

Can I Resign From My Job For “Good Reason”?



Some executive contracts contain a provision that allows the executive to resign from the job for “Good Reason”. Contracts that contain a “Good Reason” provision for resignation will also contain a definition of what constitutes good reason.

The definition of Good Reason may include some or all of the following:

- (a) a change in Control;
- (b) a material diminution of the executive’s job responsibilities;
- (c) a change in reporting structure
- (d) a material reduction in the executive’s compensation
- (e) a material breach in any of the terms in the executive’s employment agreement;

If an executive resigns for “Good Reason” the contract generally requires the executive to provide written notice of the resignation for Good Reason as well as the specific reason the executive is resigning for “Good Reason”. Most executive contracts then allow the company a set period of time to “cure” the “Good Reason”. This may be 10, 20, 30 or even 60 days. If the company cannot cure or chooses not to cure the “Good Reason” then the executive’s termination/resignation for “Good Reason” moves forward.

Many “Good Reason” provisions are also tied to a severance component for the executive.

In negotiating executive contracts, it is important to ensure that the terms specific to the employee's employment are set forth within, including, among others: the employee's title; reporting structure; office location; a specific definition of "Good Reason"; any severance or payments the executive would be offered for resignation for "Good Reason"; and whether the employee's non-compete/non-solicitation provisions will continue if there is a resignation for "Good Reason".

Contact Sheree@DonathLaw.com to schedule a consultation to review or negotiate the terms of an executive employment agreement or to obtain assistance in resigning for "Good Reason" under your contract.