

LEGAL RISK ASSESSMENT REPORT

Sample / Educational Use Only

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| Company | Pinnacle Commerce LLC (Fictitious) |
| Industry | E-Commerce / Direct-to-Consumer Retail |
| Prepared by | Internal Legal & Compliance Team |
| Assessment date | May 21, 2026 |
| Review period | FY 2026 Q1–Q2 |
| Classification | Internal — Confidential |

Executive Summary

This report summarizes the legal risk profile of Pinnacle Commerce LLC for the period ending May 2026. The assessment identified **12 discrete legal risks** across five categories: contract management, employment compliance, data privacy, intellectual property, and consumer protection. Of these, **3 are rated High**, **6 are rated Medium**, and **3 are rated Low**. Immediate action is recommended on the three high-rated risks.

| Risk Category | High | Medium | Low | Total |
|-----------------------|----------|----------|----------|-----------|
| Contract Management | 1 | 2 | 0 | 3 |
| Employment Compliance | 1 | 2 | 1 | 4 |
| Data Privacy | 1 | 1 | 1 | 3 |
| Intellectual Property | 0 | 1 | 1 | 2 |
| Consumer Protection | 0 | 0 | 0 | 0 |
| TOTAL | 3 | 6 | 3 | 12 |

Risk Register — Detailed Findings

| CR-01 — Contract | | HIGH |
|-----------------------------|--|------|
| Finding: | Vendor MSA with primary 3PL supplier contains uncapped indemnification — company bears unlimited liability for sup | |
| Likelihood / Impact: | Medium / High | |
| Recommendation: | Renegotiate indemnification cap to 2x annual fees. Engage outside counsel within 30 days. | |

CR-02 — Contract **MEDIUM**

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| Finding: | Three customer contracts lack governing law clauses, creating forum-shopping exposure in disputes. |
| Likelihood / Impact: | Low / Medium |
| Recommendation: | Add standard governing law / arbitration clause to all new agreements. Amend open contracts at next renewal. |

CR-03 — Contract **MEDIUM**

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| Finding: | Auto-renewal clause in SaaS procurement contract not flagged — \$84,000 renewal triggered without board approval. |
| Likelihood / Impact: | High / Medium |
| Recommendation: | Implement contract management calendar with 90-day renewal alerts. Audit all active SaaS contracts. |

EMP-01 — Employment **HIGH**

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| Finding: | Two remote workers in California not receiving required meal/rest break premiums per CA Labor Code § 226.7. |
| Likelihood / Impact: | High / High |
| Recommendation: | Immediately adjust payroll practices. Consult California employment counsel re: back pay exposure. |

EMP-02 — Employment **MEDIUM**

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| Finding: | Non-compete agreements used in three states (CA, MN, ND) where they are unenforceable by statute. |
| Likelihood / Impact: | Medium / Medium |
| Recommendation: | Replace unenforceable non-competes with narrowly tailored non-solicitation agreements. |

EMP-03 — Employment **LOW**

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| Finding: | Employee handbook last updated in 2023 — does not reflect FTC non-compete rule or recent state paid leave expansions. |
| Likelihood / Impact: | Medium / Low |
| Recommendation: | Update handbook by Q3 2026. Distribute updated version to all employees with signed acknowledgment. |

DP-01 — Data Privacy **HIGH**

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|-----------------------------|---|
| Finding: | Company transfers EU customer data to U.S. analytics vendor without a current DPA or SCCs under GDPR Chapter V. |
| Likelihood / Impact: | High / High |
| Recommendation: | Execute GDPR-compliant DPA with analytics vendor immediately. Consult EU privacy counsel. |

DP-02 — Data Privacy **MEDIUM**

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| Finding: | CCPA opt-out link on website routes to an unmonitored inbox — requests not processed within statutory 15-day window. |
| Likelihood / Impact: | Medium / Medium |
| Recommendation: | Implement automated CCPA opt-out workflow. Conduct test submission and confirm processing time. |

DP-03 — Data Privacy **LOW**

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| Finding: | Privacy policy does not disclose use of session replay tools (FullStory) that capture user keystrokes. |
| Likelihood / Impact: | Low / Low |
| Recommendation: | Update privacy policy to disclose session replay technology and purpose. Add cookie consent banner. |

IP-01 — IP **MEDIUM**

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| Finding: | Product photography used in social media campaigns obtained from a stock library — license covers web use only, not print. |
| Likelihood / Impact: | Medium / Medium |
| Recommendation: | Audit all licensed images in active ad campaigns. Upgrade licenses or replace images within 14 days. |

IP-02 — IP **LOW**

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| Finding: | 'Pinnacle' trademark not registered in EU despite 12% of sales coming from Germany and France. |
| Likelihood / Impact: | Low / Medium |
| Recommendation: | File EU trademark application (EUIPO) for core brand mark. Budget: approx. €850. |

Methodology & Scope

This assessment was conducted using document review (contracts, HR policies, privacy notices), interviews with department leads, and comparison against applicable federal and state regulatory frameworks. Risk ratings reflect a 2x2 matrix of likelihood (Low/Medium/High) and potential impact (Low/Medium/High). Risks rated High on both dimensions are classified as HIGH priority. This report does not constitute legal advice.

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