product leadership, sales and customer value fitting with the company’s vision and values.

**Quantitative Analysis**

The operating cash flows for Years 1 & 2 will be negative as initial capital investment is required; however the overall analysis results in NPV of $33K (*Exhibit XI*). These cash flows exclude financing costs, but they are indirectly considered in the 10% discount factor.

**Financing**

Financing is required for the initial capital investment of approximately $120K. A line of credit could be used to finance this, using assets as collateral.
Financial Reporting
The computer hardware and software met ASPE 3061 criteria of an asset as it has been acquired with the intention of being used for the operation of Marmani on a continuing basis and not for resale. All cost associated to hardware and application software bring the system into operation should be capitalized and amortized over its estimated useful life. Staff related costs are expensed when incurred.

Tax Implications
Website development costs: including the purchase price of the system hardware, software, and all cost associated in design and development can be classified as capital expenditures, and are eligible for Capital Cost Allowance (CCA). *(BDO Canada)*

Additional Marketing Strategies
Additional strategies that would strengthen Marmani’s position regardless of option considered:
- Emphasize product leadership - set Marmani apart from competition
- Emphasize strengths - for better product distinguishability and familiarity with customers

Adaptive Clothing Expansion

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent with current strategy and strengths</td>
<td>Reduces opportunity to diversify into other clothing markets</td>
</tr>
<tr>
<td>Market familiarity allows for capitalization on brand recognition</td>
<td>Outsourcing leads to reduced control and oversight of production</td>
</tr>
<tr>
<td>Utilizes excess production capacity while maximizing profitability</td>
<td>Insufficient capacity to produce both products limits flexibility in strategic planning</td>
</tr>
<tr>
<td>Reduces reliance on current offerings through product diversification</td>
<td>Insufficient capacity to meet demand which could negatively affect brand reputation</td>
</tr>
</tbody>
</table>
Strategic Alignment

Exhibit I

Both adaptive expansion options are consistent with Marmani’s current vision, mission and values. New products provide attractive and functional clothing, improving customers’ lives through innovative, ethical and sustainable products. Expansion of the product line will also strengthen Marmani’s current market leading position.

Quantitative Analysis
Sleepwear yields a higher contribution margin of $75.61 per DLH as compared to compression socks of $51.14. Utilizing excess capacity of 10,000 labor hours, Marmani can either manufacture 33,333 or 45,455 units of sleepwear and socks respectively (Exhibit XII). Both options result in positive NPVs of $1.675M, sleepwear and $894K, socks. However, to maximize profitability sleepwear will have to be outsourced (Exhibit XIII, XIV).

Capacity
Labour constraints limit options for expansion as there is not enough current capacity to manufacture both sleepwear and socks to meet demand. Marmani will be dependent on other companies for outsourcing, potentially limiting Marmani’s future growth given the company may not be able to develop and produce new products. If additional capacity is created to meet demand NPV will be higher.

Cost Assumptions
A discount rate of 8% was used given it is the return required by the bank. Sales volume growth was assumed to be 5% per year, above the industry growth of 4% but less than the company goal of 8-10%.

Athleisure Expansion Impact
The option to utilize excess capacity to manufacture either adaptive or athleisure products is mutually exclusive. Given excess capacity cannot be used to manufacture both products, the decision should be made by choosing the option with the highest NPV while considering qualitative factors: strategy, stakeholder preferences, diversification, financing, and capacity constraints.

Financing
The initial investment is $90K and $65K for sleepwear and socks, respectfully. Based on the current and projected financial position, with the potential line of credit, additional financing is not required for either option. Clarification is needed regarding the amount of
inventory required to be on-hand. Profits can be used for further expanding athleisure, adaptive clothing, loan repayments, and/or dividends.

Financial Reporting
Purchases of property, plant and equipment are recorded at acquisition cost plus installation costs and depreciated at the appropriate method in accordance with ASPE 3061. Outsourcing may result in foreign currency transactions requiring conversion and recognition of gains/losses in accordance with ASPE 1651.

Conclusions

Decision Matrix

Assessment criteria:

Strategic fit—Alignment with mission, vision, core values/beliefs

Sustainability—Consistent with objectives for ethical, sustainable production, and long term financial returns

NPV—Ensure that value is added to Marmani

Revenue Growth—Meets goal of annual growth of 8-10%

Initial Investment—Requires an initial investment

Financing Availability—Sufficient financing options exists if required

Competitive Advantage—Product differentiation through quality, ethical production, and innovation and/or diversification through products targeting different market segments

Strategic fit, sustainability, initial investment and availability of financing were weighted higher than other criteria to prioritize the long-term success of Marmani, Roberto’s desire to repay Ray and avoid personal/family financing.

The recommendations are consistent with the company strategy.
<table>
<thead>
<tr>
<th>Strategic Option</th>
<th>Strategic Fit</th>
<th>Sustainability</th>
<th>NPV</th>
<th>Revenue Growth</th>
<th>Initial Investment</th>
<th>Financing Availability</th>
<th>Competitive Advantage</th>
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</thead>
<tbody>
<tr>
<td>Sell Marmani</td>
<td>x</td>
<td>x</td>
<td>$19.5M</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Marketing Alternatives</strong></td>
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<td></td>
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<tr>
<td>Internal Sales Team</td>
<td>✓</td>
<td>✓</td>
<td>$8.095M</td>
<td>N/A</td>
<td>x</td>
<td>Not Required</td>
<td>x</td>
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<tr>
<td>Digital Marketing</td>
<td>✓</td>
<td>✓</td>
<td>$0.033M</td>
<td>x</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
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<tr>
<td><strong>Athleisure Expansion</strong></td>
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<td>Richmond</td>
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<td>$0.515M</td>
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<td>Sleepwear</td>
<td>✓</td>
<td>✓</td>
<td>$1.675M</td>
<td>x</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Socks</td>
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<td>x</td>
<td>$0.894M</td>
<td>x</td>
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Recommendations

Sale of Company
The purchase offer provides after-tax proceeds below the fair value of the company. Selling Marmani does not align with the company’s strategy and stakeholder preferences. Qualitative factors impacting employee job security, increased risk of unethical production, and increased complications from the non-compete clause do not support selling the company.

Athleisure Expansion
Expanding into athleisure aligns with the core values by providing customers with attractive, functional, and ethical products that improve their lives. Production utilizing current excess capacity allows Marmani to diversify and reduce reliance on adaptive clothing, ensuring sustainable growth. This option has a slightly lower NPV than the option to outsource sleepwear or manufacturing socks, however, stronger consideration was given to long-term sustainability and growth through diversification.

Marketing Alternatives
Both an internal sales team and digital marketing provide positive NPVs and align with Marmani’s strategy to expand adaptive clothing sales beyond health care providers. Competitors engage in digital marketing and therefore digital marketing, combined with the control and flexibility an internal sales team provides are critical to the success of the athleisure expansion.

Adaptive Clothing Expansion
Adaptive product line expansion is consistent with Marmani’s strategy and core values to create products that improve the lives of customers. Marmani is currently well positioned to capitalize on current successes by diversifying product offerings through brand recognition and innovation. Given capacity constraints and consideration for the athleisure option, proceeding with socks, sleepwear and athleisure is not currently an option. Outsourcing sleepwear is cheaper than producing internally and meets demand projections. Outsourcing allows Marmani to continue to grow within the adaptive market and utilize excess capacity to diversify into athleisure. Medical compression socks have a slightly higher NPV than athleisure production, however, the long-term benefits of diversification and growth potential favours the manufacturing of athleisure products.

Summary
Selling Marmani to Witherspoon is not recommended based on the current offer and stakeholder considerations.
A new marketing strategy where Marmani hires an internal sales team and begins marketing digitally to build relationships with customers and establish an online presence is recommended.

Also recommended is producing athleisure clothing using existing capacity and outsource adaptive sleepwear production.

The strategic recommendations provide the opportunity for long-term sustainable growth consistent with Marmani’s strategy and core values. The recommendations result annual growth consistent with industry averages, 4% and return on assets exceeding 10%. (Exhibit XVI)
### Implementation Plan

<table>
<thead>
<tr>
<th>Task</th>
<th>Time Frame</th>
<th>Champion</th>
<th>Cost</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Alternatives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athleisure Expansion</td>
<td>Purchase the required equipment in order to begin production in a timely manner</td>
<td>Roberto-Strategic Direction Wayne-Production</td>
<td>$153K</td>
<td>Using Toronto Facility Roberto’s friend would be officially hired as the athleisure designer</td>
</tr>
<tr>
<td></td>
<td>6-8 weeks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adaptive Expansion</td>
<td>Communicate with external manufacturers immediately with the expectation of sales beginning in Q4</td>
<td>Don– Purchaser Sonya- Designer</td>
<td>$289K</td>
<td>Outsourcing sleepwear Quality control personnel need to develop system to check external production</td>
</tr>
<tr>
<td></td>
<td>1-2 months</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire Sales Team</td>
<td>Beginning hiring in Q3 with the expectation that training will be completed by Q4</td>
<td>Karen-Communications Manager Rory Shain-Sales Manager</td>
<td>Salaries &amp; Commissions: $674K</td>
<td>Costs based on ½ year Training costs not included Savings of $358K</td>
</tr>
<tr>
<td></td>
<td>3-4 months</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital Marketing</td>
<td>Source IT personnel in order to coordinate with the launch of the new sales team</td>
<td>Karen-Communications Manager Rory Shain-</td>
<td>Investment: $120K Salaries: $140K</td>
<td>Hiring additional staff (4) Karen might need</td>
</tr>
<tr>
<td>Operational Issues</td>
<td>Timeframe</td>
<td>Person</td>
<td>Cost</td>
<td>Additional Notes</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------</td>
<td>-------------</td>
<td>-------------------</td>
<td>----------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Accounting Software Training</td>
<td>Immediately</td>
<td>CPA</td>
<td>$1.5K</td>
<td>Source outside providers to train Ronald and finance staff</td>
</tr>
<tr>
<td>Software Integration</td>
<td>1-2 weeks</td>
<td>Head IT Staff Member</td>
<td>$14.5K- $24K</td>
<td>Management team will be involved through discussions of their needs/system requirements</td>
</tr>
<tr>
<td></td>
<td>6-8 weeks</td>
<td></td>
<td></td>
<td>Testing might require work outside normal business hours</td>
</tr>
<tr>
<td>Adopt Accrual Based Accounting</td>
<td>Begin process only when software training and integration are completed</td>
<td>CPA Ronald- Finance Staff</td>
<td>N/A</td>
<td>Additional clerical support required</td>
</tr>
<tr>
<td></td>
<td>3-4 months</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop Budget</td>
<td>Annual Process</td>
<td>Executive Management</td>
<td>Normal cost of business - time</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CPA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Task</td>
<td>Details</td>
<td>Responsible Party</td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>----------------------------</td>
<td>----------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Audit Engagement End of Q4 to allow for adoption of accrual-based accounting</td>
<td>Board of Directors- Audit Committee $30-40K annually Costs may decrease in subsequent years as not first audit</td>
<td>Ronald- Finance Wayne-Production</td>
<td>N/A As cost drivers and activities as predetermined it should be a simple process</td>
<td></td>
</tr>
<tr>
<td>Implement ABC Costing Immediately</td>
<td>Ronald- Finance Wayne-Production</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish Board of Directors Approach potential members immediately with the 1st meeting to be conducted by year end. 2-3 months</td>
<td>Roberto Management Team Reimbursement of expenses $10,000/year</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Incentive Plan (Health &amp; Pension) 2020</td>
<td>HR Manager Health: $282,750 Pension: $131,800 Hiring a new HR Manager by Q4 will be a priority</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement Balanced Scorecard (Bonuses) 2020</td>
<td>HR Manager Salary $105K Bonuses: $121,990 Hiring a new HR Manager by Q4 will be a priority</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revise Job Descriptions Notes should be taken during strategic planning meetings regarding responsibilities; follow up interviews can be conducted at a later time for additional information</td>
<td>Roberto HR Manager</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recycling Policy</td>
<td>3-4 months</td>
<td>1-3 weeks</td>
<td>Karen Clerical Staff</td>
<td>Recycling Pickup $320/mth</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------------</td>
<td>-----------</td>
<td>----------------------</td>
<td>---------------------------</td>
</tr>
</tbody>
</table>
Financing

The costs to implement our recommendations' capital expenditures, working capital, and operational changes is estimated at $458K total for 2019 (Exhibit XVI). By 2021 the increased revenues and lower sales costs will be enough to finance the projects; therefore, only medium term financing is required.

In order to finance the $458K in 2019 we recommend utilizing the $600K line of credit. Use of the line of credit will only be necessary for two years, however, we recommend maintaining access to cover any cash flow shortfalls due to timing issues. Utilizing this option will allow Marmani to pursue their strategic goals at minimal cost.

If the line of credit is unavailable or insufficient our next choice for financing is to sell the $500K worth of marketable securities. The marketable securities are being held for sale and are not of strategic importance to Marmani.

We do not recommend long-term debt or equity financing at this time. Roberto has expressed concerns with long-term debt and equity financing will require changes to the ownership structure. Our recommendations can be financed without using these options.

Financial Forecast

We've prepared updated projected financial statements that incorporate our strategic recommendations (Exhibit XVI). Below we re-examine some key financial ratios.

Revenue Growth
Roberto's revenue growth goal is 8-10% per year. Under our forecast we will achieve over 13% growth in 2020 but it will level out to the industry standard of 4% per year after that.

Return on Assets
It is important to maintain 8% return on assets to meet the bank covenant. The forecast shows strong return on assets exceeding 10% each year.

Gross Margin
Remains stable at around 42% which exceeds the industry average of 28%.
Marmani’s debt ratio will gradually improve over the forecast. By 2023 equity and debt will make up a near equal share of the company’s financing.

**Current Ratio**
The current ratio will still weaken from 1.7 and remain stable at 1.4 through 2023. This is an improvement to liquidity compared to the original projections but still falls short of the industry standard 2.0.

**Operational Issues**

**Vision/Mission**
The situational assessment determined that the mission statement needed to be updated to reflect Marmani’s current strategic direction. The proposed mission statement is as follows:

“To sustainably develop diversified, high quality, and attractive product offerings that improve the lives of our customers”

**Ethical Issue**
Marmani prides itself on strong social responsibility, ethical practices, and environment sustainability; however, there has been little action to be environmentally friendly in the day-to-day operations. This rises ethical concerns as the public believes they are purchasing products that are sustainable or carbon neutral. If this issue becomes public knowledge Marmani would lose the trust of our customers and brand reputation.

Below are recommended changes:
- Launch a recycling program for both office and production facilities; $320/month (Globe and Mail).
- Investigate using recycled products in manufacturing
- Develop policy to donate to environmental charities (ex. after so many items are sold)
- Use eco-friendly products

**Organizational Design**
To address the strategic changes being made and related impacts, an analysis is recommended in order to update management’s roles and responsibilities. Interviews should be held with management to determine their day-to-day tasks and staffing needs are met.
Roberto makes most decisions quickly, with little information, and the management team has limited control. Corporate guidelines must be developed in order to improve decision making and reduce the risk of miscommunication. Operational decision making must be delegated amongst the respective management team. The organization chart has been updated to establish the formal reporting structure. (*Exhibit XVIII*)

**Performance Management**

**Costing Process**
Marmani currently uses indirect cost allocation based on direct labour hours; the benefits are its simplicity and ability to be applied consistently. However, it is less accurate as some costs included are not directly related or impacted by direct labour hours.

Activity-based costing (ABC) allocates costs by identifying different activities and assigning a cost driver to each. It is a more labour intensive and costly method to set up.

Analyzing the two methods resulted in a change of ($255.87) and $389.78 for orders #71 & #89, respectively. (*Exhibit XV*) Arguably the combined difference of $130.90 indicate it is not worth the switch to ABC; however, considering that activities and drivers have already been identified and the advanced features of the production equipment, job costing with ABC will be easier and reasonable going forward. This will allow for better strategic guidance on pricing and capacity management decisions.

**Information Technology**
Effective, reliable IT and accounting systems are critical to future growth. Marmani’s current systems do not capture relevant sales data useful in analyzing customer needs and trends, production equipment requires programming, and the accounting software is underutilized.

Marmani’s accounting software needs modules that can integrate with software from other divisions to generate various reports. Integration between software systems will improve analysis and efficiencies of Marmani’s business processes reducing cost and increasing profits.

It is recommended that Ronald attend training sessions to fully utilize the accounting software. Inter-department system integration should be contracted out; estimated costs are $14.5K-$24K for six weeks of work. (Fu)
**Employee Incentive Plan**

**Benefit Plans**
Employees should be provided with health and dental coverage, averaging to $5,655/year *(Merhar)* and a minimum of three weeks’ vacation.

**Employee Evaluation**
Measures of performance should promote goal congruence and decisions made in the company’s best interests. The balanced scorecard (BSC) approach involves measuring performance under four perspectives: Financial, Customer, Internal Process, and Learning and Growth. The benefit is measuring performance in various controllable ways instead of relying on one aspect, particular financial, reducing the risk of manipulation to hide poor performance. View the proposed BSC in *Exhibit XVII*.

**Performance Bonus**
The BSC provides clear direction to employees to develop goals that are aligned with Marmani’s objective in order to achieve maximum bonuses. To ensure bonuses do not negatively impact cash flows and profit growth, the maximum bonus must not exceed 3% of annual salary, and only individuals achieving scores of 75% are eligible. *(Workable)*

**Pension Plan**
Pension plans are an attractive employee incentive. Below are three types of pension plans:

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefit Plan (DBP)</td>
<td>No limit on annual contributions</td>
<td>Employer cost vary based on actuarial contribution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Liability has potential to become unsustainable (ex. May result in cash flow and insolvency issues)</td>
</tr>
<tr>
<td>Defined Contribution Plan (DCP)</td>
<td>Employer costs are set No risk for Marmani</td>
<td>Limited contribution and certainty for employees</td>
</tr>
<tr>
<td>Deferred Profit Sharing Plan (DPSP)</td>
<td>Risk is held by employee</td>
<td>Limited contribution and certainty for employees</td>
</tr>
</tbody>
</table>
Among the three types the DCP is most beneficial to Marmani due to limited risk and required contribution. Contributions are determined by Marmani. Employers generally contribute up to 4% of an employee’s salary.

Governance

Board of Directors
A board of directors will ultimately be responsible for providing guidance and oversight to Marmani’s management team. The board is also responsible in establishing policies and has a fiduciary duty to protect Marmani’s assets and shareholder’s investment; therefore they are not normally compensated beyond their expenses.

Important considerations in selecting board members are:

- Experience in the fashion apparel industry in order to provide significant insight
- Knowledgeable concerning the distinction between their role as a board member and the role of management
- Independence from management and Marmani to ensure that decisions made are for the best interest of shareholders
- Diverse skills including financial, legal, and strategic professionals

Five board members are ideal to ease voting and petitioning of proposed policy. Critical judgment and care should be taken to ensure that a director has the qualities and capabilities Marmani needs. The board should form three subcommittees: audit and finance; nominating; and compensation committee. An audit and finance committee would be responsible for overseeing financial reports, and prevent and discourage fraud. The nominating committee would be responsible for evaluating the current skill set of the board and discover any competency gaps. Finally, the compensation committee would be primarily responsible for reviewing executive compensation and designing compensation policies in order to attract, retain, and motivate the best employees.

Financial Reporting

Cash-Based vs. Accrual-Based Accounting
The primary difference between the two methods is the treatment of transactions, specifically revenue and expenses. Some expenses might not be properly accounted for (or “matched” to the respected revenue) in the correct period.

Cash-based accounting is driven by the transfer of cash while accrual-based accounting is driven by timing of transactions. Revenue and expenses are recorded when cash is
exchanged. Under accrual-based accounting, revenue is recognized when: ownership has transferred, is measurable, and payment collection is reasonably assured. Expenses are recorded when they occur, and if specific to a certain revenue stream matched in the correct period. The benefits are: a more complete and accurate assessment of the financial performance and position (cash flow), are method investors are comfortable with, and is in compliance with ASPE. However, ASPE compliance results in increased staff hours from additional accounting complexity.

Converting to accrual-based accounting will require the following steps:

1. Adjust prepaid expenses for items that have yet been consumed: rent, utilities, and property taxes.
2. Add expenses that have been incurred but not paid out. Example: employee salaries earned, inventory received but unpaid.
3. Record accounts receivable for outstanding sales.
4. Payments received in advance of delivery of goods should be removed from revenue and placed in a short-term liability account- “Unearned Revenue”.
5. All entries related to transactions in previous periods need to be recorded in the period in which they occurred; affecting the balance of retained earnings.
6. Financial statements need to disclose the accounting policy change (ASPE 1506): the nature of the changes, the reason for the change, and determine the amount prior periods are affected.

Based on the needs of current and potential users, it is recommended to switch to an accrual-based accounting (ASPE) as it is required for financing purposes and provides a much more accurate view of Marmani’s cash flows that drive decision making.

Budgeting
Marmani’s current budget is unrealistic and needs updating, particularly, as new strategic plans are being adopted.

Budgets are an important tool for providing a framework to reach goals. Budgets should examine past trends to determine a realistic outlook on expenditures and expected revenues, taking the implementation of new strategic objectives into consideration. A comparison between the budget and ongoing operations provides feedback concerning the performance of individual departments and/or projects. Strong budgets also provide financers with a solid, detailed plan and will encourage investment or favourable loan terms. (Peavler)
Creating a budget and ongoing monitoring of performance compared to the budget requires time investment and staff buy in to be effective. Ongoing evaluation can identify opportunities and challenges and help ensure profitability and goals are met.

**Assurance**

**Audit vs. Review Engagement**

<table>
<thead>
<tr>
<th></th>
<th>Audit</th>
<th>Review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>Whether the financial statements are free from misstatements and are in compliance with the Generally Accepted Accounting Principles (GAAP)</td>
<td>Whether the financial statements are believable or plausible</td>
</tr>
<tr>
<td><strong>Assumptions</strong></td>
<td>No assumptions are premade; testing is conducted on a variety of accounts to determine their reasonability</td>
<td>Internal controls are strong and will provide reasonable evaluation of account values</td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td>High costs: more work is conducted over a longer period of time, requiring staff time and involvement</td>
<td>Lower costs; can be completed in a shorter time frame, limited staff involvement compared to audit</td>
</tr>
<tr>
<td><strong>Type of Opinion</strong></td>
<td>Reasonable level of assurance; positive opinion</td>
<td>Limited level of assurance; negative opinion (nothing has come to the reviewer's attention that would negatively impact their decision)</td>
</tr>
</tbody>
</table>

For costs purposes a review engagement would be the more preferable option, however, there are a number of substantial concerns that favour performing an audit:

- Hurley would prefer an audit over a review engagement before issuing an operating line of credit
- Marmani has a weak internal control environment; higher risk of misstatements
- As switching accounting policy was recommended there will be a large number of non-recurring transactions increasing risk of errors

It is recommended that Marmani have an audit completed to help mitigate these risks; based on professional judgment costs will be between $30K-40K.
## Risk Assessment

<table>
<thead>
<tr>
<th>Weakness</th>
<th>Implication</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Training: Wayne does not know how to utilize manufacturing software to capture complete costs</td>
<td>Costs involved in the manufacturing process might be over- or understated</td>
<td>Provide training to Wayne to ensuring proper costs are inputted and examined; can discuss training options with equipment/software manufacturer</td>
</tr>
<tr>
<td>Segregation of Duties- Accounting</td>
<td>Large increase to fraud risk, mismanagement of funds, and expense manipulation</td>
<td>Segregate duties between two or more individuals: Individual receiving and applying customer payments to receivables should not prepare the bank deposit. CPA to review and approve bank reconciliations All invoices must be approved and have verification of approval prior to signing of cheques.</td>
</tr>
<tr>
<td>Ineffective use of Accounting Software</td>
<td>Increase risk of mistakes due to entry or transposition error.</td>
<td>Accounting software generates reports to be reviewed by Roberto and CPA. Any unreasonable value can indicate an entry error. All revenue and expenses should be recognized on one accounting software to ensure accuracy</td>
</tr>
<tr>
<td>Accounting - Timely Entries</td>
<td>Increases risk of transposition errors</td>
<td>Entries should be conducted when they are recognized.</td>
</tr>
<tr>
<td>Ronald only enters postings weekly</td>
<td>Inaccurate information could be used as a basis for critical decisions</td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discounts might be missed due to late entry of invoices</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Self-review Risk</th>
<th>Might not properly recognize errors on prior work leading to misstatements</th>
<th>Work reviewed by CPA that is questionable should be examined by Ronald or other TKA staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPA was employed by TKA, who was responsible for payroll/tax/monthly entries as required</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To mitigate risks the recommendations should be acted upon to ensure accurate financial statements going forward.
References


Exhibit I

Mission, Vision, and Values

Mission: “We accomplish our vision by designing and selling technical clothing that offers optimal functionality while still being attractive.”

Vision: “Our vision is to be a leader in the apparel industry by creating products that perform beyond expectation for our customers and make people’s lives better.”

Values
  ● Passion for everyone to stay active and lead a healthy lifestyle
  ● Quality, a high level of service, and value for customers
  ● Innovative clothing designs and production practices
  ● Ethical and environmentally sustainable operations
### Exhibit III
### SWOT Analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Differentiation through product leadership will attract and retain customers</td>
<td>● Limited product offering reducing growth potential</td>
</tr>
<tr>
<td>● Vertically integrated allows for greater manufacturing control</td>
<td>● Declining sales for ICON products increasing dependence on adaptive products</td>
</tr>
<tr>
<td>● Consumers are familiar with established quality brand</td>
<td>● No products in growing athleisure market resulting in missed opportunities and potential loss of market share</td>
</tr>
<tr>
<td>● Demand for adaptive clothing trending higher as population ages resulting in potential long term growth</td>
<td>● Limited capacity for expansion with current facilities resulting in the need for expansion; financing difficulties</td>
</tr>
<tr>
<td>● Limited competition in adaptive clothing segment resulting in less downward pressure on price and less brand options for consumers</td>
<td>● Reliance on sales agents; no direct contact with consumer</td>
</tr>
<tr>
<td>● Ethical sourcing and domestic production attracts consumers that are concerned and favour ethical products</td>
<td>● No online presence results in lost revenue and awareness as significant and increasing share of apparel sales is online</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Expansion of adaptive clothing products can increase revenue and market share (capitalize on current strengths)</td>
<td>● Low barrier to entry for domestic and international competitors (potential for loss of market share, downward pressure on prices and costs)</td>
</tr>
<tr>
<td>● Expansion into athleisure market (large and growing domestic and international market with long term growth)</td>
<td>● Late entry into athleisure market may be challenging to capture market share</td>
</tr>
<tr>
<td>● Opportunity to diversify within adaptive clothing market and expand to athleisure market (reduce dependence on current limited product offering)</td>
<td>● Significant competition from domestic and international companies in small, low growth domestic market</td>
</tr>
<tr>
<td>● Fashion is $1.2 trillion global industry (large and stable/growing industry)</td>
<td>● Declining domestic exports and increasing imports in industry resulting in strong competition and downward pressure on sales pricing and costs</td>
</tr>
</tbody>
</table>
Exhibit IV
PESTEL Analysis

Political
- Trade tensions may impact imports and exports through tariffs or other restrictions; Canada-China deteriorating relationship declining may impact sourcing through availability, and/or increased costs from tariffs
- Potential for increased environmental regulations increasing costs or creating production challenges by limiting supply options

Economic
- Apparel imports increased 8.3% annually while domestic production has decreased creating downward pressure on pricing limiting profit margins
- Canadians spend an average of US$830 annually on apparel indicating a large existing and growing market to compete in
- Adaptive clothing industry is forecasted to grow at 4.1% annually, resulting in potential for Marmani to realize sustainable long term growth (Coherent Market Insights)
- Athleisure clothing industry is forecasted to grow at 7% annually, allowing for potential long term growth while diversifying (Maida)

Socio-cultural
- 20.1% of Canadians will be 65 or older by 2024 indicating a large and growing segment of adaptive consumers
- Increased awareness of social responsibility amongst consumers and governments; this is currently one of Marmani’s strengths

Technological
- Marmani has no online and social media presence critical to reaching younger demographics

Ecological/Environmental
- Consumers have increased awareness, interest and value for environmental initiatives and environmentally friendly companies; Marmani is currently in a strong position to capitalize on brand awareness and the company’s ethical sourcing/production and environmental sustainability
- Consumers value and are willing to pay premium prices for environmentally friendly products; Marmani can capitalize on current strengths to develop various pricing strategies.

Legislative
- Environmental regulations, such as Carbon tax, may have significant costs considerations as Marmani manufacturers its own products.
Exhibit XVIII
Organizational Chart

Shareholders

Board of Directors

Chief Executive Officer
Roberto Marmani

Communication and Marketing Manager
Karen Zenkovic

Design Manager
Sonya Valencia

Corporate Controller
CPA

Supply chain Manager
Don Baker

Production Manager
Wayne Croxton

Human Resources
Vacant

Sales Manager
Rory Shain

Sales Team (9)

Digital Marketing Staff (1)
IT Staff (3)
Marketing Staff (1)

Design Staff (2)

Finance Staff (1)
IT Staff (2)

Shipping/ Receiving (2)

Production Staff (16)
Quality Control Staff (2)

Admin. Staff (2)
HR Staff (2)