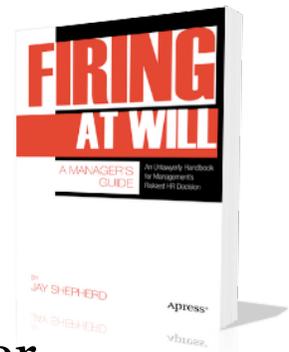


from *Firing at Will: A Manager's Guide* by Jay Shepherd.
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Sample Severance-Agreement Letter

In Chapter 6, we talked about the actual mechanics of firing an employee. One important consideration is whether to give severance pay. It's often a good idea because it can help soften the blow.

Ideally, when you give an employee severance pay, you in return get a promise not to sue from the employee (a waiver and release). The tricky thing is this: there are laws that govern what must be included in a waiver for it to be enforceable. You want to make sure you follow those laws; there is nothing worse than paying severance in exchange for a waiver and release and then finding out that it was invalid. On the other hand, you don't want to make the waiver seem so lawyerly that it scares the employee from signing it.

Here's a sample from my practice. It was written for a Massachusetts employee who was under the age of 40. Releases for employees aged 40 and over have additional required language. Your state may also require different language. Don't use this letter; have your employment lawyer draft one. (But this can serve as stylistic model.)

Dear Betty,

As we have discussed, your employment with Prancing Pixel ends today. To ease the transition, we would like to offer you the severance package described in this letter. Please read this letter carefully, as it explains the terms of your benefits under this severance agreement.

Under the severance package being offered to you, you will receive the equivalent of four weeks' salary less tax withholdings and other appropriate deductions. The severance pay will be paid as part of Prancing Pixel's regular payroll cycle.

If you are enrolled in Prancing Pixel's medical and dental plans today, you may continue your participation in those plans under the Massachusetts mini-COBRA law, which we will provide you information about. Otherwise, your participation in all employee-benefit plans of Prancing Pixel will end as of today, under the terms of those plans.

In return for the severance benefits described above, you release and forever discharge Prancing Pixel, its subsidiaries or related companies, officers, directors, members, employees, and agents from any claims known or unknown that arise on or before the date you sign this agreement. These claims include wrongful discharge, breach of contract, and any claims under the Civil Rights

Acts, the Massachusetts Fair Employment Practices Act, the Americans with Disabilities Act, the Employee Retirement Income Security Act, and any other federal, state, or local legislation or common law relating to employment or discrimination in employment. But this release does not include your right to enforce the terms of this agreement, nor does it have any effect on your eligibility for unemployment or workers'-compensation benefits. Prancing Pixel will not contest your application for unemployment benefits.

By signing this letter, you are saying that you have not filed any lawsuits, claims, or charges against us in any court or with any administrative agency.

It is important to keep the terms of this agreement confidential, and you agree to do so. But you may discuss it with your immediate family and your legal and financial advisors as long as they also keep the terms confidential.

As you know, we need to be able to protect our confidential information and our important client and business relationships. You agree not to disclose or use any confidential or proprietary information or trade secrets.

If you have any Prancing Pixel property, you agree to return it today. If you discover any other Prancing Pixel property in your possession after today, you agree to immediately return it as well. This includes all documents, materials, and information related to Prancing Pixel's business and all keys, access cards, and all other property of Prancing Pixel in your possession. By signing this, you are affirming that you have not kept any copy of any Prancing Pixel documents, materials, or information (whether in hard copy, on electronic media, or otherwise).

This agreement and general release will be governed by Massachusetts law without regard to conflict-of-laws principles. If a court rules that any of its provisions are invalid, the rest of this agreement will not be affected. Any action relating to this agreement may be brought only in a court in Massachusetts, and both parties consent to personal jurisdiction in Massachusetts.

If you choose not to sign this agreement, it will be void in all respects and you will not receive the severance benefits discussed above. Your employment by Prancing Pixel will nonetheless have terminated as of today. If this agreement is acceptable to you, please sign the enclosed copy and return it to me. You may take up to seven days from today (until November 5, 2010) to consider, sign, and return this agreement. You and Prancing Pixel agree that any changes to this offer, whether material or not, that you and Prancing Pixel agree to in writing after this seven-day period has begun will not serve to restart the seven-day period. We advise you to consult with an attorney before signing the agreement.

This agreement contains the entire understanding between you and Prancing Pixel and replaces any earlier agreements, oral or written, relating to your employment by Prancing Pixel or the termination of your employment, except any written agreements between you and Prancing Pixel regarding confidential information. This agreement may not be modified except in writing, signed by both parties. This agreement will be binding upon your heirs and personal representatives, and the successors and assigns of Prancing Pixel.

Betty, please accept our sincere best wishes for your future.

Very truly yours,

Millard Fillmore

President

Accepted and Agreed:

Betty Dole

Date Signed and Returned