

[Date]

[Client Name]

[Client Address]

[City, State, Zip Code]

RE: Advisory Regarding Termination Clauses and Renewal Conditions in [Contract Name/Reference Number]

Dear [Client Name],

I have completed a preliminary review of the proposed agreement. This letter serves to formally advise you of several "red flag" provisions identified within the termination and renewal sections that may pose a significant risk to your operations and financial flexibility.

1. Automatic Renewal (Evergreen Clause)

The agreement contains a clause that automatically renews the contract for a term of [Duration] unless written notice is provided at least [Number] days prior to the expiration date. This creates a risk of being locked into a long-term commitment if the notice window is missed.

2. Lack of Termination for Convenience

The current draft does not allow you to terminate the contract without cause. You are only permitted to terminate in the event of a material breach by the other party. We recommend negotiating a "Termination for Convenience" clause with a [Number]-day notice period.

3. Excessive Termination Fees

Section [Number] stipulates high liquidated damages or early termination fees. These penalties may be disproportionate to the actual loss suffered by the provider and function as an unlawful penalty.

4. Unilateral Renewal Rights

The contract grants the other party the sole right to renew the agreement or adjust pricing at the time of renewal without your prior consent. This creates uncertainty regarding future costs.

5. Post-Termination Obligations

There are overly broad restrictive covenants (such as non-compete or non-solicitation clauses) that remain in effect long after the contract ends. Additionally, the requirements for returning data or intellectual property are currently vague.

Recommendations:

I strongly advise that we request revisions to these sections to include mutual termination rights, clear notice requirements, and a cap on any applicable exit fees. We should ensure that you retain the power to opt out of renewals manually rather than automatically.

Please let me know how you would like to proceed with negotiations regarding these specific points.

Sincerely,

[Your Name]

[Your Title]

[Your Organization]