

## Essential Exit Management Clauses in Contracts

Including clauses in a contract that specifically address exit management is crucial for ensuring a clear and orderly process in the event of contract termination or expiration. Here are key clauses that should be included to cover future exit management:

### 1. Termination Clause:



This clause outlines the conditions under which either party can terminate the contract, including for cause (e.g., breach of contract), without cause (e.g., termination for convenience), or merely upon expiration of the term. It should specify notice periods, termination procedures, and any associated penalties or liabilities. There may also be a need to distinguish between termination of a master agreement (MSA) vs. termination of orders or SOWs under the MSA and what happens in each scenario with respect to obligations, claims, early termination charges, etc.

### 2. Exit Plan Requirement:

Require the development and agreement of an exit plan as a condition of contract execution. This plan should detail the steps and responsibilities of each party for transitioning out of the contract, including the transfer of assets, confidential information, and data.



### 3. Transition Services:



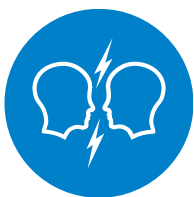
Specify any transition services that may be required to facilitate the orderly transfer of operations from one party to another, including the transfer to a substitute supplier that the customer may be moving to. This could include provisions for ongoing support, knowledge transfer, or temporary access to facilities or systems.

### 4. Data and Asset Ownership:

Clarify ownership rights and responsibilities regarding data, intellectual property, and assets developed or acquired during the contract term. Define the process for transferring ownership or licensing rights upon contract termination or expiration.



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### 5. Dispute Resolution:

Ensure that any dispute resolution processes that applied during the term of the contract will survive and apply during any exit management process. In addition, if the termination was for cause, the dispute resolution process must be followed for breach claims that gave rise to the termination. The terminating party should be mindful of any contractual time limits, if any, of when a damages claim can be made following the breach.

### 6. Confidentiality and Non-Disclosure:

Maintain confidentiality obligations beyond contract termination to protect sensitive information shared during the course of the contract. Require parties to return or destroy confidential information upon termination (except as may be required for archival and legal purposes) and prohibit unauthorized disclosure.



### 7. Continuity of Service:

Address continuity of service obligations, particularly in contracts involving critical services or infrastructure. Specify transition timelines, service level requirements, and penalties for failure to maintain service continuity during the exit process.

### 8. Financial Settlement:

Define the process for settling outstanding financial obligations, including payments, reimbursements, and penalties. Specify any post-termination fees, liabilities, or obligations that may apply.



### 9. Survival Clauses:

Identify provisions that will survive contract termination, such as confidentiality obligations, indemnification clauses, and warranties. Alternatively, it may be appropriate to just state that any clauses that by their nature should survive termination shall so survive.

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### 10. Notice Requirements:

Establish clear notice requirements for initiating the exit management process, including the timeframe and method of providing notice to the other party. Ensure compliance with notice provisions to avoid disputes over timing or sufficiency of notice.



### 11. Amendment and Modification:

Given that relationships change over time, review the termination-related clauses prior to termination (if planned in advance) to ensure that exit management procedures are up to date and properly reflect the current state of the relationship.

### 12. Non-solicitation:

If the contract has a non-solicitation clause, determine how long it remains in force following termination so that proper safeguards can be put in place to ensure against any breach of those obligations for the specified period.



By including these clauses in a contract, parties can effectively plan for and manage the exit process, minimizing disruptions and potential conflicts while ensuring a smooth transition out of the contract relationship.

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