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VIA EMAIL – afrank@colchestervt.gov

Aaron Frank
President
VLCT Property and Casualty Intermunicipal Fund, Inc.
89 Main Street,Suite 4
Montpelier, VT, 05602

Re: VLCT Property and Casualty Intermunicipal Fund, Inc. ("PACIF")— Fiduciary Duties and Board consideration of Administrative Support Service Agreement

Dear Mr. Frank:

It was my pleasure to speak to you recently regarding fiduciary duties applicable to the PACIF Board of Directors. As we discussed, for PACIF, these have their origins in several areas of law and may be more particular than those applicable to other nonprofit entities. PACIF's Directors must consider duties arising from the nonprofit corporation law of Vermont (Title 11B), the provisions of Vermont's pooling laws which make the PACIF Board fiduciaries to its Members and the additional obligations under the organizational documents and policies adopted by the PACIF Board, including those related to conflicts of interest, diligence and duty of care.

Specifically, the duty of care as summarized in the PACIF Bylaws (themselves distilled from applicable law) requires PACIF Directors to act in all cases "with the care an ordinary prudent person would exercise under similar circumstances." In addition, DFR Rule I-90-1 requires that the Board act as fiduciaries to the PACIF Members. Moreover, that same rule requires that any Administrator or Service Agent hired by PACIF (such as VLCT) act as an agent of PACIF and as a fiduciary to PACIF. PACIF's Directors therefore have the obligation to use due care to implement their fiduciary obligations to PACIF's members, including being mindful to protect PACIF's financial wellbeing. Additionally, PACIF's directors are obliged to supervise the relationship with any Administrator and/or Service Agent for compliance with the Administrator and Service Agent's fiduciary obligations to PACIF.

I understand that the PACIF Board is at this time considering renewal of the Administrative Support Service Agreement (the "Agreement") with VLCT. The

Agreement is the primary means through which PACIF carries out all of its administration and operations. Such an arrangement is common among public risk pools, and especially common among pools associated with state municipal leagues. Nonetheless, the singular nature of the Agreement, PACIF's dependence on VLCT to the exclusion of third party alternatives and the ways in which PACIF and VLCT have recently carried out operations under the Agreement suggest that to meet its fiduciary duty of care, the PACIF Board must exercise extreme diligence in accepting any go-forward version of the Agreement or any addendum to it. The mythic "ordinary prudent person" would immediately conclude all aspects of the Agreement warrant the PACIF Board's significant and careful effort in evaluation and review.

This is my advice as well.

Sincerely,



Russell A. Young, Esq.