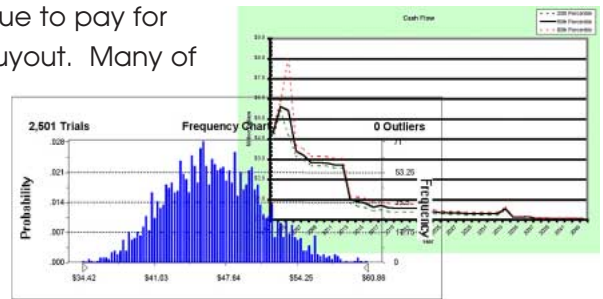


Buyout of Joint Venture Agreement

One of our clients was party to a joint venture agreement buyout. The joint venture consisted of several thousand properties with varying degrees of co-mingled environmental cleanup liability. The properties consisted of both stranded assets and operating facilities located throughout the United States.

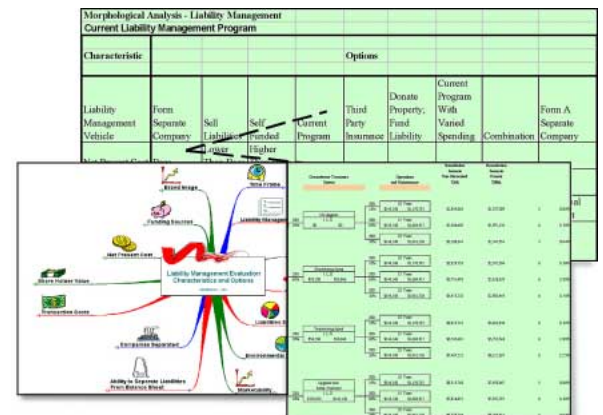
The Challenge

No clear language was outlined in the joint venture agreement allocating environmental cleanup liability. Additionally, there was no operating revenue to pay for sites that would not be incorporated into the joint venture buyout. Many of the sites have been in operation for over 75 years. The challenge was to quantify the total potential current and future environmental cleanup liability including demolition and offsite liability and identify alternatives to minimize and eliminate future risk for the company. The client had one month to report to senior management.



The Solution

Our staff were retained to help develop a business process to consistently quantify risk, determine probability of occurrence, and evaluate alternative risk minimization and transfer alternatives. We worked with our client to determine and agree on the assumptions and ground rules for the analyses, used innovative tools (i.e., Mindmapping, Morphological Analysis, probability analysis, and Crystal Ball analysis) to create the business process, used a variable cost estimating model to quantify the liabilities, and identified and evaluated three degrees of risk transfer to manage the liabilities.



The Result

Our client successfully completed the evaluation process in less than a month and was able to use the information to negotiate more favorable terms in the deal. We were able to help develop several alternatives that combined risk minimization and transfer techniques that our client and their senior management were confident would reduce liability, provide a positive cost/benefit result, and demonstrate a positive return on the risk management investment.

