A WORKSHOP IN CONTRACTING FOR MEASURABLE PRODUCTIVITY

Write the Banker's Contract

Turn a confident AI productivity forecast into a fair, measurable agreement a banker could place in front of a small-business owner.

90 MINUTES	STUDENT TEAM	FINAL PACKAGE
Draft, red-team, revise	Product + legal + underwriting	Agreement + benefits exhibit

Educational use only. This packet is not legal, financial, accounting, or regulatory advice and is not a form contract. Real transactions require qualified counsel and project-specific review.

01 / THE CASE

Harbor & Pine Supply

A family-owned coastal building-supply company has a real inventory problem, a persuasive bank proposal, and enough uncertainty to make the contract matter.

BUSINESS Two locations, 28 employees, seasonal demand, and $8.4 million in annual revenue.	**BASELINE CLAIM** $2.2 million average inventory; $484,000 carrying cost; $146,000 in write-downs and emergency freight.
INTERVENTION Custom forecasting, purchasing, and transfer software; barcode cleanup; workflow redesign; training; twelve months of monitoring.	**FORECAST** $360,000 in first-year benefit without increasing stockouts or degrading service.
ECONOMICS No upfront fee. The bank funds $110,000 and receives 30% of audited attributable benefit for two years, capped at $240,000.	**COMPLICATIONS** A hurricane, new competitor, supplier changes, or third location could make the historical baseline misleading.

OWNER CONCERNS

Loss of control; employee surveillance; security; unclear savings math; dependence on the bank's software; and the fear that the purchasing manager's tacit knowledge will be ignored.

Write the business bargain in one paragraph

02 / THE BENEFITS STATEMENT

Name the proposed output

The benefits exhibit connects the operating intervention, the payment formula, and the professional-services firm's internal productivity ledger.

MEASURE	AGREED DEFINITION	SOURCE / OWNER
Average inventory		
Carrying cost		
Write-downs		
Emergency freight		
Stockout guardrail		
Service guardrail		

CONTRACTED BENEFIT OUTPUT

ATTRIBUTION FORMULA AND NORMALIZING ADJUSTMENTS

MEASUREMENT START, END, AND AUDIT DATES

03 / REQUIRED PROVISIONS

Draft the measurable core

For each provision, write the decision first. Legal language comes after the economics, evidence, and responsibility are clear.

1. Baseline	Source systems, historical period, accounting treatment, anomalies, and the signer who validates the present condition.
DRAFTING TEST	Can an independent auditor reconstruct it from signing-date records?

2. Intervention	System, cleanup, workflow change, training, monitoring, acceptance testing, support, and completion date.
DRAFTING TEST	Can both sides tell whether the bank delivered?

3. Contracted benefit	Magnitude, period, conditions, and whether the number is a forecast, target, minimum guarantee, or cap.
DRAFTING TEST	Did the draft accidentally turn an estimate into a warranty?

4. Measurement period	Start date, full-implementation trigger, partial months, delay, and second-year mechanics.
DRAFTING TEST	Is there one unambiguous clock?

5. Attribution	Counterfactual, sales volume, inflation, supplier terms, new locations, hurricanes, and product-mix changes.
DRAFTING TEST	Could the bank be paid for a store closure?

6. Guardrails	Stockouts, service, safety, security, privacy, employees, and business continuity.
DRAFTING TEST	Can savings make the business worse elsewhere?

04 / REQUIRED PROVISIONS

Allocate performance and risk

7. Bank obligations	Funding, personnel, delivery, security, training, support, defect correction, reporting, insurance, and records.
DRAFTING TEST	Which failure belongs to the bank?

8. Client covenants	Data access, designated people, implementation, accurate records, continued use, and notice of material change.
DRAFTING TEST	Are duties specific without giving the bank control?

9. Risk allocation	Model error, poor data, cyber events, third parties, force majeure, misconduct, and liability limits.
DRAFTING TEST	Does risk sit with the party able to control, price, or insure it?

10. Audit and records	Schedules, support, access, confidentiality, retention, independent review, and cost allocation.
DRAFTING TEST	Can either side challenge the number without exposing unrelated data?

11. Payment	Percentage, term, cap, owner-retained threshold, invoice timing, holdback, tax, setoff, and shortfall.
DRAFTING TEST	Can payment be calculated from the agreement alone?

12. Disputes	Operating escalation, executive review, accounting determination, mediation, and selected forum.
DRAFTING TEST	Is a small formula dispute kept out of full litigation?

13. Consent, data, exit	Permitted use, minimization, AI training limits, subcontractors, deletion, portability, transition, and termination.
DRAFTING TEST	Can the owner leave with the business records and a maintainable system?

05 / PAYMENT WATERFALL

Make the bargain calculable

Use the worksheet to show who receives each dollar of audited attributable benefit. Include the owner's protected share, the bank's participation, caps, holdbacks, and the treatment of a guardrail failure.

STEP	FORMULA	AMOUNT
1. Audited attributable benefit		
2. Less owner-retained threshold		
3. Eligible participation base		
4. Bank share at 30%		
5. Apply annual / lifetime cap		
6. Apply audit holdback		
7. Final amount due		

PAYMENT EXPLANATION FOR THE OWNER

06 / RED TEAM

Try to break the agreement

Half the class represents the owner. Half represents the bank. Find the path by which the other side could receive the benefit of the bargain without honoring its risk.

OWNER TEAM	BANK TEAM
Make the bank earn payment for a benefit it did not create.	Let the owner avoid payment after receiving the benefit.
Shift system failure, security harm, or model error to the client.	Withhold implementation, distort records, or move the benefit elsewhere.
Retain excessive data or trap the owner in unmaintainable software.	Force the bank to guarantee outcomes outside its control.

THREE TERMS MOST LIKELY TO PRODUCE UNFAIRNESS OR LITIGATION

07 / SUBMISSION

The package and rubric

01	Five-page plain-language Productivity Participation Agreement
02	One-page Contracted Benefits Statement
03	One-page risk memo naming the three most dangerous terms
04	A 90-second answer to: What exactly am I promising?

5	5	5	5
MEASUREMENT Reconstructable baseline and formula	FAIRNESS Balanced control and risk	OPERABILITY Clear duties and timelines	CLARITY Owner can explain the bargain

The machine can propose the system. The institution must decide what it is willing to promise.

Series: The Productivity Bank by John Rector