

## VAULT RECIPROCAL EXCHANGE

### POWERS OF THE SUBSCRIBERS' ADVISORY COMMITTEE

The Subscribers' Advisory Committee (the "Committee") of Vault Reciprocal Exchange, a Florida domestic reciprocal insurance company offering personal insurance coverages ("Vault"), is an advisory committee established to serve on behalf of the subscribers to Vault (the "Subscribers") for the purpose of advising, on occasion, with Vault Risk Management Services, LLC ("VRM"), the attorney-in-fact for Vault, on matters of interest to the Subscribers, and pursuant to Section 629.201, Florida Statutes. This document sets forth the terms and conditions upon which the Committee shall operate.

#### ARTICLE 1. Powers

The Committee shall be authorized to:

- A. Supervise the finances of Vault by reviewing its financial condition, including any financial reports or other financial information submitted by Vault to the Florida Office of Insurance Regulation;
- B. Supervise the operations of Vault to the extent necessary to ensure conformity with the Subscriber's Agreement and Power of Attorney, and make recommendations to VRM on any operational issues;
- C. Recommend the selection of an independent auditor to VRM and procure the audit of the accounts and records of Vault and VRM, at the expense of Vault, and review the results of any such audit; and
- D. Adopt certain governance, election, voting or other rules, as the Committee determines, provided that such are not inconsistent with the Subscriber's Agreement and Power of Attorney and these Powers of the Subscribers' Advisory Committee.

The Committee shall have no power or authority to bind Vault to any insurance policy, to enter into any other contractual obligation on behalf of Vault or VRM, or to otherwise conduct business on behalf of or in the name of Vault or VRM.

#### ARTICLE 2. Membership and Terms

- A. The number of members of the Committee shall be selected under such rules as the members of the Committee adopt but in no event shall the Committee be comprised of fewer than three members or greater than 12 members.
- B. The term of each member of the Committee shall be for no more than one year. The initial Committee will be comprised of three members. Within the first year of Vault's operation, the Committee shall hold elections to elect, or re-elect, the membership of the Committee. The membership of the Committee shall be

selected and vacancies on the Committee filled in compliance with Section 629.201, Florida Statutes.

- C. The Committee shall have the authority to remove and replace members of the Committee for cause, as determined by the Committee in consultation with VRM, and appoint substitute members, at any time.
- D. In any event and at all times, not less than two-thirds of the membership of the Committee shall be Subscribers, other than VRM, or any person employed by, representing, or having a financial interest in VRM.
- E. Newly created Committee positions resulting from an increase in the number of Committee members, created in accordance with the rules promulgated by the Committee, and any vacancies on the Committee resulting from death, resignation, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Committee members then in office, even if not presenting a quorum, or by the sole remaining Committee Member. Any Committee member elected pursuant to this clause will hold office until the next annual election of Committee member and until such Committee member's successor shall have been elected and qualified.
- F. Members of the Committee will be reimbursed by Vault for all reasonable expenses associated with attending meetings of the Committee. In addition, for consideration of the counsel and service to be provided by each member of the Committee to Vault, each member (other than any employees of VRM) shall receive, at the expense of Vault, a reasonable and customary per-meeting fee. Nothing contained herein shall be construed to preclude any member from receiving compensation for services rendered to Vault or VRM in any other capacity, subject to the requirements set forth above.

### **ARTICLE 3. Role of the Committee**

- A. The Committee's role is advisory, and the Committee understands and agrees that VRM is responsible for the preparation of Vault's financial statements and the procurement of independent auditors; that the independent auditors are responsible for auditing the financial statements; and that VRM is responsible for the hiring and retention of VRM's management and employees and determining their respective compensation. In addition, the Committee understands and agrees that VRM's management has more time, more knowledge and more detailed information regarding Vault than does the Committee and that the management of VRM has more time and more knowledge for the evaluation of VRM's management and employees (or candidates to serve as such); consequently, in carrying out its advisory responsibilities, the Committee shall not be deemed to provide any expert or special assurance as to the quality or trustworthiness of VRM's management and employees (or candidates to serve as such), Vault's financial statements or any professional certification as to the independent auditor's work.

- B. In discharging its advisory role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of Vault or VRM. If a majority of the members of the Committee agree, with the consent of the President or Chief Executive Officer of VRM, which consent shall not be unreasonably withheld, the Committee may retain outside counsel, auditors or other experts to advise the Committee at the expense of Vault.

#### **ARTICLE 4. Meetings of the Committee**

- A. The Committee shall meet once during each calendar quarter to review the financial statements of Vault for such quarter and such other matters as the Committee shall determine. During the first quarter of each calendar year, the Committee shall also meet to review the performance of VRM and make recommendations concerning VRM's management of Vault and the selection of its independent auditors. The President, Chief Executive Officer or Secretary of VRM shall provide at least 10 days' notice of the meetings to each member of the Committee by telephone, e-mail or otherwise in writing. Special meetings of the Committee may be called by the President, Chief Executive Officer or Secretary of VRM on one days' notice to each member, either by telephone, e-mail or otherwise in writing. Special meetings shall be called by the President, Chief Executive Officer or Secretary of VRM in like manner and on like notice upon the written request of a majority of the members of the Committee. The senior management of VRM, in its sole discretion, may designate employees of VRM to attend the meetings of the Committee. A majority of the total number of Committee members shall constitute a quorum for the conduct of a meeting and the transaction of any business. The vote of a majority of the Committee members present at a meeting at which a quorum is present shall be an act of the Committee.
- B. Meetings of the Committee shall be held at such times and places within or without the State of Florida as the Committee may from time to time determine or as may be designated in the notice of the meeting. One or more members of the Committee may participate in any meeting of the Committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another. Participation in a meeting by such means shall constitute presence in person at the meeting.
- C. Any action required or permitted to be taken at a meeting of the Committee may be taken without a meeting if, prior or subsequent to the action, consent thereto is signed by all of the members and is filed with the Secretary of VRM.

#### **ARTICLE 5. Indemnification of Committee Members**

- A. Vault shall indemnify any member of the Committee who was or is a party to, or is threatened to be made a party to, or who is called as a witness in connection with, any threatened, pending or completed action, suit or proceeding, whether

civil, criminal, administrative or investigative, including an action by or in the right of Vault, by reason of the fact that the member is or was a member of the Committee. This indemnification shall include expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by the member in connection with some action, suit or proceeding unless the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

- B. Vault shall pay expenses incurred by a Committee member in defending an action or proceeding referred to herein in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by Vault.
- C. The indemnification and advancement of expenses provided or granted herein shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement, contract, vote of the board of VRM or otherwise, both as to action in any Committee member's official capacity and as to action in another capacity while holding such office.
- D. The indemnification and advancement of expenses provided or granted herein shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a member of the Committee and shall inure to the benefit of the heirs, executors and administrators of such person.
- E. Vault or VRM, as applicable, shall maintain Directors & Officers insurance from a highly-rated insurance company at limits that are deemed appropriate by the Committee and consistent with limits carried by comparable insurance companies.

#### **ARTICLE 6. Amendments**

- A. The Committee reserves the right to amend, modify or repeal, upon receiving the concurrence of VRM, any provision contained in this Powers of the Subscribers' Advisory Committee document, subject to compliance with applicable law and the approval of the Florida Office of Insurance Regulation, *provided, that*, the provisions of Article 5 may only be reduced prospectively.