

PURE SPECIALTY EXCHANGE

Powers of the Members' Advisory Committee

The Members' Advisory Committee ("MAC") of PURE Specialty Exchange ("PSE"), an Arizona domestic surplus lines reciprocal insurance company, is a committee established to serve on behalf of the members of PSE as the contractual counterparty to PURE Specialty Risk Management LLC ("PSRM"), the attorney-in-fact for PSE, on matters of interest to the members, and pursuant to Arizona Revised Statutes §20-781. This document sets forth the terms and conditions upon which the Members' Advisory Committee shall operate.

Powers of the MAC

Pursuant to section 20-781, Arizona Revised Statutes, you agree the MAC shall:

1. Supervise the finances of PSE by annually reviewing the financial rating of PSE to confirm it is satisfactory. A financial rating acceptable to Fannie Mae pursuant to section B7-3-01: Property Insurance Requirements for Insurers of its Seller Guide, shall be confirmation the finances of PSE are satisfactory. If the financial rating drops below such threshold, the MAC and PSRM leadership will meet to discuss ways to improve it;
2. On an annual basis, direct the internal audit department used by PSRM to conduct an audit to assure material conformity with this Agreement and the Attorney-in-Fact Agreement, and review the finding of such audit;
3. Procure an external audit of the accounts and records of PSE and PSRM, both at the expense of PSE, and meet annually with the external auditor to discuss the audit, where a portion of such meeting shall be in the absence of PSRM leadership; and
4. Designate a MAC member to serve as a contact for Whistleblower complaints. The MAC will be apprised of any credible Whistleblower complaint, allegation of criminal conduct, or other complaint to a government agency, including the Arizona Department of Insurance and Financial Institutions, alleging conduct that may materially impact the financial stability of PSE. The MAC may participate, at the expense of PSE, in the investigation of such a complaint.

The MAC shall have no power or authority to bind PSE to any insurance policy or reinsurance agreement, to enter into any other contractual obligation on behalf of PSE or PSRM, or to otherwise conduct business on behalf of or in the name of PSE or PSRM.

Membership and Terms

1. The number of members of the MAC shall be selected under such rules as the members adopt but in no event shall the MAC be comprised of fewer than three (3) or more than twelve (12) members.
2. The term of each member of the MAC shall be for one year. The MAC shall be selected, and vacancies on the MAC filled, in compliance with Arizona Revised Statutes §20-781.
3. The MAC shall have the authority to remove and replace elected members of the MAC for cause, as determined by the MAC in consultation with PSRM, and appoint replacements for elected members, at any time.
4. In any event, not less than two-thirds of the MAC shall be members of PSE, other than those appointed by PSRM, or any person employed by, representing, or having a financial interest in PSRM.
5. Newly created MAC positions resulting from an increase in the number of MAC members, created in accordance with the Governance Rules of the MAC, and any vacancies on the MAC resulting from

death, resignation, disqualification, removal or other cause shall be filled only by the affirmative vote of a majority of the remaining MAC members then in office, even though less than a quorum of the MAC, or by a sole remaining MAC member. Any elected MAC member appointed in accordance with the preceding sentence shall hold office until the next annual election of MAC members and until such MAC member's successor shall have been elected and qualified, or until such MAC member's earlier death, resignation or removal. No decrease in the number of MAC members constituting the MAC shall shorten the term of any incumbent MAC member, unless he or she is removed for cause.

6. Members of the MAC will be reimbursed for all reasonable expenses associated with attending meetings of the MAC, at the expense of PSE. In addition, for consideration of the counsel and service to be provided by each member of the MAC to PSE, each member shall receive, at the expense of PSE, a reasonable and customary annual and per-meeting fee. Nothing contained herein shall be construed to preclude any member from receiving compensation for services rendered to PSE or PSRM in any other capacity, subject to the requirements set forth above.

Role of the MAC

1. In carrying out its responsibilities, the MAC shall not be deemed to provide any expert or special assurance as to the quality or trustworthiness of management of PSRM and candidates to serve as management or employees of PSRM, as to PSE's financial statements or as to any professional certification as to the independent auditor's work.
2. The MAC is empowered to investigate matters brought to its attention with full access to all books, records, facilities and personnel of PSE or PSRM. If a majority of the members of the MAC agree, with the consent of the President of PSRM, which consent shall not be unreasonably withheld, the MAC may retain outside counsel, auditors or other experts to advise the MAC at the expense of PSE.

Meetings of the MAC & Quorum

1. Meetings of the MAC shall be held at such times and places as set forth in the Governance Rules of the MAC.
2. Advance notice of meetings shall be given in the manner and to the extent provided in the Governance Rules of the MAC. A majority of the members of the MAC shall constitute a quorum for the transaction of business and the acts of a majority of the members present and voting at a meeting at which a quorum is present shall be the acts of the MAC.
3. Any action required or permitted to be taken at a meeting of the MAC 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 records of the MAC and the Secretary of PSRM.

Indemnification of MAC Members

1. To the fullest extent permitted by law, a member of the MAC shall not be personally liable to PSE, members of PSE, insureds and/or certificate holders for monetary damages and the personal liability of MAC members shall be eliminated to the fullest extent permitted by law.
2. PSE shall indemnify any MAC member 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 PSE, by reason of the fact that the member is or was a member of the MAC. This indemnification shall include expenses, including attorneys' fees, judgment, fines and amounts paid in settlement, actually and reasonably incurred by the MAC 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.

3. PSE shall pay expenses incurred by a MAC 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 PSE.
4. The indemnification and advancement of expenses provided by or granted pursuant to this agreement 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 or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.
5. The indemnification and advancement of expenses provided by, or granted pursuant to, this agreement shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a MAC member and shall inure to the benefit of the heirs, executors and administrators of such person.
6. Directors & Officers insurance from a highly-rated insurance company at limits that are deemed appropriate by the MAC and consistent with limits carried by comparable insurance companies shall be maintained.

Amendments

The MAC reserves the right to amend or repeal, but only after receiving the concurrence of PSRM, any provision contained in this Powers document, subject to the approval of the Arizona Department of Insurance and Financial Institutions and all powers delegated to the MAC hereunder are subject to this reservation, except that the Indemnification of MAC Members provisions shall only be reduced prospectively and if amended to reduce the protection provided, then only by a super-majority vote of 2/3 of all MAC members.