

# TAX PENALTY AND INTEREST INDEMNIFICATION AGREEMENT

This Tax Penalty and Interest Indemnification Agreement (the "Agreement") is entered into as of \_\_\_\_\_, by and between:

**Indemnitor:** \_\_\_\_\_, with a principal place of business or residence at \_\_\_\_\_ (hereinafter referred to as the "Indemnitor"),

and

**Indemnitee:** \_\_\_\_\_, with a principal place of business or residence at \_\_\_\_\_ (hereinafter referred to as the "Indemnitee").

## RECITALS

WHEREAS, the Indemnitor and the Indemnitee have entered into certain business transactions or relationships, specifically regarding \_\_\_\_\_;

WHEREAS, tax filings, returns, or statements may be required to be filed with various municipal, state, federal, or foreign tax authorities (the "Taxing Authorities") in connection with said transactions or relationships;

WHEREAS, in the event that any Taxing Authority assesses penalties, fines, or interest (collectively, the "Tax Penalties and Interest") against the Indemnitee as a result of acts, omissions, errors, or delays attributable to the Indemnitor, the Indemnitor has agreed to indemnify and hold harmless the Indemnitee in accordance with the terms herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Indemnification Obligation.** The Indemnitor hereby agrees to defend, indemnify, and hold harmless the Indemnitee, its affiliates, officers, directors, employees, and agents from and against any and all liabilities, losses, damages, costs, and expenses (including, without limitation, reasonable attorneys' fees and professional consultation fees) arising out of or resulting from any Tax Penalties and Interest assessed by any Taxing Authority, to the extent such Tax Penalties and Interest are attributable to:
  - a. Any failure by the Indemnitor to provide accurate, complete, and timely information, data, or documentation required for the preparation and filing of tax returns;
  - b. Any negligent act, omission, willful misconduct, or breach of representation by the Indemnitor under any related agreement; or
  - c. Any incorrect tax position or filing strategy advised, directed, or implemented by the Indemnitor.
2. **Notice and Claim Procedure.**
  - a. The Indemnitee shall notify the Indemnitor in writing within \_\_\_\_\_ business days of receiving any written notice, assessment, audit inquiry, or demand from a Taxing Authority regarding any potential liability for which indemnification may be sought under this Agreement (a "Claim Notice").
  - b. The failure to timely provide a Claim Notice shall not relieve the Indemnitor of its obligations under this Agreement except to the extent that the Indemnitor is materially prejudiced by such failure.
3. **Defense and Settlement.**
  - a. The Indemnitor shall have the right, at its own expense, to assume the defense, contest, or compromise of any claim or assessment of Tax Penalties and Interest, provided that the Indemnitor acts diligently and in good faith.
  - b. The Indemnitee shall cooperate fully with the Indemnitor, at the Indemnitor's expense, in the defense or contest of any such assessment, including providing relevant records, documents, and testimony.

- c. The Indemnitor shall not settle or compromise any tax claim or dispute that affects the Indemnitee's ongoing tax liabilities or requires any admission of liability by the Indemnitee without the prior written consent of the Indemnitee, which consent shall not be unreasonably withheld, conditioned, or delayed.
4. **Payment of Indemnification.** Any payments required to be made by the Indemnitor to the Indemnitee under this Agreement shall be paid within \_\_\_\_\_ business days following the final determination of the applicable Tax Penalties and Interest by the Taxing Authority, or upon receipt of a written demand for payment from the Indemnitee accompanied by reasonable supporting documentation.
5. **Term and Termination.** This Agreement shall remain in full force and effect until the expiration of the applicable statute of limitations for the assessment of taxes, penalties, and interest with respect to the tax periods covered under the transaction, or until mutually terminated in writing by both parties.
6. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of \_\_\_\_\_, without regard to its conflict of law principles.
7. **Entire Agreement.** This Agreement constitutes the entire understanding between the parties regarding the subject matter hereof and supersedes all prior agreements, representations, or understandings, whether written or oral, relating to such subject matter.

IN WITNESS WHEREOF, the parties hereto have executed this Tax Penalty and Interest Indemnification Agreement as of the date first written above.

**INDEMNITOR:**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**INDEMNITEE:**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_