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Phone: (800) 668-6481 | customerservice@lexisnexis.ca

Employer must pay fired executive bonuses, unvested stock options after wrongful dismissal ruling

By **Frank Portman**

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Law360 Canada (August 18, 2026, 1:44 PM EDT) -- The real money in executive compensation isn't in base salary — it's in equity. Every executive employment lawyer knows this. So, when the Ontario Superior Court of Justice ordered GoEasy Ltd. to pay a dismissed executive for his short-term bonuses and unvested stock units — including prorated equity extending beyond his reasonable notice period — it dealt a major blow to these forfeiture strategies.

Justice Carissima Mathen's June decision in *Khatib v. GoEasy Ltd.*, 2026 ONSC 3513 underscores that loose drafting, missing onboarding paperwork and inconsistent HR practices can completely unravel an employer's equity restrictions. And management-side employment lawyers are already warning clients that it could have significant implications for Ontario employment law.

Case overview

Alona Horkova: ISTOCKPHOTO.COM

The background of the dispute is relatively straightforward. Shadi Khatib served as senior vice-president for GoEasy Ltd. for roughly three and a half years before being dismissed without cause in October 2019.

Following his dismissal, Khatib brought an action seeking 12 months of reasonable notice, short-term incentive plan (STIP) bonuses, long-term incentive plan (LTIP) benefits (including unvested equity), a tax gross-up and substantial damages for alleged bad faith.

GoEasy countered that the reasonable notice period should be capped at six months and argued that all STIP and LTIP rights ceased immediately upon active termination under the terms of their plan documents.

At first glance, the outcome appears to be a split decision. GoEasy successfully defeated Khatib's inducement claim. The court noted that Khatib had a career history of changing employers every few years and had freely signed an agreement containing a standard “no-inducement” clause.

The court also held reasonable notice to eight months — far closer to GoEasy’s proposed six months than Khatib’s requested 12 — and dismissed the claims for bad faith, moral, punitive damages and tax gross-ups.

Meanwhile, Khatib won on the financial points that mattered most — his short-term bonus and equity incentives.

The decision

Yet what looks like a split on paper was, in substance, a decisive victory for the plaintiff that every executive employment lawyer should note.

The central drama of *Khatib* turns on why GoEasy was ordered to pay bonus compensation and equity grants. Under well-established Ontario employment law, an employee terminated without cause is generally entitled to all components of their compensation package during the common law reasonable notice period, unless the employer has clear, unambiguous language excluding those rights.

In this case, GoEasy’s legal defences fell apart across three contractual and evidentiary problems:

1. **Failure to deliver plan documents at hire**

   GoEasy relied on restrictive terms in its STIP policy stating that employees must be actively employed on the payout date to receive a bonus. But the court found no evidence that the actual STIP policy documents had been provided to Khatib before he started work. So GoEasy could not rely on those restrictive terms because it could not establish the proper timing.

2. **A silent primary employment agreement**

   While GoEasy used separate annual grant agreements for its stock units and share options, the core employment contract itself said nothing about what would happen to incentive compensation (LTIP) upon termination. This silence created an immediate disconnect between the main contract and the underlying grant schedules.

3. **Defective termination and forfeiture language**

   Even in the separate LTIP grant contracts, the forfeiture language proved flawed. The grant agreements stipulated that unvested units would be forfeited upon the “termination date” but failed to define what “termination date” actually meant. Did it mean the last day of active work? Or the end of the common law notice period? The court found this ambiguity was in Khatib’s favour.

Key takeaways

What makes *Khatib* particularly noteworthy is the court’s willingness to award compensation not just for stock units that would have vested during the eight-month notice period, but also a prorated value for unvested equity beyond that period.

GoEasy argued that awarding unvested equity beyond the notice period represented a radical departure from Ontario legal precedent. Traditionally, equity damages in wrongful dismissal claims have been restricted strictly to what would have vested during the notice period.

However, Justice Mathen pointed to two compelling factors: 1) pervasive ambiguity and 2) inconsistent corporate practice. In the first instance, because the contract and grant documents failed to clearly define termination rules, the baseline principle applied. The court noted that employees are entitled to know the consequences of termination at the time of hire, and that the burden of communicating those consequences falls on the employer.

As for inconsistent corporate practice, evidence showed that GoEasy had previously permitted some departing employees to retain the prorated value of unvested stock units. This past practice undermined GoEasy's defence that the equity plan operated as a strict retention device.

Khatib offers critical lessons for both corporate leadership and departing executives. A key takeaway is that main employment contracts must explicitly address how bonuses and equity will be treated upon termination, and defined terms must state whether notice periods are included or not. As well, background incentive plans and policies must be provided at the time of hire and proof of receipt documented.

For executives, senior staff and executive employment lawyers, the decision notes that silence or ambiguity about equity forfeiture upon dismissal without cause works to their advantage. Past discretionary practices can strengthen claims for prorated equity payouts.

Ultimately, *Khatib v. GoEasy Ltd*. demonstrates that substance and precision triumph over general intent. While GoEasy succeeded in curbing lengthier notice claims and avoiding punitive damages, its failure to maintain precise, delivered and unambiguous equity documents proved costly. For employers using equity-based compensation, the decision makes clear that any attempt to limit common law rights on dismissal must be supported by clear, consistent language across the employment agreement, equity documents and their administration.

Frank Portman is an employment lawyer at Massey LLP. His specialty is executive employment law where he assists presidents, vice-presidents and other C-level executives and the organization seeking to hire their talents to complete the deal through effective executive employment contracts.