

E-COMMERCE OPERATIONAL RISK MANAGEMENT PLAN

OPERATIONAL RISK MANAGEMENT PLAN

Your Company recognizes that it faces a number of risks as it progresses through the various stages of its growth and implementation phases – in North America and other countries. These risks have been identified, quantified and anticipated.

6.1 Acquire Copyrights & Trademarks:

Copyrights and trademarks have to be filed with appropriate North American and Canadian authorities. The company's principals will apply for copyrights and trademarks -- trademark and copyright protection may already exist for various OEM products and services. This is coupled with proprietary codes that will be in place for all programs designed by your Company under license, to ensure authenticity, minimize trademark infringements and piracy.

The information technology and content management services, along with the proposed e-commerce solutions have quality control challenges. This is relative to the quality control of the proposed services, solutions and their integration in corresponding countries. Past experience of management, diversified range of consultants, strength of OEMs and corresponding technology team will support the success of maintaining the appropriate trademark and copyright protection.

6.2 Managed Growth:

Your Company's senior management has a well established track record in effectively managing sales and production facilities to budget. Your Company may achieve its targets using a quarterly budget review process. This budget revision process may be used to address growth issues, when sales outperform plan. During the revision process, the latest ratio of sales order intake to content production capacity, will be compared to the previous quarter's.

Despite the forecasted demand in your Company's electronic catalogue products and e-commerce services, the company should continue to be managed to conservative performance goals, to ensure that growth does not exceed the company's fiscal and human resources.

E-COMMERCE OPERATIONAL RISK MANAGEMENT PLAN

The company may continue to grow on certain areas being maintained adequately, namely:

- Your Company' customized content management production and order processing system should be used and needs to be capable of processing multiple orders at any given time
- Production capacity has to be flexible enough to accommodate a significant increase in volume -- using multiple distribution channels
- Expansion can be handled via licensing agreements and strategic partnerships
- Existing and proposed production facilities can be upgraded to accommodate part of the volume increase
- Multiple distribution channels can be set-up and running in a 6 month – 1 year time frame
- Local markets will constantly be monitored to assess potential volume fluctuations

6.3 Achieving Sales Targets:

Achieving certain minimum monthly sales goals is critical to the profitability and viability of the global operations. Your Company has to therefore, build a profitable business plan around a goal of defined sales within twelve months, while at the same time having a global organizational structure capable of supporting incremental volume in sales with ease. The Vice President, Sales traditionally monitors tracking of sales results. Plans should be in place to establish and upgrade your automated system to track sales and expenditures, to ensure they are within budget. Budget tracking system will also have to be developed.

During the initial stages, special project revenues will be applied against specific software and hardware related R&D expenditures. R&D expenses will not be incurred unless they are authorized and tied to a specific special project – paid for in part by your clients and strategic partners. Following the initial set-up and subsequent production phase, project revenue may be used to support the company's growth. Lack of revenue may not allow operations to expand. Management may have to ensure that account executives have a compensation program in place. This will encourage all existing clients to be up sold on all of your Company's core services. Budget failure therefore, could result if proper sales and marketing strategies are not implemented.

In the event of budget failure, your Company's senior management traditionally should immediately get involved to drive the sales development. Budget losses may be carried forward and expenditures revised accordingly. Performance reports should be monitored regularly by sales management, and at least weekly by the principals. Sales tracking should be instantaneous -- using your Company's sales force automation's software. Risk of sales target failure is minimized as a result of on-going sales training of the IT specialists, project consultants and account executives.

E-COMMERCE OPERATIONAL RISK MANAGEMENT PLAN

Your Company's critical momentum may incorporate aggressive sales and marketing within core markets. Sales and marketing techniques will constantly have to be evaluated to ensure your Company is strategically positioned, relative to individual market needs and the competitive forces:

- Structure has to be versatile having multiple applications
- You have the flexibility to apply your information technology services and e-commerce solutions to different markets or industries
- Indirect sales channels, via licensing agreements will ensure the product sales cycle is extended, to roll-out into different markets within select countries
- If a specific market fails to meet set expectations, your Company's production capacity has to be flexible enough to allow your sales and marketing departments to pursue alternate client volume expectations
- Market exposure may be realized, as a result of the international exposure afforded by your Company's strategic partners and the regional operation's corporate customer base - i.e. industrial plants, manufacturers, etc.

6.4 Maintaining Competitive Advantage:

Your Company's technology enhancement of proprietary licensed software and network solutions will ensure your proprietary information technology services, and e-commerce solutions maintain their competitive edge, throughout the products' life cycle. In fact, the products' life cycle may be extended using enhancements in technology.

Furthermore, licensing agreements will allow for prices to be reduced -- maintaining relative gross margins -- after a condensed amortization period. Revenue from the applications can be used to support those market sectors where competition is greater.

E-COMMERCE OPERATIONAL RISK MANAGEMENT PLAN

6.5 Maintaining Project Schedules:

As noted in subsections 6.2 and 6.3, management, employee and consultant compensation as well as bonuses may be tied directly to project schedules and completions. Performance criteria will have to be detailed within each employee and/or consulting contract. All service agreements will also have to be time sensitive and include penalties for failure to complete assigned tasks, within designated time frames.

A mechanism will also have to be in place to identify any project tasks and content production that are falling behind schedule. Management will have the ability to intervene and re-assign the project tasks and responsibilities, to other key personnel, to ensure delays are kept to a minimum.

6.6 Cost Control Measures:

In order to manage your global operations effectively, your Company will operate to a controlled budget prepared annually and revised quarterly. Cash flow should be managed monthly against previously authorized expenses. Main expenditures may be incurred only when funds are made available (e.g. from the holding company). The principals of the company naturally have a well-established track record in effectively managing major operations to budget. The following procedures will also ensure overall costs are controlled:

- Productivity should be monitored regularly to ensure it is maximized
- Content production and sales facilities may be strategically positioned throughout North America and parts of Europe -- geographically in a developed region where overall costs are lower
- Manual and automated cost controls should also be implemented both at content management, consulting, sales and distribution level
- Licensing an OEM's proprietary technology to your Company for multiple applications will further increase core product requirements and reduce relative costs
- Long term agreements with OEMs, master licensees, suppliers of software, hardware and materials, etc. will ensure your Company capitalizes in volume discounts

E-COMMERCE OPERATIONAL RISK MANAGEMENT PLAN

6.7 Customer Disputes:

Your Company should provide extensive on-line support to its clients. Customers should be able to have access to all customer service programs, via the Internet. The customer service department – traditionally consisting of customer service representatives well versed in various source languages – may be situated in your head offices. They should also be available to provide telephone assistance to existing clients. Specific customer service policies will have to be in place to ensure maximum customer satisfaction and in-house staff productivity. This will be coupled with clearly defined customer service policies, which will state specific warranties, terms and conditions – applicable by law within target countries.

Proper procedures will also have to be in place -- as a corporate client and subsequently the end-user approves their information technology and e-commerce requirements prior to installation -- thus minimizing production risks. Customer service procedures should constantly monitor strategic partner and individual client expectations, to ensure they are always satisfied and met. Your Company's professional IT specialists, project consultants and account management team must be able to communicate any quality, or performance expectations not being fulfilled for the customer. Client as well as end-user feedback is meant to ensure that quality improvement and performance is constantly maintained.

Clients may be required to approve any quotations submitted for your Company's work, prior to commencement of the project. This may be coupled with their approval of the services rendered, upon completion of the project. Out-of-contract disputes may be resolved on a case-by-case basis. Strict and regular checkpoints throughout a project will help to minimize any potential customer disputes.

Management should strive to solidify content management and product warranty terms, to extend the life of their customer relationship, on a case-by-case basis. Your Company' software programmers and IT Specialists should also be responsible to oversee quality.

E-COMMERCE OPERATIONAL RISK MANAGEMENT PLAN

6.8 Using Leading-Edge & Interchangeable Technology:

Management has to be able to always ensure that the technology you are using is interchangeable. This will minimize the risk of any software, application, platform or component becoming obsolete. This would minimize affects on:

1. The overall information technology and content management services
2. Proposed e-commerce solutions
3. Specific R&D project's completion.

Void of any licensing infringements, your Company's policy should permit the use of multiple vendors simultaneously, and thus prevent your Company from becoming vendor dependent.

Wherever possible, your Company's hardware, software and electronic catalogues should also be designed with interchangeable components and technology! The technology may be interchangeable with the company's hardware, software and content management specifications. Hardware, software and network architecture should also require that all technology components are interchangeable. The ability to substitute components will always be tested for suitability, and as a fail-safe measure.

6.9 Financial and Legal:

Your Company will maintain an insurance policy both as the holding company as well as the country-based operations, and subsequent regional-based subsidiaries. The objective is to protect the entire organization from lawsuits arising from its work in the electronic catalogue, content management, network solutions, software, hardware, computer component sales as well as its software development.

Quality assurance minimizes the risk of litigation, for your Company's product lines. Your Company retains several firms, to handle your corporate as well as operational offices' commercial, legal and financial matters.

E-COMMERCE OPERATIONAL RISK MANAGEMENT PLAN

Nonetheless, the following policies may protect the company from spurious litigation as well as legitimate errors:

1. Your Company should adopt a solid customer agreement and use specific product licensing, to minimize its potential exposure to serious disputes.
2. Your Company's lawyers will have to ensure all supply agreements are fair and reasonable.
3. Contract terms and conditions will have to clearly outline the duration, limitations, conditions and disclaimers.
4. Payment terms will have to be clearly identified:
 - Electronic catalogue content, equipment and network services – should be quoted on a fixed-fee basis
 - Terms of credit may be provided to qualified existing clients on a case-by-case basis
 - Consulting services may be provided with a significant percentage down-payment, prior to commencement of any work, with the balance due immediately upon completion
5. The Executive Vice President may personally oversee major negotiations with strategic partners and corporate accounts, including potential end-user disputes.
6. A detailed proposal and Request for Quotations (RFQ) submission process will also have to be in place specifying:
 - Labour rates
 - Extraordinary expenses
 - Project schedules
 - Payment schedules, etc.
 - Roles played both by your Company and the client
7. Pricing policies, terms and conditions should also be established for all warranty and repair related services.
8. Your Company may offer its clients -- on a fee basis -- optional warranty plans that can cover equipment purchased.

E-COMMERCE OPERATIONAL RISK MANAGEMENT PLAN

6.10 OEM Equipment Quality:

Acting both as a licensee and as a reseller, your Company may have to adopt a quality control process to ensure all licensed software and resold OEM equipment is properly tested, and meets client specifications.

Faulty software programming and equipment should immediately be replaced or repaired, depending on the licensing agreements and the original equipment manufacturers' (OEM) warranties. In addition, a database of software errors and faulty equipment should be maintained, to minimize the recurrence of installing improper software or using faulty computer equipment.

Your Company's "Return to Manufacturer" form should always have to be filled out for all faulty equipment. The equipment should then be sent to the OEM and either replaced or fixed – depending on OEM warranties.

IT specialists should also test all computer systems to diagnose any potential software failures and client initiated software errors. Client electronic catalogue-based errors may result in billing charges passed onto the client.

Your Company should also adopt a warranty program to cover the diagnosis of a client's equipment. Non-warranty clients may be charged an upfront fee, to discourage abuse of the Company's customer support.

6.11 Standards Acceptance:

Your Company is an innovator that is constantly developing new standards for e-commerce applications for North America and other countries. You may be adopting and applying e-commerce technologies – currently used by government agencies and multinational corporations – and making them accessible to other enterprises in specific markets. In doing so, you will be applying leading standards in international e-commerce related transactions, electronic cataloguing and network applications.

Market research should be conducted on an on-going basis, to clearly define and validate that a customer base exists for your Company's range of products and services. Various major research databases across continents should be accessed for their findings and research results. Collectively, they will substantiate your Company's positioning and market opportunities.