1. Executive Summary

1.0 Executive Summary

Over the last four years, OSS Telecom Technology, a well respected $300 million steel conglomerate, has built up significant interests in the telecom sector ranging from wireless and paging services to billing software. OSS Telecom Technology Taiwan, was formed in Taiwan in 1994 to pursue opportunities in the Operations Support Systems (OSS) telecom software market, with a particular focus on customer care and billing software solutions (CCB systems). Since 1994, OSS Telecom Technology Taiwan has grown steadily, building a customer base of 24 telecom operators for its software.

In 1998, encouraged by the potential of the billing software market opportunity, OSS Telecom Technology decided to pursue a more aggressive expansion strategy, appointing an experienced and credible executive management team to unleash the potential of the OSS Telecom Technology Taiwan business. Corresponding with the placement of the executive management team, OSS Telecom Technology was created. OSS Telecom Technology has already made and continues to make significant investments in growing the business.

2. Situation Analysis

OSS Telecom Technology current situation:

Product

Since 1994, OSS Telecom Technology has developed an open and flexible product platform from which it can expand. The current product portfolio includes:

Caribou: a customer care and billing product;

- MEDUSA: a mediation system providing billing data collection and service provisioning services.

The following products are all currently under development:

- Short Messaging Service Center (SMSC);
- IN Prepaid/Calling Card Platform;
- Performance Appraisal of Networks (PAN): Windows and UNIX based network performance monitoring system for telecom networks;
- Java-based rules engine.

Product Support

In support of product sales, OSS Telecom Technology offers a number of services such as installation and configuration, as well as warranty and post warranty support services.

Consulting Services

OSS Telecom Technology has developed most of its products to date through projects delivered as part of its consulting services group. Services offered under the umbrella of the consulting services group include consulting, project development, and implementation. This enables OSS Telecom Technology products to be closely tailored to customer needs.
2.1 Market Summary

Operations support systems (OSS) encompasses a broad range of applications and services. Although definitions vary, OSS typically includes applications geared toward customer acquisition, service provisioning, asset management, network management, customer care, and billing. Increasingly, these applications are becoming more interdependent and carriers are beginning to realize how important a world-class OSS is to effective competition.

Telecommunications OSS

The OSS segment of the telecommunications industry is experiencing tremendous growth. The increasingly competitive telecommunications market, both wireline and wireless, has increased carriers’ awareness of the importance of OSS. As a result, companies are investing millions of dollars in their OSS in order to improve operations and create a competitive advantage.

In terms of aggregate spending on OSS, projections differ, mainly because there is no consensus on the exact definition of OSS. Nevertheless, the Yankee Group predicts that the OSS market will grow to almost $60 billion worldwide in 2003 before falling off slightly. The slight decrease in spending is the result of more companies choosing to build rather than buy certain components of their OSS.

Customer Care & Billing Overview

OSS Telecom Technology currently focuses on one aspect of OSS, customer care and billing (CCB) systems. At its highest level, a CCB system provides a carrier with the means to bill its customers for service.

However, bill generation is but one aspect of a complete CCB application. The data captured by the billing system provides valuable information to both the carrier and the customer on how services are used, what additional services are necessary, how services can be used more efficiently, or even how effective particular promotions or operations have been. Today’s CCB systems collect, collate, manage, and report this valuable information to management, usually in real time.

CCB systems are also vital in terms of customer service and satisfaction. By having real time access to customer information, customer service representatives can better respond to customer needs in a timely and efficient manner.

In addition, modern CCB systems can turn the monthly bill into an invaluable marketing tool; this is important since the customer’s bill is the only regular contact a company has with its customers. As a result, a great deal of attention is typically placed on a company’s CCB applications.
Target Markets

2003 2004 2005 2006 2007

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2.1.1 Market Needs

The outlook for the future appears positive. Telecom markets will continue to deregulate and the number of operators will continue to grow to 5,500 in 2004, representing an additional 1,700 compared to 1998.

With the increase in operators, the demand for OSS has also increased. OSS are the systems on which the telecom operator's business runs. At the core of OSS is billing for telecom services, which is provided by customer care and billing systems (CCB). CCB systems enable accurate, timely, flexible, feature-rich billing of services.

The additional competition in the marketplace has made OSS, and CCB systems in particular, a key source of competitive advantage for many players. CCB systems have become increasingly sophisticated, incorporating features such as hot-billing (where users
receive billing information on demand), Internet billing (billing data disseminated over the Internet), multi-service billing, loyalty programs and "friends and family" type services.

2.1.2 Market Trends

Market Overview

Although OSS Telecom Technology's primary focus today is the traditional telecommunications market, it is important to consider other communications markets, including Internet and cable. The lines between these groups are becoming increasingly hazy, which will lead to tremendous future opportunities for OSS Telecom Technology and its competitors.

When considered in aggregate, the total worldwide market for telecommunications, Internet, and cable TV is more than $1 trillion annually. By any estimation that is a very large market. However, despite its size, this is not a stagnant market; it is a robust and expanding market. With a new era of deregulation and privatization sweeping the globe, and the fact that developing countries have very low penetration rates for these services, the overall market is expected to continue to grow well into the next century.

Market Background (Deregulation)

When we talk about deregulation, we are typically referring to the telecommunications industry. However, in recent years both the cable TV and utility industries have undergone their own wave of deregulation and privatization. In fact, the lines between telecommunication, cable TV, utilities, and Internet service providers have blurred considerably. The greatest impact of deregulation and privatization, however, has been felt in the telecommunications industry. As other industries move down the road toward deregulation they will also experience significant change worldwide.

For the majority of the 20th century, telecommunications providers around the world have been providing wireline services in heavily regulated environments. These service providers were largely acting as government sanctioned monopolies and offered only plain old telephone service (POTS). More recently, however, the telecommunications industry has experienced an unprecedented move toward deregulation worldwide.

In the U.S., deregulation began in 1984 with the breakup of AT&T and the subsequent entrance of competitors into the long distance market. In 1994, deregulation entered the wireless industry when the government began auctioning additional radio spectrum, thereby allowing additional competition into the traditional cellular duopoly. Most recently, the Telecommunications Act of 1996 opened the domestic marketplace to widespread competition by allowing new and existing local and long distance companies, wireless companies, and cable TV operators to provide competing services. As result of this move toward deregulation, the number of carriers in the U.S. has risen dramatically over the past 15 years.

Outside of the U.S., deregulation, and in some cases, privatization, are resulting in the emergence of new carriers, increased competition, and the increased availability of telecommunication services. Three major events that became effective in 1998 are fueling this drive toward free competition.
First, the World Trade Organization's Agreement on Basic Telecommunications Services commits 69 countries, accounting for 90 percent of the world telecom market, to embrace national and international market competition. Second, the European Union, home to more than 30 percent of the world's telephone lines, opened its telecommunications markets to competition.

Third, the Japanese telecommunications market, the world's second biggest, fully opened to competition. This trend toward global deregulation has created unprecedented opportunities for new and existing companies in the global telecommunications market place. As a result, the number of carriers worldwide is expected to grow substantially in the coming years. It is clear that deregulation and privatization have had a significant effect on the world telecommunications market over the past 15 years. These effects are likely to continue well into the 21st century. These effects will be seen in innovative new products and services, greater access (especially in developing countries), and increased choices as new service providers enter the market.

Historical Market Growth (Telecommunications)

By any measure, the telecommunications industry has grown dramatically over the last century. During the first three-quarters of this century, growth in telecommunications came mainly from wireline applications and was largely due to growth in developed countries. However, during the last quarter of this century, growth has come as the result of three main influences: global deregulation, the advent of wireless technologies, and the building of infrastructure in developing countries.

As the demand for telecommunications grew over the past century so has the infrastructure. In the past 37 years the global telecommunication network has grown at a fairly constant rate and generated a compound annual growth rate of 5.9% per year, resulting in an enormous increase in main telephone lines worldwide. By the end of 1997, it was estimated that there were approximately 800 million main telephone lines installed worldwide. Main telephone lines represent a physical connection between a subscriber and an exchange and therefore exclude wireless connections.

By the end of 1996, approximately 40 percent of all households worldwide had a telephone; conversely, 60 percent or some 870 million households did not. By far the largest percentage of those households that did not have a telephone were in developing countries. The rapid growth in main telephone lines and teledensity has led to a corresponding increase in telecommunication service revenues.

As previously mentioned, the historic growth in telecommunication services over the past quarter century is not entirely attributed to growth in traditional wireline telephony. Since the early 1980's, the rapid growth of wireless services has accounted for a significant portion of the entire telecommunication industry growth.

The telecommunication market has experienced tremendous growth over the past 100 years and, as the graphs illustrate, the growth rates have been increasing in recent years, due in large part to deregulation, wireless technology, and the buildout of developing countries. Obviously, telecommunications is a thriving and expanding market worldwide.
Internet

Closely related to telecommunications and a relatively recent development, the Internet is poised to change the way we communicate. The Internet was originally developed in conjunction with the U.S. Government in the late 1960's to be used as a failsafe means of communication in times of war. Subsequently, during the 1970's and 1980's the Internet evolved into a civilian communications tool utilized primarily by universities and research laboratories as a means of sharing information. Not until the 1990's and the emergence of the World Wide Web (WWW) did the Internet come into the mainstream as a useful communications tool. The worldwide growth in the Internet, as measured by the number of host computers, started slowly but has increased rapidly during the 1990's. (Host computers are computers connected directly to the Internet and are a standard measure of the size of the Internet.) Fueling this growth in host computers has been a tremendous growth in people who are connected to the Internet or "online." In 1991, only 4.5 million people were estimated to be online. In September 1998 it was estimated that 148 million people were online worldwide. Undeniably this is substantial growth, and this growth has created unparalleled opportunities for those providing Internet connectivity. These companies, Internet service providers (ISPs), have enjoyed tremendous revenue growth over the last five years. Worldwide ISP revenues have increased from approximately $50 million in 1994 to an estimated $14 billion in 1998. Although the Internet in total has expanded significantly, Internet access and actual use vary greatly among countries. On a usage basis, the U.S. accounts for the largest share at 55 percent. On an access basis, Canada is the leader followed by the U.S.

Market Forecast
2.1.3 Market Growth

Projected Market Growth

While a historical perspective is valuable, what is most important with respect to OSS Telecom Technology is future growth. While it is impossible to predict the future with 100 percent accuracy, it is possible to gain a sense of what is likely to happen and gain an appreciation for the size of this ever-expanding market.

Telecommunications

Historically, the global telecommunications marketplace has enjoyed tremendous growth in terms of network size, number of subscribers, number of operators, and overall revenues. While this growth has been impressive, of real importance is what is going to happen to the telecommunications market in the near future, say the next five years. The next five years will be a pivotal time for the telecommunications industry as the effects of global deregulation, the continued expansion of wireless services, and the further buildout of developing countries combine to reshape the global marketplace. The buildout of developing countries is critical if these countries are to increase teledensity and data capacity in order to join the 21st century.

As a result of these fundamental influences in the telecommunications market, demand for voice telephone service alone is expected to increase dramatically. In fact, the total demand for voice telephony is expected to increase more than 50% from 1998 to 2004.

Another fundamental influence that will drive the growth of telecommunications is the continued growth in the world's population. Obviously, as the population expands so does the need for telecommunication services.

The historical growth in main telephone lines worldwide is expected to continue through the turn of the century. The number of main telephone lines worldwide is expected to grow from approximately 850 million in 1998 to 1.25 billion in 2004.

The majority of the growth in main telephone lines is expected to come from non-U.S. regions. The bulk of that growth is expected in the Asia/Pacific region. Corresponding with the projected growth in main telephone lines is an expected growth in worldwide teledensity. Worldwide teledensity is expected to increase from 14 lines per 100 people in 1998 to approximately 19 in 2004.

Access to telecommunication services worldwide has grown at an impressive pace over the last twenty years. In large part this is due to the emergence of wireless telephony. This is especially true in emerging markets where it is considerably less expensive to deploy wireless infrastructure than it is to deploy traditional copper wire. As a result, the number of wireless subscribers has grown significantly over the past decade. This growth is projected to continue at a compound annual growth rate (CAGR) of 24% from 1998 to 2004.

A number of competing technologies exist in the global wireless market: analog, CDMA, TDMA, GSM, and PDC (PDC is Japan's digital technology). Most carriers today are in the process of upgrading their current systems from analog to digital technologies and new carriers are starting with digital technology. As a result, the technology mix is expected to change significantly from 1997 to 2004.
OSS Telecom Technology originally developed its products for use with GSM technologies. Therefore, the growth in GSM is of particular interest to OSS Telecom Technology. GSM is rapidly becoming the standard digital wireless technology worldwide. In fact, GSM operators are currently adding four new subscribers every second.

What all of this growth in wireline and wireless telephony drives is revenue. Worldwide telecom service revenue is expected to grow from $840 billion in 1998 to $1.4 trillion in 2004. This growth represents a compound annual rate of 8.7 percent.

It is evident that the global telecommunications market is expanding and will continue to expand in the foreseeable future. This expansion has created tremendous opportunities for incumbent operators and emerging operators, who are, in turn, creating opportunities for companies that support them. Infrastructure vendors, consultants, software vendors, and many other types of suppliers are enjoying the expanded opportunities the telecom market is offering. OSS Telecom Technology is positioning itself to take advantage of the growing telecom market.

Internet

In the entire scheme of communications, the Internet is still in its infancy. The technology is still evolving as are its applications and uses. Electronic commerce, perhaps the biggest revenue generating opportunity of all time, is just emerging. In addition, Internet telephony is showing promise and is beginning to attract meaningful support, as the technology is refined. As more and more information, entertainment, and goods & services become available on the Internet the number of host computers and Internet users is expected to increase. The number of host computers connected to the Internet is expected to mushroom to around 285 million by 2004. Corresponding to the growth in Internet infrastructure is the expected continued rapid growth in Internet users. The number of people projected to be online by 2004 increases to more than 500 million, more than three times the number of people online today.

Without a doubt, the Internet has tremendous market potential. Every aspect of the Internet (hardware, software, and services) is projected to grow significantly in the next few years. In total, the Internet market place is expected to be worth in excess of $22 billion in just two years. This is a rapidly expanding and, as of yet, largely untapped market.

Currently, the numbers of ISPs operating worldwide is estimated at close to 4,000. Undoubtedly the number of ISPs is likely to increase as more and more people desire to be online, especially in non-U.S. regions where Internet usage is relatively low. Partially offsetting the growth in the number of ISPs is the eventual wave of consolidations that is likely to grip the industry.

The Internet offers several opportunities for OSS Telecom Technology, with respect to CCB applications. The biggest opportunity is in IP (Internet Protocol) telephony or voice-over IP (VoIP). Using the Internet to make phone calls has been possible for a few years now but although the rates were cheap quality was poor. However, recent technological advancements have made the prospects of wide reaching IP telephony a reality.

In fact, IP telephony is poised to secure a significant portion of telephone traffic in the next several years. Probe Research predicts that by 2003, 18.5% of telephone traffic in the U.S. will be via the Internet. As ISPs and other companies begin to offer IP telephony services, there will be a tremendous need for CCB applications capable of billing for this new service.
Another CCB opportunity made possible by the Internet is usage-based pricing for data. Several companies are exploring the viability of charging customers based on the data they actually use. This type of arrangement would require billing systems beyond the typical ISP’s current capabilities and therefore represents a significant opportunity for OSS Telecom Technology and its competitors.

2.2 SWOT Analysis

In the SWOT analysis that follows, OSS Telecom Technology maintains a healthy position. OSS has substantial strengths to balance out weaknesses. Market opportunities in Internet and cable billing are quickly approaching. Competitive threats are becoming more of an issue as key competitors ramp up for new opportunities and other new competitors are entering the industry.

2.2.1 Strengths

OSS Telecom Technology has developed technical strengths in the following areas:

1. Design and development of computer applications on UNIX and NT platforms using languages such as C, C++, and Java and user interfaces such as PowerBuilder and databases such as Oracle and Sybase.
2. Expertise in client server based application software including multi-tier application software development, using object-oriented methodologies.
3. Expertise in networks programming on UNIX and NT platforms.
4. Domain expertise in the area of SS7 signaling and GSM protocol layers.
5. Design expertise on object oriented methodologies and three-tier client server applications.
6. Requirements engineering and requirements management.
7. Project management and project tracking.

2.2.2 Weaknesses

OSS Telecom Technology currently has weaknesses in the following areas:
1. Employee morale issues.
2. Communication/language issues between headquarters and Taiwan.
3. Version control issues among Caribou and MEDUSA product lines.

2.2.3 Opportunities

OSS Telecom Technology currently has opportunities in the following areas:
1. Internet and cable billing.
2. Application service provider billing.

2.2.4 Threats

OSS Telecom Technology potentially faces threats in the following areas:

Internal Risk Factors
1. A product road map which leads to the development of new functionalities and the enhancement of existing system modules which are in-line with customer expectations.
2. Ability of the company to attract, train, and retain qualified technical, sales, marketing, financial, and management personnel to meet the challenges of growth.
3. Attraction of adequate initial capital to jump-start the company to the next level. These funds will allow the company to hire needed resources, open regional sales offices, develop OEM/system integration relationships, and develop system enhancements and new product offerings on a more timely basis.

External Risk Factors

1. Competition in the market for telecommunications billing and customer care systems is highly competitive and the company expects this competition to increase. Not only does the company compete with other independent providers of billing systems and services, it competes with system integrators and with internal billing departments of many telecommunications carriers.

It is expected that continued growth and competition in the telecommunications industry, and the entrance of new competitors into the market, will continue.

3. Alternative pricing arrangements may be required to cultivate relationships with new market entrants, and to a lesser degree with established companies. These arrangements may call for deferred payments. However, if the company permits customers to pay for its products and services on a deferral or revenue sharing basis, the company may ultimately be unable to collect payments for such products and services.

5. International factors may cause significant risks to the company. The company’s business may be subject to unexpected changes in: regulatory requirements, tariffs and other trade barriers, costs of localizing products for foreign countries, lack of acceptance of localized products in foreign countries, longer accounts receivable
payment cycles, difficulties in managing international operations, political instability, potentially adverse tax obligations, restrictions on the repatriation of earnings and the burdens of complying with a wide variety of foreign laws and regulations.

6. Fluctuations in exchange rates between the United States dollar and foreign currencies may have a material adverse effect on the company's business, results of operations, and financial condition and could result in exchange losses. There are no assurances that any hedging techniques implemented by the company will be successful.

7. The laws of certain countries in which the company may sell its products and services do not protect the company's software and intellectual property rights. As a result, it may be possible for a third party to copy or otherwise obtain and use the company's technology without authorization, or to develop similar technology independently. If this occurs to any substantial degree to the company's business, results of operations and financial condition could be affected.

8. An integral factor in the company's growth strategy is the development of third party relationships with a number of consulting and systems integrator firms to enhance its marketing, sales, and customer support efforts.

The benefits are in respect to installation and support of its product and lead generation and assistance in the joint marketing and sales efforts in order to generate new business opportunities.

Failure to generate these relationships will have a negative impact on the company's ability to meet its targeted growth in sales.

2.3 Competition

With the increasing demand for OSS and CCB systems, many OSS/CCB software providers have entered the market. It is estimated that there are over 50 vendors for billing and customer care systems worldwide.

There is an increasing move by computer and switch vendors, system integrators, and telecom operators (e.g. IBM, Siemens, EDS, Deutsche Telekom) to develop in-house billing and OSS solutions for customers. They are formidable competitors with deep pockets, large existing customer bases, and significant influence on customer decision-making. In addition, the majority of players (both large and small) are extending product service portfolios to provide all services, i.e. Internet, mobile, cable, fixed and convergent services. OSS Telecom Technology will compete in this market by providing high-value products and services at competitive prices.

Competitor Financial Performance

The market for billing and customer care has enjoyed solid growth for the past six years. Companies that compete in this market were direct beneficiaries of this growth, as were their shareholders.

Analysis: LHS Group and Saville Systems
Although OSS Telecom Technology faces numerous competitors in the CCB market, two are worth a closer look.

LHS Group and Saville Systems are important because their historical growth and performance mirror OSS Telecom Technology’s projections. Both of these companies focus exclusively on CCB systems and related consulting services, both derive a majority of their sales from the telecommunications industry, both are active in international markets, and both have grown their revenues to $100 million plus in approximately five years.

LHS Group’s market capitalization grew at a CAGR of 201% from June 1997 to June 1998, while Saville’s market capitalization grew at a CAGR of 119% from December 1995 to June 1998. The stock market, as measured by the S&P 500 stock index, only returned a CAGR of 30% from June 1997 to June 1998 and 28% from December 1995 to June 1998.

Growth and Share

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2.4 Service Offering

This section describes OSS Telecom Technology’s different products, including Caribou, MEDUSA, PAN, and the new products in production such as the SMSC and the IN Pre-paid Calling Card platform. This section also gives an overview of the product road maps for the various products. The description also includes some of the highlights of these products which make them unique and distinct from and more advanced than similar competing products.

Description of Caribou

Subscriber Billing

The basic billing system consists of the following modules:

Traffic Processing
- Pricing: CDRs received through tape or from the mediation system are validated and then taken up for pricing using the tariff package, tariff plan, rate structure, rate
calendar, discounts structure. There are four types of pricing—flat, volume, step, and segmented.

- Reject Maintenance: CDRs with missing information are listed with reject value codes for manual processing.
- Traffic Posting: After pricing, the records are posted to the corresponding subscriber account that is used during bill generation.

Bill Generation:

Bill generation can be of three types: ad-hoc billing, warm (HOT) billing and cycle wise billing. The system can take care of multiple billing cycles and multiple billing groups.

- Pre-bill processing: This process is mainly used for calculating the recurring amount of each bill cycle.
- Final bill generation: This process starts after pre-bill processing and it calculates the total bill and its corresponding discounts for every subscriber. Other than total bill calculation, it takes care of volume pricing, flat discount, and volume discount.
- Bill Posting: Records are posted to their corresponding subscriber’s account after bill generation.
- Bill Printing: Printing can be distributed over various printers in the network. In addition, printing can be selective depending on the account and subscriber number.

1. Accounts & Payment
- Online Payment: Payment can be done over the counter, which is online.
- Offline Payment: Payment can be collected manually and it can be entered into the system collectively (in batch).
- Payment Adjustment: Adjustment can be made against accounts in case of both online and offline payment.
- Refund: System is capable of providing refunds to its customers.
- Bill Follow-up: In case of late payment, bill follow-up is necessary. System is capable of generating reminders in case of late payment.

2. Systems Administration
- User Administration: This takes care of user management and their privileges.
- Number Inventory: Manages all subscriber’s and service's number inventory.
- Subscriber Activation/Deactivation: This activity is performed through MEDUSA's service provisioning system.
- Bill Correction/Write-off: This is a supervisory function where any bill correction and write-off is taken care of.
- Master Information: All the static information is managed through this module. Usually all system parameters are maintained here.
- High Toll Alert: System is capable of generating a high toll alert report that can help to identify fraud.

3. Packaging
- This system can support the following four types of packages:
  - Primary Package: This package is mainly for basic services. It contains four types of plans: one-time, deposit, recurring, and service usage time.
  - Value-added Package: This package is designed for all value-added services like call forwarding, call waiting, busy transfer, STD, ISD etc. It contains four types of plans: one-time, deposit, recurring, and service usage.
• Free Service Package: This package is designed for free minutes or units of calls only. A particular package can be attached to the customer or a specific free service can be provided.
• Discount Package: This package is designed for discount only. A particular discount package can be attached to the customer. Discount can be two types--flat and volume.
• Marketing Plans: Each package is attached to various plans. There are five different plans:
  • One-time Charge Plan: This plan is used for one-time charges only.
  • Deposit Charge Plan: This plan is used for deposit charges only.
  • Recurring Charge Plan: This plan is used for recurring charges only.
  • Service Charge Plan: This plan is used for service charge only.
  • Long Distance (National and International) Charge Plan: This plan is used for any national and international long distance call charge.
• Rate Structures: Support for various types of rate codes and corresponding rate details.
  • Rate Calendar
  • Daily Rate Calendar: A rate calendar may be generated separately for each day of the week.
  • Holiday Rate Calendar: This rate calendar is used for holidays only.
  • Ad hoc Discount Calendar: This rate calendar is used for ad hoc discount.

4. Customer Care and Administration:

Caribou provides a single window, single view for the customer care agent (CCA) to address any activity or query pertaining to subscribers that he/she is responsible. An online customer has to go no further to address any issue related to the service. The CCA even has access to bill images and CDR history through that single window.

• Subscriber Registration: Registration is a quick and easy process, which may be performed both online as well as offline (batch). Different marketing plans are offered to a customer such as: choice of bill date, number selection choice, and other related start-of-service options. Of course, the package allows for changes in options as many times as required.
• Customer Inquiry:
  • Service (primary & value-added services);
  • Package related information;
  • Tariff related information;
  • Bill related information.
• Activation/Deactivation status
• Usage Charges:
  • Bill amount;
  • Pending/adjustment amount;
  • Credit limits information.
• Customer Complaint: Caribou recognizes that the grade of service of telecom service network draws parameters from all possible service points. To address, track and contain/minimize faults/complaints, the system provides for a sophisticated management and tracking of technical and commercial faults/complaints.
• Complaint Tracking: Recording a complaint is not sufficient. More often than not, a customer will follow-up on the complaint to inquire about the completion status. The system allows complaints to be recorded along with updating of the action initiated, thus enabling status tracking. Various reports can be generated on complaints and
actions taken. Complaint aging report can also be generated for MIS and evaluation of the quality of service of the network.

• Customer Feedback: Collection of customer feedback is essential in any service. The feedback is analyzed and action is taken to improve the quality of service.
• Emergency Service: A directory service for emergency and utility numbers and other details is provided in Caribou for better customer care for the network.

5. Specific Value-Added Features

Description of MEDUSA

The activities handled by MEDUSA are:
1. Acquisition of data from network element.
2. Validation of the data, translation into intermediate form suitable for delivery and storage of the data.
3. Delivery of the processed data to other applications according to a pre-defined format.

The system can provide various services for configuration, control, and management of the network elements including:
1. Activation of a subscriber.
2. Deactivation of a subscriber.
3. Denial of service to a subscriber.
4. Resumption of service to the subscriber.
5. Addition of value-added services, like three party conference and call forwarding, to the subscriber.

MEDUSA coordinates and controls the actions of the various network elements to which it connects, thus obviating the need to configure each concerned entity individually.

2.5 Keys to Success

In order to achieve its mission, OSS Telecom Technology has made a set of clear and distinctive strategic choices. These choices have been developed based on two key factors:

1. The OSS marketplace;
2. OSS Telecom Technology's capabilities.

These choices translate into key strategic imperatives which OSS Telecom Technology is pursuing to gain leadership in the OSS market.

Value Focus

OSS Telecom Technology will focus on Tier 3 operators, providing full featured, scalable and reliable products and service at competitive prices. The lifecycle price of OSS Telecom Technology's software products will be 20-40% below Tier 1 competitors such as LHS and Kenan, but will still possess all the features and services offered by these players. Tier 3 competitors, such as Moscom, while lower on price, will not be able to compete with the features and service OSS Telecom Technology offers.

Wireline and Wireless Product Portfolio: OSS Telecom Technology's product offering will evolve from GSM to include other wireless, fixed and Internet billing solutions. While initial products were GSM-based, OSS Telecom Technology is already broadening its product
lines to include local loop billing, and convergent billing capabilities, which are key customer requirements.

Engineering Center of Excellence: OSS Telecom Technology will continue to develop its low cost, high-quality software development and programming center in Taiwan, which provides significant cost advantages over U.S. and Europe-based competitors.

Consulting Services

OSS Telecom Technology will combine consulting services with products to develop strong customer relationships and advance its product offerings. The provision of consulting services will allow a customized, relationship-driven approach to our customers. OSS Telecom Technology will pursue those projects which can be made into products and marketed to other potential customers. OSS Telecom Technology will employ strict criteria to determine which consulting services projects it undertakes. Unless there is an opportunity to "productize" or repeat the solution being developed, the project will not be pursued.

Sales Channels: A multi-national marketing and sales team will build both direct and indirect sales channels. In order to capitalize on the opportunities in each geographic region, OSS Telecom Technology has put into place a network of on-the-ground, experienced and incentivized sales and marketing personnel. These teams will build both direct customer relationships as well as indirect channels (through systems integrators, switch manufacturers, etc.).

The indirect channel partners will give OSS Telecom Technology critical leverage. OSS Telecom Technology will allocate resources to building its partnerships with indirect sales channels. Partners such as Compaq will allow OSS Telecom Technology to gain geographic reach, credibility, and customers which would not otherwise be possible. Specific partner support programs will be put into place to ensure cultivation of these relationships.

2.6 Critical Issues

The critical issues include the following:

1. Time to market is most critical for a product's success. Product developments have to sustain a pace at, or preferably greater than, the rate of technological advances in the telecom billing arena.

2. Indirect channel partners will give OSS Telecom Technology critical leverage. Relationships with large strategic partners such as Compaq are essential to optimizing indirect sales leveraging efforts.

3. The buildout of developing countries is critical if these countries are to increase teledensity and data capacity. For telecommunications subscriber growth to continue, telecom network development needs to continue at a consistently rapid pace.

2.7 Historical Results

Historical financial data is outlined in the following table.
02 Marketing Plan Sample

Historical Data

<table>
<thead>
<tr>
<th>Variable</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Revenue</td>
<td>$350,000,000</td>
<td>$490,000,000</td>
<td>$775,000,000</td>
</tr>
<tr>
<td>Company Market Share</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Company Revenue</td>
<td>$3,500,000</td>
<td>$9,800,000</td>
<td>$23,250,000</td>
</tr>
<tr>
<td>Industry Variable Costs</td>
<td>$122,500,000</td>
<td>$171,500,000</td>
<td>$271,250,000</td>
</tr>
<tr>
<td>Company Variable Costs</td>
<td>$1,225,000</td>
<td>$3,430,000</td>
<td>$8,137,500</td>
</tr>
<tr>
<td>Industry Gross Contribution Margin</td>
<td>$227,500,000</td>
<td>$318,500,000</td>
<td>$503,750,000</td>
</tr>
<tr>
<td>Company Gross Contribution Margin</td>
<td>$2,275,000</td>
<td>$6,370,000</td>
<td>$15,112,500</td>
</tr>
<tr>
<td>Marketing Expenses</td>
<td>$350,000</td>
<td>$980,000</td>
<td>$2,325,000</td>
</tr>
<tr>
<td>Company Net Contribution Margin</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Marketing Strategy

3.0 Marketing Strategy

The following sub-topics cover the marketing strategy for OSS Telecom Technology.

3.1 Mission

Our mission is to be the provider of high value, high quality, convergent OSS solutions to telecom operators worldwide. These scalable solutions will have unparalleled support to ensure flexibility and to meet and exceed customer expectations.

3.2 Target Markets

OSS Telecom Technology has projected two primary products in its forecast:

1. Post-paid CCB systems  The total available market for CCB systems worldwide is projected to be $6.9 billion per year in 2004. The measurement of total available market is the compilation of the number of telecom operators that will replace their billing system and the number of new billing systems coming online each year. Fifty percent of all billing systems are replaced on average every four years. With over 3,500 Tier 2 and Tier 3 telephone operators currently in operation, and a projected 1,500 new Tier 2 and Tier 3 operators coming online over five years, this means that over 4,300 billing systems will be needed in the next five years.

2. The post-paid CCB systems will be sold to the number of Tier 2 and Tier 3 operators listed above, specifically, new operators and those that are choosing to replace their current system. Prepaid IN systems have a much broader market opportunity given the small penetration of Prepaid IN in Tier 2 and 3 providers. Operators in developing countries project that over 50% of all calls will eventually be prepaid, while developed
countries may reach 35%. This growth, coupled with the fact Prepaid IN is an add-on, increases the number of new systems operators will purchase.

3. Prepaid IN systems Current prepaid solutions (non-IN based) are expensive, require duplicate switch fabric and will not be built out to support such a high level of subscriber base. In addition, the operator must support intelligent networking capability to support IN functionality over the long term to maintain competitive advantage. All GSM operators currently support IN functionality, and all other operators will certainly implement IN by the year 2005. Very few of the Tier 2 and Tier 3 prepaid solutions today are IN based. This means that the entire Tier 2 and Tier 3 operator base is a potential market for Prepaid IN over the next five years, with over 5,000 operators to be in operation by the year 2005. The average price for a Prepaid IN solution will be $1.0 million for Tier 2 and 3 operators.

OSS Telecom Technology Target Customers Within OSS Telecom Technology's stated primary and secondary markets, OSS Telecom Technology has developed a "Stepped Target Market Strategy," or STMS. This strategy is based on two key elements:

1. That telecom operators have a strong desire to purchase from a vendor with installations similar to their own, and;
2. That larger CCB vendors are moving upscale to larger operators as they gain more experience and as IT resources continue to become scarce. The primary market of this type of CCB vendors is Tier 1 operators.

OSS Telecom Technology's first installation base consists primarily of GSM operators in the range of 25,000 subscribers and under. Through a stepped strategy, OSS Telecom Technology is moving in three directions:

1. Using this install base to move up to the next band of subscribers within the GSM market;
2. Leveraging GSM wireless experience to penetrate other wireless types in the same subscriber bands;
3. Working with GSM operators to provide convergent services such as cable, Internet, and wireline, and therefore gaining experience in these disciplines.

This strategy currently puts OSS Telecom Technology in the Tier 3 (less than 100,000 subscribers) market, with each step carefully planned to be sure we do not overreach. It is key to this strategy to maintain all customers as long-term partners and referenceable sites. We want to under-commit and over-deliver in each step of this strategy. By repeating this strategy, over a five-year period OSS Telecom Technology will offer a wide variety of convergent solutions to Tier 3 and then Tier 2 (100 thousand to 1 million subscribers) telecom operators.

Geographic Market The STMS strategy has been used to develop geographic markets by first developing the geographic market closest to home and expanding as one develops experience. With a large center of excellence in Asia, this was the first market to exploit. Asia and Europe are predominately GSM. As a result, moving from Asia to Europe makes perfect sense.

Latin America is expanding the installed base of GSM systems. Therefore, OSS Telecom Technology has made its first step in Latin America and will move forward from there. In addition to Asia, the U.S. and Europe were early targets for consulting services because much of the technology and new solutions are developed in these regions.
OSS Telecom Technology's target market is focused on providing OSS solutions to both Tier 3 and Tier 2 operators worldwide. The priority of issues which drive the purchase decision for Tier 3 operators is slightly different than for Tier 1 operators. Understanding these priorities is key to developing the OSS Telecom Technology value proposition within its target market.

A list of drivers is given below to compare Tier 3 priorities against Tier 1 priorities as part of the selection criteria for selecting a vendor. These priorities are important to consider to differentiate OSS Telecom Technology from Tier 1 CCB vendors.

OSS Telecom Technology's position relative to these drivers:
1. Price: OSS Telecom Technology will maintain a price that is 20% less than Tier 1 market vendors for licenses and 40% less for services. The service price is significant because it is often 50% or more of the purchase amount for many CCB vendors.
2. Features: Within the given product module, OSS Telecom Technology will offer features that meet or exceed Tier 1 vendors. OSS Telecom Technology will also maintain a robust product road map that is discussed and approved by vendors in a user group format.
3. Service Offering: While service offerings to Tier 3 operators from other CCB vendors are shrinking or too expensive, OSS Telecom Technology will offer a complete package of services at affordable prices.
4. Product Flexibility: OSS Telecom Technology will strive to maintain a lead in the ability of the operator to easily add schemes and re-configure the system. In addition, OSS Telecom Technology will maintain an open environment.
5. Scalability: OSS Telecom Technology will continue to engineer scalability into its product. This will entail commitment to multi-rating engines and porting to more robust operating systems like UNIX.
6. Vendor Experience: OSS Telecom Technology will follow a stepped strategy to be sure we under-commit and over-deliver to our customers.

This positioning strategy differentiates OSS Telecom Technology from Tier 1 CCB vendors. This leaves a number of other CCB vendors which are targeting Tier 3 vendors. The approach of these vendors is to lead with price and minimize service functionality. OSS Telecom Technology believes that most Tier 3 operators desire a full-service vendor or a partnership at an affordable price. OSS Telecom Technology intends to be that vendor.

3.3 Marketing Mix

The following sections outline the marketing mix for OSS Telecom Technology. OSS has strategically built this marketing mix to compete effectively and promote a strong value proposition in the marketplace.

3.3.1 Pricing

Our pricing strategy for products is to maintain a 30% to 40% advantage below Tier 1 CCB vendors for total installation cost which includes license fees, installation services and custom services. Coupled with our strong product road map, OSS Telecom Technology believes that this forms the core of a very strong value proposition.
Post-Warranty Customer Service Pricing

OSS Telecom Technology offers two customer service packages to meet the needs of various operator requirements:
- Extended customer service;
- 24x7 technical support desk;
- Problem solving;
- Maintenance releases;
- Onsite support;
- Business partner 2000;
- Proactive operational visits;
- Software upgrades;
- New modules within the Caribou suite.

3.3.2 Promotion
One of the key responsibilities of marketing is lead generation. The following methods are used for lead generation:

- Advertising in trade journals;
- Trade shows and conferences;
- Telemarketing;
- User group;
- Direct mailing;
- Targeted sales calls;
- Customer referrals.

3.3.3 Service

The OSS Telecom Technology business model is based on a customer excellence or customer intimacy model. OSS Telecom Technology is organized as product and consulting services groups that are guided by our marketing strategy.

Customer Excellence

OSS Telecom Technology will strive to understand the customer intimately in order to provide solutions that match their specific needs. To be successful, OSS Telecom Technology will develop long-term relationships and choose customers that share this model.

In the best-selling publication "Discipline of Market Leaders," customer excellence is defined as "specializing in satisfying unique needs." These unique needs are recognizable only by a vendor with a close relationship and intimate knowledge of the customer. For a comprehensive definition of the model for customer excellence, OSS Telecom Technology's plan includes:

- Develop long-term relationships with our customers.
- Avoid clients that do not have long-term potential.
- Steer clear of pure transactions or one-time deals.
- Do whatever it takes to please the customer.
- Educate employees to be adaptable, flexible, and multi-talented.
- Create an unmatched value proposition of best total solution for our clients.
- Search for new areas of mutual cooperation.
• To constantly improve our value model, develop a value proposition around solutions, and aggressively evolve and improve each solution.
• Develop an operating model dedicated to delivering unmatched value.

In order to develop high value solutions for our customers, OSS Telecom Technology is organized with our core development and professional service groups based in Taiwan. Our worldwide headquarters are based in Bend, Oregon, U.S.A., where marketing and executive management will lead the overall enterprise.

To ensure that OSS Telecom Technology can provide customer excellence, we will be highly decentralized, keeping decisions close to the customer. In order to accomplish this, the company has established sales, marketing and support teams in Europe, Asia, Latin America and North America.

3.3.4 Channels of Distribution

Products will be sold through direct and indirect channels. The mix is 50% direct and 50% indirect. Indirect channels include:
• System integrators;
• Computer suppliers;
• Switch vendors;
• Multi-tier operators.

OSS Telecom Technology is currently developing relationships with indirect channels including:
• Vertical Matrix;
• Compaq;
• GemPlus;
• CMG;
• Harris;
• Keppel;
• Siemens;
• IBM;
• Bellcore;
• Unysis.

Lead Development

One of the key responsibilities of marketing is lead generation. The following methods are used for lead generation:
• Advertising in trade journals;
• Trade shows and conferences;
• Telemarketing;
• User group;
• Direct mailing;
• Targeted sales calls;
• Customer referrals.
4. Financials

4.0 Financials

The market and related entry strategy mentioned earlier in this marketing plan is reflected in the assumptions used to build the financial model and corresponding pro-forma financial statements. The management of OSS Telecom Technology, Inc. believes these projections to be on the conservative side and, therefore, very attainable.

4.1 Sales Forecast

Revenues are calculated separately for each product and for maintenance and consulting services. In addition, product revenue is broken out between new sales and upgrade sales. New sales and upgrade sales are further broken down into license, installation, and customization revenue. The products included in this forecast are customer care and billing (CCB) products, prepaid IN (PPIN) product, and short messaging (SMSC) product. Pricing assumptions for licenses include a 10% discount from list for direct sales and 30% from list for indirect sales. Sales are forecast at 50% direct and 50% indirect resulting in a weighted average discount of 20%. Pricing for licenses stays constant over the five year period. OSS Telecom Technology does not increase license pricing while significantly increasing feature set to maintain competitive pricing advantage over the five-year period.
Sales Monthly

Sales Forecast

<table>
<thead>
<tr>
<th></th>
<th>FY 2004</th>
<th>FY 2005</th>
<th>FY 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCB (Unicorn &amp; MEDUSA combined)</td>
<td>$13,432,825</td>
<td>$19,857,900</td>
<td>$30,434,900</td>
</tr>
<tr>
<td>Pre-paid IN</td>
<td>$3,715,905</td>
<td>$7,136,300</td>
<td>$10,317,800</td>
</tr>
<tr>
<td>Total Sales</td>
<td>$17,148,730</td>
<td>$26,994,200</td>
<td>$40,752,700</td>
</tr>
</tbody>
</table>

Direct Cost of Sales

<table>
<thead>
<tr>
<th></th>
<th>FY 2004</th>
<th>FY 2005</th>
<th>FY 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCB (Unicorn &amp; MEDUSA combined)</td>
<td>$1,679,105</td>
<td>$2,482,238</td>
<td>$3,804,363</td>
</tr>
<tr>
<td>Pre-paid IN</td>
<td>$464,488</td>
<td>$892,038</td>
<td>$1,289,725</td>
</tr>
<tr>
<td>Subtotal Direct Cost of Sales</td>
<td>$2,143,593</td>
<td>$3,374,276</td>
<td>$5,094,088</td>
</tr>
</tbody>
</table>
4.2 Expense Forecast

Presented here are the individual line items for OSS Telecom Technology Taiwan and OSS Telecom Technology as well as a consolidated summary of all company expenses.

**Monthly Expense Budget**

<table>
<thead>
<tr>
<th></th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advertising/Promotion</strong></td>
<td>$0</td>
<td>$0</td>
<td>$50,000</td>
<td>$946,800</td>
<td>$1,098,000</td>
<td>$1,185,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$3,060,000</td>
<td>$3,186,000</td>
<td>$3,297,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Sales and Marketing Expenses</strong></td>
<td>$40,060,800</td>
<td>$4,284,000</td>
<td>$4,482,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2004</th>
<th>FY 2005</th>
<th>FY 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advertising/Promotion</strong></td>
<td>$946,800</td>
<td>$1,098,000</td>
<td>$1,185,000</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>$3,060,000</td>
<td>$3,186,000</td>
<td>$3,297,000</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Sales and Marketing Expenses</strong></td>
<td>$4,006,800</td>
<td>$4,284,000</td>
<td>$4,482,000</td>
</tr>
<tr>
<td><strong>Percent of Sales</strong></td>
<td>23.36%</td>
<td>15.87%</td>
<td>11.00%</td>
</tr>
</tbody>
</table>
4.3 Linking Expenses to Strategy and Tactics

The following chart illustrates the relationship between sales and relevant expense categories aligned with our marketing strategy.

Sales vs. Expenses Monthly
4.4 Contribution Margins

The following table presents the results of OSS Telecom Technology on an EBIT (earnings before interest and taxes) basis for the period FY 2004 through FY 2006. As the table demonstrates, the development of a worldwide sales and marketing team, continued product development, and the establishment of worldwide headquarters causes the company to be in a negative position in its early years.

<table>
<thead>
<tr>
<th>Contribution Margin</th>
<th>FY 2004</th>
<th>FY 2005</th>
<th>FY 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$17,148,730</td>
<td>$26,994,200</td>
<td>$40,752,700</td>
</tr>
<tr>
<td>Direct Cost of Sales</td>
<td>$2,143,593</td>
<td>$3,374,276</td>
<td>$5,094,088</td>
</tr>
<tr>
<td>Other Variable Costs of Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Cost of Sales</td>
<td>$2,143,593</td>
<td>$3,374,276</td>
<td>$5,094,088</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$15,005,137</td>
<td>$23,619,924</td>
<td>$35,658,612</td>
</tr>
<tr>
<td>Gross Margin %</td>
<td>87.50%</td>
<td>87.50%</td>
<td>87.50%</td>
</tr>
<tr>
<td>Marketing Expense Budget</td>
<td>FY 2004</td>
<td>FY 2005</td>
<td>FY 2006</td>
</tr>
<tr>
<td>Advertising/Promotion</td>
<td>$946,800</td>
<td>$1,098,000</td>
<td>$1,185,000</td>
</tr>
<tr>
<td>Travel</td>
<td>$3,060,000</td>
<td>$3,186,000</td>
<td>$3,297,000</td>
</tr>
<tr>
<td>Other</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Sales and Marketing Expenses</td>
<td>$4,006,800</td>
<td>$4,284,000</td>
<td>$4,482,000</td>
</tr>
<tr>
<td>Percent of Sales</td>
<td>23.36%</td>
<td>15.87%</td>
<td>11.00%</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>$10,998,337</td>
<td>$19,335,924</td>
<td>$31,176,612</td>
</tr>
<tr>
<td>Contribution Margin / Sales</td>
<td>64.13%</td>
<td>71.63%</td>
<td>76.5%</td>
</tr>
</tbody>
</table>

5. Controls

5.0 Controls

The controls put into place to ensure the successful execution of our marketing strategy have been placed into the ownership of our marketing organization. The next section provides a detailed description of our marketing organization.
5.1 Marketing Organization

Sales and marketing is a decentralized organization locating our professional staff close to our customers' operations to ensure customer knowledge intimacy at all times. The primary functions are:

- Direct sales;
- Channel management;
- Marketing;
- Product management;
- Account management;
- Program management;
- Proposals and contract development.

Sales, marketing, and product & program management have executives located in OSS Telecom Technology headquarters in Bend, Oregon and are responsible for the overall management, strategic sales, marketing, and product direction of the company. The majority of sales, marketing, and technical support staff are located in specific regions around the world.

OSS Telecom Technology embraces a team-selling methodology with responsibilities and processes defined for efficient operation. The sales and marketing teams are staffed with professionals that have substantial experience in selling and marketing hardware, software, and solutions in the global telecommunications market. Regional organizations are responsible for definition of the sales and marketing strategies and plans for their respective territories. Each region also provides significant input and review of the corporate strategic sales, marketing, and product direction.

Business Development

The scope of business development at OSS Telecom Technology is to focus on strategic markets, accounts, alliances, channel development, mergers and acquisitions. This is a strategic role and is not tied to the sales quotas for the regions. The results from the business development efforts are measured over a two to five year horizon and should cover a revenue base that is, in order magnitude, higher than a typical per account revenue.