

When the Smooth CEO Exit Gets Bumpy

“Recent press reports have highlighted the difficulties faced by companies that discover evidence of misconduct only after an executive has exited and received severance,” writes Martin Luff in *Vinson & Elkins’ Insights*.

“When it comes time to exit a CEO or other senior executive due to that individual’s bad behavior, there is often a strong (and understandable) desire of the board of directors to handle it as quickly as possible and with the least amount of drama and publicity. But this can sometimes mean that not all the facts have come to light at the time of termination – and if the decision has been made to terminate without cause, the executive may have already received generous severance benefits on the way out the door.”

What happens if subsequently more evidence comes out that, had the board known this earlier, it would have terminated for ‘cause,’ with no severance payment? The options available to the board may depend on what’s in the relevant agreements.”

Read the article.