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## CVCA VENTURE CAPITAL MODEL TRANSACTION DOCUMENTS

### INDEMNIFICATION AGREEMENT

#### *Preliminary Notes*

This document is based on the NVCA document of the same name. The CVCA gratefully acknowledges the NVCA for granting permission to use this document in Canada.

A blackline of this document to the NVCA document and a Conversion Guide describing the general drafting changes that have been made are also available from the CVCA website.

The Canadian version of this document was created by the CVCA Venture Capital Model Transaction Documents Working Group comprised of Gary Solway of Bennett Jones LLP (Chair), Sophia Maizel of HarbourVest (Vice Chair), Mireille Fontaine of BCF, Ed Vandenberg of Osler, Hoskin & Harcourt LLP, Pascal de Guise of Blake, Cassels & Graydon LLP, Brian Lenihan of Choate Hall & Stewart LLP, Jesslyn Maurier of Bennett Jones LLP and Julie Robinson of McInnes Cooper. The lead author on this document is Jesslyn Maurier (maurierj@bennettjones.com).

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Canadian Version

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~~Last Updated July 2020~~ 2

## INTRODUCTION

This agreement can be used for both officers and directors of the corporation. In some cases, a director will serve as a nominee of one or a group of investors (e.g., an individual venture capitalist serving as a nominee of a venture capital fund). Because venture capital funds with director nominees may be named as parties or otherwise incur expenses in connection with litigation against their director nominees, some venture capital funds will request that the fund, and not just their director representative, be covered by the indemnification agreement. Often that takes the form of indemnification rights covering liability arising by virtue of "corporate status" (where the investor is acting as an agent of the corporation). To the extent a venture capital fund seeks indemnification for the fund itself, ~~Section 1(d) contains~~ we have provided bracketed ~~optional~~-language in Section 1(d) for the draftsman to consider. The working group has not taken a position as to whether investor indemnification is "market."

Section ~~145~~124 of the ~~Delaware General~~Canada Business Corporations ~~Law Act~~ ("Section 145"124") is the statutory authority for indemnification of directors, and officers, ~~employees and agents~~ of the corporation. Similar provisions can be found in other Canadian business corporations statutes. Section ~~145(a)~~124(1) permits (but does not require) indemnification of expenses (~~including attorneys' which would include legal counsel's~~ fees) as well as judgments and amounts paid in settlement in third-party actions (i.e., actions not brought by or ~~in the right on behalf~~ of the corporation) if the applicable standard is met. Section ~~145(b)~~124(4) permits (but does not require), with the approval of a court, indemnification and advancement of expenses (~~including attorney~~which would include legal counsel's fees) ~~but not~~and judgments and amounts paid in settlement in derivative actions (i.e., actions brought by or ~~in the right on behalf~~ of the corporation) if the applicable standard is met. Thus, Section ~~145~~124 draws a basic distinction between third-party and derivative actions. Section ~~145(e)~~ requires indemnification of expenses (including attorney fees) if the indemnitee is successful on the merits or otherwise in a proceeding referred to in Section 145(a) or (b). Section ~~145(d)~~124(3) sets forth requirements for determining whether indemnification is permitted under Section ~~145(a) or (b)~~124(1) or (4). Section 124(5) requires indemnification of expenses (including attorney (which include legal counsel's fees) if the indemnitee was not judged by a court to have committed any fault or omitted to do anything that the individual ought to have done, and fulfills the conditions set out in Section 124(3). Section ~~145~~124(2) permits advancement of expenses before final disposition of a proceeding ~~subject to certain~~but requires the individual to repay the moneys if he or she does not fulfill the conditions of Section 124(3). Section ~~145(f)~~ provides ~~124 does not expressly provide~~ that the statutory rights and procedures regarding indemnification are not exclusive, ~~thus permitting~~but it is widely accepted (both in practice and by courts) that indemnification may also be provided under bylaws, agreements and other circumstances ~~beyond,~~ subject to the limits specified in Section ~~145~~124. Section ~~145(g)~~124(6) allows a corporation to obtain directors' and officers' liability insurance ("D&O insurance"). Sections ~~145(h)~~124(7) through ~~(k)~~9 address various other aspects of indemnification, ~~including provisions relating to survivorship of the obligations of the indemnifying corporation, survivorship of rights to indemnification upon ceasing to be a director, officer, employee or agent and the exclusive jurisdiction of the Delaware Court of Chancery over indemnification proceedings~~applications to court for an order to approve an indemnity.

~~Section 102(b)(7) of the Delaware General Corporation Law is the other relevant statutory authority relating to the protection of directors from monetary liability. Section 102(b)(7) allows inclusion of a provision in the certificate of incorporation that eliminates or limits (i.e., caps) the personal liability of directors to the corporation or its stockholders for monetary damages for breach of fiduciary duty. The statute, however, prohibits limitations on director liability (i) for breach of a director's duty of loyalty, (ii) for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law, (iii) for willful or negligent conduct in paying dividends or repurchasing stock out of other than lawfully available funds, or (iv) for any transaction from which a director derives an improper personal benefit. In essence, Section 102(b)(7) allows a corporation to protect its directors from monetary liability for duty of care violations.~~

Section 122(3) provides that no provision in a contract, the articles, the bylaws or a resolution relieves a director or officer from the duty to act in accordance with the Canada Business Corporations Act (including the duty to act honestly and in good faith with a view to the best interests of the corporation, and the duty to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances) or the regulations or relieves them from liability for a breach of the Act. The only exception to this "no exculpation" provision is in Section 146(5) of the Canada Business Corporations Act, which allows a unanimous shareholders agreement to restrict the powers of directors to manage, or supervise the management of, the business and affairs of the corporation, and to the extent so restricted, the parties to the unanimous shareholders agreement have the rights, powers, duties and liabilities of the directors of the corporation, and the directors are relieved of the foregoing to the same extent.

As noted above, ~~Section 145(f) provides that~~ statutory indemnification rights are not exclusive of indemnification rights that may be provided by a bylaw provision, agreement or otherwise. As discussed below, although ~~Section 145(f) could be read broadly to allow~~ a corporation ~~to could~~ grant by contract indemnification rights beyond those permitted by Section ~~145, cases and commentators suggest that~~ 124, contractual indemnification rights may be held unenforceable if they violate other statutes (including Section ~~145~~ 124), court decisions or public policy. As a result, the enforceability of contracts that purport to grant indemnification rights beyond those permitted by Section ~~145~~ 124 is at best unclear. (For further discussion, see comment under Section 2 below.)

An indemnification agreement may serve several purposes. First, and most importantly, it may provide more secure protection than a provision in ~~a certificate~~ articles of incorporation or bylaw because it cannot be amended without the approval of the indemnitee. Second, it can be used to make mandatory indemnification that is permissive under Section ~~145~~ 124, to specify various procedures and presumptions that make indemnification more favorable to the indemnitee than is provided by Section ~~145~~ 124 and to perhaps provide for details of an indemnitee's indemnification rights that go beyond those that are expressly provided by Section ~~145~~ 124. While such provisions could also be included in the Certificate articles of incorporation or bylaws, an agreement permits different rights to be granted to specific directors, officers, employees and agents, rather than in a one size fits all approach.

Some companies choose to provide mandatory indemnification for directors (i.e., the ~~C~~company is required to indemnify a director if the applicable conditions are met) and discretionary indemnification for officers (i.e., indemnification is at the discretion of the ~~C~~company even if the applicable conditions are met). With respect to indemnification of directors, as discussed in the comment under Section 6(b), there may be no disinterested directors to consider approval of discretionary indemnification for directors. Accordingly, absent mandatory indemnification a board decision to indemnify itself may not be subject to the court deference under the business judgment rule. With respect to indemnification of officers, there may be situations (e.g., termination of employment, sexual harassment) where mandatory indemnification of officers would expose the Company to the possibility of funding the defense of litigation either brought by the Company or in which the Company wants to distance itself from the activities of the officer in question. Care should be taken to anticipate such situations.

Also note that if the ~~C~~company decides to indemnify directors but not officers, the indemnification agreement should make it clear that an employee director is indemnified only in his or her capacity as a director.

*This form of indemnification agreement is longer and more complex than indemnification agreements typically used in Canada. Given the statutory framework for, and restrictions applicable to, indemnification of directors and officers, , this form of agreement (despite the additional provisions) may not offer any significant additional benefits.*

Section ~~145(g)~~124(6) specifically authorizes a corporation to obtain D&O insurance for directors and officers for liability asserted against them in such capacity or arising out of such status, whether or not the corporation has the power to indemnify such persons against such liability under Section ~~145~~124.

D&O insurance coverage is important for several reasons. First, even though indemnification may be permitted under Section ~~145~~124, the corporation may be unwilling or unable to indemnify the individual. The former situation may arise after a change in corporate control where the corporation is unwilling to indemnify the individual. This may be the case, for example, if the director is the subject of litigation resulting from efforts to prevent the change in control. Alternatively, a corporation may be unable to provide indemnification because it is insolvent. Under ~~Chapter 11 of the Bankruptcy Code and~~ Insolvency Act ("BIA") or the Companies' Creditors Arrangements Act ("CCAA"), for example, indemnification claims by directors or officers would generally be treated as unsecured claims payable only to the extent that other unsecured claims are payable as part of a bankruptcy proposal or an approved plan of reorganization arrangement.

*Note that under Section 64.1 of the BIA and Section 11.51 of the CCAA, the court can make an order declaring that all or part of the corporation's property is subject to a security or charge, in an amount and with a priority the court considers appropriate, in favour of any director or officer to indemnify them against obligations and liabilities that they may incur as a director or officer after the filing of the notice of intention or proposal under the BIA or the commencement of proceedings under the CCAA. The court may not make the order if in its opinion the corporation could obtain adequate indemnification insurance for the director or officer at a reasonable cost.*

Second, D&O insurance may insure against liabilities where indemnification is not allowed under Section ~~145~~124. This occurs most frequently in the context of derivative actions and securities law actions. ~~In particular, Section 145(g) permits a~~ corporation ~~to~~could obtain insurance for (i) judgments or amounts paid in settlement in derivative actions if the corporation does not obtain court approval to indemnify the director or officer under Section 124(4), and (ii) for expenses incurred when a director has been adjudged liable in some respects, even though indemnification under such circumstances would not be allowed under Section ~~145(b)~~. ~~In addition, a D&O insurance policy may insure against liabilities under the Securities Act of 1933, as amended (the "1933 Act") and the Securities Exchange Act of 1934, as amended (the "1934 Act"), even though the Securities and Exchange Commission ("SEC") has taken the position that indemnification for liabilities under Section 11 of the 1933 Act are against public policy and courts have held that indemnification for violations of the 1933 and the 1934 Act are contrary to the public policy in certain circumstances~~124(3). (See comment under Section 1(a) of the Agreement.) As a result, D&O insurance may be particularly important for publicly held companies where there is greater risk of liability for derivative actions and securities law claims.

However, D&O insurance policies generally contain a number of qualifications and limitations that narrow the scope of coverage. In particular, D&O insurance coverage is limited by applicable insurance law as well as public policy considerations. In addition, D&O insurance policies generally exclude certain conduct from coverage, including ~~short swing profit liability under Section 16(b) of the 1934 Act~~, unauthorized remuneration, personal profit to which the insured individual is not legally entitled, claims arising out of contests for corporate control and claims brought by corporations against their own directors and officers.

## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement") is made and entered into as of [\_\_\_\_], 20[-] between [*corporation*], a ~~Delaware~~Canada Business Corporations Act corporation (the "Company" "Corporation"), and [name] ("Indemnitee").

### WITNESSETH THAT:

WHEREAS, highly competent persons have become more reluctant to serve corporations as [directors] [officers] or in other capacities unless they are provided with adequate protection through insurance ~~or~~ and adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company Corporation (the "Board") has determined that, in order to attract and retain qualified individuals, the Company Corporation will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company Corporation and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among ~~United States~~Canadian-based corporations and other business enterprises, the Company Corporation believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company Corporation or business enterprise itself. [The [Bylaws] [and] [Certificate Articles of Incorporation] of the Company Corporation require indemnification of the officers and directors of the Company Corporation.] Indemnitee may also be entitled to indemnification pursuant to the ~~General Corporation Law of the State of Delaware ("DGCL").~~ [Canada Business Corporations Act ("CBCA")] The [Bylaws] [and] [Certificate Articles of Incorporation] ~~and the DGCL~~ [expressly] provide that, and under the CBCA, the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company Corporation and members of the Board, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the ~~Company's Corporation's~~ stock ~~holders~~ and that the Company Corporation should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company Corporation contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company Corporation free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the [Bylaws] [and] [~~Certificate~~Articles of Incorporation] of the CompanyCorporation and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Company<sup>2</sup>Corporation's [Bylaws] [and] [~~Certificate~~Articles of Incorporation] and insurance as adequate in the present circumstances, and may not be willing to serve as an officer or director without adequate protection, and the CompanyCorporation desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the CompanyCorporation on the condition that he or she be so indemnified; and

WHEREAS, Indemnitee has certain rights to indemnification and/or insurance provided by [*name of fund/sponsor*] which Indemnitee and [*name of fund/sponsor*] intend to be secondary to the primary obligation of the CompanyCorporation to indemnify Indemnitee as provided herein, with the Company<sup>2</sup>Corporation's acknowledgement and agreement to the foregoing being a material condition to Indemnitee<sup>2</sup>'s willingness to serve on the Board.

NOW, THEREFORE, in consideration of Indemnitee<sup>2</sup>'s agreement to serve as an [officer] [director] from and after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee.—

The CompanyCorporation hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

*[Comment: Sections 1 and 2 of the agreement contain the basic indemnification obligations of the agreement. Section 1 provides for indemnification that essentially tracks Section ~~145~~124, while Section 2 provides for broader indemnification (e.g., by providing for indemnification of judgments, penalties and amounts paid in settlement of derivative actions). The overlap in coverage of the two (2) sections is intentional. Indemnification under Section 1 is designed to be available even if ~~a Delawarean~~ applicable court does not allow indemnification under Section 2 in a particular instance.*

Section—

*Section 1 essentially requires indemnification to the fullest extent permitted or required under Section ~~145~~124. Thus, Section 1 makes mandatory indemnification that is permissive under Sections ~~145(a) and (b)~~124(1). Note that Section 1 does not make mandatory a determination under Section ~~145(a)~~124(3) that the applicable standard of conduct has been satisfied. ~~Therefore~~However, even though mandatory, indemnification under Sections 1(a) and (b) is subject to a determination under Section ~~145(a)~~124(3) and Section 6(b) that the applicable standard has been satisfied.]*

(a) Proceedings Other Than Proceedings by or in the Right of the CompanyCorporation. Indemnitee shall be entitled to the rights of

indemnification provided in this Section 1(a) if, by reason of his or her Corporate Status (as hereinafter defined), the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or ~~in the right~~ on behalf of the Company Corporation. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her, or on his or her behalf, in connection with such Proceeding or any claim, issue or matter therein, if the Indemnitee acted honestly and in good faith and ~~in with~~ a manner the Indemnitee reasonably believed to be in or not opposed view to the best interests of the Company Corporation, and with respect to any criminal or administrative Proceeding that is enforced by a monetary penalty, had ~~no~~ reasonable cause to grounds for believing the Indemnitee's conduct was ~~un~~ lawful.

*[Comment: Section ~~145(a)~~ 124(1) permits indemnification of officers, directors, employees or agents for ~~attorneys' fees and other~~ expenses (which would include legal counsel's fees) as well as for judgments or amounts paid in settlement in civil cases. As noted above, Section ~~145(a)~~ 124(1) applies only to third-party actions and not to derivative actions. The person seeking indemnification must have acted honestly and in good faith ~~and in with~~ a manner reasonably believed view to be in the best interests of, ~~or not opposed to the best interests of,~~ the corporation in connection with the claim made against such person. In criminal or administrative cases enforced by a monetary penalty, the indemnitee may be indemnified for fines and costs provided that, in addition to the foregoing standard of conduct, the indemnitee ~~must not have~~ had reasonable ~~cause to~~ grounds for believing that indemnitee's conduct was ~~un~~ lawful. Section 1(a) of the Agreement essentially tracks Section ~~145~~ 124(1) and (a3), except that it makes indemnification mandatory rather than permissive.*

*The distinction between third-party and derivative actions is critical to understanding the statutory framework. A derivative action is an action brought by ~~the corporation or by a stockholder~~ or on behalf of the corporation or other entity to redress a wrong done by someone to the corporation. Therefore, the derivative action must be based upon an alleged injury to the corporation which caused harm to the corporation itself, and to the ~~stock~~ shareholder only derivatively through their ownership of ~~stock~~ shares in the corporation. In some cases, there can be uncertainty as to whether a particular action constitutes a derivative action (i.e., to address a breach of a duty to the corporation) or a third-party action (i.e., a direct harm to the third party plaintiff).*

*Proceedings that allege breach of fiduciary duties of officers and directors to the corporation often are derivative actions, and actions against officers and directors for violations of ~~federal~~ applicable securities laws (e.g., actions alleging a violation of Section ~~11~~ 130 of the ~~1933~~ Securities Act ~~in connection with a public offering of securities or Rule 10b-5 in connection with an offer or sale of~~ (Ontario) and similar provisions in applicable securities legislation) would normally be third-party actions. Therefore, absent public policy concerns, an*

action against a director or officer alleging ~~federal~~ securities law liability would fall within the relatively favorable third-party indemnification provisions of Section ~~145(a)~~124(1). As noted above, Section ~~145(a)~~124(1) permits indemnity even if the director or officer loses the case, so long as the indemnitee meets the applicable standard following a determination pursuant to Section ~~145(a)~~124(3).

~~The SEC has taken the position, however, that even if a director or officer meets the relevant standard of conduct for~~limitations embedded in statutory indemnification under corporate law, corporate provisions, which prohibit indemnification for liabilities arising under the 1933 Act is against directors and officers who fail to meet the criteria in the applicable statute, effectively answer most public policy. ~~In addition, courts have held that concerns regarding the indemnification for violations of either the 1933 Act or the 1934 Act is contrary to public policy, at least for violations based upon culpable behavior greater than ordinary negligence.~~

~~These directors and officers, and courts have declined to impose additional public policy limitations may apply to a variety of sources of liability under the 1933 Act and 1934 Act, including (i) Section 12 of the 1933 Act for offers and sales of securities, (ii) Rule 10b-5 of the 1934 Act for violation of antifraud provisions, (iii) Section 16(b) of the 1934 Act for short swing trading profits, (iv) Section 15 of the 1933 Act and Section 20 of the 1934 Act for liability of control persons and Section 18 of the 1934 Act for misleading statements. Thus, even though otherwise permissible under Section 145(a), indemnification may be contrary to the public policy underlying the federal securities laws and therefore unenforceable on indemnification. See R v. Bata Industries Ltd., 25 OR (3d) 321. These potential statutory limitations on indemnity, however, underscore the importance of having separate D&O insurance coverage.]~~

- (b) ~~Proceedings by or in the Right of the Company-Corporation. With the approval of a court,~~ Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his or her Corporate Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or ~~in the right on behalf~~ of the ~~Company-Corporation~~. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with such Proceeding if the Indemnitee acted honestly and in good faith ~~and in~~with a ~~manner the Indemnitee reasonably believed to be in or not opposed~~view to the best interests of the ~~Company-Corporation, and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnitee had reasonable grounds for believing that the Indemnitee's conduct was lawful;~~ provided, however, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to ~~be liable to~~have not met the ~~Company unless and to the extent that~~

~~the Court of Chancery of the State of Delaware shall determine that such indemnification may be made~~conditions in Section 124(3) of the CBCA.

[Comment: Section ~~145(b)~~124(4) permits indemnification of directors, officers, employees and agents for ~~attorneys' fees and other expenses~~ (which would include legal counsel's fees) in derivative actions ~~but not~~and actions by the corporation and for judgments, fines or amounts paid in settlement of such actions, with the approval of a court. However, ~~in a proceeding where the individual does not fulfill the conditions in Section 124(3) (perhaps~~ where the individual is adjudged to be liable to the corporation), Section ~~145(b)~~124(4) does not permit indemnification even for expenses ~~unless and to the extent that an appropriate court determines that, in view of all the circumstances, the individual is fairly and reasonably entitled to indemnification for such expenses~~. Thus, indemnification for derivative actions and actions by the corporation is significantly more limited than for third-party actions. The rationale for this distinction is that any liability for breach of fiduciary duty in a derivative action and actions by the corporation is to make the corporation (on whose behalf the action was brought) whole for harm it suffered, and the corporation would not receive any benefit by indemnifying an individual against such liability. In effect, the corporation would be returning funds to the person liable to pay them. As with Section 1(a), Section 1(b) essentially tracks Section ~~145(b)~~124(4), except that it makes indemnification mandatory rather than permissible, subject to the court approval.

~~Note that by eliminating or limiting a director's exposure to financial liability for breaches of certain classes of fiduciary duties, Section 102(b)(7) may reduce exposure for claims that would otherwise result in derivative actions and thereby overcome some of the limitations on indemnification in Section 145(b).]~~

Prior court approval is required for both indemnification and advances in respect of actions brought by or on behalf of the corporation against directors and officers. The requirement for prior court approval does not merely apply to derivative actions but also to actions on behalf of the corporation. Although advance funding should ordinarily be available, where the corporation establishes a strong prima facie case of bad faith, even at the preliminary stages of the proceeding, advance funding will be refused. See *Cytrynbaum v. Look Communications Inc.*, 116 OR (3d) 241.]

- (c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a party to (or participant in) and is ~~successful, onnot judged by~~ the ~~merits~~court or ~~otherwise~~other competent authority to have committed any fault or omitted to do anything that the individual ought to have done, and fulfills the conditions set out in Section 124(3) of the CBCA ("Successful"), in any Proceeding, he or she shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him or

her, or on his or her behalf; in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is ~~s~~Successful, on the merits or otherwise, as to one (1) or more but less than all claims, issues or matters in such Proceeding, the ~~Company~~Corporation shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or her, or on his or her behalf; in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a ~~s~~Successful result as to such claim, issue or matter.

*[Comment: Section ~~145(e)~~124(5) requires the corporation to indemnify a director or officer for ~~attorney fees and other expenses~~ (which would include legal counsel's fees) actually and reasonably incurred in connection with a proceeding referred to in Sections ~~145(a) or (b) to the extent that~~124(1) if the indemnitee is not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done, and fulfills the conditions set out in Section 124(3) of the CBCA. Section 1(c) essentially tracks Section 124(5), except that it explicitly addresses the situation where the indemnitee is “partially successful on the merits or otherwise.” In other words, by providing that an indemnitee is entitled to indemnification for reasonable expenses ~~to the extent successful on the merits, even if the indemnitee is successful for “technical” reasons and without the need for a determination as to whether the director or officer met the applicable standard of conduct. Section 1(c) essentially tracks Section 145(e). Prior to the 2020 amendments to the DGCL, Section 145(e) did not define the “officers” to whom mandatory indemnification under Section 145(e) incurred with respect to successfully resolved claims.~~*

*Comment: It is unclear whether, under the CBCA, the indemnitee must be provided. Pursuant to wholly successful in the 2020 amendments claim to have the DGCL, for indemnification with respect to any act or omission occurring after December 31, 2020, references to an “officer” for purposes of benefit of the right to indemnity in Section 145(e)124(5), shall mean only a person who at the time of such act or omission is deemed to have consented to service by the delivery of process to the registered agent of the corporation pursuant to Section 3114(b) of title 10 of the Delaware Code. Thus, by reference to Section 3114(b), the “officers” entitled to mandatory indemnification under Section 145(e) are (i) the president, chief executive officer, chief operating officer, chief financial officer, chief legal officer, controller, treasurer or chief accounting officer, (ii) any individual identified in public filings as one of the most highly compensated officers of the corporation or (iii) any individual who, by written agreement with the corporation, has consented to be identified as an officer for purposes of Section 3114(b). The 2020 amendments also added a new subsection (Section 145(e)(2)), which allows for the extension of mandatory indemnification of expenses under Section 145(e) to persons other than Section 3114(b) officers. As a result, new subsection 145(e)(2) permits a corporation to provide mandatory indemnification under Section 145(e) to officers who are not Section 3114(b)*

~~officers. With respect to acts or omissions occurring before December 31, 2020, officers who are not Section 3114(b) officers should remain entitled to the statutory protection under Section 145(e) or whether the indemnitee can be indemnified to the extent successful where only partially successful in the claim.]~~

- (d) [Indemnification of Appointing Stockholder. ¶If (i) Indemnitee is or was affiliated with one (1) or more venture capital funds that has invested in the Company Corporation (an "Appointing Stockholder"), and (ii) the Appointing Stockholder is, or is threatened to be made, a party to or a participant in any Proceeding, and (iii) the Appointing Stockholder's involvement in the Proceeding (A) arises primarily out of, or relates to, any action taken by the Company Corporation that was approved by the Company Corporation's Board, and (B) arises out of facts or circumstances that are the same or substantially similar to the facts and circumstances that form the basis of claims that have been, could have been or could be brought against the Indemnitee in a Proceeding, *regardless* of whether the legal basis of the claims against the Indemnitee and the Appointing Stockholder are the same or similar, then the Appointing Stockholder shall be entitled to all of the rights and remedies, including with respect to indemnification and advancement, provided to the Indemnitee under this Agreement as if the Appointing Stockholder were the Indemnitee. ¶

¶The rights provided to the Appointing Stockholder under this Section 1(d) shall (i) be suspended during any period during which the Appointing Stockholder does not have a representative on the Company Corporation's Board, and (ii) terminate on an initial public offering of the Company Corporation's Common StockShares; provided, however, that in the event of any such suspension or termination, the Appointing Stockholder's rights to indemnification and advancement of expenses will not be suspended or terminated with respect to any Proceeding based in whole or in part on facts and circumstances occurring at any time prior to such suspension or termination regardless of whether the Proceeding arises before or after such suspension or termination. The Company Corporation and Indemnitee intend and agree that the Appointing Stockholder is an express third party beneficiary of the terms of this Section 1(d).]

*[Comment: As noted in the introduction, Section 1(d) contains optional language extending the indemnification and advancement rights provided to a venture fund's designee on the board of directors to the venture capital fund appointing the director.]*

- (e) Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company Corporation for some or a portion of Expenses, but not, however, for the total amount thereof, the Company Corporation shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

~~Last Updated July 2020 - 7~~

2. Additional Indemnity:-

[In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the **Company Corporation** shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her, or on his or her behalf, if, by reason of his or her Corporate Status, he or she is, or is threatened to be made, a party to or participant in any Proceeding (including, [with the approval of a court,] a Proceeding by or ~~in the right on behalf~~ of the **Company Corporation**), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the **Company Corporation's** obligations pursuant to this Agreement shall be that the **Company Corporation** shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful.]

*[Comment: Section 2 provides for additional indemnification beyond the scope of indemnification provided by Section 1. For example, Section 2 provides for mandatory indemnification of judgments, penalties, fines and amounts paid in settlement of derivative actions. The only limitation is that no indemnification is required to the extent that it is finally determined to be unlawful in accordance with procedures and presumptions set forth in the agreement. Another suggested limitation is that, in light of Section 124(4) of the CBCA, prior court approval is required with respect to actions by or on behalf of the corporation.*

*The scope of additional protection provided by Section 2 is unclear. ~~As noted above, although Section 145(f) expressly permits contractual indemnification rights beyond the statutory rights provided for in Section 145, the enforceability of such contractual rights may be limited by statute, court decision and public policy~~Under the CBCA, this provision may not provide any additional substantive indemnification rights (in that indemnities contrary to Section 124 would be unlawful).*

*Directors should be mindful of Section 118(2)(e) of the CBCA, which provides that directors who vote for or consent to a resolution authorizing an indemnity contrary to Section 124 are jointly, severally, or solidarily liable to restore to the corporation any amounts so distributed or paid or not otherwise recovered by the corporation.*

*Contractual indemnification rights beyond Section ~~145~~124 can be classified into different categories that may be helpful in assessing their enforceability. Some contractual rights make indemnification which is permissive under Section ~~145~~124 mandatory (e.g., a provision requiring indemnification relating to third-party actions to the extent permitted under Section ~~145(a)~~124(1)). Other contractual rights attempt to clarify or supplement statutory rights without significantly altering those rights (e.g., a procedural requirement that a corporation advance expenses within a certain period of time following a proper undertaking from the indemnitee and/or defining “relying on independent legal counsel” for purposes of making a determination under Section ~~145(d)~~124(3)). Still other contractual rights specify policies, procedures and presumptions that have the purpose or*

effect of enhancing indemnification rights beyond the provisions of Section ~~145~~124 in a manner consistent with common law and arguably not inconsistent with the limitations under Section 124 (e.g., a presumption that an individual has met the applicable standard of care or a provision that a determination that the applicable standard of care is deemed to be met if no such determination is made within a specified period). Finally, some contractual indemnification rights would appear to be inconsistent with the limits on indemnification specified in Section ~~145~~124 (e.g., a provision indemnifying for judgments in derivative actions without requiring prior court approval or even if the indemnitee has ~~engaged in intentionally culpable behavior~~).

~~One commentator has noted: "There is no case which spells out the precise perimeters of the extent to which an indemnification agreement . . . may go in providing indemnification rights . . . under Section 145(f) . . . Although there is no case law on point, it is probable that a Delaware court would not allow indemnification under a . . . contract when the proposed indemnification is prohibited by law or public policy. . . . Nevertheless, Section 145(f) does provide support for wide ranging agreements which broaden or enlarge upon indemnification rights granted in the various other subsections of Section 145, although provisions in such a[n] . . . agreement which are contrary to limitations or prohibitions set forth in other subsections may be held unenforceable if they violate other statutes, court decisions or public policies. . . . For example, because clearly not acted in good faith with a view to the best interests of the limitations of Section 145(b), a corporation may not be able to indemnify under the authority of Section 145(f) for judgments or amounts paid in settlements in derivative suits. . . . On the other hand, Section 145(f) may authorize the adoption of various procedures and presumptions to make the process of indemnification more favorable to the indemnitee without violating that statute." See Balotti and Finkelstein, Delaware Law of Corporation and Business Organizations, § 4.12[E] at 4-97 to 4-98).~~

Sometimes a contract providing for indemnification beyond Section ~~145~~124 will itself contain limitations on the scope of additional indemnification. These limitations might include prohibitions on indemnification for (i) violations of insider trading laws [such as Section ~~16(b)~~76 of the ~~1934~~Securities Act (Ontario) or Section 131 of the CBCA], (ii) conduct that is determined to be knowingly fraudulent or deliberately dishonest or to constitute willful misconduct, (iii) actions brought by the corporation, (iv) actions brought by the indemnitee without board approval, and (v) actions relating to proxy contests in opposition to the board. See Section 9 below.]

### 3. Contribution.

[Comment: The provisions regarding contribution are primarily intended to provide an alternative means of protecting individuals from liability for some ~~types of federal securities law violations~~liabilities where indemnification is unenforceable for public policy or other reasons. ~~For example, Section 11(f) of the 1933 Act explicitly recognizes contribution in cases where one (1) or more persons are or may be subject to the same liability under Section 11, even though the SEC takes the position that indemnification for Section 11 violations is contrary to public policy.~~]

- (a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the ~~Company~~Corporation is jointly liable with Indemnatee (or would be if joined in such action, suit or proceeding), the ~~Company~~Corporation shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnatee to contribute to such payment and the ~~Company~~Corporation hereby waives and relinquishes any right of contribution it may have against Indemnatee. The ~~Company~~Corporation shall not enter into any settlement of any action, suit or proceeding in which the ~~Company~~Corporation is jointly liable with Indemnatee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnatee.

*[Comment: Section 3(a), in effect, provides that where the corporation and the individual are jointly liable (or if joined, would be), the corporation shall contribute 100% of the liability, and the individual would not be required to contribute anything. Section 3(a) also prohibits the corporation from entering into any settlement that does not completely release the individual.]*

- (b) Without diminishing or impairing the obligations of the ~~Company~~Corporation set forth in the preceding subparagraph, if, for any reason, Indemnatee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the ~~Company~~Corporation is jointly liable with Indemnatee (or would be if joined in such action, suit or proceeding), the ~~Company~~Corporation shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnatee in proportion to the relative benefits received by the ~~Company~~Corporation and all officers, directors or employees of the ~~Company~~Corporation, other than Indemnatee, who are jointly liable with Indemnatee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnatee, on the other hand, from the transaction or events from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the ~~Company~~Corporation and all officers, directors or employees of the ~~Company~~Corporation other than Indemnatee who are jointly liable with Indemnatee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnatee, on the other hand, in connection with the transaction or events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the ~~Company~~Corporation and all officers, directors or employees of the ~~Company~~Corporation, other than Indemnatee, who are jointly liable with Indemnatee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnatee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions

Last Updated July 2020-10

were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

*[Comment: Section 3(b) provides an alternative method of allocating the amount contributed by the corporation and the individual in the event that the method of allocation in Section 3(a) (i.e., 100% payment by the corporation) is not enforceable. In particular, Section 3(b) provides for allocation based on the relative benefits received from the transaction giving rise to liability, and if required to conform to law, the relative fault of the parties.]*

- (c) The ~~Company~~Corporation hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors, or employees of the ~~Company~~Corporation, other than Indemnitee, who may be jointly liable with Indemnitee.

*[Comment: Section 3(c) attempts to indemnify the indemnitee against contribution sought from other third parties.]*

- (d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the ~~Company~~Corporation, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the ~~Company~~Corporation and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding and/or (ii) the relative fault of the ~~Company~~Corporation (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

*[Comment: Section 3(d) provides for contribution by the ~~Company~~Corporation even if the ~~Company~~Corporation is not held jointly liable based on the relative benefit to the ~~Company~~Corporation of the conduct of the indemnitee giving rise to the loss or expenses incurred by the indemnitee and /or the relative fault of the ~~Company~~Corporation and the indemnitee in connection with the matter in question.]*

4. Indemnification for Expenses of a Witness.~~—~~

Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness, or is made (or asked) to respond to discovery requests, in any Proceeding to which Indemnitee is not a party, he or she shall be indemnified against all Expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection therewith.

*[Comment: Section 4 indemnifies individuals for costs and expenses in serving as a witness in any proceeding relating to such person's service to the corporation.]*

5. Advancement of Expenses.~~—~~

Notwithstanding any other provision of this Agreement [but subject to applicable law], the ~~Company~~Corporation shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within thirty (30) days after the receipt by the ~~Company~~Corporation of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free. This Section 5 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

*[Comment: As noted above, Section ~~145(e)~~124(2) provides for the advancement of ~~attorney's fees and other~~ expenses (which would include legal counsel's fees) to officers and directors in connection with any civil, criminal, administrative or investigative proceeding. Section ~~145(e) conditions any advance upon receipt of an undertaking by or on behalf of~~124(2) requires such director or officer to repay such amount if it is ultimately determined that such individual is not entitled to be indemnified by the corporation.*

*Section 5 is modeled after Section ~~145(e)~~124(2), except that it makes the corporation's duty to advance expenses mandatory rather than permissive. Section 5 also supplements Section ~~145(e)~~124(2) in various respects. Section 5 requires payment within thirty (30) days after receipt of a request for advancement (provided the request includes a statement of the expenses and an undertaking to repay any advance expenses if it is determined that the indemnitee is not entitled to indemnification against such expenses). Section 5 also provides that the ~~Company~~Corporation is not required to advance expenses to the Indemnitee for claims for which indemnification is not permitted pursuant to this Agreement.*

~~Last Updated July 2020~~-12

*Drafters should consider making this section subject to applicable law, since Section 124(4) requires prior court approval for the advancement of expenses in proceedings that are by or on behalf of the corporation.*

*As an alternative to requiring a separate undertaking from Indemnitee, the Agreement could provide that the execution and delivery of the Agreement itself constitutes the required undertaking by including the following language: —“The Indemnitee shall qualify for advances upon the execution and delivery to the ~~Company~~Corporation of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to repay the amounts advanced (without interest) by the ~~Company~~Corporation pursuant to this Section 5, if and only to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the ~~Company~~Corporation. No other form of undertaking shall be required other than the execution of this Agreement.”]*

6. Procedures and Presumptions for Determination of Entitlement to Indemnification—

It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the ~~DGCL and public policy of the State of Delaware~~CBCA. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

*[Comment: Section 6 specifies policies and procedures to be applied in determining whether an individual is entitled to indemnification under the Agreement. As with other provisions of the agreement, these policies and procedures are not specifically authorized by Section ~~145~~124. As a result, the rights and procedures specified in Section 6 may be unenforceable. See the comment under Section 2 of the Agreement above. Note, however, that unlike indemnification agreements customarily entered into in financings (e.g., between the issuer and underwriters in an underwritten public offering), this Agreement (and most indemnification agreements) do not delineate defense procedures.]*

- (a) To obtain indemnification under this Agreement, Indemnitee shall submit to the ~~Company~~Corporation a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the ~~Company~~Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the ~~Company~~Corporation, or to provide such a request in a timely fashion, shall not relieve the ~~Company~~Corporation of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the ~~Company~~Corporation. The ~~Company~~Corporation will be entitled to participate in the Proceeding at its own Expense.

- (b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following four methods, which shall be at the election of the Board: ~~(i)~~ (1) by a majority vote of the disinterested directors, even though less than a quorum, ~~(ii)~~ (2) by a committee of disinterested directors designated by a majority vote of the disinterested directors, even though less than a quorum, ~~(iii)~~ (3) if there are no disinterested directors or if the disinterested directors so direct, by ~~independent legal counsel~~ Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, or ~~(iv)~~ (4) if so directed by the Board, by the ~~stock~~ shareholders of the ~~Company~~ Corporation. For purposes hereof, disinterested directors are those members of the Board who are not parties to the action, suit or proceeding in respect of which indemnification is sought by Indemnitee.

*[Comment: ~~As noted above, Section 145(e) provides 124 does not require that indemnification under Sections 145(a) 124(1) and (b) 4) must be authorized on a case-by-case basis (unless ordered by a court) in accordance with a statutorily mandated decision making process. The Nevertheless, the determination that must be made in each case is whether indemnification is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth Section 145(a) or (b). Such 124(3). Section 6(b) provides that such determination may be made (i) by a majority vote of the directors who are not parties to the proceeding, (ii) by a committee of such directors, (iii) by independent legal counsel in a written opinion or (iv) by the stock~~ shareholders.]*

*There*

*Directors should be mindful of Section 118(2)(e) of the CBCA, which provides that directors who vote for or consent to a resolution authorizing an indemnity contrary to Section 124 are jointly, severally, or solidarily liable to restore to the corporation any amounts so distributed or paid or not otherwise recovered by the corporation.*

*In addition, there are a number of practical problems in making a determination pursuant to as suggested in Section 145*

*6(d)*. First, many actions that give rise to indemnification claims will be brought against all directors and therefore preclude a determination by majority vote of disinterested directors. One solution might be to appoint additional disinterested directors to make a determination, although this course of action may present its own difficulties. Second, many corporations and directors will be reluctant to use the alternative of seeking ~~stock~~ shareholder approval, particularly for publicly held corporations where the approval process would be difficult and widely publicized. Third, *even though* the term ~~"independent legal counsel"~~ "Independent Counsel" is ~~not~~ defined in ~~Section 145 or applicable case law, and even if a well-established definition existed~~ this Agreement, a number of issues would arise

in rendering a required opinion should experienced counsel agree to consider doing so.

Section 6(b) allows the board to select the method of determination. Some agreements for public companies provide that independent counsel make the determination following a change in control (presumably on the theory that directors and ~~stock~~shareholders after a change in control may be less inclined to act impartially) and allow the ~~Company~~ to select the method of determination otherwise. Other agreements purport to vest this authority in the Indemnitee, but such a provision could be challenged as an unlawful delegation of the board's responsibility to manage the business and affairs of the corporation under Section ~~141(a)~~102 of the ~~DGCL~~CBCA.

For a public company where it is desired to provide that following a change of control the indemnification determination would be made by independent counsel, an example of a typical "change of control" definition follows:

\_\_\_. \_\_\_. A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

- (i) ——— ~~(i)~~ Acquisition of ~~Stock~~Shares by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the ~~Company~~Corporation representing [fifteen percent (15%)] or more of the combined voting power of the ~~Company's~~Corporation's then outstanding securities [unless the change in relative Beneficial Ownership of the ~~Company's~~Corporation's securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors];
- (ii) ——— ~~(ii)~~ Change in Board. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the ~~Company~~Corporation to effect a transaction described in Sections \_\_ (a)(i), \_\_ (a)(iii) or \_\_ (a)(iv)) whose election by the Board or nomination for election by the ~~Company's~~Corporation's ~~stock~~shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;
- (iii) ——— ~~(iii)~~ Corporate Transactions. The effective date of a merger or consolidation of the ~~Company~~Corporation with any other entity, other than a merger or consolidation which would result in the voting securities of the ~~Company~~Corporation outstanding immediately prior to such

Last Updated July 2020-15

merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty-one percent (51%) of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the Board or other governing body of such surviving entity;

- (iv) ~~—(iv)—~~ Liquidation. The approval by the ~~stock~~hareholders of the ~~Company~~Corporation of a complete liquidation of the ~~Company~~Corporation or an agreement for the sale or disposition by the ~~Company~~Corporation of all or substantially all of the ~~Company~~'Corporation's assets; and
- (v) ~~—(v)—~~ [Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the ~~Company~~Corporation is then subject to such reporting requirement.]

For purposes of this Section \_\_ (a), the following terms shall have the following meanings:

- (A) ~~—(A)—~~ ~~“Exchange Act”~~ shall mean the Securities Exchange Act of 1934, as amended.]
- (B) ~~—(B)—~~ ~~“Person”~~ shall have the meaning ~~stated as set forth~~ in ~~[Section 1 of the Securities Act (Ontario)]~~ Sections 13(d) and 14(d) of the Exchange Act]; provided, however, that Person shall exclude (i) the ~~Company~~Corporation, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the ~~Company~~Corporation and (iii) any corporation owned, directly or indirectly, by the ~~stock~~hareholders of the ~~Company~~Corporation in substantially the same proportions as their ownership of ~~stock~~shares of the ~~Company~~Corporation.
- (C) ~~—(C)—~~ ~~“Beneficial Owner”~~ shall have the meaning given to such term in ~~[NI 54-101]~~Section 2 of the CBCA]]Rule 13d-3 under the Exchange Act]; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the ~~stock~~hareholders of the ~~Company~~Corporation approving a merger of the ~~Company~~Corporation with another entity.]

[Comment: Drafters may want to include paragraph (v) above where the Corporation is subject to the reporting requirements of the Exchange Act - for example, a Canadian issuer that is listed in the U.S.]

~~Last Updated July 2020-16~~

- (c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by the Board. Indemnitee may, within ten (10) days after such written notice of selection shall have been given, deliver to the CompanyCorporation a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the CompanyCorporation or Indemnitee may petition ~~the Court of Chancery of the State of Delaware or other~~ a court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnitee to the Company's Corporation's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The CompanyCorporation shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the CompanyCorporation shall pay all reasonable fees and expenses incurred by the CompanyCorporation and the Indemnitee incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

*[Comment: Sections 6(c) through (g) specify procedures and presumptions that apply in making a determination of entitlement to indemnification. Section 6(c) gives the Board the right to select independent legal counsel, subject to an objection procedure. Some public company agreements vest the ability to select the Independent Counsel in the Indemnitee after a change of control; but such a provision could be challenged as an unlawful delegation of the board's responsibility to manage the business and affairs of the corporation under Section ~~141(a)~~102 of the DGCLBCA. Section 6(d) below creates a presumption that the indemnitee is entitled to indemnification, allocates the burden of proof to the party seeking to overcome the presumption and specifies an applicable standard of proof. Section 6(e), among other things, creates a presumption that the indemnitee acted in accordance with the standard of conduct required for indemnification, allocates the burden of proof to the party seeking to overcome the presumption, specifies the applicable standard of proof and specifies circumstances under which the indemnitee is deemed to have acted in good faith.*

~~Last Updated July 2020~~ 17

*Section 6(f) below provides for a determination of entitlement if no determination is made by the decision-maker within sixty (60) days after a request for determination (plus a thirty (30) day extension right) subject to certain conditions. Section 6(g) below requires the indemnitee to cooperate with the person or persons making the determination, requires such person or persons to act reasonably and in good faith and requires the corporation to pay certain costs associated with making the determination.]*

- (d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the ~~Company~~Corporation (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the ~~Company~~Corporation (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

~~*[Comment: Indemnification agreements may be subject to review by state securities law administrators if the corporation's securities are registered or qualified in their state. For example, the California Department of Corporations has objected to shifting the burden of proof as provided in this Section 6(d). In one instance, a corporation was required to renegotiate indemnification agreements with its directors to eliminate a similar provision before qualifying an issuance of securities in California.]*~~

- (e) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise (as hereinafter defined), including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. The provisions of this Section 6(e) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted honestly and in good faith ~~and~~ in with a ~~manner he or she reasonably believed to be in or not opposed~~ view to the best interests of the ~~Company~~Corporation. Anyone seeking to overcome this

~~Last Updated July 2020-18~~

presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

- (f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the CompanyCorporation of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such sixty (60) day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided further, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the CompanyCorporation of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.
- (g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board or stockholder of the CompanyCorporation shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the CompanyCorporation (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the CompanyCorporation hereby indemnifies and agrees to hold Indemnitee harmless therefrom.
- (h) In the event that any action, suit or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, suit or proceeding with

~~Last Updated July 2020~~ 19

or without payment of money or other consideration) it shall be presumed that Indemnitee has been ~~successful~~Successful, on the merits or otherwise, in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

*[Comment: Section 6(h) creates a presumption that any resolution of a claim other than by adverse judgment against the Indemnitee (including a settlement, regardless of whether money is paid) constitutes being ~~“successful”~~ “Successful” (on the merits or otherwise~~”) for purposes of Section 145(e)124(3)~~. Section 6(h) also allocates the burden of proof to the party seeking to overcome the presumption and specifies the standard of proof in overcoming the presumption. If enforceable, this provision is particularly helpful because it would allow for mandatory indemnification pursuant to Section 145(e)124(5).]*

- (i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act honestly and in good faith ~~and in~~with a ~~manner which he or she reasonably believed to be in or not opposed~~view to the best interests of the Company Corporation or, with respect to any criminal Proceeding that is enforced by a monetary penalty, that Indemnitee ~~had~~did not have reasonable ~~cause~~grounds to believe that his or her conduct was ~~un~~lawful.

*[Comment: There is no equivalent of a plea of nolo contendere in Canada, and a guilty plea is not quite the same.]*

## 7. Remedies of Indemnitee:

- (a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within ninety (90) days after receipt by the Company Corporation of the request for indemnification, (iv) payment of indemnification is not made pursuant to Sections 1(c), 1(e), 4 or the last sentence of Section 6(g) of this Agreement within ten (10) days after receipt by the Company Corporation of a written request therefor, or (v) payment of indemnification is not made pursuant to Sections 1(a), 1(b) and 2 of this Agreement within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in ~~an appropriate court of the State of Delaware, or in any other~~a court of competent jurisdiction, of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within one hundred eighty (180) days following the date on which

~~Last Updated July 2020-20~~

Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The CompanyCorporation shall not oppose Indemnitee's right to seek any such adjudication.

*[Comment: Section 7(a) provides for a right of adjudication before a Delaware court of competent jurisdiction in the event of certain adverse results under the Agreement. Some indemnification agreements also provide that Indemnitee, at his or her option, may seek an award in arbitration to be conducted ~~by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association~~under the rules of a specified arbitral institution – for example, the ADR Institute of Canada.]*

- (b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

*[Comment: Sections 7(b) through 7(e) seek to extend statutory indemnification rights pursuant to ~~Section 145(f)~~Section 124. To the extent that they are not consistent with Section 124, or other applicable law, they may be unenforceable.]*

- (c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the CompanyCorporation shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.
- (d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his or her rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the CompanyCorporation, [subject to applicable law], the CompanyCorporation shall pay on his or her behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by him or her in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.
- (e) The CompanyCorporation shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the CompanyCorporation is bound by all the provisions of this Agreement. It is the intent of the CompanyCorporation that, to the fullest extent permitted by law, ~~the~~ Indemnitee not be required to incur legal

~~Last Updated July 2020-21~~

fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The ~~Company~~ Corporation shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the ~~Company~~ Corporation of a written request therefore) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the ~~Company~~ Corporation under this Agreement or under any directors' and officers' liability insurance policies maintained by the ~~Company~~ Corporation, if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

- (f) Notwithstanding anything in this Agreement to the contrary, [subject to applicable law,] no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

*[Comment: Drafters should consider making this section subject to applicable law, since Section 124(4) requires prior court approval for the advancement of expenses in proceedings by or on behalf of the corporation.]*

8. Non-Exclusivity; Survival of Rights; Insurance; Primacy of Indemnification; Subrogation:

- (a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the ~~Certificate~~ Articles of Incorporation, the By-laws, any agreement, a vote of ~~stock~~ shareholders, a resolution of directors of the ~~Company~~ Corporation, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the ~~DGCL~~ CBCA, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the ~~Certificate~~ Articles of Incorporation, By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

~~Last Updated July 2020-22~~

- (b) To the extent that the Company Corporation maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company Corporation, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company Corporation has directors' and officers' liability insurance in effect, the Company Corporation shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company Corporation shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

*[Comment: Some indemnification agreements require the corporation to obtain (or use commercially reasonable or best efforts to obtain) D&O insurance with specified policy limits or other terms. Instead, this agreement requires the corporation to furnish the Indemnitee with the maximum level of D&O insurance coverage provided to other like parties.]*

- (c) [The Company Corporation hereby acknowledges that Indemnitee has certain rights to indemnification, advancement of expenses and/or insurance provided by [Name of Fund/Sponsor] and certain of [its][their] affiliates (collectively, the "Fund Indemnitors"). The Company Corporation hereby agrees (i) that it is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) that it shall be required to advance the full amount of expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement and the Certificate Articles of Incorporation or Bylaws of the Company Corporation (or any other agreement between the Company Corporation and Indemnitee), without regard to any rights Indemnitee may have against the Fund Indemnitors, and (iii) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company Corporation further agrees that no advancement or payment by the Fund Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company Corporation shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company Corporation. The Company Corporation and

Last Updated July 2020-23

Indemnitee agree that the Fund Indemnitors are express third party beneficiaries of the terms of this Section 8(c).]

*[Comment: This provision is intended to ~~be used for directors appointed by investment funds to address the ruling in Levy et al. v. HLI Operating Company, Inc., 2007 WL 1500032 (Del. Ch. May 16, 2007), which held minimize the possibility~~ that investment funds providing indemnification to their partners who serve on boards of fund portfolio companies are co-indemnitors with the portfolio company and, therefore, are not entitled to recover from the portfolio company the full amount of any payments advanced on behalf of the partner-director. ~~Rather, and that~~ the fund only has a claim for contribution to the extent it advanced more than its fair share. In the absence of a provision such as the above, it is possible the ~~Levy case~~ Canadian courts will be influenced by U.S. case law, broadly construed ~~to,~~ and obligate a fund providing such indemnification to contribute its share of any payments made by any other party providing like indemnification to its director ~~desnomignees.~~]*

- (d) Except as provided in paragraph (c) above, in the event of any payment under this Agreement, the Company Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee (other than against the Fund Indemnitors), who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company Corporation to bring suit to enforce such rights.
- (e) Except as provided in paragraph (c) above, the Company Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

*[Comment: This provision integrates indemnification under the agreement with indemnification from other sources by providing that payments under the agreement shall be offset by payments from other sources, other than from the Fund Indemnitors as provided in paragraph (c).]*

- (f) Except as provided in paragraph (c) above, the Company Corporation's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company Corporation as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

9. Exception to Right of Indemnification-

~~Last Updated July 2020-24~~

Notwithstanding any provision in this Agreement, the ~~Company~~Corporation shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

- (a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision, provided, that the foregoing shall not affect the rights of Indemnitee or the Fund Indemnitors set forth in Section 8(c) above; or
- (b) ~~[for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the ~~Company~~Corporation [within the meaning of Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, or similar provisions of ~~state~~-statutory law or common law] [contrary to any insider trading policy of the Corporation] [pursuant to Section 131(5) or (7) of the CBCA], [or] (ii) ~~[any reimbursement of the ~~Company~~Corporation by the Indemnitee ~~of~~ any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the ~~Company~~Corporation, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the ~~Company~~Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the ~~Company~~Corporation of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act) or (iii)] any reimbursement of the ~~Company~~Corporation by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board ~~or the compensation committee of the Board~~, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act]; or~~~~

*[Comment: There is no prohibition against short swing profits in Canada, or any Canadian equivalent to Section 16(b) of the Securities and Exchange Act of 1934; but it may be applicable to Canadian issuers listed in the U.S. Many public companies adopt insider trading policies to further restrict insider trading beyond the restrictions under applicable Law. Under Section 131(5) of the CBCA, an insider is accountable to the corporation for any benefit or advantage received or receivable by the insider as a result of a purchase or sale of a security of the corporation with knowledge of confidential information that affects materially (or would reasonably be expected to affect materially) the value of the securities, unless the insider reasonably believed that the information had been generally disclosed. Under Section 131(7) of the CBCA, the insider is accountable to the corporation for any benefit or advantage received or receivable by the insider as a result of a disclosure of confidential information with respect to the corporation, unless the insider establishes that the insider reasonably believed the information had been generally disclosed, the disclosure was necessary in the course of the business of the insider, or, in the case of a take-over bid or a business combination, the disclosure was*

~~Last Updated July 2020-25~~

necessary to effect the take-over bid or business combination. Section 131 of the CBCA applies to all corporations incorporated under the CBCA, whether public or private. The references to the Exchange Act and the Sarbanes-Oxley Act may be applicable to Canadian issuers listed in the U.S.]

- (c) except as provided in Section 7(e) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the ~~Company~~Corporation or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) such payment arises in connection with any mandatory counterclaim or cross claim brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding) or (iii) the ~~Company~~Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the ~~Company~~Corporation under applicable law.

[Comment: Drafters may wish to clarify this provision to address circumstances where the Indemnitee is seeking to enforce this Agreement against the Corporation, and to specify whether the Indemnitee will be indemnified in those circumstances.]

*This provision is designed to prevent the indemnitee from being indemnified for actions brought by the indemnitee except as otherwise provided, as well as for liability under Section 16(b) of the 1934 Act, if applicable, under insider trading provisions of the CBCA or any insider trading policy of the corporation, for certain reimbursements of the ~~Company~~Corporation by Indemnitee and where payment has already been made under an insurance policy.]*

*The following additional exception can be added to address concerns that the ~~Company~~Corporation will be required to provide indemnification for conduct that violates the ~~Company~~Corporation's code of conduct/business practices: "(d) for Expenses determined by the ~~Company~~Corporation to have arisen out of Indemnitee's breach or violation of his or her obligations under (i) any employment agreement between ~~the~~ Indemnitee and the ~~Company~~Corporation or (ii) the ~~Company~~Corporation's Code of Business Conduct and Ethics (as amended from time to time)."]*

#### 10. Duration of Agreement—

All agreements and obligations of the ~~Company~~Corporation contained herein shall continue during the period Indemnitee is an officer or director of the ~~Company~~Corporation (or is or was serving at the request of the ~~Company~~Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) [consider extending for several years after term of service, even if claim has not yet been paid] and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his or her Corporate Status, whether or not he or she is acting or serving in any

Last Updated July 2020-26

such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. [This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the ~~Company~~Corporation), assigns, spouses, heirs, executors and personal and legal representatives.]

11. Security—

To the extent requested by Indemnitee and approved by the Board, the ~~Company~~Corporation may at any time and from time to time provide security to Indemnitee for the ~~Company~~Corporation's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

12. Enforcement:

- (a) The ~~Company~~Corporation expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the ~~Company~~Corporation, and the ~~Company~~Corporation acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the ~~Company~~Corporation.
- (b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.
- (c) The ~~Company~~Corporation shall not seek from a court, or agree to, a "claims bar order" which would have the effect of prohibiting or limiting the Indemnitee's rights to receive advancement of expenses under this Agreement.

~~*[Comment: See In re HealthSouth Corp. Securities Litigation, 572 F.3d 854 (11th Cir. 2009).]*~~

13. Definitions. For purposes of this Agreement:

- (a) "Corporate Status" describes the status of a person who is or was a director, officer, employee, agent or fiduciary of the ~~Company~~Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving at the express written request of the ~~Company~~Corporation.

- (b) **“Disinterested Director”** means a director of the **Company Corporation** who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.
- (c) **“Enterprise”** shall mean the **Company Corporation** and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the **express written** request of the **Company Corporation** as a director, officer, employee, agent or fiduciary.
- (d) **“Expenses”** shall include all reasonable ~~attorneys’~~**legal counsel’s** fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, [and any federal, ~~state~~**provincial, territorial**, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement], ~~ERISA~~ excise taxes and penalties, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including, without limitation, the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, (ii) Expenses incurred in connection with recovery under any directors’ and officers’ liability insurance policies maintained by the **Company Corporation**, regardless of whether Indemnitee is ultimately determined to be entitled to such indemnification, advancement or Expenses or insurance recovery, as the case may be, and (iii) for purposes of Section 7(e) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, the **Certificate Articles** of Incorporation, the Bylaws or under any directors’ and officers’ liability insurance policies maintained by the **Company Corporation**, by litigation or otherwise. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.
- (e) **“Independent Counsel”** means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither at present is, nor in the past five (5) years has been, retained to represent (i) the **Company Corporation** or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term **“Independent Counsel”** shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the **Company Corporation** or Indemnitee in an action to determine Indemnitee’s rights under this

Last Updated July 2020-28

Agreement. The ~~Company~~Corporation agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

- (f) “Proceeding” includes any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or ~~in the right~~on behalf of the ~~Company~~Corporation or otherwise and whether civil, criminal, administrative or investigative, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of his or her Corporate Status, by reason of any action taken by him or her, or of any inaction on his or her part, while acting in his or her Corporate Status; in each case whether or not he or she is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification, reimbursement or advancement of expenses can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his or her rights under this Agreement.

14. Severability—

The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. [Further, the invalidity or unenforceability of any provision hereof as to either Indemnitee or Appointing ~~Stock~~shareholder shall in no way affect the validity or enforceability of any provision hereof as to the other.] Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee [and Appointing ~~Stock~~shareholder] indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

*[Comment: Use the bracketed language in Section 14 if a version of the indemnification of Appointing ~~Stock~~shareholder language is used in Section 1(d)]*

15. Modification and Waiver—

No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice By Indemnitee—

~~Last Updated July 2020~~-29

Indemnitee agrees promptly to notify the ~~Company~~Corporation in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the ~~Company~~Corporation shall not relieve the ~~Company~~Corporation of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the ~~Company~~Corporation.

17. Notices—

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee signature hereto.

(b) To the ~~Company~~Corporation at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

or to such other address as may have been furnished to Indemnitee by the ~~Company~~Corporation or to the ~~Company~~Corporation by Indemnitee, as the case may be.

18. Counterparts—

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the [U.S. federal ESIGN Act of 2000], e.g.,

www.docuSign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

19. Headings—

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. Governing Law and Consent to Jurisdiction—

This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the ~~State~~Province of ~~Delaware~~Ontario and the federal laws of Canada applicable therein, without regard to its conflict of laws rules. The ~~Company~~Corporation and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in ~~the Chancery Court~~a court of the ~~State~~Province of ~~Delaware~~Ontario and the federal laws of Canada applicable therein (the "~~Delaware~~Ontario Court"), and not in any other ~~state~~provincial or federal court in ~~the United States of America~~Canada or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the ~~Delaware~~Ontario Court for purposes of any action or proceeding arising out of or in connection with this Agreement, [(iii) appoint, to the extent such party is not otherwise subject to service of process in the ~~State~~Province of ~~Delaware~~Ontario, irrevocably [name] [address] as its agent in the ~~State~~Province of ~~Delaware~~Ontario as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the ~~State~~Province of ~~Delaware~~Ontario,] [NOTE: as the ~~Delaware~~Ontario-incorporated ~~Company~~Corporation is already subject to service of process in ~~Delaware~~Ontario, this really only applies to the individual director.] (iv) waive any objection to the laying of venue of any such action or proceeding in the ~~Delaware~~Ontario Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the ~~Delaware~~Ontario Court has been brought in an improper or inconvenient forum.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on and as of the day and year first above written.

**COMPANY**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDEMNITEE**

\_\_\_\_\_  
Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

INDEMNITEE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Last Updated July 2020

Document comparison by Workshare 10.0 on Wednesday, November 25, 2020  
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Input:	
Document 1 ID	iManage://BJWORK.LEGAL.BJLOCAL/WSLegal/26093104/1
Description	#26093104v1<BJWORK.LEGAL.BJLOCAL> - NVCA-2020-Indemnification-Agreement (Updated July 2020)
Document 2 ID	iManage://bjwork.legal.bjlocal/WSLegal/25955606/2
Description	#25955606v2<bjwork.legal.bjlocal> - Indemnification Agreement (CVCA Cdn Version November 2020)
Rendering set	Standard

Legend:	
<u>Insertion</u>	
<del>Deletion</del>	
<del>Moved from</del>	
<u>Moved to</u>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	839
Deletions	648
Moved from	4
Moved to	4
Style change	0
Format changed	0

Total changes	1495
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