

*Sitting on boards involves a certain degree of risk and I want to minimize that risk. Therefore, I am going to ask you to indemnify me.*

**Clint:** What does it mean for me to indemnify you?

**Jason:** That means that if anything happens on the board where we get sued, for instance if a customer sues us because our product doesn't work or another shareholder sues us because they think we've done something wrong, the company is going to step up and use its resources to indemnify me, protect me by hiring lawyers or whatnot.

I'm not just on an island protecting myself from lawsuits. So if anything goes wrong, the company is going to back us up.

**Clint:** Is this a standard part of agreements or are there things in here to negotiate?

**Jason:** I actually don't know a single board member in my life who doesn't have an indemnification agreement with the board that they sit on, so it's extremely standard and it's not something I would highly negotiate if at all.

**Student:** Why is indemnification necessary? Isn't the fund structure an LLC. Shouldn't that have a non-recourse structure already in place?

**Jason:** So your question is, "Aren't I already indemnified by my investors saying, "Jason, if something goes wrong, we'll indemnify you?" The answer is yes. You are correct. My investors do indemnify me for problems that go wrong. But why do my investors want to take on that liability if something goes wrong with the company?

The company indemnifies me. If for some reason they can't, they ran out of money or I don't like their lawyer for whatever reason, I then can rely on my fund indemnification. But remember, any money that's going there is reducing the return I am getting my investors which makes my track record lower, so I want the companies to indemnify me.