

**CHICAGOLAND LIONEL RAILROAD CLUB, INC.**  
**POLICY REGARDING INDEMNIFICATION OF OFFICERS &  
DIRECTORS**

(Adopted August 16, 2002)

Pursuant to Article IV, Section 4 of the By-Laws of the Chicagoland Lionel Railroad Club, Inc. (Hereinafter referred to as the "Club."), the Board of Directors (Hereinafter referred to as the "Board.") hereby adopts the following policy regarding indemnification of Club officers and directors who are made or threatened to be made parties to any civil or administrative action, suit, proceeding, or investigation by reason of being an officer or director of the Club:

**1. Indemnification of Officers and Directors By The Club.** It is the policy of the Club, as more particularly described below, to and the Club shall indemnify its officers and directors for civil or administrative actions, suits, proceedings, or investigations to which they are made or threatened to be made a party by any person other than the Club itself. As used herein the term "person" includes any individual, artificial entity, government agency, or government officer. To be entitled to indemnification by the Club, as the terms are defined below, the: 1) officer or director must be a qualified officer or director, 2) amount to be indemnified must be for a qualified cost, and 3) officer or director must give timely notice to the Club.

**A. Qualified Officers and Directors.** A person is a qualified officer or director when:

a. He was, is, or is threatened to be made a party to any threatened, pending, or completed civil or administrative action, suit, proceeding, or investigation,

b. Such civil or administrative action, suit, proceeding, or investigation is brought, threatened, or conducted by a person other than the Club,

c. Such civil or administrative action, suit, proceeding, or investigation is brought, threatened, or conducted against an existing or former officer or director of the Club by reason of the fact that such existing or former officer or director is or was a director or officer of the Club, and

d. In connection with the conduct which is the basis or subject of the pending or threatened civil or administrative action, suit, proceeding, or investigation, the existing or former officer or director acted in good faith and in a manner reasonably believed by him to be in or not opposed to the best interests of the Club. The termination of any civil or administrative action, suit, proceeding, or investigation by judgment or settlement shall not, of itself, create a presumption that the officer or director did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Club.

**B. Qualified Costs.** A qualified cost includes:

a. All expenses, including attorneys fees, court costs, expert witness fees, and court reporter fees paid or reasonably incurred by a qualified officer or director as a result of or in connection with any civil or administrative action, suit, proceeding, or investigation,

b. All judgments, fines, and amounts paid in settlement of or incurred by a qualified officer or director as a result of or in connection with any civil or administrative action, suit, proceeding, or investigation, and

c. All expenses actually and reasonably incurred by a qualified officer or director in connection with the successful defense, whether on the merits or otherwise, of any civil or administrative action, suit, proceeding, or investigation.

**C. Timely Notice.** As soon as reasonably practicable after an existing or former officer or director becomes aware that he was, is or is threatened to be made a party to any civil or administrative action, suit, proceeding, or investigation by reason of being an existing or former officer or director of the Club, the said officer or director shall notify the president or secretary of the Club in writing.

**D. Exclusions.** The indemnification policy of the Club does not nor shall it be construed to cover or apply to any actions, suits, proceedings, or investigations brought or conducted by the Club against any existing or former officer or director or to any type of criminal investigation or prosecution.

**2. Failure to Give Timely Notice.** In the event that an existing or former officer or director fails to give notice to the Club as provided in paragraph 1(C) hereof, the Club may, in its discretion, deny indemnification for any or all qualified costs.

**3. Advance Payments.** The Board may, in its discretion, authorize the payment of qualified costs incurred in defending any civil or administrative action, suit, proceeding, or investigation in advance of the final disposition of such action, suit or proceeding.

**4. Creation of Reserve.** The Board shall establish a reserve of \$10,000 to satisfy its obligations under this policy.

**5. Applicability of Policy Determined by When Conduct Occurred.** Without regard to when a civil or administrative action, suit, proceeding, or investigation is actually commenced against an officer or director and notwithstanding that at the commencement of such civil or administrative action, suit, proceeding or investigation such officer or director is no longer a qualified officer or director, this policy shall be applicable if the conduct of the officer or director that gives rise to or is the subject of such civil or administrative action, suit, proceeding, or investigation occurred or was engaged in while this policy was in effect.

**6. Policy As Consideration for Service.** This policy shall be deemed consideration by the Club to its officers and directors for their service to the Club and as such a contract between them and the Club. Any changes or amendments to this policy shall be prospective only and shall not affect rights accrued or obligations incurred hereunder prior to the date of any change.

**7. Effective Date.** This policy shall be effective upon adoption by the board of directors.