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CONTRACT RISK MANAGEMENT

Well-written Contract Templates and Master Service Agreements are strong risk management tools governing the relationship between buyers and sellers.

CONTRACT RELEASES NOT IN ACCORDANCE WITH MASTER CONTRACT DOCUMENTS CAN SIGNIFICANTLY INCREASE BUYER RISK

All the safeguards in the Contract Templates and Master Service Agreements are negated by a poorly written release that is intended to be governed by the Contract Template or Master Service Agreement

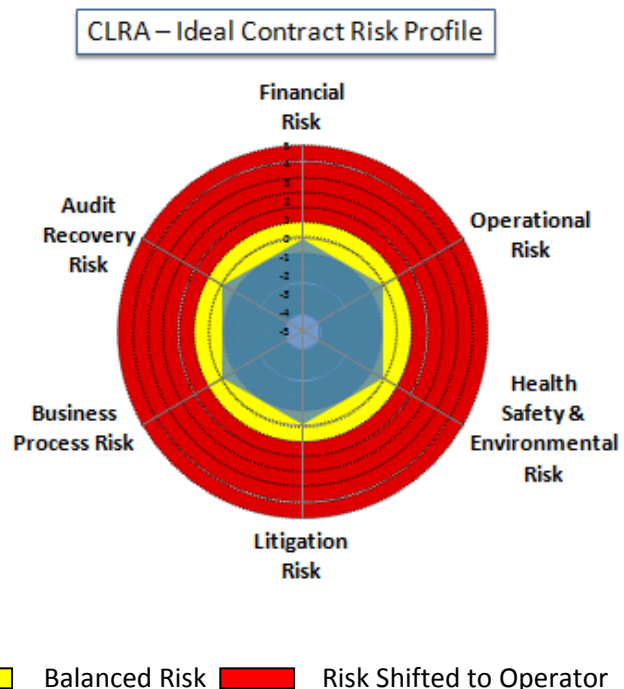
DO YOU KNOW WHAT YOU DON'T KNOW?

Contract Language Risk Assessments and Risk Profiles have demonstrated to buyers the exposure level they have and identified opportunities to close the gaps between where buyers thought they were and where they actually are

Contract Risk Management

A Contract is a risk management document that governs the relationship between buyers and sellers and determines what risks each party has assumed under the terms of the contract. From our work conducting hundreds of Contract Language Risk Assessments (CLRA), we have identified that companies that have moved to standardized Contract Templates and Master Service Agreements have substantially less contracting risk than companies that have not.

The ideal contract Risk Profile is an equal sharing of risk in each of the six areas shown below.

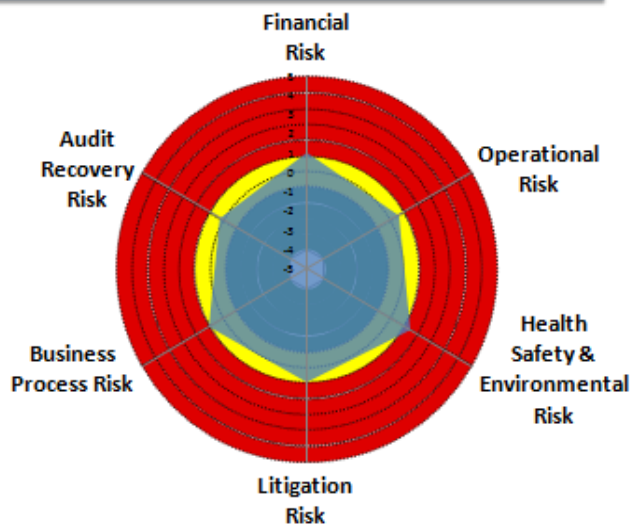




A composite of the standard Contract Template Risk Profiles across the sector of companies with established Contract Templates and Master Service Agreements shows that the operating companies—for business reasons—have taken on more risk than what would be ideal. Some examples that caused this shift in risk were:

- *Right to Audit* clause does not include/feature best practice language
- Definition(s) of costs are vague and subject to broad interpretation
- Lack of clear delineation of each party’s responsibilities in several key sections of the Contract Templates and Master Service Agreements

CLRA – Composite of Companies with Established Templates and Master Agreements



While this composite Risk Profile shows only a slight shift in risk to the operating companies, there was a significant shift in risk when factoring in the releases of Scopes of Work (SOW) or Purchase Orders (PO) against these Contract Templates and Master Agreements, which in many cases greatly increased the exposure of the operating companies.

“Operating Companies, for Business Reasons, have Accepted More Risk than what would be Ideal”

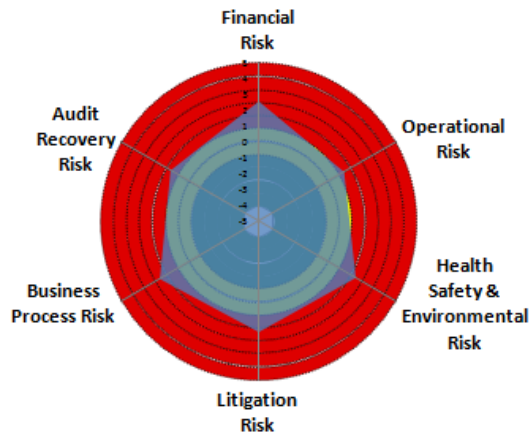


“Streamlining Work Flow Processes (i.e. field releases against Contract Templates and Master Agreements) can Increase Contracting Risk Significantly.”

Contract Releases Significantly Increased Operator’s Risk Profile

The composite Risk Profile changed significantly when the release documents were included in the CLRA. The SOW or PO release against a standard Contract Template or Master Agreement greatly increased the operator’s risk, because there was a transfer of risk to the operators in the SOW or PO document.

CLRA – Composite Incorporating Release Documents



The main causes of this shift/transfer of risk were:

- Documents used to release the work incorporated terms and conditions that differed from or were in direct conflict with those in the Contract Template or Master Service Agreement.
- Contractors substituted their own pricing documents, effectively changing the contract pricing structure from that of the Contract Template or Master Service Agreement.
- Contractors took exception to the Contract Template or Master Service Agreement terms and conditions that were accepted in the release document



“A Transfer of Risk occurs every time a Contract, Purchase Order or Release against a Contract Template or Master Service Agreement is issued.”

What Don't You Know?

A Transfer of Risk occurs every time a Contract, Purchase Order or Release against a Contract Template or Master Service Agreement is issued. Not knowing if the terms and conditions of your standard Contract Templates were abrogated through a release document can have a serious impact on the finances and operations of your enterprise.

Only through periodic risk assessments can you know the level of risk that may have been transferred back to your company.

Performance Improvement

Revenew's Performance Improvement Team is well qualified to help you to "Know What You Don't Know." Our staff of Subject Matter Experts averages over 20 years of experience in contracting and auditing in the Energy, Oil and Gas and Industrial sectors. Through our CLRA process, they not only assess the risk, but they can help to mitigate the risk through stronger contract language recommendations and workshops that quickly transfer the knowledge to your staff.



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