



**GOVERNING BOARD MEETING
THURSDAY, JANUARY 30, 2020
9:00 A.M.**

**California Earthquake Authority
Main Conference Room
801 K Street, Suite 1000
Sacramento, California 95814**



Date of Notice: Friday, January 17, 2020

PUBLIC NOTICE

A PUBLIC MEETING OF THE GOVERNING BOARD OF THE CALIFORNIA EARTHQUAKE AUTHORITY

NOTICE IS HEREBY GIVEN that the Governing Board of the California Earthquake Authority (“CEA”) will meet in Sacramento, California. Pursuant to California Insurance Code §10089.7, subdivision (l), the Bagley-Keene Open Meeting Act applies generally to meetings of the Board, and the meeting is open to the public—public participation, comments, and questions will be welcome for each agenda item. All items are appropriate for action if the Governing Board wishes to take action. Agenda items may be taken out of order. **Pursuant to Insurance Code §10089.55, please take further notice that this meeting relates to the business of earthquake insurance conducted by CEA.**

LOCATION: California Earthquake Authority
801 K Street, Suite 1000
Sacramento, California

DATE: Thursday, January 30, 2020

TIME: 9:00 a.m.

This meeting of the Governing Board will be broadcast live on the Internet. Please wait until the official start time of the meeting before clicking the icon:



Or please use +1 323-886-4439
Conference ID number 158 209 27#
For a telephonic audio-only feed

If you are unable to hear the meeting, please call CEA directly at (916) 661-5001 for assistance.

*** Please note that Public participation and comments will be available only at the meeting location.**

AGENDA:

Preliminary Matters

1. Call to order and member roll call:

Governor
Treasurer
Insurance Commissioner
Speaker of the Assembly
Chair of the Senate Rules Committee

Establishment of a quorum

2. Consideration and approval of the minutes of the November 18, 2019, CEA Governing Board meeting.

CEA Enterprise – Executive and Operations Reports

3. CEO Glenn Pomeroy will report to the Governing Board on state and federal legislation activities. The Governing Board will be asked to adopt a resolution authorizing CEA to sponsor and/or support passage and adoption of legislation related to the business of CEA and CEA's seismic mitigation efforts, including (a) Congressional H.R. 5494 (Thompson) and any related federal legislation providing federal tax exemptions for grants or mitigation benefits funded through or by CEA, and (b) California SB 254 (Hertzberg), as amended, which makes technical amendments to CEA's statute to clarify, but not change, the industry assessment layer.
4. Chief Financial Officer & Chief Insurance Operations Officer Tom Hanzel will propose to the Governing Board, and seek Board adoption of a resolution authorizing the issuance of multiple series of 2020 revenue bonds.
5. The Board will meet in closed session to discuss personnel matters, as permitted by California Government Code section 11126, subdivision (a).

CONCLUSION

6. Public comment on matters that do not appear on this agenda and requests by the public that those matters be placed on a future agenda.
7. Adjournment.

For further information about this notice or its contents:

General Information:

Shannon McEuen
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To view this notice on the CEA website or to learn more about CEA, please visit www.EarthquakeAuthority.com.

Persons with disabilities may request special accommodations at this or any future Governing Board meeting or may request the accommodation necessary to receive agendas or materials CEA prepares for its Board meetings. Please contact Shannon McEuen by telephone, toll free, at (877) 797-4300 or by email at CEABoardLiaison@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

NOTE: If in the future you do not wish to receive public notices pertaining to CEA, please send your request by email to CEABoardLiaison@calquake.com.

Governing Board Memorandum

30 January 2020

Agenda Item 2: Meeting minutes

Recommended Action: Approve meeting minutes

Review/approve minutes of the November 18, 2019 meeting of the CEA Governing Board.

DRAFT

CALIFORNIA EARTHQUAKE AUTHORITY GOVERNING BOARD MEETING MINUTES

**Monday, November 18, 2019
10:30 a.m.**

Location: California Governor's Office of Emergency Services
Director's Council Room
3650 Schriever Avenue
Mather, California

Members of the Governing Board in attendance:

State Treasurer Fiona Ma
Michael Martinez, designee of Insurance Commissioner Ricardo Lara
Craig Fry, designee of Chair of the Senate Rules Committee Toni Atkins (via teleconference)

Members of the CEA Staff in attendance:

Glenn Pomeroy, Chief Executive Officer
Shannon McEuen, Governing Board Liaison

Also present:

Peter D. Halloran, Supervising Deputy Attorney General
State of California, Department of Justice, Office of the Attorney General

Agenda

1. Call to order and member roll call.

Acting Chair Fiona Ma called the meeting to order at 10:38 a.m. A quorum was achieved.

Ms. Ma welcomed everyone and moved the Board into closed session.

2. The Board will meet in closed session to discuss personnel matters, as permitted by California Government Code section 11126, subdivisions (a).

The Board entered closed session at 10:39 a.m. and resumed its proceedings in open session at 12:08 p.m. Ms. Ma announced the Board has deliberated and come to a decision regarding various personnel matters. Mr. Pomeroy will take actions consistent with the Board's directions, and at a subsequent Board meeting the personnel decisions will be confirmed on public record.

3. The Board will reconvene in open session to hear public comment on matters that do not appear on this agenda and requests by the public that those matters be placed on a future agenda.

There was no public comment.

4. Adjournment.

There being no further business, the meeting was adjourned at 12:09 p.m.

Governing Board Memorandum

30 January 2020

Agenda Item 3: Executive Report

Recommended Action: Adopt resolutions supporting pending legislation

CEO Glenn Pomeroy will report to the Governing Board on matters of interest to CEA, including state and federal legislation activities. The Governing Board will be asked to adopt a resolution authorizing CEA to sponsor and/or support passage and adoption of legislation related to the business of CEA and CEA's seismic mitigation efforts, including (a) Congressional H.R. 5494 (Thompson) and any related federal legislation providing federal tax exemptions for grants or mitigation benefits funded through or by CEA, and (b) California SB 254 (Hertzberg), as amended, which makes technical amendments to CEA's statute to clarify, but not change, the industry assessment layer.



**The Governing Board of the California Earthquake Authority
Acting on January 30, 2020**

**Resolution of Support for
H.R. 5494 (Thompson)**

On motion duly made and seconded, the Governing Board of the California Earthquake Authority has duly adopted the following motion at its regular meeting of January 30, 2020:

1. The Governing Board authorizes the California Earthquake Authority to actively support H.R. 5494 in the United States Congress.
2. The Governing Board of the California Earthquake Authority authorizes CEA staff to work with Congressional leaders and members of the U.S. House and Senate to seek passage of this measure.

A record of this motion and related vote shall appear in the official minutes of the Governing Board meeting noted above.

Members of the California Earthquake Authority Governing Board

Voting

Governor Gavin Newsom
State Treasurer Fiona Ma
Insurance Commissioner Ricardo Lara

Non-voting

Chair of the Senate Rules Committee Toni Atkins
Speaker of the Assembly Anthony Rendon



**The Governing Board of the California Earthquake Authority
Acting on January 30, 2020**

**Resolution of Support for
Senate Bill 254 (Hertzberg)**

On motion duly made and seconded, the Governing Board of the California Earthquake Authority has duly adopted the following motion at its regular meeting of January 30, 2020:

1. The Governing Board authorizes the California Earthquake Authority to actively support SB 254 as amended January 6, 2020.
2. The Governing Board of the California Earthquake Authority authorizes CEA staff to continue to work with Senator Hertzberg, legislative leaders, and members of the Senate and Assembly on the passage and enactment of SB 254.

A record of this motion and related vote shall appear in the official minutes of the Governing Board meeting noted above.

Members of the California Earthquake Authority Governing Board

Voting

Governor Gavin Newsom
State Treasurer Fiona Ma
Insurance Commissioner Ricardo Lara

Non-voting

Chair of the Senate Rules Committee Toni Atkins
Speaker of the Assembly Anthony Rendon

Governing Board Memorandum

30 January 2020

Agenda Item 4: Proposed CEA revenue bond sale

Recommended Action: Approve resolution authorizing issuance of revenue bonds

Background

CEA's governing statutes authorize CEA to use debt (such as bonds, notes, or commercial paper) as a mechanism to build claim-paying capacity. CEA is authorized to enter into such debt transactions before the occurrence of a major earthquake, after an earthquake, or both. In CEA's 23-year history, no major earthquake or series of earthquakes have required CEA to issue post-event debt in order to pay claims and claim expenses. To date, CEA has exclusively used pre-event debt to enhance claim-paying capacity.

Specifically, in 2006, the CEA issued \$315 million of ten-year revenue bonds (the "Series 2006" bonds), and in 2014, the CEA issued \$350 million of revenue bonds with varying maturities of up to five years (the "Series 2014" bonds). The Series 2006 bonds were repaid prior to their final maturity on July 1, 2016, and the Series 2014 bonds matured on July 1, 2019. Thus, CEA currently has no outstanding bonds in the market. These pre-event revenue bonds have provided vitally important liquidity, flexibility and stability for the CEA's capital structure, and have reduced the need for risk transfer purchases.

CEA is now prepared to return to the bond market to issue additional bonds and has structured a program that includes two series of bonds, including both intermediate and short duration maturities to maximize efficiency and flexibility. For the reasons explained below, CEA is recommending that the Governing Board approve a resolution authorizing CEA to issue revenue bonds under the program described in this memorandum and the attachments.

Analysis:

In the opinion of CEA's financial and executive staff and its financial advisor, the CEA is in an excellent position to issue pre-event revenue bonds on very favorable

terms. The current interest-rate environment for high quality debt issuers is very favorable. In addition, CEA's very strong financial condition makes it an attractive issuer for investors. Accordingly, staff proposes the issuance of new revenue bonds under a program that includes both short and intermediate duration bonds, designated as the "Series 2020" bonds. Proceeds of the issuance of the Series 2020 bonds will augment CEA's

claim-paying capacity and marginally reduce the amount of risk transfer CEA would otherwise need to purchase.

With the proposed Series 2020 revenue bond issuance, CEA's investors will also become more familiar with CEA credit, and the investor base in CEA debt will be broadened and diversified due to the issuance of both short-term and intermediate-term bonds—an important consideration given that CEA has not issued new bonds in the municipal market for more than five years. A broader and more diverse investor base will help to lower CEA's cost of capital (on-going costs) for its revenue bonds and any potential future post-event issuances of bonds secured by policyholder surcharges (if and when needed), and will also help to increase CEA's market access after an earthquake event.

The proposed Series 2020 revenue bond issuance will be in the aggregate amount of \$700 million, and will be comprised of two subseries:

- Series 2020A-1, consisting of \$400 million in short-term bonds (September 1, 2020 maturity), and
- Series 2020A-2, consisting of \$300 million in bonds with maturities from July 1, 2021 to July 1, 2026, approximately \$50 million of which would mature annually.

Proposed Revenue-Bond Structure:

Series	2020A-1	2020A-2
Borrower	California Earthquake Authority	California Earthquake Authority
Agent for Sale	California State Treasurer	California State Treasurer
Estimated Par Amount	Up to \$400 million	Up to \$300 million
Maturity	September 1, 2020	July 1, 2021 – July 1, 2026
Tax Status	Federally taxable (not subject to California state income tax)	Federally taxable (not subject to California state income tax)
Bond type	Fixed rate	Fixed rate
Expected Closing Date	First quarter of 2020	First quarter of 2020

Flow of Funds

CEA will pledge revenue to secure repayment of both sub-series of the proposed Series 2020 bonds; the pledged revenue will consist of CEA's policyholder premium, less the commissions and participating-insurer operating costs that CEA's participating insurance companies retain. The Series 2020A-1 principal and interest payments will be pre-funded at closing with available capital, which enables the CEA to meet its additional bonds test as defined in the Master Trust Indenture.

All pledged revenue will be deposited with the trustee bank, U.S. Bank. Using the deposited revenue, U.S. Bank will fund the pledged revenue account in an amount sufficient for timely repayment of bond principal and interest. For a more detailed depiction of the flow of funds and accounts, see the attached flow-of-funds charts. The Series 2020A-1 bonds are shown on *Attachment A*, and the Series 2020A-2 bonds are shown on *Attachment B*.

Disposition and Investment of Revenue-Bond Proceeds

CEA will commit to use the Series 2020 bond proceeds only to pay policyholder claims and claim-related expenses. The proposed revenue bond proceeds will fund a pledged revenue account at CEA's custody bank, State Street Bank.

CEA's investment managers will invest the bond proceeds, on behalf of CEA, in accordance with the Board-approved investment policies and procedures pertaining to CEA's existing Claims-Paying Fund. Using the investment policy, CEA will be able to match the Series 2020 bonds' interest-rate characteristics to minimize any mismatch between investment income and bond-interest payments.

Also, because the claim-paying account may be accessed to pay claims before the bonds' maturity, using those investment policies ensures that the claim-paying account will consist of high-quality liquid securities.

The Series 2020 bond proceeds will be added to the layer of CEA's financial structure that is shown as "Revenue Bonds" layer of that structure. *Attachment C* is a diagram showing a projected February 29, 2020, CEA financial structure including the bond proceeds from the Series 2020 bond issuance.

Key Revenue-Bond Documents

The following is a brief description of the key documents for the Series 2020 bond issuance and each are included in this memorandum:

Indenture of Trust (Attachment D): The bond indenture of trust is a master agreement between the borrower (CEA) and the trustee (U.S. Bank) and presents both the general structure of the bond transactions and the respective duties and obligations of the borrower and the trustee.

Supplemental Indenture of Trust (Attachment E): The supplemental indenture of trust is an agreement between the borrower (CEA) and the trustee (U.S. Bank) and describes the structure of each bond series in the transaction and, for each such series, the respective duties and obligations of the borrower and the trustee.

Preliminary Official Statement (Attachment F): The preliminary official statement is the bond-transaction disclosure document given to potential investors, which presents the history, background, and financial results of the borrower (CEA), a summary of the bond transactions, and the risk factors inherent in the transaction.

Bond Purchase Contract (Attachment G): The bond purchase contract is an agreement among the borrower (CEA), the underwriter(s), and the agent for sale (the California State Treasurer) that states the terms and conditions of the bond sale.

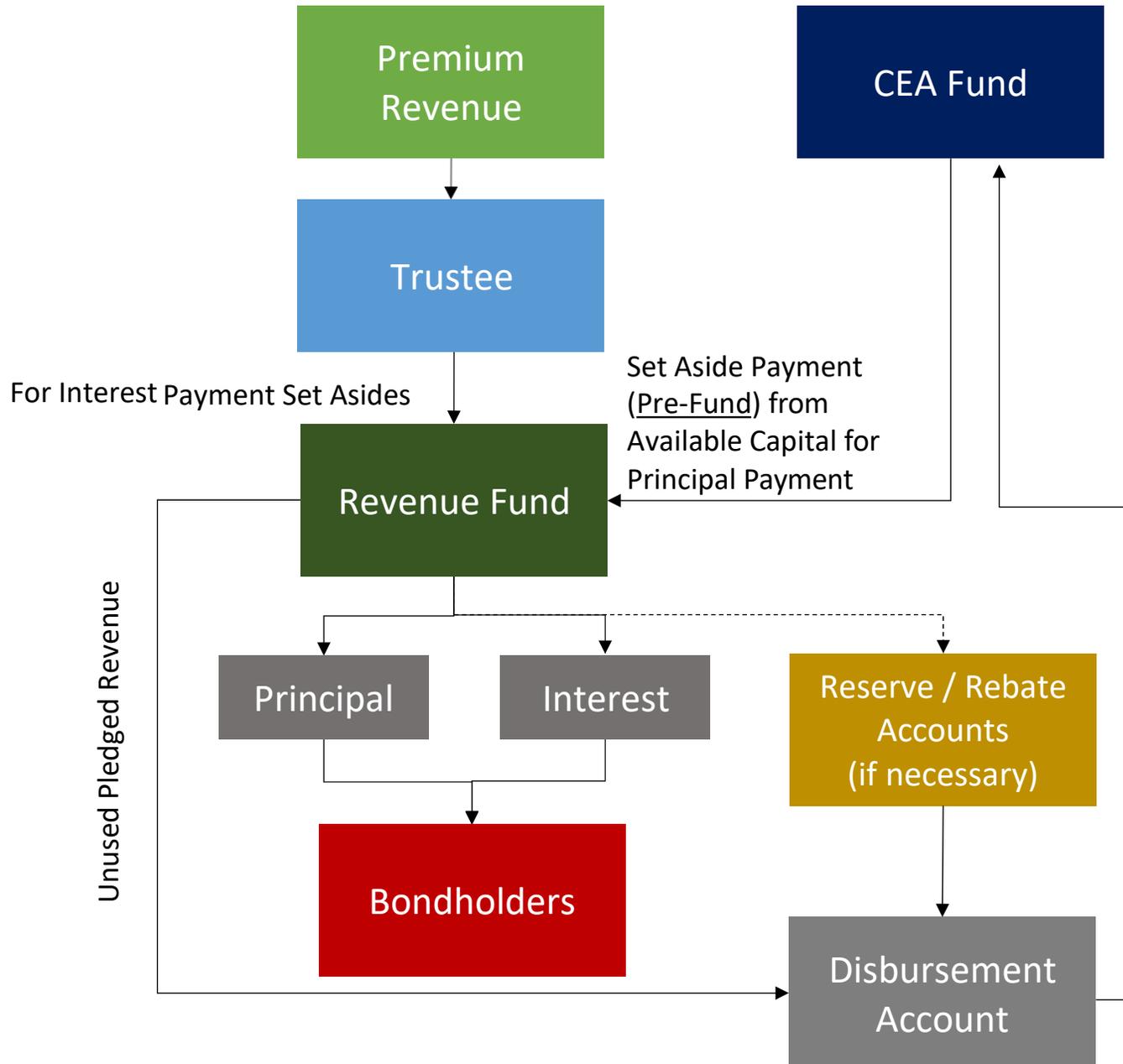
Continuing Disclosure Agreement (Attachment H): The continuing disclosure agreement states the borrower's representations regarding periodic reporting requirements during the term of the bonds or as long as the bonds remain outstanding.

Governing Board Resolution (Attachment I): The proposed Governing Board resolution gives CEA staff authorization to sell the revenue bonds on the terms and conditions presented above, and as elaborated on in the resolution.

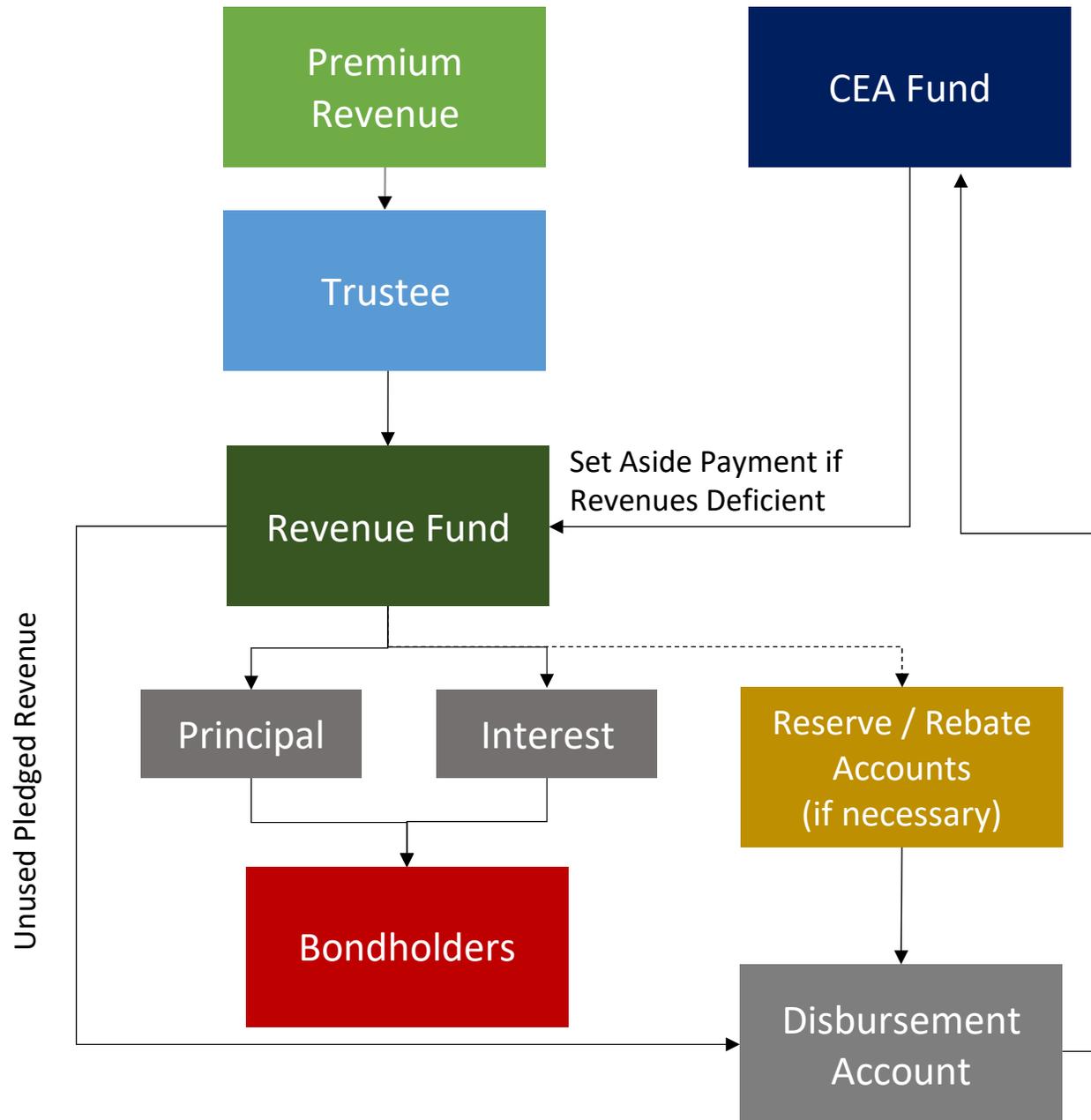
Recommendations:

Staff recommends that the Governing Board adopt a written resolution (in the form presented to the Board as *Attachment I*) approving the sale of Series 2020 revenue bonds on the terms and conditions stated above, and as more fully described in that written resolution

CEA's Proposed Series 2020A-1 Revenue Bonds Flow of Funds (short-term bonds)

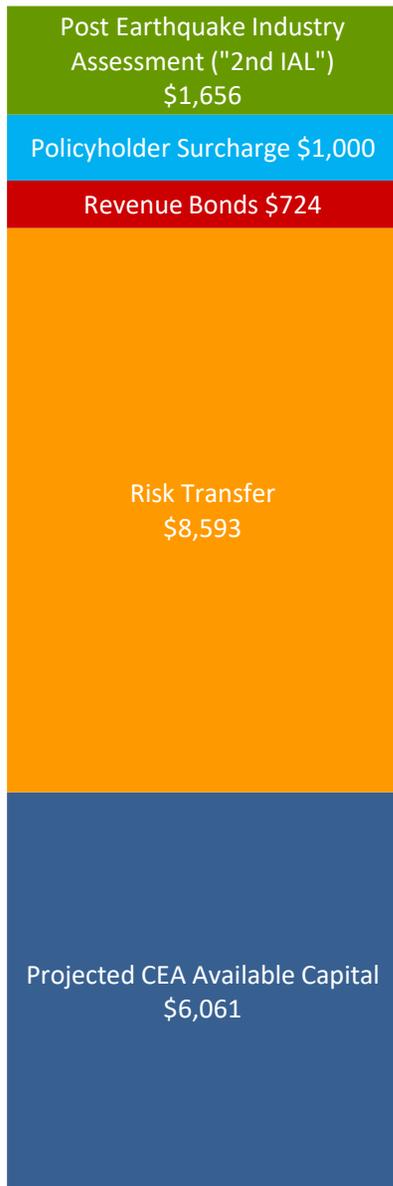


CEA's Proposed Series 2020A-2 Revenue Bonds Flow of Funds (intermediate-term bonds)



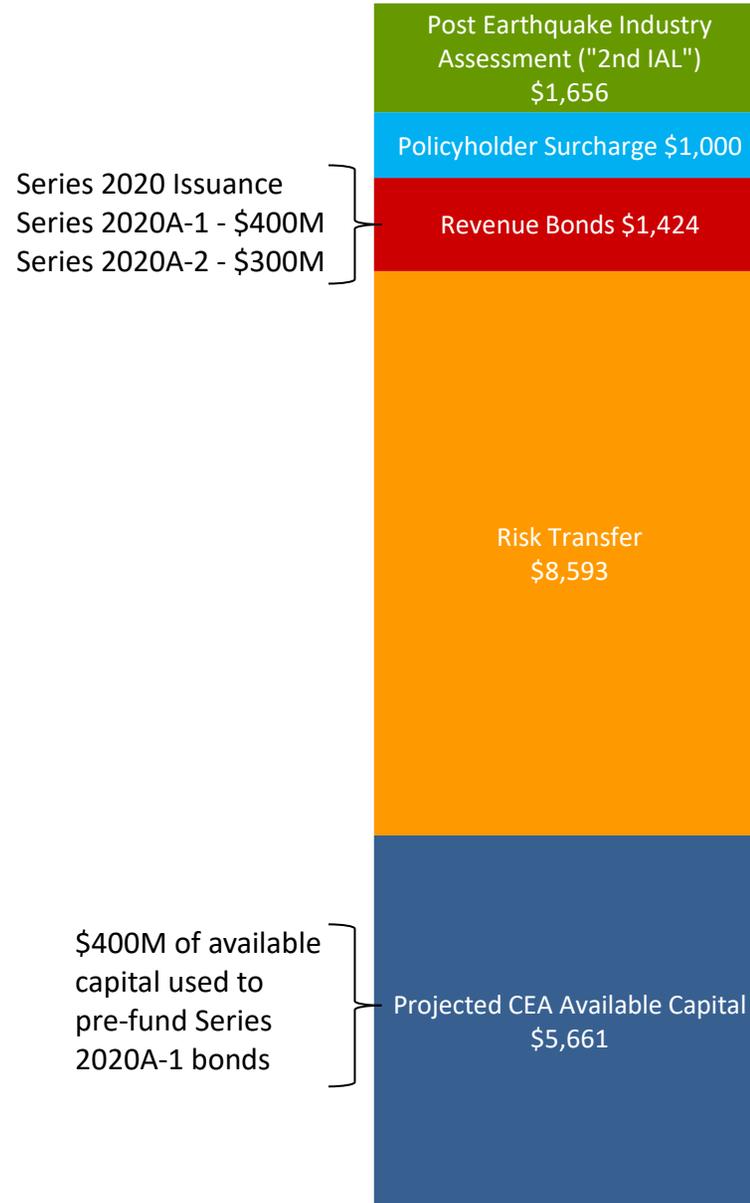
Claim-Paying Capacity for Series 2020 Pre- and Post- Issuance

Pre-Series 2020 Bond Issuance



Total Capacity **\$18,034M**

Post-Series 2020 Bond Issuance



Total Capacity **\$18,334M**

INDENTURE OF TRUST

BETWEEN

CALIFORNIA EARTHQUAKE AUTHORITY

AND

**U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE**

Dated as of February 1, 2020

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INDENTURE OF TRUST

This INDENTURE OF TRUST is entered into and dated as of February 1, 2020, between CALIFORNIA EARTHQUAKE AUTHORITY, a public instrumentality of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America and being qualified to accept and administer the trusts hereby created, as trustee (the “Trustee”);

W I T N E S S E T H:

WHEREAS, the Authority is a public instrumentality of the State of California (the “State”) created under and pursuant to Chapter 8.6 of Part 1 of Division 2 of the Insurance Code of the State (as amended from time to time, the “CEA Act”);

WHEREAS, the Authority is authorized by the CEA Act to issue bonds, notes, commercial paper and variable rate securities, and any other evidence of indebtedness;

WHEREAS, in order to establish the terms of and security for bonds to be issued under this Indenture (the “Bonds”), the governing board of the Authority (the “Board”) has authorized the execution and delivery of this Indenture; and

WHEREAS, all actions that are necessary to make the Bonds, when executed by the Authority and authenticated and delivered by the Trustee, the valid, binding and legal obligations of the Authority payable in accordance with their terms, and to constitute this Indenture a valid and binding agreement of the parties hereto, have been done and taken, and the execution and delivery of this Indenture have been duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, in order to secure the payment of all Bonds Outstanding under this Indenture, according to their tenor, and to secure the performance of the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. In addition to terms elsewhere defined in this Indenture, the following terms shall have the following meanings unless the context or use clearly indicates another meaning. These definitions shall apply to the singular and plural forms of these defined terms and, unless the context otherwise indicates, words of the masculine or female gender shall be deemed and construed to include correlative words of the feminine or masculine gender, respectively.

Additional Bonds

“Additional Bonds” means parity Bonds issued in accordance with the provisions of Article V.

Annual Debt Service; Maximum Annual Debt Service

“Annual Debt Service” means, at any point in time, with respect to Bonds then Outstanding, the aggregate amount of principal and interest scheduled to become due and payable (either at scheduled maturity, mandatory redemption or otherwise) in a Fiscal Year, as calculated by the Authority in accordance with this definition. The term “Maximum Annual Debt Service” means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of the Bonds then Outstanding. For purposes of calculating Annual Debt Service and Maximum Annual Debt Service, the following assumptions are to be used to calculate the principal and interest becoming due in any Fiscal Year for each Series of Bonds:

(a) in determining the principal amount due in each year and including the principal amounts of any Bonds proposed to be issued, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such principal, including any sinking fund payments;

(b) if 20% or more of the principal of such Bonds or Bonds proposed to be issued, calculated as of the date of issuance, is due during any Fiscal Year, debt service on such Bonds may, at the option of the Authority, be treated as if it were due based upon a level amortization of principal of and interest thereon over the term of such Bonds remaining from the date of calculation;

(c) principal and interest payments on Bonds shall be excluded to the extent such payments are to be paid, in whole or in part, from moneys or Government Obligations, together with interest earnings thereon, then currently on deposit with the Trustee or another fiduciary in escrow specifically therefor; and

(d) interest payments on Bonds shall be excluded to the extent such payments are to be paid from the proceeds of Bonds held by the Trustee as capitalized interest specifically to pay such interest.

Notwithstanding the foregoing or any other provision of this Indenture, principal of and interest on the Series 2020A-1 Bonds and any Additional Bonds issued pursuant to Section 5.01(b)(i)(3) shall be excluded from the calculation of Annual Debt Service or Maximum Annual Debt Service.

Authority

“Authority” means California Earthquake Authority, a public instrumentality of the State.

Authority Agent

“Authority Agent” means an issuing and paying agent or other transfer or processing agent appointed by the Authority.

Authorized Representative

“Authorized Representative” means the chief executive officer of the Authority and the chief financial officer of the Authority and each of them and such other person or persons as the Board shall designate in writing to the Trustee from time to time as an authorized representative hereunder.

Available Capital

“Available Capital” has the meaning assigned in Section 10089.5(b) of the CEA Act, as amended from time to time.

Board

“Board” means the governing board of the Authority.

Bond Counsel

“Bond Counsel” means any attorney-at-law, or firm of such attorneys, selected by the Authority, and nationally recognized as experienced in legal work relating to the issuance of bonds by states and political subdivisions.

Bondholder or Holder

“Bondholder” or “Holder” whenever used herein with respect to a Bond, means the record owner of such Bond shown on the books of registration kept by the Trustee, which record owner, during any period when ownership of the Bond is determined by book entry at a securities depository, shall be the securities depository or its nominee.

Bonds

The term “Bonds” means bonds issued under this Indenture and “bonds” means bonds, notes, commercial paper, and variable rate securities and any other evidence of indebtedness that the Authority is authorized by the CEA Act to issue.

Business Day

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which State offices are authorized or required to be closed, (c) a day on which banks are authorized or obligated by law or binding executive order to close in California, and (d) solely with respect to Bonds bearing interest at an Index Rate, (i) a day on which banks in the city in which the

Calculation Agent is located are authorized or obligated by law or binding executive order to close and (ii) a day on which the New York Stock Exchange is closed.

Calculation Agent

“Calculation Agent” means any Person, financial institution or financial advisory firm appointed by the Authority to serve as Calculation Agent for any Series of Bonds bearing interest at an Index Rate. In the event that the Authority appoints the Trustee as Calculation Agent, the Trustee shall signify its acceptance of the duties and obligations as Calculation Agent hereunder by a written acceptance delivered to the Authority, which appointment and acceptance may be evidenced in the related Supplemental Indenture.

California Earthquake Authority Fund

“California Earthquake Authority Fund” means the fund by that name created in Section 10089.22(b) of the CEA Act.

CEA Act

“CEA Act” means Chapter 8.6 of Part 1 of Division 2 of the Insurance Code of the State, as amended from time to time hereafter.

Certificate of the Authority

“Certificate of the Authority” means an instrument in writing signed by an Authorized Representative of the Authority.

Claims-Paying Accounts

“Claims-Paying Accounts” means the one or more accounts by that name, together with a designation identifying the Series of Bonds to which it relates, established by the Authority within the California Earthquake Authority Fund.

Code

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

Commissioner

“Commissioner” means the Insurance Commissioner of the State together with any employee of the Commissioner at the time designated to act on behalf of the Commissioner.

CUSIP

“CUSIP” means the Committee on Uniform Securities Identification Procedures of the American Bankers Association, or any successor to its functions.

Debt Service Deposit

“Debt Service Deposit” has the meaning given in Section 4.03(a).

Disbursement Fund

“Disbursement Fund” means the fund by that name established in Section 4.02.

Dollars

“Dollars” or “\$” means lawful currency of the United States of America.

DTC

“DTC” means The Depository Trust Company or any successor thereto.

Event of Default

“Event of Default” means any of the events specified in Section 7.01.

Federal Reserve’s Website

“Federal Reserve’s Website” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York.

Fiscal Year

“Fiscal Year” means the period of twelve months terminating on December 31 of each year, or any other annual period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

Government Obligations

“Government Obligations” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America and (c) obligations that as to principal and interest are unconditionally guaranteed by the United States of America (including any securities described in (a), (b) or (c) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at less than par at the option of anyone other than the holder.

Indenture and hereunder

“Indenture” and “hereunder” means this Indenture as the same may be amended or supplemented from time to time as permitted hereby.

Independent Certified Public Accountant

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants appointed by the Authority, and who, or each of whom:

- (a) is in fact independent and not under the control of the Authority;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (c) is not connected with the Authority as a member, officer or employee of the Authority, but which firm may be regularly retained by the Authority to audit the accounting records of the Authority and make reports thereon to the Authority.

Index

“Index” means SOFR or such other index as the Authority shall select in consultation with a financial institution or financial advisory firm selected by the Authority not less than five Business Days prior to the effective date of the Index Rate, which in the opinion of nationally recognized tax counsel, is reasonably expected to measure contemporaneous variations in the cost of newly borrowed funds or inflation, as applicable, and is administratively acceptable to the Calculation Agent.

Index Interest Rate Period

“Index Interest Rate Period” means the period of time that a particular interest rate remains in effect during an Interest Period, pursuant to Section 3.04.

Index Percentage

“Index Percentage” means the percentage determined by the Authority, in consultation with the Treasurer, pursuant to Section 3.04 with respect to the determination of the Index Rate for a particular Index Period.

Index Period

“Index Period” means the entire period during which a Series of Bonds bears interest at an Index Rate.

Index Rate

“Index Rate” means, with respect to a Series of Bonds in a particular Index Period, the interest rate per annum on such Bonds during each Index Interest Rate Period determined on a periodic basis as provided in Section 3.04 of this Indenture, which is equal to (a) the Index, (b) the sum of the Index plus or minus the Index Spread, or (c) the sum of (i) the Index multiplied by the Index Percentage, plus (ii) the Index Spread, as applicable.

Index Rate Determination Date

“Index Rate Determination Date” means the Business Day on which the Index Rate is determined by the Calculation Agent during each Index Period, as determined by the Authority, in consultation with the Treasurer, pursuant to Section 3.04 of this Indenture.

Index Spread

“Index Spread” means the spread, determined by the Authority, in consultation with the Treasurer, prior to the issuance of a Series of Bonds bearing interest at an Index Rate in accordance with Section 3.04, and shall be the spread which, when added to or subtracted from (a) the Index or (b) the product of the Index multiplied by the Index Percentage, will result in the minimum Index Spread which, in the judgment of the Authority, in consultation with the Treasurer, under prevailing market conditions, will result in the sale of such Bonds in the Index Period at a purchase price equal to their principal amount or as otherwise specified in the related Supplemental Indenture.

Interest Account

“Interest Account” means the account by that name established pursuant to Section 4.04.

Interest Subaccount

“Interest Subaccount” means the account by that name established in Section 4.04(a).

OBFR

“OBFR” means, with respect to any Reset Date, the Overnight Bank Funding Rate on the Federal Reserve’s Website as of 4:00 p.m. (Eastern Time) on the SOFR Reference Date for the related SOFR Determination Date.

OBFR Index Cessation Date

“OBFR Index Cessation Date” means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the OBFR), ceases to publish the OBFR, or the date as of which the OBFR may no longer be used.

OBFR Index Cessation Event

“OBFR Index Cessation Event” means the occurrence of one or more of the following events:

- (a) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the OBFR) announcing that it has ceased to publish or provide the OBFR

permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide an OBFR; or

(b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the OBFR) has ceased to provide the OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the OBFR.

Outstanding

“Outstanding,” when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, means all Bonds that have been authenticated and delivered by the Trustee hereunder, except:

- (a) Bonds canceled or delivered for cancellation at or prior to such date;
- (b) Bonds deemed to be paid in accordance with Section 6.02;
- (c) Bonds in lieu of which others have been authenticated under Sections 2.07 and 2.08; and
- (d) All Bonds held by or for the account of the Authority.

Participating Insurer

“Participating Insurer” means each insurer that has elected to join the Authority pursuant to the CEA Act and that has entered into a contract with the Commissioner and the Authority pursuant to Section 10089.9 of the CEA Act that sets forth its rights and responsibilities as an Authority participant.

Permitted Investments

“Permitted Investments” means and is limited to securities eligible under Section 16430 of the Government Code of the State, as amended from time to time hereafter, except to the extent further restricted by the investment policy of the Authority.

Person

“Person” means any natural person, firm, partnership, association, corporation, or public body.

Pledged Policyholder Premiums

“Pledged Policyholder Premiums” means premiums for policies of basic residential earthquake insurance net of deductions from gross premiums by Participating Insurers for (a) producer commissions and production costs of the Participating Insurer authorized by the Authority, and (b) non-claims-related operating costs (including policy issuance, premium

collection, accounting, statistical, data-processing, and records-keeping services) of the Participating Insurer authorized by the Authority.

Pledged Revenue

“Pledged Revenue” means, subject to Sections 4.02(b) and 4.04(c), all income and receipts of the Authority derived from (a) Pledged Policyholder Premiums, and (b) interest and other income from investment of money in any fund or account held by the Trustee for the payment of principal of or interest or premiums on Bonds. Segregated Revenue, Surcharge Revenue, assessments levied on insurers and payments from reinsurers, whether paid to the Authority or due the Authority but retained by a reinsurer pursuant to a right of offset in a reinsurance contract with the Authority, shall not constitute Pledged Revenue.

Principal Account

“Principal Account” means the account by that name established pursuant to Section 4.04.

Principal Office

“Principal Office” means the corporate trust office of the Trustee at [One California Street, Suite 1000, San Francisco, California 94111], provided, however, for transfer, registration, exchange, payment and surrender of Bonds, the “Principal Office” means [111 Fillmore Ave. E., St. Paul, Minnesota 55107], or such other or additional offices as may be designated by the Trustee from time to time.

Rebate Fund

“Rebate Fund” means the account by that name established pursuant to Section 4.05.

Reset Date

“Reset Date” means, with respect to any Index Period, each day on which Index Rates will periodically become effective during such Index Period being the day immediately following the Interest Rate Determination Date, as determined by the Authority on or before the first day of such Index Period in accordance with Section 3.04.

Revenue Fund

“Revenue Fund” means the fund by that name established pursuant to Section 4.03.

Segregated Revenue

“Segregated Revenue” means revenue from any segregated fund established by a Supplemental Indenture consisting of (a) the proceeds of sale of bonds, (b) securities described in Section 16430 of the Government Code of the State and (c) principal and interest payments on such securities described in Section 16430 of the Government Code of the State.

Series

“Series” means all Bonds identified in a Supplemental Indenture as a separate Series.

SOFR

“SOFR” means:

(a) The Secured Overnight Financing Rate on the Federal Reserve’s Website as of 4:00 p.m. (Eastern Time) on the SOFR Reference Date for the related SOFR Determination Date.

(b) If the Secured Overnight Financing Rate cannot be determined with respect to any such SOFR Determination Date as specified in paragraph (a), unless both a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, then SOFR shall be the Secured Overnight Financing Rate in respect of the last U.S. Government Securities Business Day for which such Secured Overnight Financing Rate was published on the Federal Reserve’s Website.

(c) If a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, then SOFR shall be the rate that was recommended as the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator, which rate may include any adjustments or spreads, and which rate will be reasonably expected to measure contemporaneous variations in the cost of newly borrowed funds in U.S. dollars). If no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event, then SOFR shall be OBFR for any SOFR Determination Date after the SOFR Index Cessation Date.

(d) If SOFR is OBFR pursuant to paragraph (c) above and an OBFR Index Cessation Event has occurred, then for any SOFR Determination Date after the OBFR Index Cessation Date, SOFR shall be the short-term interest rate target set by the Federal Open Market Committee and published on the Federal Reserve’s Website, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve’s Website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

SOFR Determination Date

“SOFR Determination Date” means, with respect to any Reset Date, the U.S. Government Securities Business Day immediately preceding such Reset Date.

SOFR Index Cessation Date

“SOFR Index Cessation Date” means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate) ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used.

SOFR Index Cessation Event

“SOFR Index Cessation Event” means the occurrence of one or more of the following events:

(a) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a Secured Overnight Financing Rate; or

(b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate.

SOFR Reference Date

“SOFR Reference Date” means, with respect to any SOFR Determination Date, the U.S. Government Securities Business Day immediately preceding such SOFR Determination Date.

State

“State” means the State of California.

Statutory Revenue

“Statutory Revenue” means all income and receipts of the Authority, including, but not limited to, income and receipts derived from premiums, bond purchase agreements, capital contributions by insurers, grants and all interest or other income from investment of money in any fund or account of the Authority established for the payment of principal or interest, or premiums on bonds, including reserve funds. Payments from reinsurers, whether paid to the Authority or due the Authority but retained by a reinsurer pursuant to a right of offset in a reinsurance contract with the Authority, assessments levied on insurers and surcharges applied to Authority earthquake policyholders shall not constitute Statutory Revenue.

Subordinate Bonds

“Subordinate Bonds” means bonds of the Authority issued pursuant to another indenture that are junior and subordinate to the payment of the principal, premium, and interest requirements for the Bonds and that are payable out of Pledged Revenue transferred to the indenture trustee for such bonds by the Authority or from Surcharge Revenue or Segregated Revenue or any combination of such sources.

Supplemental Indenture

“Supplemental Indenture” means any indenture executed and delivered by the Authority and the Trustee that is stated to be a supplemental indenture hereto.

Surcharge Revenue

“Surcharge Revenue” means revenue from surcharges applied pursuant to Sections 10089.29 and 10089.53 of the CEA Act.

Surplus Account

“Surplus Account” means the account by that name established pursuant to Section 4.04.

Tax Certificate

“Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance of a Series of Bonds the interest on which is intended to be exempt from federal income taxation, as the same may be amended and supplemented in accordance with its terms to comply with the Code.

Treasurer

“Treasurer” means the Treasurer of the State of California, as agent for sale of the Bonds.

Trustee

“Trustee” means the commercial bank, trust company or national banking association, appointed by the Authority as trustee (initially U.S. Bank National Association) and having the duties, responsibilities and rights provided for in the Indenture and any other commercial bank, trust company or national banking association at any time substituted in its place as Trustee pursuant to the Indenture.

U.S. Government Securities Business Day

“U.S. Government Securities Business Day” means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association

recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities

ARTICLE II

THE BONDS

SECTION 2.01. Authorization. Pursuant to authority conferred by and in accordance with the provisions of the Constitution of the State and the CEA Act and the other laws of the State, the Board hereby authorizes Bonds to be issued, in Series, for the purposes of providing capital for the Authority and to refund Bonds. Each separate Series of Bonds shall be authorized by the Board in a Supplemental Indenture. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article.

SECTION 2.02. General Terms of Bonds. Each Bond issued hereunder shall be designated a “California Earthquake Authority Revenue Bond”; provided that each Bond shall have a Series designation as specified in the related Supplemental Indenture. Each Bond shall bear interest and be payable and be secured and have such other terms as shall be specified herein and in the related Supplemental Indenture or, if not specified therein, as specified by an Authorized Representative pursuant to Section 2.06.

The principal of and the redemption premium, if any, and the interest on the Bonds shall be payable in Dollars. During any period in which ownership of any Bond is determined by a book-entry system at a securities depository, payment of debt service on such Bond shall be made to the securities depository, or its nominee, and in accordance with arrangements among the Authority, the Trustee and the securities depository. During any period when ownership of such Bond is not determined by a book-entry system, unless otherwise specified in a Supplemental Indenture, the principal of and redemption premium, if any, on all Bonds shall be payable by check at the Principal Office of the Trustee upon the presentation and surrender of the Bonds as the same become due and payable and the interest on the Bonds shall be paid by check drawn upon the Trustee and mailed to the persons in whose names the Bonds are registered on the registration books maintained by the Trustee at the close of business on the 15th day of the month preceding such interest payment.

SECTION 2.03. Execution. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of its chief executive officer and countersigned by the manual or facsimile signature of its chief financial officer. In case the officer whose manual or facsimile signature shall appear on the Bonds shall cease to be an officer before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes.

SECTION 2.04. Certificate of Authentication. No Bonds shall be secured hereby or entitled to the benefit hereof or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon a certificate of authentication, substantially in the form as set forth in the form of Bond referred to in Section 2.05 hereof, executed by the Trustee; and such certificate on any Bond issued by the Authority shall be conclusive evidence that it has been duly authenticated and delivered hereunder.

SECTION 2.05. Forms of Bonds. The Bonds of a Series, the Trustee's certificate of authentication and the form of assignment shall be in substantially the forms specified in the related Supplemental Indenture or if not specified therein, as specified by an Authorized Representative pursuant to Section 2.06 and may have such letters, numbers or other marks of identification (including, but not limited to, the Series designation provided for in Section 2.02) and such legends and endorsements placed thereon as may be required to comply with any applicable laws or rules or regulations, or as may, consistent herewith, be determined by an Authorized Representative. The Bonds shall be in either typewritten or printed form and any expenses incurred in connection therewith shall be paid by the Authority.

SECTION 2.06. Issuance, Sale and Delivery of Bonds; Application of Proceeds.

(a) Subject to applicable terms, limitations and procedures contained herein and in the applicable Supplemental Indenture, the Bonds of a Series may be issued and sold at the direction of an Authorized Representative.

(i) The Bonds of each Series shall be delivered by the Trustee in accordance with electronic or written instructions of an Authorized Representative and in the manner specified herein. Said instructions shall specify the following terms for the Bonds then being issued to the extent such terms are not set forth herein or in the related Supplemental Indenture and are applicable to such Bonds: Series designation; authorized denominations; bond forms; book-entry provisions, if any, maturity date or dates, which may vary for Bonds within such Series; principal amount; issue date; interest rate or rates, which may be fixed or based on an Index, and, if based on an Index the manner of determining such Index Rate in accordance with this Indenture; record date for interest payments; sinking fund provisions, if any; redemption provisions, if any; security; purchase price; CUSIP numbers; and any other terms and conditions that are not inconsistent with this Indenture. Such instructions shall also contain provisions representing that all action on the part of the Authority necessary for the valid issuance of the Bonds then to be issued has been taken, that all provisions of State and federal law necessary for the valid issuance of such Bonds have been complied with, and that such Bonds will be valid and enforceable obligations of the Authority according to their terms (subject to the exercise of judicial discretion in accordance with any applicable general principles of equity and bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights theretofore or hereafter enacted).

(ii) Such instructions shall be accompanied by the certificate and opinion required by Section 5.02.

(b) Upon the delivery of each Series of Bonds, the proceeds (net of all costs of issuance authorized to be paid by an Authorized Representative) shall immediately be deposited as set forth in the applicable Supplemental Indenture.

SECTION 2.07. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond is mutilated, lost, stolen or destroyed, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond of the same Series, maturity date, principal amount, interest rate, number

and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that there shall be first furnished to the Trustee evidence satisfactory to it of the ownership of such Bond and of such loss, theft or destruction (or, in the case of a mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee), together with indemnity satisfactory to the Trustee and compliance with such other reasonable regulations as the Authority and Trustee may prescribe. The Authority and the Trustee may charge the Holder of such Bond reasonable fees and expenses for replacing the Bond that was mutilated, lost, stolen or destroyed. Subject to the proviso set forth in the first sentence of this Section 2.07, if any such Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Bond the Authority may pay the same without surrender thereof.

SECTION 2.08. Exchangeability and Transfer of Bonds; Persons Treated as Holders. The Authority hereby directs the Trustee, which is hereby constituted and appointed the registrar for the Bonds, to keep books for the registration of the Bonds and for the registration of transfers of the Bonds as provided herein.

Any Holder of a Bond, in person or by its duly authorized attorney, may transfer title to its Bond on the books of registration kept by the Trustee, upon surrender thereof at the Principal Office of the Trustee, together with a written instrument of transfer (in substantially the form of assignment attached to the Bond or as provided in the related Supplemental Indenture) executed by the Holder or its duly authorized attorney, and upon surrender for registration of transfer of any Bond, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond of the same Series, maturity date, principal amount, interest rate, number and tenor as the Bond surrendered.

Any Bond may be exchanged upon surrender thereof at the Principal Office of the Trustee with a written instrument of transfer in the form set forth in the related Supplemental Indenture or otherwise satisfactory to the Trustee executed by the Holder or such attorney duly authorized in writing, for a Bond of the same Series, maturity date, principal amount, interest rate, number and tenor as the Bonds being exchanged. The Authority shall execute and the Trustee shall authenticate and deliver Bonds that the Holder making the exchange is entitled to receive.

Such registrations of transfers or exchanges of a Bond shall be without charge to the Holder of such Bond, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Trustee for any such registration, transfer or exchange shall be paid by the Authority.

The Trustee shall not register any transfer of any Bond after notice calling such Bond (or portion thereof) for redemption or partial redemption has been given and prior to such redemption, except, in the case of any Bond to be redeemed in part, the portion thereof not to be redeemed.

The Holder in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal, premium, if any, or interest shall be made only to or upon the order of the Holder or his duly authorized attorney, but such registration may be changed as hereinabove provided. All such

payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

All Bonds issued upon any transfer or exchange of Bonds shall be legal, valid and binding obligations of the Authority, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

SECTION 2.09. Cancellation. All Bonds that have been surrendered to the Trustee pursuant to Section 2.07 or 2.08 of this Indenture or for payment upon maturity or redemption prior to maturity shall be cancelled and destroyed by the Trustee and a certificate of destruction shall be delivered to the Authority.

SECTION 2.10. Bonds Ratably Secured. All Bonds issued hereunder shall be equally and ratably secured so that, subject to any differences specified in this Indenture, all such Bonds at any time Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture and shall be secured hereby with like effect as if they were of the same Series and they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or whether they, or any of them, shall be disposed of at some future date.

SECTION 2.11. Book-Entry Only System. Unless an Authorized Representative shall otherwise direct or unless otherwise specified in a Supplemental Indenture, all Bonds issued hereunder shall be registered as book-entry securities in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, and held in the custody of DTC. Beneficial owners of Bonds will not receive physical delivery of Bond certificates, except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book entry only, and no person purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee shall have no responsibility or obligation to any person on whose behalf DTC holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC or Cede & Co. with respect to any ownership interest in the Bonds, (b) the delivery to any person, other than a registered owner of the Bonds, as shown on the registration books, of any notice with respect to the Bonds, including any notice of redemption, or (c) the payment to any person, other than a registered owner of the Bonds, as shown in the registration books, of any amount with respect to principal of or premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds, other than DTC, or its nominee, but only in the event that (a) DTC determines not to continue to act as securities depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect is delivered to the Authority and the Trustee); or (b) an Authorized Representative has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Bonds) that DTC is incapable of discharging

its duties as securities depository for the Bonds; or (c) the Authority has determined (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Authority shall use its best efforts to attempt to locate another qualified securities depository. If the Authority fails to locate another qualified securities depository to replace DTC, the Authority shall cause to be authenticated and delivered replacement Bonds in certificate form, to the beneficial owners of the Bonds. In the event that the Authority makes the determination noted in (b) or (c) above (provided that the Authority undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Authority to make any such determination), and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Bonds in certificate form to beneficial owners of the Bonds, as shown on the records of DTC provided to the Authority.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by book entry at DTC, (a) the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect and (b) delivery of the Bonds will be in accordance with arrangements among the Authority, the Trustee and DTC notwithstanding any provision of this Indenture to the contrary.

The Authority, acting by and through an Authorized Representative, has entered into a letter of representation with DTC to implement the book-entry only system of Bond registration described above and the terms of the Bonds will be governed by such system notwithstanding anything to the contrary herein, including, but not limited to: (a) payments of principal of, interest and premium, if any, on the Bonds, (b) delivery of notices to Bondholders, (c) selection of Bonds for redemption and payment of the redemption price and (d) obtaining of consent of Bondholders to extent required by this Indenture, in each case, shall be in accordance with the letter of representation with DTC and the book-entry only system.

If at any time, DTC ceases to hold the Bonds in book-entry form, all references herein to DTC shall be of no further force or effect.

SECTION 2.12. Redemption of Bonds. A Series of Bonds made subject to redemption prior to maturity pursuant to the terms of a Supplemental Indenture shall be redeemable at such times, upon such notice, at such redemption prices and upon such terms as may be specified in such Supplemental Indenture.

ARTICLE III

BONDS BEARING INTEREST AT AN INDEX RATE

SECTION 3.01. General. The Authority may issue one or more Series of Bonds that shall bear interest at an Index Rate (the “Index Rate Bonds”). The following provisions contained in this Article III shall apply only to Index Rate Bonds.

SECTION 3.02. Interest. For any Index Period, unless otherwise specified in a Supplemental Indenture, interest shall be due and payable on the maturity date of the Bonds of the related Series. Each Series of Index Rate Bonds shall mature on a date within the same Fiscal Year in which they were issued. All Index Rate Bonds of the same Series shall operate in the same Interest Period.

SECTION 3.03. Maximum Interest Rate on Index Rate Bonds. Interest on any Index Rate Bonds shall not exceed [12]% per annum for all such Bonds or such other maximum interest rate as specified in the related Supplemental Indenture; provided, however, that in any case the maximum interest rate on any Index Rate Bonds shall not exceed the maximum nonusurious rate of interest on the relevant obligation permitted by applicable law.

SECTION 3.04. Determination of Index, Index Percentage, Index Spread, Length of Index Period and Index Rate Determination Date. At least one Business Day prior to the issuance of Index Rate Bonds by the Authority, the Authority, in consultation with the Treasurer, shall determine the applicable Index, the Index Spread (if any), the Index Percentage (if any), the length of the Index Period, and the Index Rate Determination Date for such Index Period, in each case, as specified in the related Supplemental Indenture. The initial Index Interest Rate Period for an Index Period shall be the period commencing on the first day of such Index Period and ending on and including the next succeeding Index Rate Determination Date. Thereafter, each Index Interest Rate Period shall be the period commencing on and including the Reset Date and ending on and including the next succeeding Index Rate Determination Date, unless such Index Period ends on a day other than an Index Rate Determination Date, in which event the last Index Interest Rate Period for such Index Period shall be the period commencing on and including the Reset Date preceding the last day of such Index Interest Rate Period and ending on and including the last day of such Index Period.

SECTION 3.05. Calculation of an Index Rate. Each Index Rate shall be calculated as specified in the related Supplemental Indenture. Notice of each Index Rate shall be given by the Calculation Agent to the Trustee and the Authority by not later than the next Business Day following such Index Rate Determination Date. The Trustee shall inform the Holders of Index Rate Bonds of each Index Rate upon request.

SECTION 3.06. The Calculation Agent.

(a) The Authority shall appoint any Calculation Agent for the Index Rate Bonds, subject to the conditions set forth below. Any Calculation Agent shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority and the Trustee in which the Calculation Agent will agree to perform all calculations and provide all notices required of the Calculation Agent under this Indenture.

(b) The Calculation Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days' notice to the Authority, and the Trustee. Upon receipt of such notice, during any Interest Period in which the services of a Calculation Agent are required under this Indenture, the Authority shall diligently seek to appoint a successor Calculation Agent to assume the duties of the Calculation Agent on the effective date

of the prior Calculation Agent's resignation. During the pendency of the Authority appointing a new Calculation Agent, the Authority shall itself act as Calculation Agent, and service in such case shall commence on the effective date of the resignation of the prior Calculation Agent and to remain in effect until a successor Calculation Agent assumes such position in accordance with the provisions hereof. The Calculation Agent may be removed at any time by written notice from the Authority and the Trustee, provided that such removal shall not be effective until a successor Calculation Agent assumes such position in accordance with the provisions hereof.

(c) The Trustee shall, within 30 days of the resignation or removal of the Calculation Agent or the appointment of a successor Calculation Agent, give notice thereof to the registered owners of the affected Index Rate Bonds.

(d) Promptly after determining any Index Rate, the Calculation Agent shall provide notice to the Trustee of such Index Rate.

ARTICLE IV

PLEDGED REVENUE, FUNDS AND ACCOUNTS

SECTION 4.01. Pledge of Pledged Revenue and Debt Service Deposits. All Pledged Revenue and Debt Service Deposits are hereby irrevocably pledged to the punctual payment of principal, interest, and premiums on Bonds in the priority and manner, and subject to the limitations set forth in this Indenture, and Pledged Revenue and Debt Service Deposits shall not be used other than as specified herein for any other purpose while any of the Bonds remain Outstanding. Subject to the limitations set forth in this Indenture, all Bonds shall be equally and ratably secured by the foregoing pledge without preference or priority of one Bond over another, irrespective of number, series, maturity or otherwise. This pledge of Pledged Revenue and Debt Service Deposits shall constitute a lien and security interest which immediately attaches to Pledged Revenue and Debt Service Deposits and is effective, binding, and enforceable against the Authority without the need for any physical delivery, recordation, filing, or further act.

SECTION 4.02. Receipt and Deposit of Statutory Revenue; Transfer of Statutory Revenue.

(a) In order to carry out and effectuate the pledge contained herein, the Authority hereby assigns to the Trustee the right of the Authority to all Statutory Revenue. The Authority agrees and covenants that the Authority will take all reasonable steps, including the execution of assignments and contracts, as may be necessary to have all Statutory Revenue paid to the Trustee instead of to the Authority to the extent practicable. Any Statutory Revenue received by the Authority (other than Statutory Revenue received by the Authority from the Trustee as provided in Section 4.02(b) and Section 4.04(c)) will be paid by the Authority to the Trustee as follows, if received: (i) before 12:00 noon Pacific time, will be paid to the Trustee on the day of receipt (if that day is not a Business Day, on the next Business Day) or (ii) at or after 12:00 noon Pacific time will be paid to the Trustee on the next succeeding Business Day. Statutory Revenue received by the Trustee shall be held by the Trustee in trust. For internal tracking purposes the Trustee may deposit Statutory Revenue in two trust accounts prior to deposit into the Disbursement Fund or the

Revenue Fund, as applicable, one for Pledged Revenue (the amount thereof as identified by the Authority) and one for all other Statutory Revenue.

(b) On each Business Day, except to the extent a deposit in the Revenue Fund of Pledged Revenue is required to be made by the Trustee as provided in Section 4.03(b), all Statutory Revenue received by the Trustee shall be deposited by the Trustee in the Disbursement Fund, which fund is hereby established and which shall be held in trust by the Trustee. On each Business Day, the Trustee shall promptly transfer all Statutory Revenue held in the Disbursement Fund as of 12:00 noon Pacific time, by wire transfer of immediately available funds, to the Authority for deposit in the California Earthquake Authority Fund. The amount of Pledged Revenue included in such a deposit in the Disbursement Fund shall, upon such deposit, no longer constitute Pledged Revenue.

SECTION 4.03. Debt Service Deposits; Revenue Fund; Payment of Bonds.

(a) The Authority may transfer, but is not required to transfer, funds held in the California Earthquake Authority Fund to the Trustee in the manner, in the amounts, and at the times set forth below, or as established in a Supplemental Indenture for a Series of Bonds, to pay the scheduled principal of (including any mandatory sinking fund payments) and interest on all of the Outstanding Bonds issued pursuant hereto (each transfer so made, a “Debt Service Deposit” and collectively, the “Debt Service Deposits”). Debt Service Deposits shall be deposited by the Trustee in the Revenue Fund on the date of receipt or, if the date of receipt is not a Business Day, on the next Business Day. The Revenue Fund is hereby established and shall be held in trust by the Trustee. All funds deposited in the Revenue Fund shall be set aside on that same day in accounts within the Revenue Fund as and to the extent required by Section 4.04.

(b) If the Authority does not transfer the full amount of a Debt Service Deposit pursuant to the immediately preceding clause (a) by the time set forth herein, or in the related Supplemental Indenture, the portion of Statutory Revenue constituting Pledged Revenue that is received by the Trustee on the following day and each day thereafter will be deposited each day into the Revenue Fund, rather than the Disbursement Fund, such deposits to continue only in an amount and to the extent necessary to fund the accounts in the Revenue Fund to the amounts that would have been held therein if Debt Service Deposits had been made in full when scheduled.

(c) The Authority may transfer on or before the 15th day of each calendar month, but is not required to transfer, Debt Service Deposits in the amounts determined as set forth in the immediately following clauses (d) and (e) to the Trustee for deposit in the Revenue Fund pursuant to Section 4.03(a). If the amount of any Debt Service Deposit for a calendar month is less than the amount calculated as set forth below, or such amount as may be required in a Supplemental Indenture, or if no Debt Service Deposit is made for that calendar month, the Trustee shall transfer such difference from Pledged Revenue received by it after the 15th day of that month pursuant to Section 4.03(b), provided, however, the Authority may, at its option, on any date transfer funds in the amount of such shortfall or any remaining portion thereof to the Trustee for deposit in the Revenue Fund.

(d) Except as otherwise provided in a Supplemental Indenture, in each calendar month the portion of a Debt Service Deposit allocable to interest on the Bonds shall be equal to the sum of (i) with respect to interest on Bonds that have been Outstanding more than six months, one-sixth of the amount of interest due and payable on such Outstanding Bonds on the next ensuing interest payment date of January 1 or July 1, as applicable, and (ii) with respect to interest on each Series of Bonds that has been Outstanding less than six months, an amount equal to the amount of interest due and payable on such Series of Bonds on the next ensuing interest payment date of January 1 or July 1, as applicable, divided by the number of months preceding such interest payment date that such Bonds of a Series have been Outstanding, less, in each month, the amount of interest earnings, if any, deposited in the Interest Account during the period starting on the date of the immediately preceding Debt Service Deposit up to but not including the date of the applicable Debt Service Deposit and not yet applied to pay interest on any Bonds, as calculated by the Trustee and approved by the Authority; and

(e) Except as otherwise provided in a Supplemental Indenture, in each calendar month, the portion of a Debt Service Deposit allocable to the principal of the Bonds shall be equal to the sum of (i) with respect to the principal of Bonds that have been Outstanding more than twelve months, one-twelfth of the amount of principal becoming due and payable on such Outstanding Bonds (including any mandatory sinking fund payments) on the next ensuing July 1, and (ii) with respect to the principal of each Series of Bonds that has been Outstanding less than twelve months, an amount equal to the amount of principal due and payable on such Series of Bonds on the next ensuing July 1, if any, divided by the number of months preceding such July 1 that such Bonds of a Series have been Outstanding.

SECTION 4.04. Establishment and Maintenance of Funds, Accounts and Subaccounts. All moneys in the Revenue Fund, including earnings thereon, shall be set aside in trust by the Trustee in the following accounts and subaccounts within the Revenue Fund (each of which the Trustee shall establish and maintain and hold in trust), each Business Day in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account) at the time of deposit to be satisfied before any transfer is made to any other account or purpose subsequent in priority: the Interest Account and the applicable subaccounts, the Principal Account and the applicable subaccounts, and the Surplus Account. The Authority shall maintain, but not in trust, so long as any Bonds are Outstanding, the California Earthquake Authority Fund created by the CEA Act.

All moneys held in the Interest Account, the Principal Account and the Surplus Account shall be held in trust and shall be applied, used and withdrawn only for the purposes authorized in this Indenture.

(a) Interest Account. At the time of issuance of each Series of Bonds, the Trustee shall establish, maintain and hold in trust within the Interest Account a separate subaccount for each such Series of Bonds (each an "Interest Subaccount" and, collectively, the "Interest Subaccounts"). The Trustee shall deposit in the Interest Account the sum of the interest amounts with respect to the Outstanding Bonds then required to be held therein pursuant hereto and pursuant to each Supplemental Indenture. The Trustee shall allocate such deposit to the Interest Subaccounts on a pro rata basis based on the interest amount then required to be held therein pursuant hereto and pursuant to each Supplemental Indenture for the related Outstanding Bonds

of a Series. Provided, however, for purposes of determining such deposit to the Interest Account and such allocations to the Interest Subaccounts, any Interest Subaccount that contains an amount sufficient to make the next scheduled interest payment for the related Outstanding Bonds of a Series shall be ignored. Provided further, if it elects to do so, the Authority may transfer to the Trustee, from the California Earthquake Fund or from other available amounts, including proceeds of Bonds issued to refund Bonds, for deposit into a particular Interest Subaccount, and the Trustee shall set aside in such Interest Subaccount, amounts sufficient to pay the interest component of the optional redemption price (and any required redemption premium) of the applicable Series of Bonds being redeemed at the option of the Authority pursuant to optional redemption provisions in a Supplemental Indenture. Moneys in the Interest Subaccounts shall be used and withdrawn solely for the purpose of paying interest on the related Series of Bonds as it becomes due and payable (including accrued interest on Bonds redeemed hereunder).

The Trustee shall allocate to each Interest Subaccount all interest earnings on amounts allocated to such Interest Subaccount, all of which constitutes Pledged Revenue.

(b) Principal Account. At the time of issuance of each Series of Bonds, the Trustee shall establish, maintain and hold in trust within the Principal Account a separate subaccount for each such Series of Bonds (each a “Principal Subaccount” and, collectively, the “Principal Subaccounts”). The Trustee shall deposit in the Principal Account the sum of the principal amounts with respect to the Outstanding Bonds then required to be held therein pursuant hereto and pursuant to each Supplemental Indenture. The Trustee shall allocate such deposit to the Principal Subaccounts on a pro rata basis based on the principal amount then required to be held therein pursuant hereto and pursuant to each Supplemental Indenture for the related Outstanding Bonds of a Series. Provided, however, for purposes of determining such deposit to the Principal Account and subsequent allocations to the Principal Subaccounts, any Principal Subaccount that contains an amount sufficient to make the next scheduled principal payment for the related Outstanding Bonds of a Series shall be ignored. Provided further, if it elects to do so, the Authority may transfer to the Trustee, from the California Earthquake Authority Fund or from other available amounts, including proceeds of Bonds issued to refund Bonds, for deposit into a particular Principal Subaccount, and the Trustee shall set aside in such Principal Subaccount, amounts sufficient to pay the principal component of the optional redemption price (and any required redemption premium) of the applicable Series of Bonds being redeemed at the option of the Authority pursuant to optional redemption provisions in a Supplemental Indenture. Moneys in the Principal Subaccounts shall be used and withdrawn solely for the purpose of paying such payments on the related Series of Bonds, except that a Supplemental Indenture for any Series of Bonds may permit money held in the applicable Principal Subaccount for the purpose of paying the mandatory redemption price of Bonds of such Series instead to purchase Bonds of such Series as designated by the Authority.

The Trustee shall allocate to each Principal Subaccount all interest earnings on amounts allocated to such Principal Subaccount, all of which constitutes Pledged Revenue.

(c) Surplus Account. All remaining amounts in the Revenue Fund, if any, on that Business Day shall be deposited in the Surplus Account. All funds that are so deposited in the Surplus Account from Pledged Revenue shall no longer constitute Pledged Revenue. Bonds shall not be secured by any amounts in the Surplus Account. All moneys in the Surplus Account shall

be disbursed each Business Day by wire transfer of immediately available funds to the Authority for deposit in the California Earthquake Authority Fund.

SECTION 4.05. Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated the Rebate Fund. The Authority shall cause to be transferred to the Trustee for deposit in the Rebate Fund the rebate requirement calculated in accordance with the provisions of the Tax Certificate and the Code for each Series of Bonds issued as federally tax-exempt obligations. Moneys held in the Rebate Fund are hereby pledged to secure payments to the United States of America, and the Authority and the Holders shall have no rights in or claim to such moneys. The Trustee shall have no responsibility with respect to the Rebate Fund or the rebate requirement except to follow the written instructions of the Authority. Any funds not required to pay rebate may be withdrawn by the Authority.

SECTION 4.06. California Earthquake Authority Fund and Claims-Paying Accounts. For each Series of Bonds issued hereunder, the CEA shall establish one or more Claims-Paying Accounts within the California Earthquake Authority Fund. All money in the California Earthquake Authority Fund may be used and withdrawn by the Authority from time to time for any lawful purpose, except that money in the Claims-Paying Accounts shall be used solely in accordance with Section 9.05.

SECTION 4.07. Records. The Trustee shall cause to be kept and maintained records, prepared in accordance with industry standards, pertaining to each fund, account and subaccount held by it and all disbursements therefrom and shall deliver monthly to the Authority account statements of activity by the Trustee with respect to this Indenture.

SECTION 4.08. Deposit and Investment of Moneys in Funds. Moneys held by the Trustee in the Revenue Fund and the Rebate Fund shall be invested and reinvested in Permitted Investments in accordance with the written instructions of an Authorized Representative. All such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times to be a part of the fund or account that was used to purchase the Permitted Investment. All interest accruing thereon and any profit realized or losses incurred from Permitted Investments shall be credited or charged, as applicable, to the appropriate Interest Subaccount or Principal Subaccount.

Absent specific instructions from an Authorized Representative to invest cash balances in Permitted Investments hereunder, the Trustee shall, to the extent practicable, invest cash balances in money market funds composed of, or secured by, securities of the type specified in clause (a) of the definition of Government Obligations that constitute Permitted Investments unless otherwise specified in a Supplemental Indenture. The Trustee may commingle any of the moneys held by it pursuant to this Indenture for investment in money market funds; provided, however, that the Trustee shall account separately for the moneys belonging to each fund, account or subaccount established pursuant to this Indenture and held by it.

The Trustee is authorized to cause to be sold or redeemed and reduced to cash a sufficient amount of Permitted Investments whenever the cash balance in any fund or account is or will be insufficient to make any required disbursement. The Trustee shall not be responsible

for any depreciation in the value of any Permitted Investment or for any loss resulting from such sale or redemption.

The Trustee or its affiliates may act as sponsor, advisor, principal or agent in the acquisition or disposition of any investment with the prior written approval of an Authorized Representative.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to received brokerage confirmations of security transactions as they occur, the Authority waives receipt of such confirmation to the extent permitted by law. The Trustee will furnish the Authority with electronic access to information about all investment transactions made by the Trustee hereunder.

ARTICLE V

ADDITIONAL BONDS

SECTION 5.01. Limitations on Issuance of Additional Bonds. Subsequent to the issuance of the Series of Bonds issued pursuant to the First Supplemental Indenture of Trust and the Second Supplemental Indenture of Trust, each dated as of February 1, 2020, and each between the Authority and the Trustee, no additional Series of Bonds shall be issued hereunder unless:

(a) an Authorized Representative determines that the issuance of the Series of additional Bonds will not violate any additional bonds test or other requirement in the Indenture or any Supplemental Indenture;

(b) at least one of the following will be true concurrently with the issuance of such Series of additional Bonds;

(i) the Board is provided with a certificate of an Authorized Representative that states that one of the following is accurate:

(1) the ratio of (A) Pledged Revenue for the most recently ended Fiscal Year to (B) Maximum Annual Debt Service on the Bonds, calculated as of the date of sale of, and including such additional Bonds, will not be less than 2.5:1; or

(2) the ratios of (A) projected Pledged Revenue for the current Fiscal Year and projected Pledged Revenue for the next Fiscal Year (including in such projected Pledged Revenue for each such Fiscal Year amounts projected to be received from any adopted policyholder rate increases), to (B) Maximum Annual Debt Service on the Bonds, calculated as of the date of sale of, and including such additional Bonds, will not be less than 2.5:1 for each such Fiscal Year; or

(3) the Supplemental Indenture provides that (A) the Series of Bonds will mature within the same Fiscal Year as issued and (B) the Authority will concurrently with the issuance of such Series of Bonds transfer to the Trustee a

Debt Service Deposit in an amount sufficient to pay in full when due the principal of and interest on such Series of Bonds (if such Bonds of a Series are Index Rate Bonds, interest shall be computed at the maximum interest rate for such Bonds, as set forth herein or in the related Supplemental Indenture), such amount to be allocated to the Interest Subaccount and the Principal Subaccount for such Series of Bonds as set forth in such Supplemental Indenture;

(ii) the Series of additional Bonds is issued for refunding purposes to provide funds for the payment of any or all of the following:

(1) the principal or redemption price of the Outstanding Bonds to be refunded;

(2) expenses incident to the calling, retiring or paying of such Outstanding Bonds and the expenses of the issuance, sale and delivery of such refunding Bonds;

(3) interest on all Outstanding Bonds to be refunded to the date such Bonds will be called for redemption or paid at maturity; and

(4) interest on the refunding Bonds from the date thereof to the date of payment or redemption of the Bonds to be refunded.

(iii) with respect to any Series of Bonds that, at the time of their original issuance, have a term to final maturity that is equal to or greater than 12 months, interest must be payable on January 1 and July 1, and principal must be payable on July 1 of each year.

SECTION 5.02. Proceedings for Issuance of Bonds. Whenever the Authority determines to issue a Series of Bonds, the Authority shall, in addition to fulfilling the requirements of Article II and Section 5.01, file with the Trustee concurrently with the issuance of such Series of Bonds:

(a) a certificate of the Authority stating that (i) no Event of Default specified in Section 7.01 has occurred and is then continuing and (ii) that the requirements of Section 5.01 have been satisfied; and

(b) an opinion of Bond Counsel that the execution of the Supplemental Indenture providing for the issuance of the Series of Bonds has been duly authorized by the Authority in accordance with this Indenture; that such Series of Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority; and that upon the delivery of such Bonds the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or by this Indenture.

SECTION 5.03. Subordinate Bonds. Except to the extent restricted by a Supplemental Indenture, the Authority may issue Subordinate Bonds pursuant to another indenture.

ARTICLE VI

DISCHARGE OF LIEN

SECTION 6.01. Discharge of Lien and Security Interest.

(a) At the election of the Authority upon payment in full of all the Bonds and of all amounts payable under this Indenture, the pledge and lien on the Pledged Revenue and Debt Service Deposits arising under this Indenture shall cease, terminate, and be void; provided, however, such discharge of this Indenture shall not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds; and provided, further, that the rights of the Trustee to indemnity and payment of all reasonable fees and expenses shall survive such cancellation and discharge.

(b) Notwithstanding any provision in the Indenture to the contrary, if the principal of or interest on any Bonds shall be paid by a bond insurer, those Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority within the meaning of this Section 6.01, and the pledge of the Pledged Revenue and Debt Service Deposits and all covenants, agreements and other obligations of the Authority as herein provided shall continue to exist and shall run to the benefit of the bond insurer, and the bond insurer shall be subrogated to the rights of the Holders.

SECTION 6.02. Provision for Payment of Bonds. Bonds shall be deemed to have been paid within the meaning of Section 6.01 if:

(a) there shall have been irrevocably deposited with the Trustee in trust either (i) sufficient money of the United States of America in an amount equal to the principal amount of such Bonds, redemption premium (if any) and all unpaid interest on such Bonds to maturity or the redemption date, as the case may be, or (ii) Government Obligations, the principal and interest on which when due will be sufficient (as confirmed by a report of an Independent Certified Public Accountant or other verification agent) together with any money referred to in Section 6.02(a)(i) above, for the payment at their respective maturity dates or redemption dates prior to maturity of the principal thereof and the redemption premiums (if any) and interest to accrue thereon at such maturity or redemption dates, as the case may be;

(b) if any such Bonds are to be redeemed on any date prior to their maturity, (i) the Trustee shall have received (not less than 20 Business Days prior to the proposed redemption date) irrevocable instructions from an Authorized Representative to redeem such Bonds on such date and (ii) notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice.

Limitations elsewhere specified herein regarding the investment of money held by the Trustee shall not be construed to prevent the depositing and holding of the obligations described in the preceding subsection (a)(ii) for the purpose of defeasing the lien of this Indenture as to Bonds that have not yet become due and payable. In addition, all money so deposited with the Trustee as provided in Section 6.02(a)(i) may also be invested and reinvested, at the direction of an Authorized Representative, in Government Obligations, maturing in the amounts and times

as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Section 6.02 that is not required for the payment of the Bonds and interest and redemption premium, if any, thereon with respect to which such money shall have been so deposited shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other money deposited in the Revenue Fund.

SECTION 6.03. Discharge of Indenture. Notwithstanding the fact that the lien of this Indenture upon the Pledged Revenue and Debt Service Deposits may have been discharged and canceled in accordance with Sections 6.01 and 6.02, this Indenture and the rights granted and duties imposed hereby, to the extent not inconsistent with the fact that the lien upon the Pledged Revenue and Debt Service Deposits may have been discharged and canceled, shall nevertheless continue and subsist after payment in full of the Bonds until the Trustee has been paid all amounts owed to the Trustee and the Trustee shall have disbursed all funds held by the Trustee in the Revenue Fund pursuant to Section 4.04 of this Indenture.

SECTION 6.04. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of or the redemption premiums, if any, or interest on any of the Bonds that remain unclaimed for two years after the date when the principal of, the redemption premiums, if any, and interest on such Bonds have become payable, shall, at the direction of an Authorized Representative, be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Authority for the payment of the principal of, the redemption premiums, if any, and interest on such Bonds; provided, however, that before the repayment of such moneys as aforesaid, the Trustee shall (at the expense of the Authority) mail by registered mail, return receipt requested, to the Holders of all such Bonds that have not been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, indicating that such moneys remain unclaimed and that after a date named in such notice, which date shall not be more than [10] days after the Trustee's receipt of the aforesaid direction of an Authorized Representative, the balance of such moneys then unclaimed will be returned to the Authority.

ARTICLE VII

DEFAULT PROVISIONS AND REMEDIES

SECTION 7.01. Events of Default. Any one of the following and anything specified in a Supplemental Indenture as an Event of Default shall constitute an Event of Default hereunder:

- (a) default in the payment of any interest on any Bond when and as the same shall have become due;
- (b) default in the payment of the principal of or any premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity or mandatory sinking fund or optional redemption date thereof; and

(c) default in the performance of any other covenant or agreement of the Authority contained in this Indenture and the continuance thereof for a period of 60 days after written notice specifying such default and requiring the same to be remedied to the Authority given by the Trustee; which notice the Trustee may give in its discretion and must give at the written request of the owners of not less than a majority in aggregate principal amount of the Outstanding Bonds; provided that, if such default cannot with due diligence and dispatch be cured within 60 days but can be cured, the failure of the Authority to remedy such default within such 60 day period shall not constitute a default hereunder if the Trustee is provided with a certification from the Authority to the effect that such default cannot with due diligence and dispatch be cured within 60 days but can be cured and the Authority has commenced with due diligence and dispatch the curing of such default and such cure is completed within 180 days of the delivery of the related default notice.

SECTION 7.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Trustee may, and, to the extent indemnified to its satisfaction under Section 8.01(f), shall at the request of the Holders of not less than a majority of the aggregate principal amount of any Series of the then Outstanding Bonds (or such greater percentage of the aggregate principal amount of the then Outstanding Bonds of any Series as may be specified in the Supplemental Indenture creating such Series), proceed to protect and enforce Bondholder rights by such appropriate judicial proceeding as the Trustee shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Indenture, or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Bondholders by this Indenture or the Bonds or by law. Funds received by the Trustee pursuant to this Section 7.02 shall be applied first to the payment of fees and expenses of the Trustee, including legal fees and expenses, and second, for deposit in the Revenue Fund and disbursement in accordance with Section 4.04 (unless otherwise ordered by a court in such judicial proceeding). The remedies against the Authority shall not include acceleration of the payment of interest on or principal of the Bonds. The provisions of this Indenture shall constitute a contract with each and every Bondholder and the duties of the Authority shall be enforceable by the Trustee on behalf of any Bondholder by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

SECTION 7.03. Trustee to Represent Holders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds and this Indenture, as well as under applicable provisions of any other law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Indenture.

SECTION 7.04. Bondholders' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in

writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with the CEA Act and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 7.05. Limitation on Bondholders' Right to Sue. No holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, or any applicable law with respect to such Bond, unless (a) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Holder or said Holders shall have indemnified the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, which indemnity shall be satisfactory to the Trustee in its sole discretion; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity satisfactory to the Trustee shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under any law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Indenture on the rights of any other Holder of Bonds, or to enforce any right under this Indenture or applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reasons or shall have been determined adversely to the Trustee or the Bondholders, then in every such case the Board, the Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Board, the Trustee and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.08. Waivers. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein and every such right

and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default hereunder shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. Trustee.

(a) (i) U.S. Bank National Association will serve as the Trustee under this Indenture. The Trustee shall be required to perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default (that has not been cured or waived by the Trustee), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as reasonable persons would exercise or use under the circumstances in the conduct of their own affairs. The Trustee hereby designates the Principal Office as its principal corporate trust office for all purposes hereof and accepts the duties imposed upon it hereunder and agrees, particularly:

(1) to hold all sums held by it for the payment of the principal of, premium, if any, or interest on the Bonds in trust for the benefit of the Holders of the Bonds as provided herein until such sums shall be paid to such Holders of the Bonds or otherwise disposed of as herein provided;

(2) to authenticate and cancel Bonds as provided herein;

(3) to perform its obligations under this Indenture; and

(4) to keep such books and records relating to its duties as Trustee as shall be consistent with reasonable industry practice and to make such books and records available for inspection by the Authority at all reasonable times upon reasonable prior notice.

(ii) The Authority shall cause the necessary arrangements to be made and to be thereafter continued whereby:

(1) all Statutory Revenue will be paid to the Trustee;

(2) Bonds shall be made available for authentication, exchange and registration of transfer by the Trustee at the Principal Office of the Trustee; and

(3) the Trustee shall be furnished such records and other information, at such times, as shall be required to enable the Trustee to perform the duties and obligations imposed upon it hereunder.

(b) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act, except that, at all times regardless of whether or not any Event of Default shall exist:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee;

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion that by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture;

(iii) The Trustee shall not be liable for any error of judgment made in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iv) The Trustee shall not be deemed to have knowledge of any default or Event of Default unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Principal Office of the Trustee. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or Event of Default hereunder. The Trustee shall not be responsible for the validity or effectiveness of the pledge of Pledged Revenue given to or held by it hereunder. As used herein the term “actual knowledge” means the actual act or statement of knowing, without any duty to make any investigation with regard thereto.

(c) None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

(d) The Trustee shall not be responsible for any recital in this Indenture, or for the sufficiency or validity of this Indenture, or for the sufficiency of the security for the Bonds issued under this Indenture.

(e) The Trustee may consult with counsel with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith.

(f) Before taking any action under Article VII, the Trustee may require that indemnity satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur hereunder.

(g) The immunities extended to the Trustee under this Indenture also extend to its directors, officers, employees, and agents.

(h) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of Holders of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee.

(i) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(j) The Trustee may become the Holder or beneficial owner or pledge of Bonds with the same rights it would have if it were not Trustee.

(k) Unless expressly set forth otherwise in the relevant disclosure material, the Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

SECTION 8.02. Compensation and Indemnification of Trustee. The Authority shall (a) pay the Trustee and each Authority Agent reasonable compensation (that, to the extent permitted by applicable law, shall not be limited by any law limiting the compensation of the trustee of an express trust), (b) pay or reimburse each of the Trustee and each Authority Agent upon request for all reasonable fees, expenses, disbursements and advances incurred or made in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ), except to the extent that any such expense, disbursement or advance is due to its own negligence or willful misconduct, and (c) to the extent permitted by applicable law, indemnify each of the Trustee and each Authority Agent for, and to hold it harmless against, any loss, liability or expense incurred by it, arising out of or in connection with the acceptance or administration of this Indenture or the performance of its duties hereunder, including the costs and expenses of defending itself against or investigating any claim of liability or expense, except to the extent that any such liability or expense was due to its own negligence or willful misconduct. The obligations of the Authority under this Section 8.02 shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. Such additional indebtedness shall be a senior claim to that of the Bonds upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of Bonds and except for the Rebate Fund.

SECTION 8.03. Qualifications of Trustee; Resignation; Removal.

(a) There shall at all times be a trustee hereunder that shall be a commercial bank, trust company or national banking association organized and doing business under the laws of the United States or of a state thereof, authorized under such laws to exercise corporate trust powers, having (or if such bank, trust company or national banking association is a member of a bank holding company system, its holding company has) a combined capital and surplus of at least \$250,000,000, and subject to supervision or examination by federal or state authority. If such

corporations or national banking associations publish reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 8.03 the combined capital and surplus of such corporations or national banking associations shall be deemed to be their combined capital and surplus as set forth in their most recent reports of conditions so published.

(b) The Trustee may at any time resign by giving at least 30 days' written notice to the Authority. Upon receiving such notice of resignation, the Authority, shall promptly appoint a successor trustee by an instrument in writing. If no successor trustee shall have been so appointed and have accepted appointment within thirty days after the giving of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee or any Holder who has been a bona fide Holder of a Bond for at least six months may, on behalf of itself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor trustee.

(c) In case at any time either of the following shall occur:

(i) the Trustee shall cease to be eligible in accordance with the provisions of Section 8.03 and shall fail to resign after written request therefor by the Authority or by any Holder who has been a bona fide Holder of a Bond for at least six months; or

(ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Authority may remove the Trustee and appoint a successor trustee by an instrument in writing by an Authorized Representative, or any Holder who has been a bona fide Holder of a Bond for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, remove the Trustee and appoint a successor trustee.

(d) The Authority or Holders of a majority in aggregate principal amount of the Bonds at the time Outstanding may at any time remove the Trustee and appoint a successor trustee by an instrument or concurrent instruments in writing signed by an Authorized Representative or by such Holders, as the case may be.

(e) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 8.03 shall become effective upon acceptance of appointment by the successor trustee acceptable to the Authority.

(i) Any successor trustee shall execute, acknowledge and deliver to the Authority and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any

further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Authority or the request of the successor trustee, the trustee ceasing to act shall execute and deliver an instrument transferring to such successor trustee, upon the trusts herein expressed, all the rights, powers and trusts of the trustee so ceasing to act. Upon request of any such successor trustee, the Authority shall execute any and all instruments in writing necessary or desirable for more fully and certainly vesting in and confirming to such successor trustee all such rights, powers and duties. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure the amounts due it as compensation, reimbursement, expenses and indemnity afforded to it by Section 8.02.

(ii) No successor trustee shall accept appointment as provided in this Section 8.03 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of this Section 8.03.

(iii) Upon acceptance of appointment by a successor trustee as provided in this Section 8.03, the Authority or such successor trustee shall give Holders notice of the succession of such trustee to the trusts hereunder.

(f) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its United States of America municipal corporate trust business, provided such company shall be eligible under this Section 8.03 and acceptable to the Authority, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

(g) In the event of the resignation or removal of the Trustee, the Trustee shall deliver any money held hereunder and any Bonds and its related books and records held by it in such capacity to its successor.

(h) The Trustee may appoint and at all times have one or more agents in connection with its duties and responsibilities hereunder.

SECTION 8.04. Instrument of Bondholders. Any instrument required by this Indenture to be executed by Bondholders may be in any number of writings of similar tenor and may be executed by Bondholders in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds given in any of the following forms shall be sufficient for any of the purposes of this Indenture:

(a) A certificate of any officer in any jurisdiction who by law has power to take acknowledgements within such jurisdiction that the person signing such writing acknowledged before him the execution thereof.

(b) A certificate executed by any trust company or bank stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank, as the property of such party, the Bonds therein mentioned.

The Trustee may rely on such an instrument of Bondholders unless and until the Trustee receives notice in the form specified in (a) or (b) above that the original such instrument is no longer reliable. In the event that the Trustee shall receive conflicting directions from two or more groups of Bondholders, each with combined holdings of not less than 25 percent of the principal amount of Outstanding Bonds, the directions given by the group of Bondholders that hold the largest percentage of Outstanding Bonds shall be controlling and the Trustee shall follow such directions to the extent required herein. The Trustee shall have no liability provided it is following the instructions of such Bondholders permitted to direct the Trustee pursuant to this Indenture.

SECTION 8.05. Issuing and Paying Agents. The Authority may appoint and at all times have one or more Authority Agents in such place or places as the Authority may designate, for the payment of a Series of Bonds. Such Authority Agents shall meet the qualifications for the Trustee and the procedures and conditions for removal and resignation set forth in Section 8.03 hereof. It shall be the duty of the Trustee to make such arrangements with any such Authority Agent as may be necessary to assure, to the extent of the moneys held by the Trustee for such payment, the prompt payment of Bonds presented at either place of payment.

ARTICLE IX

COVENANTS OF THE AUTHORITY

SECTION 9.01. Punctual Payment and Performance. The Authority will punctually pay or cause to be paid interest on and the principal of and redemption premiums, if any, on the Bonds in strict conformity with the terms of the CEA Act, the Indenture and the Bonds, and will faithfully observe and perform all of the agreements and covenants contained in the Indenture and the Bonds.

SECTION 9.02. Against Encumbrances; First Lien Indebtedness; Subordinated Bonds; Tax Covenants.

(a) The Authority will not create or cause or permit to be created any pledge, lien, charge or encumbrance having priority over, or having parity with, the lien of the Bonds upon any of the Pledged Revenue and Debt Service Deposits or issue any bonds, notes or other obligations secured by a pledge of or charge or lien upon Pledged Revenue or Debt Service Deposits except the Bonds; provided that the Authority may at any time, or from time to time, issue Subordinate Bonds in accordance with Section 5.03.

(b) The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations that would cause the interest on Bonds intended by the Authority to be exempt from federal income taxation to become subject to federal income taxation, and shall not take or permit to be taken any other action or actions, that would cause any such Bond to be an "arbitrage bond" within the

meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder. The Authority shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to Bonds. In the event that at any time the Authority is of the opinion that for purposes of this Section 9.02(b) it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Authority shall so instruct the Trustee under this Indenture in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) The Authority covenants to comply with the provisions and procedures of each Tax Certificate. The Trustee shall follow the directions of the Authority given pursuant to the Tax Certificate and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate.

(d) The Authority and the Trustee shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority (so long as such proceeds or other funds are under its control), directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code if such Bonds, when originally issued, were intended by the Authority to be obligations described in Section 103(a) of the Code.

(e) Notwithstanding any provisions of this Section 9.02, if the Authority shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under this Section 9.02 is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on any Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article X hereof, the covenants hereunder shall be deemed to be modified to that extent.

SECTION 9.03. Rate Covenant. During each Fiscal Year the Authority will review its rate structure for premiums for its policies of basic residential earthquake insurance and confirm that it has established, or it will endeavor to establish, rates sufficient to make certain that it can and will collect Pledged Revenue adequate to meet all of its obligations, including the deposit of amounts required and permitted by this Indenture to be deposited in such Fiscal Year in the Interest Account, the Principal Account, and the Rebate Fund. Notwithstanding the foregoing, the Authority may exclude from its determination of amounts required and permitted by this Indenture to be deposited in such Fiscal Year in the Interest Account and the Principal Account the principal of and interest on Series 2020A-1 Bonds and any Additional Bonds issued pursuant to Section 5.01(b)(i)(3).

SECTION 9.04. Application of Statutory Revenue to Pay Bonds Upon Termination of the Authority. Under the CEA Act the Authority shall continue in existence so long as the Bonds are Outstanding, accordingly, the Authority covenants that upon termination of the Authority by the Legislature of the State, all funds remaining in the California Earthquake Authority Fund after provision is made for the payment of earthquake losses shall be applied to

the payment of the Bonds before any other transfer or disposition of the Authority's funds to the General Fund or otherwise pursuant to Section 10089.43 of the Government Code of the State.

SECTION 9.05. Claims-Paying Accounts. The Authority will expend money in the one or more Claims-Paying Accounts, in any order and in any amount at the discretion of the Authority, for the payment of claims of Authority policyholders and related Authority loss adjustment expenses on account of the Authority's basic residential earthquake insurance coverage. The Authority may transfer all or a portion of the funds in any of the Claims-Paying Accounts to another account and use those funds for any lawful purpose.

SECTION 9.06. Payment of Claims. The Authority will pay and discharge any and all lawful claims that, if unpaid, might become a charge or lien upon the Pledged Revenue or Debt Service Deposits or any part thereof or upon any funds in the hands of the Authority or the Trustee prior to or on a parity with the charge and lien upon the Pledged Revenue and Debt Service Deposits securing any Bonds.

SECTION 9.07. Accounting Records; Financial Statements and Other Reports.

(a) The Authority will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Pledged Revenue and Debt Service Deposits. Such accounting records shall at all times during business hours be subject to the inspection of the Trustee (who shall have no duty to inspect) or of any Holder (or its representative authorized in writing).

(b) The Authority will prepare and file with the Trustee financial statements of the Authority for each Fiscal Year commencing with the Fiscal Year ending on December 31, 2020, together with an audit report thereon prepared by an Independent Certified Public Accountant. The filing shall be made within 15 days after such financial statements become publicly available and the filing shall be accompanied by a certificate of the Authority as to whether, as of the date of such filing, an Event of Default has occurred and is continuing. The Trustee shall have no duty to review such financial statements.

SECTION 9.08. Protection of Pledged Revenue and Rights of Holders. The Authority will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the Authority, the Bonds shall be incontestable by the Authority.

SECTION 9.09. Payment of Governmental Charges and Compliance With Governmental Regulations. The Authority will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Pledged Revenue or Debt Service Deposits or any part thereof promptly as and when the same shall become due and payable, except that the Authority shall not be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the Authority shall have set aside reserves to cover such payments.

SECTION 9.10. Further Assurances; Payment of Additional Costs. The Authority will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein. For the avoidance of doubt, the Authority shall pay the fees and expenses of any agents, consultants, attorneys or experts selected by the Authority to act on its behalf in connection with any Bonds or this Indenture.

ARTICLE X

AMENDMENTS

SECTION 10.01. Amendments to Indenture Not Requiring Consent of Bondholders. Except to the extent restricted by a Supplemental Indenture, the Authority and the Trustee, without the consent of or notice to any Bondholders, may enter into amendments to this Indenture for one or more of the following purposes (but no such amendment may include a change described in clause (a), (b), (c) or (d) of Section 10.02):

(a) to grant to or confer upon the Bondholders of any Series any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders.

(b) to grant or pledge to the Bondholders of any Series any additional security;

(c) to amend this Indenture as may be necessary or convenient in connection with the book-entry system for payments, transfers and other matters relating to the Bonds;

(d) to cure any ambiguity or to correct or supplement any provision contained herein or in any Supplemental Indenture that may be defective or inconsistent with any provision contained herein or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under this Indenture that shall not materially adversely affect the interest of the Bondholders;

(e) to make any change therein necessary, in the opinion of Bond Counsel, to maintain any exclusion from gross income for federal income tax purposes of the interest on any Outstanding Bonds;

(f) to make any changes required by any Rating Agency to obtain or maintain an investment grade rating on the Bonds;

(g) to conform to the terms and conditions of the reimbursement agreements or loan agreements or similar documents relating to letters of credit, lines of credit, bond insurance policies, reserve fund surety bonds or policies, guarantees or similar undertakings for a Series of Bonds, *provided, however*, such amendments shall not materially adversely affect the interests of the Bondholders,

(h) to issue one or more Series of Bonds, from time to time, hereunder;

(i) to add to or modify the provisions of this Indenture in connection with (i) the selection of an Index other than SOFR for a Series of Index Rate Bonds, as necessary or desirable to accommodate the calculation of interest on such Bonds bearing interest at an Index Rate based on such new Index or (ii) to permit the issuance of a Series of Bonds that bear interest at an Index Rate) and mature after the Fiscal Year in which they were issued and to provide the mechanics for such Bonds (including, but not limited to, provisions relating to any tenders (optional and/or mandatory), remarketing, remarketing agent(s), and any other provisions necessary or desirable in connection with the issuance of such Bonds);

(j) in connection with the appointment of a successor bond trustee pursuant to the terms of this Indenture; or

(k) to make any modification or amendment to this Indenture which shall not materially adversely affect the interests of the Bondholders, as evidenced by a written opinion of counsel selected by the Authority (who may be counsel for the Authority) and not objected to by the Trustee.

SECTION 10.02. Amendments to Indenture Requiring Consent of Bondholders. Exclusive of amendments authorized by Section 10.01 and subject to the terms and provisions contained in this Section 10.02 and in any Supplemental Indenture, the Holders of not less than a majority of the aggregate principal amount of the then Outstanding Bonds shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to such other amendments hereto as shall be consented to by the Authority in its sole discretion for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture; provided, however, that nothing in this Section 10.02 shall permit, or be construed as permitting (a) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (b) a reduction in the principal amount of, or the redemption premium or the rate of interest on, or the mandatory sinking fund requirement for, any Bond, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds except as provided in Article IV, or (d) a reduction in the aggregate principal amount of the Bonds required for any consent to any amendment. The giving of notice to and consent of the Bondholders to any such proposed amendment shall be obtained pursuant to Section 10.03 hereof.

SECTION 10.03. Notice to and Consent of Bondholders. If consent of the Bondholders is required under the terms of this Indenture for the amendment of this Indenture or for any other similar purpose, the Authority shall cause notice of the proposed amendment to be given by first-class mail to the last known Holders of the Outstanding Bonds then shown on the registration books for the Bonds. Such notice shall briefly set forth the nature of the proposed amendment or other action and shall state that copies of any such amendment or other document are on file at the office of the Authority and the Principal Office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Authority following the mailing of such notice, the Holders of the requisite principal amount of the Bonds Outstanding by instruments filed with the Authority shall have consented to the amendment or other proposed action, then the Authority may adopt or execute, as appropriate, such amendment or other document or take such proposed action and the consent of the Bondholders shall thereby be conclusively presumed.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of Authority Limited to Pledged Revenue and Pledged Funds. Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source of income other than the Pledged Revenue and other funds pledged hereunder as provided herein for the payment of the interest on or principal of or redemption premium, if any, on the Bonds or for the performance of any agreements or covenants contained herein. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring an indebtedness prohibited hereby.

The Bonds are revenue obligations of the Authority and are payable, as to interest thereon, principal thereof and any premium upon the redemption of any thereof, solely from the Pledged Revenue of the Authority and other funds of the Authority herein pledged for the payment thereof as provided herein and the Authority is not obligated to pay them except from Pledged Revenue and such pledged funds. The Bonds do not constitute a debt or liability of the State or of any political subdivision of the State, or a pledge of the full faith and credit of the State or of any political subdivision of the State.

SECTION 11.02. Limitation of Rights; Third Party Beneficiary. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the Bondholders any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the Bondholders.

SECTION 11.03. Severability. If any one or more provisions of this Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or section of this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof. The provisions of this Section shall not apply to any limitations on liability of the Authority and its officers and agents contained in this Indenture, which limitations are not severable from and are an essential part of this Indenture.

SECTION 11.04. Notices. Except as otherwise provided herein, it shall be sufficient service or giving of notice, request, complaint, demand or other paper if the same shall be delivered by mutually acceptable electronic means or by registered or certified mail, postage prepaid, addressed as follows:

If to the Authority:

801 K Street, Suite 1000
Sacramento, California 95814-3518
Attention: Chief Financial Officer

with a copy to:

General Counsel
California Earthquake Authority
801 K Street, Suite 1000
Sacramento, California 95814-3518

If to the Trustee:

U.S. Bank National Association
One California Street
Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust

The Authority and the Trustee by notice given hereunder may designate any different addresses to which subsequent notices, certificates or other communications shall be sent, but no notice directed to any one such entity shall be thereby required to be sent to more than two addresses.

SECTION 11.05. Non-Business Days. In any case where the date fixed for payment of interest or premium, if any, on or principal of the Bonds on any interest payment date or maturity date or redemption date is not a Business Day, then, except as otherwise specified in a Supplemental Indenture, payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date fixed for payment (and no interest shall accrue or be payable on account of such delay except as otherwise specified in a Supplemental Indenture). Any other action required hereunder on a date that is not a Business Day may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 11.06. Captions, Titles or Headings. Any captions, titles or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Indenture.

SECTION 11.07. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State.

SECTION 11.08. Effective Date. This Indenture shall become effective upon its execution and delivery.

SECTION 11.09. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the

person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.10. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture of Trust to be executed in their respective names by an authorized representative.

CALIFORNIA EARTHQUAKE AUTHORITY

By _____
Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION

By _____
Authorized Officer

FIRST SUPPLEMENTAL INDENTURE OF TRUST

BETWEEN

CALIFORNIA EARTHQUAKE AUTHORITY

AND

**U.S. BANK NATIONAL ASSOCIATION
AS TRUSTEE**

Dated as of February 1, 2020

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FIRST SUPPLEMENTAL INDENTURE OF TRUST

This FIRST SUPPLEMENTAL INDENTURE OF TRUST (the “First Supplemental Indenture”), is entered into and dated as of February 1, 2020 between CALIFORNIA EARTHQUAKE AUTHORITY, a public instrumentality of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as Trustee under the Indenture defined below (the “Trustee”);

W I T N E S S E T H:

WHEREAS, the Indenture of Trust, dated as of February 1, 2020 (the “Indenture”), between the Authority and the Trustee provides for the issuance of Bonds;

WHEREAS, no Bonds are Outstanding under the Indenture; and

WHEREAS, the Authority has determined to supplement the Indenture to provide for the issuance of a Series of Bonds thereunder which shall be designated “California Earthquake Authority Revenue Bonds, Series 2020A-1” (the “Series 2020A-1 Bonds”);

WHEREAS, concurrently with the issuance of the Series 2020A-1 Bonds, the Authority has determined to further supplement the Indenture, pursuant to a Second Supplemental Indenture of Trust, dated as of February 1, 2020, between the Authority and the Trustee to provide for the issuance of an additional Series of Bonds thereunder which shall be designated “California Earthquake Authority Revenue Bonds, Series 2020A-2”;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH, in order to secure the payment of the Series 2020A-1 Bonds at any time Outstanding under this Indenture and to secure the performance of the covenants and conditions therein and herein set forth with respect thereto, and to declare the terms and conditions upon and subject to which the Series 2020A-1 Bonds authorized hereby are to be issued, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2020A-1 Bonds authorized hereby, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the Holders from time to time of the Series 2020A-1 Bonds authorized hereby, as follows:

ARTICLE XII

AUTHORITY AND DEFINITIONS

SECTION 12.01 Supplemental Indenture. This First Supplemental Indenture is entered into by the Authority and the Trustee as an amendment to the Indenture pursuant to Section 10.01(h) of the Indenture.

SECTION 12.02 Definitions. Unless the context otherwise requires, all terms that are defined in the Indenture shall have the same meanings in this First Supplemental Indenture. The following definitions are added to the definitions in Section 1.01.

Electronic Means

“Electronic Means” means a notice provided by telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including telephonic communication confirmed by any other method set forth in this definition and including any other communications method acceptable to the parties giving and receiving such notice.

Series 2020A-1 Claims-Paying Account

“Series 2020A-1 Claims-Paying Account” means the account for the Series 2020A-1 Bonds created by the Authority within the California Earthquake Authority Fund.

Series 2020A-1 Interest Subaccount

“Series 2020A-1 Interest Subaccount” means the subaccount for the Series 2020A-1 Bonds created by the Trustee within the Interest Account pursuant to Section 4.04(a).

Series 2020A-1 Principal Subaccount

“Series 2020A-1 Principal Subaccount” means the subaccount for the Series 2020A-1 Bonds created by the Trustee within the Principal Account pursuant to Section 4.04(b).

ARTICLE XIII

AUTHORIZATION AND TERMS OF BONDS

SECTION 13.01 Authorization; Designation; and Certain Terms of the Series 2020A-1 Bonds. (a) A Series of Bonds is hereby authorized to be issued, which shall be designated “California Earthquake Authority Revenue Bonds, Series 2020A-1” (the “Series 2020A-1 Bonds”). The Series 2020A-1 Bonds are authorized to be issued in the aggregate principal amount of \$[PAR AMOUNT]. The Series 2020A-1 Bonds shall be issued as fully registered Bonds in denominations of any integral multiple of \$5,000. The Series 2020A-1 Bonds shall be initially registered in the name of Cede & Co., as nominee of DTC, or any successor thereto and purchases of beneficial interests in the Series 2020A-1 Bonds may be made in book-entry form only. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Indenture. The form of the Series 2020A-1 Bonds, the Trustee’s certificate of authentication and the form of assignment shall be as set forth in Exhibit A hereto and shall be completed and delivered to DTC or its agent in such forms. The Series 2020A-1 Bonds shall be dated the date of delivery thereof. During any period in which ownership of any Series 2020A-1 Bond is determined by a book-entry system at a securities depository, payment of principal and interest shall be made to Holders of record as of the close of business on the Business Day prior to the date such payment is due and shall be paid by wire transfer of immediately available funds on the date such payment is due. The Series 2020A-1 Bonds shall bear interest at a rate of [.]%. Interest on the Series 2020A-1 Bonds is payable on [September 1, 2020,] which date is also the maturity date for the Series 2020A-1 Bonds (the “Maturity Date”). Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such date and shall be paid to the Person in whose name the Series 2020A-1 Bond is registered at the close

of business on a special record date (“Special Record Date”) for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to the Holders, subject to Section 2.11, by first-class mail or Electronic Means not less than ten (10) days prior to such Special Record Date.

(b) The Series 2020A-1 Bonds shall be numbered R-1 and such Bond shall bear interest from the date of delivery. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

SECTION 13.02 Not Subject to Redemption. The Series 2020A-1 Bonds are not subject to redemption prior to the Maturity Date.

SECTION 13.03 Use of Proceeds. The Authority covenants and agrees that the proceeds of the sale of the Series 2020A-1 Bonds will be deposited in the Series 2020A-1 Claims-Paying Account. As used in this Section, “proceeds” is an amount equal to the principal amount of the Series 2020A-1 Bonds.

SECTION 13.04 Debt Service Deposits related to the Principal of and Interest on the Series 2020A-1 Bonds.

(a) No later than the date of issuance of the Series 2020A-1 Bonds, the Authority shall transfer to the Trustee an amount equal to the principal of the Series 2020A-1 Bonds to be due and payable on the Maturity Date (\$_____). The Trustee shall promptly deposit such amount in the Series 2020A-1 Principal Subaccount. If, for any reason and at any time until the principal of the Series 2020A-1 Bonds has been paid in full, the amount held in the Series 2020A-1 Principal Subaccount is deemed by the Trustee to be insufficient to pay all of the principal of the Series 2020A-1 Bonds when due and payable on the Maturity Date, the Authority may transfer, but is not required to transfer, funds held in the California Earthquake Authority Fund to the Trustee for deposit in the Series 2020A-1 Principal Subaccount required to cure any such deficiency. For the avoidance of doubt, for the Series 2020A-1 Bonds only, the provisions of Section 4.03(e) of the Indenture are not applicable and are wholly replaced with the foregoing.

(b) No later than the date of issuance of the Series 2020A-1 Bonds, the Authority shall transfer to the Trustee an amount equal to the interest on the Series 2020A-1 Bonds to be due and payable on the Maturity Date (\$_____). The Trustee shall promptly deposit such amount in the Series 2020A-1 Interest Subaccount. If, for any reason and at any time until the interest on the Series 2020A-1 Bonds has been paid in full, the amount held in the Series 2020A-1 Interest Subaccount is determined by the Trustee to be insufficient to pay all of the interest on the Series 2020A-1 Bonds when due and payable on the Maturity Date, the Authority may transfer, but is not required to transfer, funds held in the California Earthquake Authority Fund to the Trustee for deposit in the Series 2020A-1 Interest Subaccount required to cure any such deficiency. For the avoidance of doubt, for the Series 2020A-1 Bonds only, the provisions of Section 4.03(d) of the Indenture are not applicable and are wholly replaced with the foregoing.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this First Supplemental Indenture is intended or shall be construed to give to any person other than the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect to this First Supplemental Indenture or any covenants, conditions and provisions herein or therein contained; this First Supplemental Indenture and all of the covenants, conditions and provisions herein and therein are intended to be for the sole and exclusive benefit of the Holders of the Bonds.

SECTION 14.02 Continuing Disclosure. The Authority shall at all times comply with and carry out all of the provisions of the Continuing Disclosure Certificate dated as of [DATE OF ISSUANCE], 2020 (the “Continuing Disclosure Certificate”), executed by the Authority, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Indenture; however, the Trustee, any Bondholder or any Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Section.

SECTION 14.03 Severability. If any provision of this First Supplemental Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses, or Sections of this First Supplemental Indenture shall not affect the remaining portions of this First Supplemental Indenture or any part thereof.

SECTION 14.04 Captions. The captions or headings in this First Supplemental Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this First Supplemental Indenture.

SECTION 14.05 Governing Law. This First Supplemental Indenture shall be governed by and interpreted in accordance with the laws of the State of California.

SECTION 14.06 Effective Date. This First Supplemental Indenture shall become effective upon its execution and delivery.

SECTION 14.07 Ratification of Indenture. As amended and supplemented hereby, the Indenture and the trusts conferred thereby are in all respects confirmed, and the Indenture, all indentures supplemental thereto including this First Supplemental Indenture shall be read, taken and considered as one instrument.

SECTION 14.08 Execution in Several Counterparts. This First Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for

all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be executed.

CALIFORNIA EARTHQUAKE AUTHORITY

By _____
Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

EXHIBIT A

**FORM OF CALIFORNIA EARTHQUAKE AUTHORITY
REVENUE BOND, SERIES 2020A-1**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____ R-1 _____

**California Earthquake Authority
Revenue Bond, Series 2020A-1**

<u>Dated Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u> %	<u>CUSIP</u>	<u>Maturity Date</u>
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REGISTERED OWNER: Cede & Co.

CALIFORNIA EARTHQUAKE AUTHORITY, a public instrumentality of the State of California duly organized and existing under the laws of the State of California (the “Authority”), for value received, hereby promises to pay, but solely from certain funds of the Authority to be deposited in trust with the Trustee (as hereinafter defined) pursuant to the First Supplemental Indenture (as hereinafter defined) and from Pledged Revenue and Debt Service Deposits, in lawful money of the United States of America, to the registered owner or registered assigns, on the maturity date set forth above (the “Maturity Date”), the principal amount specified above, together with interest until the principal hereof shall have been paid. This Bond will bear interest from its dated date at the rate shown above. Interest will be calculated on the basis of a 360-day year comprising twelve 30-day months. Interest on this Bond is payable on the Maturity Date. So long as this bond is held in book-entry form, the record date for the interest payment is the close of business on the Business Day prior to the Maturity Date and, if not in book-entry form, is the 15th day of the month preceding the Maturity Date. Payment of principal shall be made to Holders of record as of the close of business on the Business Day prior to the date such payment is due and shall be paid by wire transfer of immediately available funds on the date such payment is due. Capitalized terms used herein and not defined herein shall have the meanings given such terms in the Indenture of Trust, dated as of February 1, 2020, as supplemented by a First Supplemental Indenture of Trust (the “First Supplemental Indenture”) and a Second Supplemental Indenture of Trust, each dated as of February 1, 2020 (hereinafter collectively referred to as the “Indenture”), each between the Authority and U.S. Bank National Association, as trustee (the “Trustee”),

In any case where the date fixed for the payment of interest on or principal of this Bond on the Maturity Date is not a Business Day, then payment of such interest or principal will not be made on such date but will be made on the next Business Day (and no interest will accrue or be payable on account of such delay).

This Bond is one of a duly authorized issue of Bonds of the Authority, designated as California Earthquake Authority Revenue Bonds (the "Bonds"), of the series designated above, all of which are being issued pursuant to the provisions of provisions of Chapter 8.6 of Part 1 of Division 2 of the California Insurance Code (the "CEA Act") and the Indenture. Said authorized issue of Bonds is not limited in aggregate principal amount and consists or may consist of one or more Series as in the Indenture provided.

THIS BOND IS AN OBLIGATION OF THE AUTHORITY TO THE EXTENT PROVIDED IN THE INDENTURE, PAYABLE SOLELY FROM CERTAIN FUNDS OF THE AUTHORITY TO BE DEPOSITED IN TRUST WITH THE TRUSTEE PURSUANT TO THE FIRST SUPPLEMENTAL INDENTURE AND FROM PLEDGED REVENUE AND DEBT SERVICE DEPOSITS.

THIS BOND IS NOT A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA. THIS BOND DOES NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THIS BOND.

Reference is hereby made to the Indenture and the CEA Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the pledge of Pledged Revenue and Debt Service Deposits and the rights of the registered owners of the Bonds, and all the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional Bonds may be issued and other indebtedness may be incurred on a parity with the Series of Bonds of which this Bond is a part, but only subject to the conditions and limitations contained in the Indenture.

This Bond is payable both as to principal and interest, solely from certain funds of the Authority to be deposited in trust with the Trustee pursuant to the First Supplemental Indenture and from Pledged Revenue and Debt Service Deposits as provided in the Indenture, and the Authority is not obligated to pay this Bond except from certain funds of the Authority to be deposited in trust with the Trustee pursuant to the First Supplemental Indenture and Pledged Revenue.

This Bond is not subject to redemption prior to the Maturity Date.

The rights and obligations of the Authority and of the holders and registered owners of the Bonds of the Series consisting of this Bond may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, which provide, in certain

circumstances, for modifications and amendments without the consent of or notice to the registered owners of Bonds.

This Bond is transferable or exchangeable as provided in the Indenture, only upon the Bond Register at the Principal Office of the Trustee, by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Bond at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new Bond or Bonds of the same Series, maturity, interest rate and in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture, upon payment of any charges therein prescribed.

The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner hereof for all purposes, including receiving payment of, or on account of, the principal of and interest due hereon.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the CEA Act, and that this Bond, together with all other indebtedness of the Authority payable out of Pledged Revenue, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and the CEA Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF the California Earthquake Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its duly authorized representatives all as of the date set forth above.

CALIFORNIA EARTHQUAKE AUTHORITY

By: _____
Chief Executive Officer

Countersigned:

By: _____
Chief Financial Officer

[FORM OF CERTIFICATE OF AUTHENTICATION]

This Bond is one of the California Earthquake Authority Revenue Bonds, Series 2020A-1 described in the within mentioned Indenture and was authenticated on the date set forth below.

Date of Authentication: _____

U.S. Bank National Association,
as Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Print or Type Name and Address of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
TAX IDENTIFICATION NUMBER OF ASSIGNEE

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer the within Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:

Signature:

(Signature of Assignor)

Notice: The signature on this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEED:

Notice: Signature must be guaranteed by an eligible guarantor firm.

SECOND SUPPLEMENTAL INDENTURE OF TRUST

BETWEEN

CALIFORNIA EARTHQUAKE AUTHORITY

AND

**U.S. BANK NATIONAL ASSOCIATION
AS TRUSTEE**

Dated as of February 1, 2020

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SECOND SUPPLEMENTAL INDENTURE OF TRUST

This SECOND SUPPLEMENTAL INDENTURE OF TRUST (the “Second Supplemental Indenture”), is entered into and dated as of February 1, 2020 between CALIFORNIA EARTHQUAKE AUTHORITY, a public instrumentality of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as Trustee under the Indenture defined below (the “Trustee”);

W I T N E S S E T H:

WHEREAS, the Indenture of Trust, dated as of February 1, 2020 (the “Indenture”), between the Authority and the Trustee provides for the issuance of Bonds;

WHEREAS, no Bonds are Outstanding under the Indenture; and

WHEREAS, the Authority has determined to supplement the Indenture to provide for the issuance of a Series of Bonds thereunder which shall be designated “California Earthquake Authority Revenue Bonds, Series 2020A-2” (the “Series 2020A-2 Bonds”);

WHEREAS, concurrently with the issuance of the Series 2020A-2 Bonds, the Authority has determined to further supplement the Indenture, pursuant to a First Supplemental Indenture of Trust, dated as of February 1, 2020, between the Authority and the Trustee to provide for the issuance of an additional Series of Bonds thereunder which shall be designated “California Earthquake Authority Revenue Bonds, Series 2020A-1” (the “Series 2020A-1 Bonds”);

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH, in order to secure the payment of the Series 2020A-2 Bonds at any time Outstanding under this Indenture and to secure the performance of the covenants and conditions therein and herein set forth with respect thereto, and to declare the terms and conditions upon and subject to which the Series 2020A-2 Bonds authorized hereby are to be issued, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2020A-2 Bonds authorized hereby, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the Holders from time to time of the Series 2020A-2 Bonds authorized hereby, as follows:

ARTICLE XV

AUTHORITY AND DEFINITIONS

SECTION 15.01 Supplemental Indenture. This Second Supplemental Indenture is entered into by the Authority and the Trustee as an amendment to the Indenture pursuant to Section 10.01(h) of the Indenture.

SECTION 15.02 Definitions. Unless the context otherwise requires, all terms that are defined in the Indenture shall have the same meanings in this Second Supplemental Indenture. The following definitions are added to the definitions in Section 1.01.

Electronic Means

“Electronic Means” means a notice provided by telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including telephonic communication confirmed by any other method set forth in this definition and including any other communications method acceptable to the parties giving and receiving such notice.

Series 2020A-2 Claims-Paying Account

“Series 2020A-2 Claims-Paying Account” means the account for the Series 2020A-2 Bonds created by the Authority within the California Earthquake Authority Fund.

Series 2020A-2 Interest Subaccount

“Series 2020A-2 Interest Subaccount” means the subaccount for the Series 2020A-2 Bonds created by the Trustee within the Interest Account pursuant to Section 4.04(a).

Series 2020A-2 Principal Subaccount

“Series 2020A-2 Principal Subaccount” means the subaccount for the Series 2020A-2 Bonds created by the Trustee within the Principal Account pursuant to Section 4.04(b).

Term Bonds

“Term Bonds” mean the Series 2020A-2 Bonds payable on July 1, 20[___], from mandatory sinking fund payments established for the purpose and calculated to retire such Series 2020A-2 Bonds in part on or before their specified maturity date.

ARTICLE XVI

AUTHORIZATION AND TERMS OF BONDS

SECTION 16.01 Authorization; Designation; and Certain Terms of the Series 2020A-2 Bonds. (a) A Series of Bonds is hereby authorized to be issued, which shall be designated “California Earthquake Authority Revenue Bonds, Series 2020A-2” (the “Series 2020A-2 Bonds”). The Series 2020A-2 Bonds are authorized to be issued in the aggregate principal amount of \$[PAR AMOUNT]. The Series 2020A-2 Bonds shall be issued as fully registered Bonds in denominations of any integral multiple of \$5,000. The Series 2020A-2 Bonds shall be initially registered in the name of Cede & Co., as nominee of DTC, or any successor thereto and purchases of beneficial interests in the Series 2020A-2 Bonds may be made in book-entry form only. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Indenture. The form of the Series 2020A-2 Bonds, the Trustee’s certificate of authentication and the form of assignment shall be as set forth in Exhibit A hereto and shall be completed and delivered to DTC or its agent in such forms. The Series 2020A-2 Bonds shall be dated the date of delivery thereof. During any period in which ownership of any Series 2020A-2 Bond is determined by a book-entry system at a securities depository, payments of principal shall be made to Holders of record as of the close of business on the Business Day prior to the respective

dates each of such payments is due and shall be paid by wire transfer of immediately available funds on the date such payment is due. Interest on the Series 2020A-2 Bonds is payable semiannually on January 1 and July 1, commencing with July 1, 2020. During any period in which ownership of any Series 2020A-2 Bond is determined by a book-entry system at a securities depository, interest shall be paid to Holders of record as of the close of business on the Business Day prior to the interest payment date by wire transfer of immediately available funds on the date such payment is due. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such date and shall be paid to the Person in whose name the Series 2020A-2 Bond is registered at the close of business on a special record date (“Special Record Date”) for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to the Holders, subject to Section 2.11, by first-class mail or Electronic Means not less than ten (10) days prior to such Special Record Date.

(b) The Series 2020A-2 Bonds shall mature on the following dates in the following amounts (subject to prior redemption as set forth in Section 12.02) and shall bear interest at the following rates per annum:

Maturity Date (July 1)	Principal Amount	Interest Rate	CUSIP No.
	\$	%	

*

* Term Bond

(c) The Series 2020A-2 Bonds shall be numbered in consecutive numerical order from R-1 upwards, and each such Bond shall bear interest from the date of delivery. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

SECTION 16.02 Redemption.

(a) *Mandatory Redemption.* The Series 2020A-2 Bonds maturing on July 1, 20[___], are subject to mandatory redemption prior to their stated maturity, in part, on a pro-rata pass-through distribution of principal basis, from sinking fund payments of \$[_____] on July 1, 20[___], of \$[_____] on July 1, 20[___], and of \$[_____] on July 1, 20[___], at a redemption price equal to the principal amount of the Series 2020A-2 Bonds to be redeemed (plus accrued interest to the redemption date, which shall be paid from the Series 2020A-2 Interest Subaccount). Amounts on deposit in the Series 2020A-2 Principal Subaccount for that purpose shall be applied instead by the Trustee (if requested to do so by an Authorized Representative of the Authority) to purchase any Series 2020A-2 Bonds designated by the Authorized Representative by notice to the Trustee given at any time or times prior to the 20th Business Day preceding each July 1 redemption date. The purchase price for any Series 2020A-2 Bonds so purchased may not exceed the principal amount of the Series 2020A-2 Bonds so being purchased (plus accrued interest to the purchase

date, which shall be paid from the Series 2020A-2 Interest Subaccount). Series 2020A-2 Bonds so purchased shall be cancelled in accordance with Section 2.09.

(b) *Optional Redemption.* The Series 2020A-2 Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the Authority, in whole or in part, in such order of maturity as may be designated by the Authority and on a pro rata pass-through distribution of principal basis within any maturity, on any date on or after [_____, 20___], from any source of available funds and upon mailed notice as provided herein, at a redemption price equal to the greater of:

(i) the issue price of 100% of the principal amount of the Series 2020A-2 Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2020A-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020A-2 Bonds are to be redeemed, discounted to the date on which the Series 2020A-2 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus [15] basis points;

plus, in each case, accrued interest on the Series 2020A-2 Bonds to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2020A-2 Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a date selected by the Authority that is at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2020A-2 Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the Trustee, the redemption price of the Series 2020A-2 Bonds to be redeemed at the option of the Authority as described under “Optional Redemption” shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Trustee at the Authority’s expense to calculate such redemption price. The Trustee and the Authority may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and shall not be liable for such reliance.

(c) *Instructions for Redemption and Purchase; Payment of Redemption Price or Purchase Price.* Redemptions and purchases of Series 2020A-2 Bonds required or permitted hereby shall be effected by the Trustee in accordance with written instructions from an Authorized Representative of the Authority in form and substance reasonably satisfactory to the Trustee

delivered, in the case of redemption no less than twenty-five days prior to the date fixed for redemption and in the case of purchase no less than one Business Day prior to the date of purchase. The funds for each such redemption or purchase shall be disbursed from the Series 2020A-2 Principal Subaccount, except that accrued interest shall be disbursed from the Series 2020A-2 Interest Subaccount.

(d) *Notice of Redemption.* Subject to Section 2.11, notice of redemption shall be mailed by first-class mail or sent by “Electronic Means” by the Trustee, not less than 20 days and not more than 60 days prior to the redemption date, to the respective Holders of any Series 2020A-2 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption shall state the date of such notice, the date of delivery of the Series 2020A-2 Bonds, the date fixed for redemption, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee) the maturity, CUSIP numbers, if any, and the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2020A-2 Bonds the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue on such principal portion. Notices of redemption given as described above are effective whether the notice is actually received, and whether any DTC procedures for giving notice are complied with. After the date fixed for redemption, no further interest will accrue on the portion of the principal of any Series 2020A-2 Bonds called for redemption.

(e) *Pro-Rata Pass-Through Distributions of Principal and Interest.* If less than all of the Series 2020A-2 Bonds of a maturity are to be redeemed prior to maturity, then:

(i) If the Series 2020A-2 Bonds are registered in book-entry only form and so long as DTC is the sole registered owner of the Series 2020A-2 Bonds, the particular Series 2020A-2 Bonds shall be redeemed on a “Pro-Rata Pass-Through Distribution of Principal” basis in accordance with DTC’s procedures, provided further, that such redemption is made in accordance with the operational arrangements of DTC then in effect. The Trustee will send notice to DTC in accordance with such rules and procedures to effect a pro rata reduction of principal of all applicable Series 2020A-2 Bonds to accomplish the mandatory and optional redemptions described above through a pass-through distribution of principal. In connection with each such redemption, the Trustee will include in the written notice of redemption described above the dollar amount per \$1,000 principal amount payable on account of principal and accrued interest to effect a pro rata reduction through a pass-through distribution of principal on the related redemption date. DTC will be responsible for distributing the principal and accrued interest among its direct participants, as applicable, pro rata in accordance with its rules and procedures for a pro rata pass-through distribution of principal based upon the beneficial interest in the Series 2020A-2 Bonds being redeemed that DTC records list as owned by each DTC direct participant as of the record date for such payment. Any failure of the Trustee to make such selection or of DTC or its participants or any other intermediary, to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency or the validity of the redemption of the Series 2020A-2 Bonds.

(ii) If DTC's operational arrangements do not allow for allocation of such redemption on a pro rata pass-through distribution of principal basis, the portion of the Series 2020A-2 Bonds to be redeemed on such dates will be selected in accordance with DTC's then existing rules and procedures and may be by lot.

(iii) If the Series 2020A-2 Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the Trustee shall select the Series 2020A-2 Bonds for redemption pro rata within a maturity. The Trustee will select such portions of Series 2020A-2 Bonds to be redeemed in such manner as the Trustee may deem to be fair and appropriate.

SECTION 16.03 Use of Proceeds. The Authority covenants and agrees that the proceeds of the sale of the Series 2020A-2 Bonds will be deposited in the Series 2020A-2 Claims-Paying Account. As used in this Section, "proceeds" is an amount equal to the principal amount of the Series 2020A-2 Bonds.

SECTION 16.04 Limitations on Issuance of Additional Bonds. While the Series 2020A-2 Bonds are Outstanding, the following shall apply to each Series of Additional Bonds: Debt Service Deposits with respect to such Series of Bonds shall be made in the same manner and at the same times as Debt Service Deposits are made with respect to the Series 2020A-2 Bonds. Notwithstanding the foregoing, the provisions of this Section do not apply to the Series 2020A-1 Bonds or to any Additional Bonds issued pursuant to Section 5.01(b)(i)(3).

ARTICLE XVII

MISCELLANEOUS

SECTION 17.01 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Second Supplemental Indenture is intended or shall be construed to give to any person other than the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect to this Second Supplemental Indenture or any covenants, conditions and provisions herein or therein contained; this Second Supplemental Indenture and all of the covenants, conditions and provisions herein and therein are intended to be for the sole and exclusive benefit of the Holders of the Bonds.

SECTION 17.02 Continuing Disclosure. The Authority shall at all times comply with and carry out all of the provisions of the Continuing Disclosure Certificate dated as of [DATE OF ISSUANCE], 2020 (the "Continuing Disclosure Certificate"), executed by the Authority, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Indenture; however, the Trustee, any Bondholder or any Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Section.

SECTION 17.03 Severability. If any provision of this Second Supplemental Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to

be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses, or Sections of this Second Supplemental Indenture shall not affect the remaining portions of this Second Supplemental Indenture or any part thereof.

SECTION 17.04 Captions. The captions or headings in this Second Supplemental Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Second Supplemental Indenture.

SECTION 17.05 Governing Law. This Second Supplemental Indenture shall be governed by and interpreted in accordance with the laws of the State of California.

SECTION 17.06 Effective Date. This Second Supplemental Indenture shall become effective upon its execution and delivery.

SECTION 17.07 Ratification of Indenture. As amended and supplemented hereby, the Indenture and the trusts conferred thereby are in all respects confirmed, and the Indenture, all indentures supplemental thereto including this Second Supplemental Indenture shall be read, taken and considered as one instrument.

SECTION 17.08 Execution in Several Counterparts. This Second Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be executed.

CALIFORNIA EARTHQUAKE AUTHORITY

By _____
Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

EXHIBIT A

**FORM OF CALIFORNIA EARTHQUAKE AUTHORITY
REVENUE BOND, SERIES 2020A-2**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____

**California Earthquake Authority
Revenue Bond, Series 2020A-2**

<u>Dated Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>	<u>Maturity Date</u>
-------------------	-------------------------	----------------------	--------------	----------------------

%

REGISTERED OWNER: Cede & Co.

CALIFORNIA EARTHQUAKE AUTHORITY, a public instrumentality of the State of California duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay, but solely from Pledged Revenue and Debt Service Deposits, in lawful money of the United States of America, to the registered owner or registered assigns, on the maturity date set forth above (unless redeemed prior thereto as hereinafter provided), the principal amount specified above, together with interest until the principal hereof shall have been paid. This Bond will bear interest from its dated date at the rate shown above. Interest will be calculated on the basis of a 360-day year comprising twelve 30-day months. Interest on this Bond is payable semiannually on January 1 and July 1, commencing with July 1, 2020. So long as this bond is held in book-entry form, the record date for interest payments is the close of business on the Business Day prior to the interest payment date and, if not in book-entry form, is the 15th day of the month preceding the related payment date. Payments of principal shall be made to Holders of record as of the close of business on the Business Day prior to the dates such payments are due and shall be paid by wire transfer of immediately available funds on the date such payments are due. Capitalized terms used herein and not defined herein shall have the meanings given such terms in the Indenture of Trust, dated as of February 1, 2020, as supplemented by a First Supplemental Indenture of Trust and a Second Supplemental Indenture of Trust, each dated as of February 1, 2020 (hereinafter collectively referred to as the "Indenture"), each between the Authority and U.S. Bank National Association, as trustee (the "Trustee"),

In any case where the date fixed for the payment of interest on or principal of this Bond on any interest payment date or maturity date or redemption date is not a Business Day, then payment of such interest or principal will not be made on such date but will be made on the next Business Day (and no interest will accrue or be payable on account of such delay).

This Bond is one of a duly authorized issue of Bonds of the Authority, designated as California Earthquake Authority Revenue Bonds (the "Bonds"), of the series designated above, all of which are being issued pursuant to the provisions of provisions of Chapter 8.6 of Part 1 of Division 2 of the California Insurance Code (the "CEA Act") and the Indenture. Said authorized issue of Bonds is not limited in aggregate principal amount and consists or may consist of one or more Series as in the Indenture provided.

THIS BOND IS AN OBLIGATION OF THE AUTHORITY TO THE EXTENT PROVIDED IN THE INDENTURE, PAYABLE SOLELY FROM PLEDGED REVENUE AND DEBT SERVICE DEPOSITS.

THIS BOND IS NOT A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA. THIS BOND DOES NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THIS BOND.

Reference is hereby made to the Indenture and the CEA Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the pledge of Pledged Revenue and Debt Service Deposits and the rights of the registered owners of the Bonds, and all the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional Bonds may be issued and other indebtedness may be incurred on a parity with the Series of Bonds of which this Bond is a part, but only subject to the conditions and limitations contained in the Indenture.

This Bond is payable both as to principal and interest, solely from Pledged Revenue and Debt Service Deposits as provided in the Indenture, and the Authority is not obligated to pay this Bond except from Pledged Revenue.

The Bonds of the Series of which this Bond is a part are subject to redemption prior to their respective stated maturity dates, at the option of the Authority, in whole or in part, in such order of maturity as may be designated by the Authority and on a pro rata pass-through distribution of principal basis within any maturity, on any date on or after _____, 20___, from any source of available funds and upon mailed notice as provided herein, at a redemption price equal to the greater of:

- (i) the issue price of 100% of the principal amount of such Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus [15] basis points;

plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a date selected by the Authority that is at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Bonds of the Series of which this Bond is a part maturing in 20[] (the “Term Bonds”) are, however, subject to mandatory redemption prior to their stated maturity, in part, on a pro-rata pass-through distribution of principal basis, from sinking fund payments of \$[] on July 1, 20[], of \$[] on July 1, 20[], and of \$[] on July 1, 20[], at a redemption price equal to the principal amount of the Series 2020A-2 Bonds to be redeemed (plus accrued interest to the redemption date). Amounts on deposit in the Series 2020A-2 Principal Subaccount for the mandatory redemption of the Term Bonds shall be applied instead by the Trustee (if requested to do so by an Authorized Representative of the Authority) to purchase any Term Bonds designated by the Authorized Representative by notice to the Trustee given at any time or times prior to the 20th Business Day preceding each July 1 redemption date. The purchase price for any Term Bonds so purchased may not exceed the principal amount of the Term Bonds so being purchased (plus accrued interest to the purchase date).

The rights and obligations of the Authority and of the holders and registered owners of the Bonds of the Series of which this Bond is a part may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of Bonds.

This Bond is transferable or exchangeable as provided in the Indenture, only upon the Bond Register at the Principal Office of the Trustee, by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Bond at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new Bond or Bonds of the same Series, maturity, interest rate and in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture, upon payment of any charges therein prescribed.

The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner hereof for all purposes, including receiving payment of, or on account of, the principal of and interest due hereon.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the CEA Act, and that this Bond, together with all other indebtedness of the Authority payable out of Pledged Revenue, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and the CEA Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF the California Earthquake Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its duly authorized representatives all as of the date set forth above.

CALIFORNIA EARTHQUAKE AUTHORITY

By: _____
Chief Executive Officer

Countersigned:

By: _____
Chief Financial Officer

[FORM OF CERTIFICATE OF AUTHENTICATION]

This Bond is one of the California Earthquake Authority Revenue Bonds, Series 2020A-2 described in the within mentioned Indenture and was authenticated on the date set forth below.

Date of Authentication: _____

U.S. Bank National Association,
as Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Print or Type Name and Address of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
TAX IDENTIFICATION NUMBER OF ASSIGNEE

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer the within Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:

Signature:

(Signature of Assignor)

Notice: The signature on this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEED:

Notice: Signature must be guaranteed by an eligible guarantor firm.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2020

NEW ISSUES – BOOK-ENTRY ONLY – FEDERALLY TAXABLE

RATINGS:
Fitch: Series A-1 Bonds “___”
 Series A-2 Bonds “___”
Moody’s: Series A-1 Bonds “___”
 Series A-2 Bonds “___”
 See “RATINGS”

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the California Earthquake Authority, interest on the Series 2020 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2020 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other federal or state tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2020 Bonds. See “TAX MATTERS.”

CALIFORNIA EARTHQUAKE AUTHORITY

**[\$[Principal Amount]*
 REVENUE BONDS, SERIES 2020A-1
 (FEDERALLY TAXABLE)**

**[\$[Principal Amount]*
 REVENUE BONDS, SERIES 2020A-2
 (FEDERALLY TAXABLE)**

Series 2020A-1 Bonds

\$ _____ % Due September 1, 2020 Priced to Yield: _____ % - CUSIP[†] 13017H _____

Series 2020A-2 Bonds

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Priced to Yield</u>	<u>CUSIP[‡]</u>	<u>Maturity Date</u>
\$ _____	% _____	% _____	13017H _____	_____
\$ _____	% _____	% _____	13017H _____	_____

\$ _____ % Term Bond Due _____ Priced to Yield: _____ % - CUSIP[†] 13017H _____

Dated: Date of Delivery

Due: as shown above

The California Earthquake Authority Revenue Bonds, Series 2020A-1 (the “Series 2020A-1 Bonds”) and the California Earthquake Authority Revenue Bonds, Series 2020A-2 (the “Series 2020A-2 Bonds”, and together with the Series 2020A-1 Bonds, the “Series 2020 Bonds”) will bear interest from their date of delivery at the rates shown above. Interest on the Series 2020A-1 Bonds is payable on September 1, 2020, the maturity date of the Series 2020A-1 Bonds. Interest on the Series 2020A-2 Bonds is payable semiannually on January 1 and July 1, commencing on July 1, 2020. See “THE SERIES 2020 BONDS – Interest.”

The Series 2020A-1 Bonds are not subject to optional or mandatory redemption prior to maturity. The Series 2020A-2 Bonds are subject to optional redemption prior to maturity as described herein. The Series 2020 Bonds maturing on July 1, 20__ are subject to mandatory sinking fund redemption prior to maturity as described herein. See “THE SERIES 2020 BONDS – Redemption.”

The Series 2020 Bonds may be purchased in book-entry form only in the denomination of \$5,000 or any integral multiple of thereof. See APPENDIX D – “BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.” For information on minimum unit sales for purchasers outside the United States, see “INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES.”

The California Earthquake Authority (the “CEA”) is a public instrumentality of the State of California that has offered basic residential earthquake insurance policies in California since December 1996. As of December 31, 2018, according to figures provided by the California Department of Insurance, approximately 66% of the residential earthquake policies then in force in California were issued by the CEA. As of November 30, 2019, the CEA had 1,110,117 policies in force, generating approximately \$809 million in year-to-date direct-written premiums.

The proceeds of each series of the Series 2020 Bonds will be held by the CEA in its respective Claims-Paying Accounts to enhance the CEA’s claim-paying capacity. See “SOURCE AND USES OF FUNDS.”

The Series 2020A-1 Bonds are being issued under an Indenture of Trust dated as of [Dated Date] (the “Indenture of Trust”), as supplemented by the First Supplemental Indenture of Trust dated as of [Dated Date] (the “First Supplemental Indenture”). The Series 2020A-2 Bonds are being issued under the Indenture of Trust, as supplemented by the Second Supplemental Indenture of Trust dated as of [Dated Date] (the “Second Supplemental Indenture” and, together with the Indenture of Trust and the First Supplemental Indenture, the “Indenture”), each between the CEA and U.S. Bank National Association, as trustee (“Trustee”). The Series 2020 Bonds and any parity bonds issued in the future pursuant to the Indenture (collectively, the “Bonds”) are payable from and secured by Pledged Policyholder Premiums and interest earnings on amounts held by the Trustee under the Indenture for payment of debt service on the Bonds (collectively “Pledged Revenue”) and Debt Service Deposits, as set forth under “SECURITY FOR THE BONDS – Pledged Revenue and Debt Service Deposits.” **In addition, the Series 2020A-1 Bonds will be prefunded upon their issuance and are secured by and payable from amounts deposited into the Interest Subaccount and the Principal Subaccount for the Series 2020A-1 Bonds upon issuance of the Series 2020A-1 Bonds.** In the Indenture, the CEA has covenanted that each year it will review its premium rate structure for its policies of basic residential earthquake insurance and confirm that it has established, or it will endeavor to establish, rates sufficient to make certain that it can and will collect Pledged Revenue adequate to meet all of its obligations, including debt service on the Series 2020A-2 Bonds when due, as set forth under “SECURITY FOR THE BONDS – Rate Covenant.”

The distribution of this Official Statement and the offering, sale and delivery of the Series 2020 Bonds in certain jurisdictions outside the United States is restricted by law. Persons in such jurisdictions into whose possession this Official Statement comes are required by the Authority to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Series 2020 Bonds and on distribution of this Official Statement and other offering material relating to the Series 2020 Bonds in such jurisdictions, see “INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES.”

THE SERIES 2020 BONDS ARE OBLIGATIONS OF THE CEA TO THE EXTENT PROVIDED IN THE INDENTURE, PAYABLE SOLELY FROM PLEDGED REVENUE AND DEBT SERVICE DEPOSITS. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL

Preliminary, subject to change.

[†] CUSIP[®] is a registered trademark of the American Bankers Association. Copyright© 1999-2020 American Bankers Association. All rights reserved. CUSIP[®] data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP[®] numbers are provided for convenience of reference only. The CUSIP[®] number for a specific maturity is subject to change after the issuance of the Series 2020 Bonds. Neither the CEA nor the Underwriters take responsibility for the accuracy of the CUSIP[®] numbers.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

SUBDIVISION OF THE STATE. THE BONDS DO NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE SERIES 2020 BONDS.

This cover page contains certain information for quick reference only. It is not a summary. Investors must read the entire Official Statement, including the material under "Risk Factors," to obtain information essential to making an informed investment decision.

Certain legal matters incident to the authorization, sale and issuance of the Series 2020 Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the CEA. Certain legal matters will be passed upon for the CEA by Hawkins Delafield & Wood LLP, Disclosure Counsel to the CEA, and Tom Welsh, General Counsel to the CEA. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP. In connection with the issuance of the Series 2020 Bonds, Raymond James & Associates, Inc., is serving as Municipal Advisor to the CEA. It is expected that the Series 2020 Bonds will be available for delivery through the Depository Trust Company book-entry system on or about [Closing Date].

HONORABLE FIONA MA
Treasurer of the State of California
Agent for Sale

Series 2020A-1 Bonds

J.P. Morgan
(Senior Manager)
Citigroup
(Co-Senior Managers)

Goldman Sachs & Co. LLC

Series 2020A-2Bonds

Citigroup
(Senior Manager)
Goldman Sachs & Co. LLC
(Co-Senior Managers)

J.P. Morgan

Dated: _____, 2020

Descriptions and summaries of the Indenture, the Series 2020 Bonds, the CEA's insurance policies and reinsurance contracts, and other documents, regulations and laws referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2020 Bonds.

No person has been authorized to give information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the CEA. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2020 Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement speaks only as of its date, and any information, estimates and/or expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no material change in the affairs of the CEA since the date hereof.

The information set forth herein has been obtained from official sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The presentation of information is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the CEA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement includes forward looking statements that are based on current expectations and projections about future events. These forward looking statements are subject to risks and uncertainties, including risks and uncertainties outside the control of the CEA. Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements under the captions "SECURITY FOR THE BONDS" and "POLICY CLAIMS" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The CEA does not plan to issue any updates or revisions to these forward-looking statements if or when expectations or events, conditions or circumstances on which such statements are based occur.

Additional information, including financial information, concerning the CEA is available from the CEA, the California Insurance Commissioner (the "Insurance Commissioner"), the State Treasurer and publications and websites of the CEA, the Insurance Commissioner, the State Treasurer and various State agencies and officials. No such information is a part of or incorporated into this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the Series 2020 Bonds offered hereby at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2020 Bonds to certain dealers, institutional investors, and others at prices lower than the public offering prices stated on the front cover hereof, and said public offering prices may be changed from time to time by the Underwriters.

**INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

REFERENCES IN THIS SECTION TO THE “ISSUER” MEAN THE CEA AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE SERIES 2020 BONDS OFFERED HEREBY.

THE INFORMATION IN THIS SECTION CONCERNING OFFERING RESTRICTIONS IN JURISDICTIONS OUTSIDE THE UNITED STATES HAS BEEN OBTAINED FROM THE UNDERWRITERS. THE CEA, BOND COUNSEL, DISCLOSURE COUNSEL AND THE TRUSTEE DO NOT TAKE ANY RESPONSIBILITY FOR THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION IN THIS SECTION.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA (“EEA”)

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) OF THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THE EEA, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE ISSUER FOR ANY SUCH OFFER; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR ANY UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE BONDS IN ANY MEMBER STATE OF THE EEA MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS OR SUBSCRIBE FOR THE BONDS.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

THE CONTENTS OF THIS OFFERING MEMORANDUM HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFERING MEMORANDUM, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THE BONDS (EXCEPT FOR BONDS WHICH ARE A “STRUCTURED PRODUCT” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) (“SECURITIES AND FUTURES ORDINANCE”)) MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) (“COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE”) OR (II) TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THIS OFFERING MEMORANDUM IS NOT INTENDED TO CONSTITUTE AN OFFER OR A SOLICITATION TO PURCHASE OR INVEST IN THE BONDS.

THE BONDS MAY NOT BE PUBLICLY OFFERED IN SWITZERLAND AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE (“SIX”) OR ON ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. THIS OFFICIAL STATEMENT HAS BEEN PREPARED WITHOUT REGARD TO THE DISCLOSURE STANDARDS FOR ISSUANCE PROSPECTUSES UNDER ART. 652A OR ART. 1156 OF THE SWISS CODE OF OBLIGATIONS OR THE DISCLOSURE STANDARDS FOR LISTING PROSPECTUSES UNDER ART. 27 FF. OF THE SIX LISTING RULES OR THE LISTING RULES OF ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS OR THE OFFERING MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

NONE OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, THE ISSUER OR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. IN PARTICULAR, THIS OFFICIAL STATEMENT WILL NOT BE FILED WITH, AND THE OFFER OF THE BONDS WILL NOT BE SUPERVISED BY, THE SWISS FINANCIAL MARKET SUPERVISORY

AUTHORITY (“FINMA”), AND THE OFFER OF BONDS HAS NOT BEEN AND WILL NOT BE AUTHORIZED UNDER THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“CISA”). ACCORDINGLY, INVESTORS DO NOT HAVE THE BENEFIT OF THE SPECIFIC INVESTOR PROTECTION PROVIDED UNDER THE CISA.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL USED IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR AS DEFINED IN THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) (THE “SFA”) PURSUANT TO SECTION 274 OF THE SFA, (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1), OR ANY OTHER PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275, OF THE SFA; OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON THAT IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES OR SECURITIES-BASED DERIVATIVES CONTRACTS (EACH AS DEFINED IN THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES’ RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON AS DEFINED IN THE SFA, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW;

(4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR

(5) AS SPECIFIED IN REGULATION 37A OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SECURITIES AND SECURITIES-BASED DERIVATIVES CONTRACTS) REGULATIONS 2018 OF SINGAPORE.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED, THE “FIEA”). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY “RESIDENT” OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”) IN RELIANCE ON THE QIIS-ONLY PRIVATE PLACEMENT EXEMPTION AS SET FORTH IN ITEM 2(I), PARAGRAPH 3, ARTICLE 2 OF THE FIEA. A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

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[\$Principal Amount]*
CALIFORNIA EARTHQUAKE
AUTHORITY
REVENUE BONDS, SERIES 2020A-1
(FEDERALLY TAXABLE)

[\$Principal Amount]*
CALIFORNIA EARTHQUAKE
AUTHORITY
REVENUE BONDS, SERIES 2020A-2
(FEDERALLY TAXABLE)

SUMMARY

This summary is a brief description of certain terms of the Series 2020 Bonds and certain other information in this Official Statement. A full review should be made of the entire Official Statement, including the Appendices.

General..... This Official Statement describes the California Earthquake Authority (“CEA”), a public instrumentality of the State of California (the “State” or the “State of California”), and the CEA’s Revenue Bonds, Series 2020A-1 (the “Series 2020A-1 Bonds”) and the CEA’s Revenue Bonds, Series 2020A-2 (the “Series 2020A-2 Bonds” and, together with the Series 2020A-1 Bonds, the “Series 2020 Bonds” or the “Bonds”) offered hereby.

California Earthquake Authority..... The CEA has offered basic residential earthquake insurance policies in California since December 1996. The CEA was created pursuant to California Insurance Code Sections 10089.5 through 10089.55 (as amended, the “CEA Act”). The CEA is the largest writer of residential earthquake policies in California, with approximately two-thirds of the residential earthquake policies in force in the State. As of November 30, 2019, the CEA had 1,110,117 policies in force.

Bond Authorization The Series 2020A-1 Bonds are being issued under the CEA Act and an Indenture of Trust dated as of [Dated Date] (the “Indenture of Trust”), as supplemented by the First Supplemental Indenture of Trust, dated as of [Dated Date] (the “First Supplemental Indenture”), each with U.S. Bank National Association as Trustee (the “Trustee”). The Series 2020A-2 Bonds are being issued under the CEA Act and the Indenture of Trust, as supplemented by the Second Supplemental Indenture of Trust, dated as of [Dated Date] (the “Second Supplemental Indenture” and together with the Indenture of Trust and the First Supplemental Indenture, the “Indenture”), each with Trustee.

Purpose..... The proceeds of the Series 2020 Bonds will be held by the CEA in its respective Claims-Paying Account for each Series to enhance the CEA’s claim-paying capacity. See “SOURCE AND USES OF FUNDS.”

* Preliminary, subject to change.

Book-Entry	Series 2020 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. See APPENDIX D – “BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”
Maturities.....	The Series 2020 Bonds will mature on the dates shown on the cover page of this Official Statement.
Mandatory Sinking Fund Redemption	The Series 2020A-1 Bonds are not subject to mandatory redemption prior to maturity. The Series 2020A-2 Bonds maturing on July 1, 20__ are subject to mandatory redemption on July 1, 20__ and July 1, 20__ from mandatory sinking fund payments of \$_____ and \$_____, respectively, at a redemption price equal to the principal amount of the Series 2020A-2 Bonds redeemed, plus accrued interest. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months. See “THE SERIES 2020 BONDS –Redemption.”
Optional Redemption.....	The Series 2020A-1 Bonds are not subject to optional redemption prior to maturity. The Series 2020A-2 Bonds are subject to optional redemption prior to maturity at the option of the CEA before their respective stated maturity dates, as a whole or in part in such order of maturity as may be designated by the CEA and on a pro rata pass-through distribution of principal basis within any maturity, on any date on or after _____, 20__, from any source of available funds, upon mailed notice as provided herein, at a redemption price equal to the greater of (1) the issue price of 100% of the principal amount of the Series 2020A-2 Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2020A-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020A-2 Bonds are to be redeemed, discounted to the date on which the Series 2020A-2 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus __ basis points; plus, in each case, accrued interest on the Series 2020A-2 Bonds to be redeemed to the redemption date. See “THE SERIES 2020 BONDS –Redemption.”
Interest	The Series 2020A-1 Bonds will bear interest from their date of delivery at the rate per annum shown on the cover page of this Official Statement payable on September 1, 2020, the maturity date of the Series 2020A-1 Bonds. The Series 2020A-2 Bonds will bear interest from their date of delivery at the rates per annum shown on the cover page of this Official Statement, payable semiannually on January 1 and July 1, commencing on July 1, 2020. Interest shall be

calculated on the basis of a 360-day year comprised of twelve 30-day months. See “THE SERIES 2020 BONDS – General Terms.”

Security for the Bonds The Series 2020 Bonds and any other Bonds issued under the Indenture in the future are payable from and secured by Pledged Policyholder Premiums and interest earnings on amounts held by the Trustee under the Indenture for payment of debt service on the Bonds (“Pledged Revenue”) and Debt Service Deposits (defined below), as set forth under “SECURITY FOR THE BONDS – Pledged Revenue and Debt Service Deposits.” In addition, the Series 2020A-1 Bonds will be prefunded upon their issuance and are secured by and payable from amounts deposited into the Interest Subaccount and the Principal Subaccount for the Series 2020A-1 Bonds upon issuance of the Series 2020A-1 Bonds.

Debt Service Deposits and Transfer of Pledged Revenue Under the Indenture, the CEA may transfer, but is not required to transfer, funds by the 15th day of each calendar month to the Trustee from the California Earthquake Authority Fund for deposit in the Revenue Fund to maintain the balances in the Interest Account and the Principal Account in the Revenue Fund at the levels required by the Indenture (“Debt Service Deposits”). The CEA expects to make each Debt Service Deposit. However, if a Debt Service Deposit is not made in full by the 15th day of a calendar month, the Indenture requires the Trustee to transfer Pledged Revenue received by it after the 15th day of that month to the Revenue Fund until an amount sufficient to make up the deficiency in the Debt Service Deposit has been transferred. Accordingly, when Debt Service Deposits are made by the CEA as expected by it, transfers by the Trustee of Pledged Revenue to the Revenue Fund will not occur. See “SECURITY FOR THE BONDS – Pledged Revenue and Debt Service Deposits.”

Under the CEA Act and the Indenture, the Trustee will receive all Pledged Revenue and will transfer all Pledged Revenue to the CEA each Business Day for deposit in the California Earthquake Authority Fund unless a transfer to the Revenue Fund is required by the Indenture to be made by the Trustee from Pledged Revenue. See “SECURITY FOR THE BONDS–Accounts and Flow of Funds Under the Indenture.”

Rate Covenant In the Indenture, the CEA has covenanted that each year it will review its premium rate structure for its policies of basic residential earthquake insurance and confirm that it has established, or it will endeavor to establish, rates sufficient to make certain that it can and will collect Pledged Revenue

adequate to meet all of its obligations, including the deposit of amounts required and permitted by the Indenture to pay Bonds when due, as set forth under “SECURITY FOR THE BONDS – Rate Covenant.” Notwithstanding the foregoing, the CEA may exclude from its determination of amounts required and permitted by the Indenture to be deposited in each such year the principal of and interest on the Series 2020A-1 Bonds and any other Bonds that (i) will mature in the same Fiscal Year in which they are issued and (ii) have, at the time of their issuance, fully prefunded interest and principal through the maturity dates thereof. By law, all rates for CEA insurance premiums must be submitted to the Insurance Commissioner for approval under a rate application process, and may not be implemented unless approved by the Insurance Commissioner.

**Non-impairment Covenant and
Certain other Provisions of the CEA
Act**

The State has pledged in the CEA Act pursuant to California Insurance Code Section 10089.49 not to limit, alter or restrict the rights vested in the CEA to fulfill the pledge of Pledged Revenue or any other terms of the Indenture or in any way impair the rights or remedies of the holders of the Bonds. See “SECURITY FOR THE BONDS – Non-impairment Covenant.” In addition, the CEA Act requires, among other things, that the CEA be continued in existence for so long as any bonds of the CEA (including the Bonds) are outstanding and further requires that the Insurance Commissioner not impede or in any matter interfere with, but must affirmatively take all necessary steps to effect, full and timely payment of debt service on the Bonds. See “CALIFORNIA EARTHQUAKE AUTHORITY – Role of the Insurance Commissioner.”

Flow of Funds under Indenture.....

The flow of funds to pay debt service on the Series 2020 Bonds is described under “SECURITY FOR THE BONDS – Pledged Revenue and Debt Service Deposits” and – “Accounts and Flow of Funds Under the Indenture”. See also APPENDIX B – “SUMMARY OF THE INDENTURE.”

**California Earthquake Authority
Fund**

The California Earthquake Authority Fund is held by the CEA and not the Trustee, and assets in the California Earthquake Authority Fund are not pledged to secure the Series 2020 Bonds. Under the CEA Act, the California Earthquake Authority Fund is administered by the Insurance Commissioner, subject to the direction of the Governing Board of the CEA, and disbursed by the CEA staff, to pay CEA costs under the CEA Act, including but not limited to, premiums payable by the CEA under contracts of reinsurance, policyholder claims and claim expenses, and

operating and other expenses of the CEA, and to establish claim reserves.

As described briefly above, the CEA expects to make Debt Service Deposits from funds held in the California Earthquake Authority Fund. Payment of Debt Service Deposits from the California Earthquake Authority Fund is at the option of the CEA. The CEA might or might not continue to pay debt service from the California Earthquake Authority Fund if its funds are insufficient and it is required to pay policyholder claims on a pro rata or installment basis. See “RISK FACTORS – Payment Deficiency.” In any event, the Series 2020 Bonds are secured by and have first lien and security interest on Pledged Revenue (primarily Pledged Policyholder Premiums), which means that debt service could be paid from that source if Debt Service Deposits are not paid from the California Earthquake Authority Fund.

2020 Claims-Paying Accounts..... The CEA covenants and agrees in the Indenture that it will deposit and hold the proceeds of the Series 2020 Bonds in each respective Claims-Paying Account for each Series within the California Earthquake Authority Fund. The Bonds are not secured by money in any existing Claims-Paying Accounts. See “SECURITY FOR THE BONDS – California Earthquake Authority Fund; Claims-Paying Account.”

Additional Bonds..... The CEA Act and the Indenture permit the CEA to issue bonds, notes, commercial paper, variable rate securities and any other evidences of indebtedness (collectively, “bonds”). However, no bonds may be issued that have a claim on Pledged Revenue or Debt Service Deposits that is prior to the Series 2020 Bonds or any other Bonds issued under the Indenture, and no bonds may be issued that have a claim on Pledged Revenue or Debt Service Deposits on a parity with the Series 2020 Bonds except pursuant to the Indenture. In addition, the CEA must demonstrate compliance with the “additional bonds requirements” of the Indenture before the CEA may issue any Bonds under the Indenture on a parity with the Series 2020 Bonds. See “SECURITY FOR THE BONDS – Limitations on Additional Bonds.”

Events of Default and Limitations on Remedies The Indenture provides that the occurrence of specified events (such as a failure to pay debt service on the Bonds) is an event of default. If an event of default were to occur, the sole remedy of the holders of Bonds will be to have the Trustee file suit to require the CEA to perform its obligations under the Indenture. Acceleration of principal of the Bonds

is not permitted. See “SECURITY FOR THE BONDS – Events of Default and Limitations on Remedies.”

The Bonds are obligations of the CEA to the extent provided in the Indenture, payable solely from Pledged Revenue and Debt Service Deposits. The Bonds are not a debt or liability of the State or of any political subdivision of the State. The Bonds do not directly, indirectly, or contingently obligate the State or any political subdivision of the State to levy or to pledge any form of taxation or to make any appropriation for payment of the Bonds.

Indenture of Trust..... The Indenture creates funds and accounts for money held by the Trustee. The Indenture authorizes the issuance of the CEA’s Bonds and specifies the rights of holders of the Bonds, the nature and extent of security for the Bonds, and the rights and responsibilities of the Trustee. The Indenture also sets forth covenants of the CEA and defines events of default and remedies therefore. See APPENDIX B – “SUMMARY OF THE INDENTURE”.

Risk Factors..... Certain risks that should be considered by investors in deciding whether to purchase the Series 2020 Bonds include, among others, the risks described under “Risk Factors.”

CALIFORNIA EARTHQUAKE AUTHORITY

**[/Principal Amount]*
REVENUE BONDS, SERIES 2020A-1
(FEDERALLY TAXABLE)**

**[/Principal Amount]*
REVENUE BONDS, SERIES 2020A-2
(FEDERALLY TAXABLE)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page, the Summary and the appendices hereto, is to furnish information concerning the CEA in connection with the issuance of the Series 2020 Bonds. The Series 2020 Bonds are being issued under the CEA Act and the Indenture. The issuance of the Series 2020 Bonds has been authorized by the Governing Board of the CEA as required by the CEA Act, and the Insurance Commissioner has approved the sale of the Series 2020 Bonds. See “THE SERIES 2020 BONDS – Authorization.” The Series 2020 Bonds and any parity bonds issued in the future under the Indenture are secured by and payable from Pledged Revenue and Debt Service Deposits (as defined herein). See “SECURITY FOR THE BONDS – Pledged Revenue and Debt Service Deposits.”

CALIFORNIA EARTHQUAKE AUTHORITY

General

The CEA was formed under the CEA Act (California Insurance Code Sections 10089.5 through 10089.55) and has offered basic residential earthquake insurance policies in California since December 1996. According to the California Department of Insurance, as of December 31, 2018 (the most recent date for which the Department of Insurance has released such information), the CEA had a market share of approximately 66% of the residential earthquake policies in force in California. As of November 30, 2019, the CEA had 1,110,117 such insurance policies in force generating approximately \$809 million in year-to-date direct-written premiums, which is projected to increase to approximately \$850 million by December 31, 2020. As of January 1, 2020, the CEA’s claim-paying capacity was approximately \$18.0 billion, including approximately \$6.1 billion of Available Capital, as the term “Available Capital” is defined in the CEA Act. See “SOURCES OF FUNDS TO PAY CLAIMS – General.”

Insurers writing residential property insurance policies (including homeowners policies, condominium owners policies, and renters policies) in California are required by California law to offer earthquake insurance to their policyholders, though as a general rule, California policyholders are not required to accept that offer or otherwise to purchase such earthquake insurance. Insurers can satisfy the requirement to offer earthquake insurance to their residential policyholders by writing earthquake insurance policies themselves or by offering their insureds earthquake insurance written by other insurers.

Many property insurers sustained major earthquake coverage losses as the result of the 1994 Northridge earthquake in southern California. Because of the requirement that insurers must offer earthquake insurance as part of an offer of residential property insurance, within a year following the Northridge earthquake, most insurers ceased offering residential property insurance policies in California. Accordingly, the availability of both residential property insurance and earthquake insurance in California declined precipitously. Furthermore, purchasers of homes in California had difficulty obtaining the necessary homeowners insurance policy required by mortgage lenders, making it difficult to complete the purchase of homes and resulting in turmoil in the California residential real estate market.

* Preliminary, subject to change.

In response to these problems in the California residential insurance and real estate markets, California enacted legislation to address these problems. In 1995, California enacted legislation permitting insurers to satisfy the statutory mandate to offer earthquake coverage by offering a more limited earthquake insurance product than was previously required, with a 15% deductible, significantly lower limits of coverage for personal property and loss-of-use than is found in a typical fire insurance policy, limited coverage for driveways and walkways, and no coverage for other non-dwelling structures, such as detached garages, outbuildings, and swimming pools. This type of earthquake policy is commonly referred to in California as a “mini-policy.” The CEA’s standard Homeowners policy, described under “Policies and Premiums,” is such a policy.

In 1996, the Legislature passed the CEA Act. The CEA Act established the CEA as a privately-funded, publicly managed, public instrumentality of the State of California with the primary purpose of providing earthquake insurance to Californians. Insurers that write residential property insurance in California may, at their option, join the CEA. Upon joining, insurers no longer write residential property earthquake insurance coverage and instead satisfy their legal obligation to offer earthquake insurance to their residential property policyholders by offering them a CEA policy. Insurers that have joined the CEA are referred to as “Participating Insurers,” and are obligated, by a statutory formula, to contribute capital to the CEA and, under certain circumstances (including following one or more large earthquakes that result in a very high level of CEA claim losses), are required to pay assessments to support CEA claim-paying capacity. CEA policies are sold only through Participating Insurers and can be purchased only by Participating Insurers’ residential property insurance policyholders.

Since 2002, A.M. Best Company has assigned a financial-strength rating, an opinion of the CEA’s ability to meet its obligations to policyholders, of “A- Excellent” with a “stable outlook”, which has been reaffirmed each year. An explanation of the significance of this rating may be obtained from A.M. Best Company at www.ambest.com (that information is not incorporated by reference herein). Generally, rating agencies base their ratings on information and materials and on investigations, studies and assumptions made by the rating agencies themselves; this rating reflects the views of A.M. Best Company. There is no assurance that this rating will remain in effect for any given period or that the rating will not be modified or withdrawn.

Governance and Management

The CEA is a public instrumentality of the State of California. It is not a State of California agency, authority or department or otherwise an entity of the government of the State of California and, accordingly, its operations are not supported by appropriations in the budget of the State of California.

The Governing Board. The CEA Act requires the CEA’s governance to be provided by its Governing Board, composed of the State of California’s Governor, State Treasurer, and Insurance Commissioner as voting members (the “Governing Board”). The Speaker of the California Assembly and the Chairperson of the California Senate Committee on Rules serve as nonvoting, *ex officio* members of the Governing Board. Each Governing Board member may, at his or her discretion, name a designee to attend Governing Board meetings and act in their place. The members of the Governing Board are as follows:

<u>Name</u>	<u>Title</u>
Gavin Newsom	Governor
Fiona Ma	Treasurer
Ricardo Lara	Insurance Commissioner
Anthony Rendon	Speaker of the Assembly (non-voting)
Toni G. Atkins	Chairperson of Senate Committee on Rules (non-voting)

The CEA Act provides that the Governing Board has the power to conduct the affairs of the CEA and perform all acts necessary or convenient in the exercise of that power (subject to the regulatory authority of the Insurance Commissioner noted in the CEA Act).

Executive Officers. The executive officers of the CEA are listed below:

<u>Name</u>	<u>Title</u>
Glenn A. Pomeroy	Chief Executive Officer
Tom Hanzel	Chief Financial and Insurance Operations Officer
Tom Welsh	General Counsel and Acting Chief Operations Officer
Shawna Ackerman	Chief Risk and Actuarial Officer
Janiele Maffei	Chief Mitigation Officer
Michael Melavic	Chief Information Officer

Glenn Pomeroy became Chief Executive Officer of the CEA in 2008. Mr. Pomeroy was the head of GE Insurance Solutions' government and regulatory affairs group from 2001 to 2008. During Mr. Pomeroy's tenure with GE Insurance Solutions, it was acquired by Swiss Re. Mr. Pomeroy served as Commissioner of Insurance of North Dakota from 1993 to 2000 and as the President of the National Association of Insurance Commissioners in 1998. Prior to 1993, Mr. Pomeroy served as North Dakota Securities Commissioner, Assistant Attorney General of North Dakota, and as a member of the North Dakota House of Representatives.

Tom Hanzel became Chief Financial Officer of the CEA in early 2019. Mr. Hanzel has also assumed the role of Chief Insurance Officer, which includes claim management, insurance operations, insurance education and helpdesk, Centralized Policy and Processing and website application and development. Formerly, Mr. Hanzel was the Chief Administrative Officer and Treasurer at Geovera Holdings, Inc., and has held previous roles in finance and management at Fireman's Fund, Allianz, Silicon Valley Bank, Sumitomo Bank and GE Capital.

Tom Welsh became General Counsel for the CEA in early 2019. Prior to joining CEA, Mr. Welsh was a partner at Orrick, Herrington & Sutcliffe LLP, with a focus on providing compliance advice on complex insurance regulatory issues. He has also worked for financial sector clients on insurance related investments, life settlements portfolios, and residential real estate portfolio securitization transactions. Tom also served as outside counsel to the Conservation and Liquidation Office of the California Department of Insurance for 28 years on major insolvencies. Mr. Welsh also currently serves as the CEA's Acting Chief Operations Officer.

Shawna Ackerman became Chief Actuary of the CEA in 2010. During the ten years prior to joining the CEA, Ms. Ackerman was a principal with a private sector firm that provided actuarial consulting services to the CEA. She is a Fellow and board member of the Casualty Actuarial Society and member of the American Academy of Actuaries. In 2020, Ms. Ackerman assumed the expanded role of Chief Risk and Actuarial Officer.

Janiele Maffei became the CEA's Chief Mitigation Officer in 2009. Ms. Maffei is a registered structural engineer with over 30 years of experience in the earthquake engineering industry. She is a board member of the Earthquake Engineering Research Institute.

Michael Melavic became the Chief Information Officer in 2019. Mr. Melavic plans and directs the information technology strategies, implementation, and maintenance required to facilitate the CEA's mission and business goals. Prior to working at the CEA, Mr. Melavic worked in information technology for the California Department of Toxic Substances, Department of General Services (Public Water Supply Branch), and Public Utilities Commission.

Advisory Panel. The Governing Board is advised by an Advisory Panel, whose members are appointed by the Governor except as stated in this paragraph. The Advisory Panel consists of four members who represent insurance companies licensed to transact fire insurance in California, two of whom are appointed by the Insurance Commissioner; two licensed insurance agents, one of whom is appointed by the Insurance Commissioner; and three members of the public not connected with the insurance industry, at least one of whom is required to be a consumer representative. In addition, the Speaker of the Assembly and the Chairperson of the Senate Committee on Rules each appoint one member of the public not connected with the insurance industry. Advisory Panel members serve four-year terms and may be reappointed. The Insurance Commissioner is a nonvoting, ex officio member of the panel.

Governing Board and Advisory Panel Compensation. The CEA reimburses Governing Board and Advisory Panel members for their reasonable expenses incurred in attending meetings and conducting its business. Governing Board and Advisory Panel members serve without compensation by the CEA.

Employees and Consultants

The CEA Governing Board is authorized by the CEA Act to hire any and all employees required to conduct the business of the CEA and may contract for the services of a chief executive officer, chief operations officer, chief information officer, chief mitigation officer, chief financial officer, chief communications officer, an operations manager, and other professionals, and may contract for the services of reinsurance intermediaries, financial market underwriters, modeling firms, a computer firm, an actuary, an insurance claims consultant, counsel, financial advisor and private money managers. Other employees of the CEA hired through civil service recruitments are subject to civil service provisions.

Role of the Insurance Commissioner

Powers. The CEA is administered under the authority of the Insurance Commissioner. The Insurance Commissioner's role includes:

- as with other California residential property insurers, the power to review, then approve or deny, the CEA's rates for its earthquake insurance (the net premium revenue derived from such rates is a primary source of funds to pay the Bonds; see "SECURITY FOR THE BONDS – Pledged Revenue and Debt Service Deposits");

- the power to approve the CEA’s plan of operations, Participating Insurer assessments, and insurance policy forms;
- the promulgation of administrative regulations that specify procedures for ratemaking and forms approval, define the type and quality of investments the CEA is authorized to make, define policy coverage types and limits, set compensation rates paid to Participating Insurers, and specify the procedures to be followed by the CEA following an earthquake (or series of earthquakes) where the magnitude of losses make it likely that prorated or installment benefits may be paid; and
- the power to examine the CEA’s books and records, issue and enforce statutory stop orders, investigate complaints and issue cease and desist orders, and impose fines and issue orders to ensure compliance with the CEA Act and other laws and rules applicable to the CEA and the business of insurance generally.

There are limitations in California Insurance Code Section 10089.21 of the CEA Act that restrict the ability of the Insurance Commissioner to shut down CEA operations or interfere with the payment of debt service on the Bonds.

- The Insurance Commissioner is prevented by the CEA Act from becoming (or appointing someone else to become) the conservator, liquidator, or receiver of the CEA. The CEA Act states that the CEA is not subject to the provisions of the California Insurance Code that permit the Insurance Commissioner to become the conservator or liquidator of insurers or to the provisions of the California Insurance Code that govern the conduct of conservatorship or liquidation proceedings for insurers.
- The CEA Act expressly prohibits the Insurance Commissioner from impeding or in any manner interfering with the payment of debt service on CEA bonds.
- The CEA Act expressly requires the Insurance Commissioner to affirmatively take all necessary steps to effect the payment of debt service on CEA bonds.

Plan of Operations. The CEA is required by the CEA Act to operate pursuant to a written plan of operations approved by the CEA’s Governing Board and the Insurance Commissioner. If at any time the Insurance Commissioner disapproves a plan or an amended plan submitted by the CEA Governing Board, the Insurance Commissioner may require it to be changed and adopted as changed. The plan of operations is required to establish in detail the policies and procedures of the CEA, including, but not limited to, its financial operations, claims procedures, methods of premium collection, procedures consistent with constitutional, statutory, and common law requirements for resolving grievances of applicants or policyholders who are dissatisfied with application handling or adverse claims decisions, whether by the CEA or by a Participating Insurer, assessment procedures, a plan for resolution of assessment disputes between the CEA and insureds, grievances between the CEA and Participating Insurers, Participating Insurer fees and expenses, policyholder eligibility standards and producer compensation.

Operating Expense Limitation

The CEA Act requires the operating expenses of the CEA to be capped at not more than six percent of the premium income received by the CEA. The CEA has always complied with this limitation and expects to continue to be able to do so. See Note 4 to the Financial Statements in APPENDIX A – “FINANCIAL STATEMENTS.”

CEA Act References to Federal Programs

The CEA Act, in California Insurance Code Section 10089.36 requires that in the event a natural disaster program is enacted by Congress, the CEA Advisory Panel is to prepare a plan to dissolve the CEA or conform the CEA Act with the federal program and then recommend a plan of action to the CEA Governing Board and the Legislature; however, pursuant to Section 10089.22 of the CEA Act, the CEA must be continued in existence for so long as any bonds of the CEA (including the Bonds) are outstanding.

The CEA Act, in California Insurance Code Section 10089.54, provides that in the event both the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) propose to implement policies to require earthquake insurance for single-family residential structures (other than condominium units or townhouses) as a condition of purchasing a mortgage or trust deed secured by that structure, it is the intent of the California Legislature that it should convene to consider whether the CEA should continue to write new earthquake insurance policies, with or without modification, or to cease writing new earthquake insurance policies. Section 10089.54 of the CEA Act also provides that in the event Fannie Mae and Freddie Mac implement such policies, the CEA is required to cease writing new earthquake insurance policies 180 days after such implementation unless a California statute is enacted authorizing the CEA to continue writing new earthquake insurance policies. Section 10089.54 authorizes the CEA to continue to renew its existing earthquake insurance policies even if Fannie Mae and Freddie Mac implement such policies.

Administration of the California Wildfire Fund

In July 2019, the California Legislature passed and the Governor signed two bills (the “2019 Wildfire Legislation”) that, among other things, established the California Wildfire Fund (the “Wildfire Fund”) for the purpose of providing a source of money to pay or reimburse eligible claims arising from a covered wildfire caused by investor-owned utility companies that choose to participate in the Wildfire Fund. The 2019 Wildfire Legislation designated the CEA as the interim administrator to set up and administer the Wildfire Fund until such time as a different administrator may be appointed by the California Catastrophe Response Council, which is an oversight body created under the 2019 Wildfire Legislation. The California Earthquake Authority Fund and the Wildfire Fund assets are segregated and separately managed and maintained. No CEA revenues or funds may be used to support Wildfire Fund operations and no Wildfire Fund revenues or funds are available to support CEA operations, including the payment of any of the CEA’s Bonds. No Wildfire Fund assets are pledged or available to the payment of any of the CEA’s Bonds.

THE SERIES 2020 BONDS

Authorization

The Series 2020 Bonds are being issued under the CEA Act and the Indenture. The issuance of the Series 2020 Bonds has been authorized by the Governing Board of the CEA as required by the CEA Act. The Insurance Commissioner has approved the sale of the Series 2020 Bonds.

Book-Entry Form and Denominations

The Series 2020 Bonds may be purchased in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. See APPENDIX D – “BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.” For information on minimum unit sales for purchasers outside the United States, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

General Terms

The Series 2020 Bonds will mature on the dates specified on the cover page of this Official Statement. The Series 2020 Bonds will bear interest from their date of delivery at the rates per annum shown on the cover page of this Official Statement. Interest on the Series 2020 Bonds will be calculated on the basis of a 360-day year comprising twelve 30-day months. Interest on the Series 2020A-1 Bonds is payable on September 1, 2020, the maturity date of the Series 2020A-1 Bonds. Interest on the Series 2020A-2 Bonds is payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2020. The record date for interest payments is the close of business on the Business Day prior to the interest payment date. Interest will be paid to The Depository Trust Company, New York, New York (“DTC”), the registered owner of and securities depository for the Series 2020 Bonds, by wire transfer on the interest payment date of immediately available funds. Disbursement of such payments is the responsibility of DTC. See APPENDIX D – “BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.” Beneficial interests in the Bonds may be held through DTC, Clearstream Banking, S.A. (“Clearstream Banking”) or Euroclear Bank S.A./N.V. (“Euroclear”) as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system. For information on minimum unit sales for purchasers outside the United States, see “INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES.”

In any case where the date fixed for the payment of interest or redemption premium, if any, on or principal of the Series 2020 Bonds on any interest payment date or maturity date or redemption date is not a Business Day, then payment of such interest, premium or principal will not be made on such date but will be made on the next Business Day (and no interest will accrue or be payable on account of such delay).

Redemption*

No Optional or Mandatory Redemption of the Series 2020A-1 Bonds

The Series 2020A-1 Bonds are not subject to redemption prior to their stated maturity date.

Optional Redemption of the Series 2020A-2 Bonds

The Series 2020A-2 Bonds are subject to optional redemption prior to maturity at the option of the CEA before their respective stated maturity dates, as a whole or in part, in such order of maturity as may be designated by the CEA and on a pro rata pass-through distribution of principal basis within any maturity, on any date on or after _____, 20___, from any source of available funds, upon mailed notice as provided herein, at a redemption price equal to the greater of (1) the issue price of 100% of the principal amount of the Series 2020A-2 Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2020A-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020A-2 Bonds are to be redeemed, discounted to the date on which the Series 2020A-2 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus ___ basis points; plus, in each case, accrued interest on the Series 2020A-2 Bonds to be redeemed to the redemption date. “Treasury Rate” is defined in the Indenture to mean, with respect to any redemption date for a particular Series 2020A-2 Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a date selected by the CEA that is at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data))

** Preliminary, subject to change.

most nearly equal to the period from the redemption date to the maturity date of the Series 2020A-2 Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Mandatory Redemption of the Series 2020A-2 Bonds

The Series 2020A-2 Bonds maturing on July 1, 20__, are subject to mandatory redemption prior to their stated maturity, in part, on a pro rata pass-through distribution of principal basis, from sinking fund payments on July 1, 20__ and July 1, 20__, at a redemption price equal to the principal amount of the Series 2020A-2 Bonds to be redeemed (plus accrued interest to the redemption date). The CEA is required by the Indenture to deposit \$_____ in the Series 2020A-2 Principal Subaccount for mandatory redemption of Series 2020A-2 Bonds on July 1, 20__, and \$_____ in the Series 2020A-2 Principal Subaccount for mandatory redemption of Series 2020A-2 Bonds on July 1, 20__. The Indenture permits amounts on deposit in the Series 2020A-2 Principal Subaccount for mandatory redemption to be used instead to purchase any Series 2020A-2 Bonds maturing on July 1, 20__, designated by the CEA, at a purchase price not exceeding the principal amount of the Series 2020A-2 Bonds being purchased (plus accrued interest). The Series 2020A-2 Bonds so purchased will be cancelled.

Pro Rata Redemption

If less than all of the Series 2020A-2 Bonds of a maturity are to be redeemed prior to maturity as described above, and if the Series 2020A-2 Bonds are registered in book-entry only form and so long as DTC is the sole registered owner of the Series 2020A-2 Bonds, the particular Series 2020A-2 Bonds shall be redeemed on a “Pro-Rata Pass-Through Distribution of Principal” basis in accordance with DTC’s procedures, provided further, that such redemption is made in accordance with the operational arrangements of DTC then in effect. The Underwriters of the Series 2020A-2 Bonds have advised the CEA that the Series 2020A-2 Bonds will be made eligible for partial redemption to be treated by DTC in accordance with its rules and procedures, as a “pro rata pass-through distribution of principal.” The Trustee will send notice to DTC in accordance with such rules and procedures to effect a pro rata reduction of principal of all applicable Series 2020A-2 Bonds to accomplish the mandatory and optional redemptions described above through a pass-through distribution of principal. In connection with each such redemption, the Trustee will include in the written notice of redemption described above the dollar amount per \$1,000 principal amount payable on account of principal and accrued interest to effect a pro rata reduction through a pass-through distribution of principal on the related redemption date. DTC will be responsible for distributing the principal and accrued interest among its direct participants, as applicable, pro rata in accordance with its rules and procedures for a pro rata pass-through distribution of principal based upon the beneficial interest in the Series 2020A-2 Bonds being redeemed that DTC records list as owned by each DTC direct participant as of the record date for such payment. Any failure of the Trustee to make such selection or of DTC or its participants or any other intermediary, to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency or the validity of the redemption of the Series 2020A-2 Bonds. None of the CEA, the Trustee or the Underwriters can provide any assurance that DTC, DTC participants or other intermediaries will allocate the principal and interest payments on this basis. If DTC’s operational arrangements do not allow for allocation of such principal and interest payments on a pro rata basis, the portion of the Series 2020A-2 Bonds to be redeemed on such dates will be selected in accordance with DTC’s then existing procedures and may be by lot. If the Series 2020A-2 Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the Trustee shall select the Series 2020A-2 Bonds for redemption pro rata within a maturity. The Trustee will select such portions of Series 2020A-2 Bonds to be redeemed in such manner as the Trustee may deem to be fair and appropriate See APPENDIX D – “BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Notice of Redemption

Notice of redemption will be mailed by first-class mail or sent by “Electronic Means” by the Trustee, not less than 20 days and not more than 60 days prior to the redemption date, to the respective Holders of any Series 2020A-2 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption will state the date of such notice, the date of delivery of the Series 2020A-2 Bonds, the date fixed for redemption, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee) the maturity, CUSIP numbers, if any, and the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2020A-2 Bonds the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue on such principal portion. Notices of redemption given as described above are effective whether the notice is actually received and whether any DTC procedures for giving notice are complied with. See APPENDIX D – “BOOK ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Defeasance of Series 2020 Bonds

Defeasance of any Series 2020 Bond may result in a reissuance of the Series 2020 Bond for federal tax purposes, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the holder’s adjusted tax basis in the Series 2020 Bond. See “TAX MATTERS.”

DEBT SERVICE SCHEDULE

The table below shows the annual debt service requirements for the Series 2020 Bonds.

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
	\$	\$	\$	\$
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$	\$	\$	\$

SECURITY FOR THE BONDS

Pledged Revenue and Debt Service Deposits

The Series 2020 Bonds and any parity bonds issued in the future under the Indenture (collectively, “Bonds”) are secured by and payable from Pledged Revenue and Debt Service Deposits. “Pledged Revenue” means all income and receipts of the CEA derived from (i) Pledged Policyholder Premiums, and (ii) interest and other income from investment of money in any fund or account held by the Trustee for the payment of principal of or interest or premiums on Bonds.

- “Pledged Policyholder Premiums” means premiums for policies of basic residential earthquake insurance net of deductions from gross premiums by Participating Insurers for (i) producer commissions and production costs of the Participating Insurer authorized by the CEA, and (ii) non-claims-related operating costs (including policy issuance, premium collection, accounting, statistical, data-processing, and records-keeping services) of the Participating Insurer authorized by the CEA. See “Policyholder Premiums” below for a five-year history of Pledged Policyholder Premiums.
- The Indenture establishes funds and accounts for the payment of debt service on Bonds. Interest and other income from the investment of money in those funds and accounts are pledged to the payment of debt service on the Bonds. These funds and accounts are described below under “Accounts and Flow of Funds Under the Indenture.”

The CEA’s obligation to pay debt service on the Bonds is limited to these sources of revenue that constitute Pledged Revenue. No other CEA revenue is Pledged Revenue. For example, all payments to the CEA from reinsurers, whether paid to the CEA or due the CEA but retained by a reinsurer pursuant to a right of offset in a reinsurance contract with the CEA, do not constitute Pledged Revenue. Similarly, payments to the CEA from its Participating Insurers as capital contributions or assessments do not constitute Pledged Revenue.

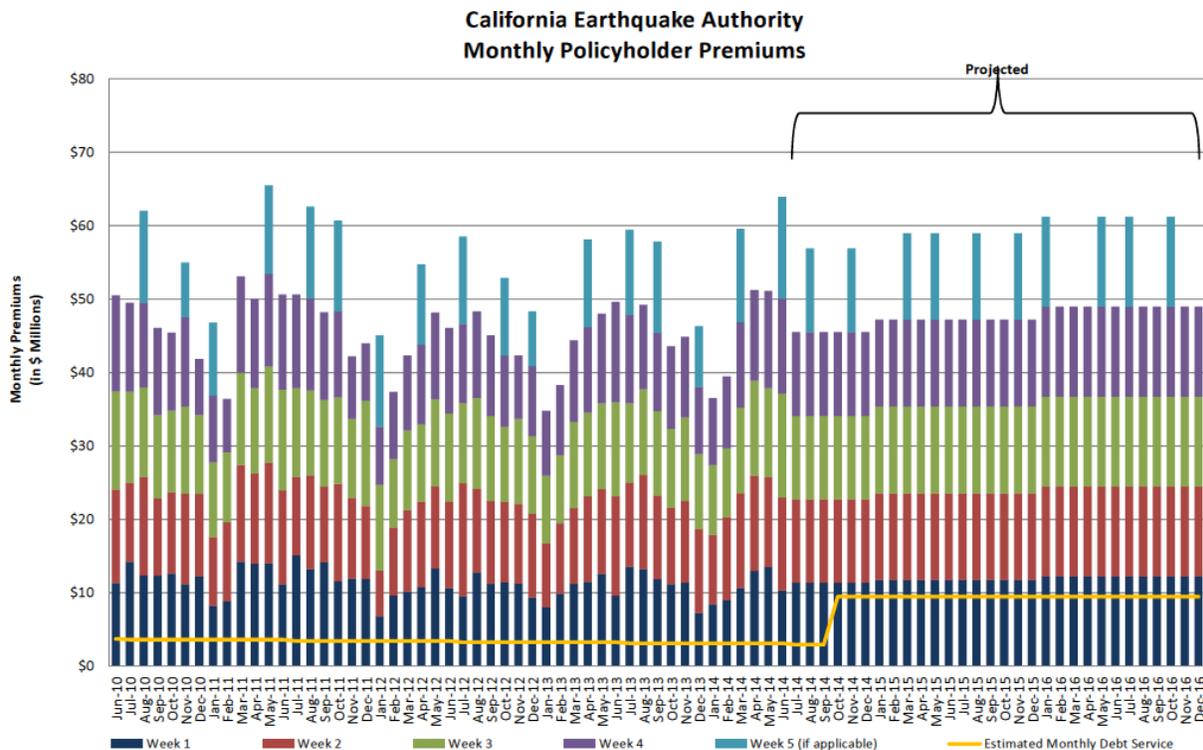
Pursuant to the Indenture the CEA may transfer, but is not required to transfer, to the Trustee, each calendar month by the 15th day of that month, funds (which are expected to be transferred from the California Earthquake Authority Fund) to pay 1/6th of the next interest payment on the Bonds (provided that this amount will be to 25% of the next interest payment on the Series 2020A-2 Bonds for March, April, May and June 2020). Pursuant to the Indenture the CEA may transfer, but is not required to transfer, to the Trustee, each calendar month beginning with July 1, 2020, by the 15th day of that month, funds (which are expected to be transferred from the California Earthquake Authority Fund) to pay 1/12th of the next principal payment (including by way of mandatory sinking fund redemption) on the Bonds less, for both the interest and principal payment amounts, the amount of earnings and other income on funds and accounts held by the Trustee that are pledged to the payment of debt service on the Bonds. These payments by the CEA are called “Debt Service Deposits” and will be deposited by the Trustee in the Revenue Fund. Amounts in the Revenue Fund, including Debt Service Deposits deposited therein, are pledged as security for the Bonds.

The CEA expects to make each Debt Service Deposit. However, if a Debt Service Deposit is not made in full by the 15th day of a calendar month, the Indenture requires the Trustee to transfer Pledged Revenue received by it after the 15th day of that month to the Revenue Fund until an amount sufficient to make up the deficiency in the Debt Service Deposit has been transferred. Accordingly, when Debt Service Deposits are made by the CEA as expected by it, transfers by the Trustee of Pledged Revenue to the Revenue Fund will not occur. The Indenture provides that Pledged Revenue transferred to the Revenue Fund and Debt Service Deposits shall not be used other than as specified in the Indenture for any other purpose while any of the Bonds remain Outstanding. The CEA will deposit an amount equal to the principal of and interest on the Series 2020A-1 Bonds that is due and payable on the maturity date of the Series 2020A-1 Bonds concurrently with the issuance of the Series 2020A-1 Bonds. See “SECURITY FOR THE BONDS – Limitations on Additional Bonds.”

The amount of policyholder premiums collected each month since [June of 20__], and the amount of policyholder premiums projected by the CEA to be collected each month through [December of 20__], are set forth in the table below. The table also shows the weekly amount collected and projected to be collected. The table illustrates that premiums have been and are expected to be received throughout each month, facilitating the ability of the Trustee to collect Pledged Revenue after the 15th day of a calendar

month sufficient to make up any deficiency in the CEA’s Debt Service Deposit for that month. For information about the Debt Service Deposit schedule, see “DEBT SERVICE SCHEDULE” herein.

[Table to be updated]



Source: California Earthquake Authority. These amounts are unaudited.

Accounts and Flow of Funds Under the Indenture

All Statutory Revenue of the CEA is required by the CEA Act to be paid to a trustee. The Trustee under the Indenture will serve as the trustee under the CEA Act and will receive all Statutory Revenue of the CEA. “Statutory Revenue” means all income and receipts of the CEA, including, but not limited to, income and receipts derived from premiums, bond purchase agreements, capital contributions by insurers, grants and all interest or other income from investment of money in any fund or account of the CEA established for the payment of principal or interest, or premiums on bonds, including reserve funds. Payments from reinsurers, whether paid to the CEA or due the CEA but retained by a reinsurer pursuant to a right of offset in a reinsurance contract with the CEA, assessments levied on insurers and surcharges applied to CEA earthquake policyholders are not Statutory Revenue.

The Indenture defines the portion of Statutory Revenue that constitutes security for the Bonds as “Pledged Revenue.”

On each Business Day the Trustee will transfer all Statutory Revenue held by it to the CEA for deposit in the California Earthquake Authority Fund (described below), except the Trustee may be required to retain Pledged Revenue for deposit in the Revenue Fund as described under “Pledged Revenue and Debt Service Deposits” above. Pledged Revenue in excess of the amounts required to make up any deficiency

in Debt Service Deposits by the CEA will not be transferred to the Revenue Fund but will be disbursed free of trust to the CEA for deposit in the California Earthquake Authority Fund.

Amounts deposited in the Revenue Fund will be allocated to accounts within the Revenue Fund, including the Interest Account and the Principal Account (including the related Interest Subaccounts and Principal Subaccounts) to be used to pay principal of and interest on Bonds.

California Earthquake Authority Fund; Claims-Paying Accounts

The CEA Act created the California Earthquake Authority Fund. The California Earthquake Authority Fund is held by the CEA and not the Trustee, and amounts in the California Earthquake Authority Fund are not pledged to secure the Bonds but are expected by the CEA to be used to make Debt Service Deposits. Under the Act, the California Earthquake Authority Fund is administered by the Insurance Commissioner, subject to the direction of the Governing Board of the CEA, and disbursed by the CEA's staff, to pay the CEA's costs under the CEA Act, including but not limited to, premiums payable by the CEA under contracts of reinsurance, policyholder claims and claim expenses, and operating and other expenses of the CEA.

The CEA has established an account (the "Claims-Paying Account") within the California Earthquake Authority Fund. For each Series of Bonds issued under the Indenture, the CEA shall establish one or more Claims-Paying Accounts, each with a designation identifying the Series of Bonds to which it relates. The proceeds of the Series 2020 Bonds will be deposited in the respective Claims-Paying Account for each Series. See "SOURCE AND USES OF FUNDS." The Claims-Paying Accounts are not pledged to the payment of the Bonds.

Rate Covenant

In the Indenture, the CEA has covenanted that during each calendar year it will review its premium rate structure for its policies of basic residential earthquake insurance and confirm that it has established, or it will endeavor to establish, rates sufficient to make certain that it can and will collect Pledged Revenue adequate to meet all of its obligations, including the deposit of amounts required by the Indenture to be deposited in such calendar year in the Interest Subaccount, the Principal Subaccount and the Rebate Fund for each Series of Bonds. However, the CEA may exclude from its determination of amounts required and permitted by the Indenture to be deposited in such Fiscal Year in the Interest Account and Principal Account the principal of and interest on Series 2020A-1 Bonds and any additional Bonds that will mature in the same Fiscal Year in which they are issued and upon their issuance are prefunded and secured by and payable from amounts deposited into the applicable Interest Subaccount and Principal Subaccount for such Series of Bonds through the maturity dates thereof.

By law, all rates for CEA insurance premiums must be actuarially sound and must be submitted to and approved by the Insurance Commissioner before use. In order to establish or change any rate, the CEA is required to file a rate application with the Insurance Commissioner. The rate application includes a rate structure recommended by the CEA staff, in consultation with the CEA's Chief Risk and Actuarial Officer, and is approved by the CEA Governing Board before filing. After the Insurance Commissioner gives required public notice of the rate application, the Insurance Commissioner may conduct a hearing on the application, and in specified circumstances, must conduct a hearing; hearings are conducted before an administrative law judge, who proposes a decision for adoption or other action by the Insurance Commissioner. The decision following such hearings is subject to judicial review. Although rate hearings are not necessarily lengthy, a protracted rate hearing may occur for any given rate application before the rates may be established or changed.

The CEA's rates are determined by the location of the dwelling, type of dwelling, and the number of stories, foundation type, roof type and age of the dwelling. The CEA's rates have generally decreased since it began issuing policies. The most recent approved rate filing resulted in a statewide average rate decrease of 1.7%, for new and renewal policies effective July 1, 2019 and thereafter.

Procedure. The procedure the CEA intends to follow in order to comply with the Indenture's rate covenant will include the following:

- Based on catastrophe loss model output and analysis by the CEA's Chief Risk and Actuarial Officer, the CEA will determine whether a rate change (or on occasion, a new rating plan) is advisable or necessary.
- The CEA Rate Subcommittee of the CEA Advisory Panel, in public meetings, will be asked to analyze the proposed new rate and report its recommendations to the full CEA Advisory Panel; the Advisory Panel will be asked to vote (also in a public meeting) whether to recommend the new rates to the CEA Governing Board. The CEA Act requires that the Panel submit CEA condominium loss assessment coverage rates to the Advisory Panel for approval before submission of the rates to the CEA Governing Board.
- The CEA Governing Board, after hearing from CEA staff and Advisory Panel and other interested parties, including the public, will vote whether to approve the new rates and direct CEA staff to file the Board-approved rates with the Insurance Commissioner. Although the Insurance Commissioner is a non-voting member of the Advisory Panel and a voting member of the Governing Board, he or she has an independent duty as regulator to examine CEA rates.
- Upon receipt in the Insurance Commissioner's office, the application is handled according to the law and regulations addressing CEA rates (see California Insurance Code Section 10089.40 and the administrative regulations adopted by the Insurance Commissioner under that law, California Code of Regulations Sections 2697-2697.9). The time required for a rate application to pass through the office of the Insurance Commissioner varies, depending on many factors, including the degree of public participation or intervention and the steps required by law or mandated by the Insurance Commissioner for a particular application in the Insurance Commissioner's office. Rate applications are handled according to the law and regulations that were established under what is known as Proposition 103 (enacted by the voters in 1988) (see generally California Insurance Code Section 1861.05 and related provisions, as well as the administrative regulations adopted by the Insurance Commissioner under that law). The time required for a rate application to pass through the office of the Insurance Commissioner varies, depending on many factors, including the degree of public participation or intervention and the steps required by law or mandated by the Insurance Commissioner for any given rate application.
- *Rate Hearings.* Once the CEA Governing Board approves filing a new rate application with the Insurance Commissioner, a hearing can be invoked by the Insurance Commissioner, either on his or her own decision or, under certain circumstances, upon a request from a member of the public, to evaluate the rate application. Although there is always a possibility that a rate hearing may be ordered whenever any rate application is filed, such rate hearings have rarely been ordered in the past and CEA rate applications are usually approved without rate hearings.

Rate hearings, if any, are held before administrative law judges ("ALJs") employed by the Insurance Commissioner for this purpose. This hearing procedure was established in 1988 by the voters who enacted Proposition 103. The Insurance Commissioner has adopted

administrative regulations that pertain to rates, including regulations that test rates and purport to determine appropriate rate levels, and regulations that provide procedural rules for conducting a rate hearing.

The duration and complexity of any rate hearing depends on the nature of the issues presented and the level of interest from the Department of Insurance and the public in those issues. The public can be an important factor in rate hearings, because Proposition 103 encourages public participation by requiring rate applicants to pay the expert and advocacy fees of members of the public who formally “intervene” in a rate hearing.

At the conclusion of the hearing, the ALJ renders a written proposed decision to the Insurance Commissioner, who makes the final decision. The Insurance Commissioner can accept the decision, return it to the ALJ and require further proceedings, or substitute a different decision. The final decision is subject to judicial review.

- Any resulting CEA rate changes will be implemented on an orderly basis, and on a common date for new and renewal business, with the assistance of the Participating Insurers.

Exemption from State Insurance Premium Tax

The CEA and other California insurers are required to collect State insurance premium taxes along with the premiums charged to its policyholders. Under the CEA Act, however, the CEA is exempt from remitting to the State those taxes that it collects, and the amount of tax foregone by the State is considered a contribution by the State and its citizens to the capital and operating revenue of the CEA.

Non-impairment Covenant

The State has pledged in the CEA Act in California Insurance Code Section 10089.49 not to limit, alter or restrict the rights vested in the CEA to fulfill the pledge of Pledged Revenue or any other terms of the Indenture and not to in any way impair the rights or remedies of the holders of the Bonds. See “RISK FACTORS – State Legislation or Action” for a discussion of the scope of protection of Bondholders afforded by this provision. The CEA Act provides (in California Insurance Code Section 10089.43) that upon any termination of the CEA by the Legislature, the CEA’s remaining funds shall be transferred to the State’s General Fund (unless otherwise directed by the Legislature). No such termination or transfer could occur under existing law while Bonds are outstanding, because the CEA Act provides that the CEA shall be continued in existence for so long as any bonds of the CEA (including the Bonds) are outstanding. Accordingly, the CEA covenants in the Indenture that upon termination of the CEA by the Legislature, all funds held in the California Earthquake Authority Fund shall be applied to the payment in full of all of the Bonds after provision is made for the payment of earthquake losses from the California Earthquake Authority Fund and before any other transfer or disposition of the CEA’s funds pursuant to Section 10089.43 of the CEA Act.

Policyholder Premiums

The following table shows the CEA’s historical and projected policy count and total written premiums for the years 2014 through 2023. In 2016, the CEA implemented a rate and form filing that resulted in a 10% statewide average rate decrease in its policy premiums. This may be one of several factors that caused an increase in policy sales thereafter.

Limitations on Additional Bonds

The CEA Act permits the CEA to issue bonds, notes, commercial paper, variable rate securities and any other evidences of indebtedness (collectively called “bonds”). No bonds may be issued, however, that have a claim on Pledged Revenue or Debt Service Deposits that has priority over the Bonds issued under the Indenture and no bonds may be issued that have a claim on Pledged Revenue or Debt Service Deposits that is on a parity with the Series 2020 Bonds except as permitted under the Indenture.

In addition, the Indenture requires the CEA to demonstrate compliance with the “additional bonds requirements” of the Indenture before the CEA may issue any bonds other than refunding bonds in addition to the Series 2020 Bonds. Those requirements include the following:

1. (a) The ratio of Pledged Revenue for its most recently ended fiscal year to Maximum Annual Debt Service on the Bonds (calculated in accordance with the definition of that term in the Indenture), as of the date of sale of, and including such additional bonds, will not be less than 2.5:1; (b) the ratios of (A) projected Pledged Revenue for the current fiscal year and projected Pledged Revenue for the next fiscal year to (B) Maximum Annual Debt Service on the Bonds, calculated as of the date of sale of, and including such additional Bonds, will not be less than 2.5:1 for each such fiscal year; or (c) for a Series of Bonds that will mature in the same Fiscal Year in which they are issued and upon their issuance are prefunded and secured by and payable from amounts deposited into the applicable Interest Subaccount and Principal Subaccount for such Series of Bonds through the maturity dates thereof. (see “SECURITY FOR THE BONDS – Pledged Revenue and Debt Service Deposits”);
2. With respect to any Series of Bonds whose maturity date is longer than 12 months from its issuance date, interest shall be payable on January 1 and July and principal shall be payable on July 1.
3. Debt Service Deposits with respect to the additional bonds must be made in the same manner and at the same times as Debt Service Deposits are made with respect to the Series 2020A-2 Bonds; provided, however, that this requirement does not apply to the Series 2020A-1 Bonds or to any other Bonds issued pursuant to the “additional bonds requirements” described in paragraph 1(c) above.

The CEA may issue (a) other bonds that are secured by Pledged Revenue but subordinate in right of payment to Bonds issued under the Indenture, and (b) other bonds that are not secured by Pledged Revenue (i.e. obligations payable from surcharges imposed on CEA policyholders). See “SOURCES OF FUNDS TO PAY CLAIMS – Policyholder Surcharges” and APPENDIX B – “SUMMARY OF THE INDENTURE.”

Investment of Funds

Moneys held by CEA and moneys held by the Trustee under the Indenture are to be invested in Permitted Investments in accordance with written instructions from the CEA. “Permitted Investments” are limited to securities eligible for the investment of State of California funds pursuant to California Government Code Section 16430 and further limitations for investment set by the CEA Governing Board from time to time. The financial statements included in APPENDIX A report the CEA’s net investment income. See APPENDIX A – “FINANCIAL STATEMENTS.”

The CEA’s investment goals and objectives, in order of priority, are (1) safety and preservation of principal; (2) liquidity; and (3) rate of return. In order to accomplish these goals and objectives, the CEA’s portfolio is managed such that (i) the portfolio contains a sufficient number and diversity of marketable investments to allow a reasonable portion of the portfolio to be readily converted to cash at a price close to amortized cost; (ii) the CEA’s usual cash need can be met; and (iii) maximum return is realized consistent with the principles of prudent investment expressed in the CEA’s investment guidelines.

The CEA’s investment guidelines authorize the following investments: (i) U.S. Treasuries with maturities of less than five years; (ii) agencies with maturities of less than five years; (iii) bankers acceptances; (iv) certificates of deposit; (v) corporations with long-term debt ratings of at least “A” by Standard & Poor’s (“S&P”), “A2” by Moody’s (as herein defined), or “A” by Fitch (as herein defined) or short-term debt ratings of “A-1” by S&P, “P-1” by Moody’s, or “F-1+” by Fitch; (vi) commercial paper that is “prime” quality, with ratings of at least “A-1” by S&P, “P-1” by Moody’s, or “F-1+” by Fitch with maturities of 180 days or less. The CEA’s investment guidelines require that the modified duration is less than 3.00 for all CEA portfolios combined. Currently, the modified duration is 2.29 years. The CEA’s portfolio is comprised primarily of U.S. Treasuries, which represent approximately 98 percent of the total portfolio as of January 1, 2020. The following table sets forth the composition of the CEA’s investment portfolio as of January 1, 2020.

California Earthquake Authority
Investment Portfolio Composition by Market Value
As of January 1, 2020
(dollars in millions)

<u>Fund</u>	<u>U.S. Treasuries</u>	<u>U.S. Agencies</u>	<u>Commercial Paper</u>	<u>Total</u>
Liquidity and Primary	\$6,179	\$75	\$30	\$6,285
Claim(s)-Paying	706	0	18	724
Mitigation	<u>8</u>	<u>0</u>	<u>0</u>	<u>9</u>
Total	<u>\$6,893</u>	<u>\$75</u>	<u>\$49</u>	<u>\$7,017</u>

Source: California Earthquake Authority.

Events of Default and Limitations on Remedies

The Indenture provides that the occurrence of any of the following is an event of default:

1. Failure to pay when due any interest or principal on Bonds.
2. The failure of the CEA to perform its other obligations under the Indenture in accordance with the Indenture (after giving effect to any notice or grace period provided in the Indenture).

Upon the occurrence of an event of default, the Trustee may, and upon the request of the beneficial owners of not less than a majority of the outstanding principal amount of the Bonds, shall, take such action as the Trustee deems in its sole discretion to be appropriate to require the CEA to perform its obligations under the Indenture. Before doing so, the Trustee may require that it be indemnified against expenses and liabilities. The Indenture does not permit the acceleration of principal of the Bonds upon the occurrence of an event of default thereunder.

The Bonds are obligations of the CEA to the extent provided in the Indenture, payable solely from Pledged Revenue and Debt Service Deposits. The Bonds are not a debt or liability of the State or of any political subdivision of the State. The Bonds do not directly, indirectly, or contingently obligate the State or any political subdivision of the State to levy or to pledge any form of taxation or to make any appropriation for payment of the Bonds.

The CEA is required by the CEA Act and the Indenture to continue in existence for so long as any bonds of the CEA (including the Bonds) are outstanding. The CEA is not authorized to become a debtor in a case under the United States Bankruptcy Code or make an assignment for the benefit of creditors. The CEA is not permitted by California law to have a liquidator, receiver or conservator. The CEA believes that it cannot go out of existence other than by act of the California Legislature after all of the Bonds are no longer outstanding.

See “RISK FACTORS” concerning risks related to the occurrence of events of default and the reduction in or termination of the CEA’s underwriting activities.

SOURCE AND USES OF FUNDS

The estimated source and uses of the proceeds of the Series 2020 Bonds are as follows:

SOURCE	Series A-1 Bonds	Series A-2 Bonds	Total
Principal Amount	\$ _____	\$ _____	\$ _____
 USES			
Deposit to Series 2020A-1 Claims-Paying Account	\$ _____	\$ _____	\$ _____
Deposit to Series 2020A-2 Claims-Paying Account	\$ _____	\$ _____	\$ _____
TOTAL USES	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

The Underwriters’ fees and costs of issuance incurred in connection with the issuance of the Series 2020 Bonds will be paid by the CEA from available funds and will not be paid from the proceeds of the Series 2020 Bonds.

POLICIES AND PREMIUMS

Policy Issuance and Service

The CEA provides only residential earthquake insurance policies, and only of the following types:

- Homeowners policies (insuring only individually-owned residential structures of not more than four dwelling units, including both houses and mobilehomes);
- Common-interest development (condominium) owners policies (insuring individual owners’ interests in individually-owned condominiums and other common-interest-development residences); and
- Renters policies (insuring the personal property contents of rented residential units).

See “POLICIES AND PREMIUMS – Policy Coverage and Limits.”

Under the CEA Act, the CEA is authorized to transact only residential earthquake insurance; the CEA does not issue commercial property insurance or condominium association master policies, or insure

any other nonresidential risks. Administrative regulations adopted by the Insurance Commissioner specify procedures for ratemaking and forms approval, and define permissible coverage types, deductibles and limits.

CEA policies provide coverage only for losses directly resulting from a single peril - an earthquake that commences during the policy period as part of a “seismic event” (i.e., a single earthquake or series of earthquakes) that commences during the policy period. Losses caused by other perils are not covered. Excluded perils (damages not covered) include, but are not limited to, fire, non-plumbing water damage (flood, tsunami, rain or overflows from bodies of surface water), landslide or other earth movement not directly resulting from a covered earthquake, volcanic eruption, or human-caused acts.

For policyholders who purchase a CEA policy shortly after an earthquake occurs or a series of earthquakes commences, the CEA policies contain provisions that effectively exclude coverage not only for claims arising from that pre-policy-period earth movement, but also for claims arising from aftershocks or other related shocks in that series during the 15 days following the initial earth movement, even if those subsequent shocks occur during the policy period.

Participating Insurers are prohibited by the CEA Act from writing their own earthquake policies that provide coverage within the terms and limits of a CEA earthquake policy, though they may sell products that supplement or augment the earthquake insurance products provided by the CEA. If a California homeowner, condominium owner, mobilehome owner or renter has obtained a policy of residential property insurance from a Participating Insurer, that policyholder is entitled to purchase a CEA earthquake insurance policy subject only to the CEA’s limited eligibility standards. Under those eligibility standards, the policyholder is eligible to purchase or renew a CEA earthquake insurance policy if the structure has no pre-existing, non-cosmetic earthquake damage, and the policyholder has a companion policy of residential property insurance issued by a Participating Insurer. Accordingly, though such factors are taken into account in setting and calculating insurance rates, the CEA does not decide whether to accept or reject a particular risk (i.e., choose to underwrite or not) based on seismic data, property location, and soil conditions.

CEA policies are marketed and serviced by the Participating Insurer that writes the underlying policy of residential property insurance. For the policies they originate, the CEA pays the Participating Insurer ten percent of gross written premium as producer compensation, which includes compensation for any agent commissions. Participating Insurers receive six percent of the CEA base premium for operating costs; base premium consists of the written premium for the CEA policies received minus amounts attributable to claims expenses, risk-transfer, and other risk financing costs. As reimbursement for loss adjustment expenses, regardless of the actual costs incurred, Participating Insurers receive nine percent of the net amount of the claims paid to the policyholder, and are reimbursed for the costs of salvage and subrogation recognized as loss adjustment expenses. The CEA is prohibited from renewing, and is required to rescind or cancel, any policy for which the subject property is no longer covered by an underlying policy of residential property insurance issued by the same Participating Insurer that sold the CEA policy. The CEA policy does not provide coverage in the event there is no eligible, underlying policy of residential property insurance in effect at the time of loss.

The CEA Act provides that the rights, obligations, and duties the CEA owes to its insureds are the same as those owed by an insurer to its insured under common law, regulations, and statutes. In any claim against the CEA based on one of its earthquake policies, the CEA Act provides further that the CEA may be liable for any applicable damages for a breach of the covenant of good faith and fair dealing by the CEA or its agents.

Policy Coverage and Limits

A CEA policy may only be issued to an applicant who has secured a companion policy of residential property insurance issued by a Participating Insurer. A “policy of residential property insurance” is defined in California Insurance Code Section 10087 as “a policy insuring individually owned residential structures of not more than four dwelling units, individually owned condominium units, or individually owned mobilehomes, and their contents, located in [California] and used exclusively for residential purposes or a tenant’s policy insuring personal contents of a residential unit” located in California. The CEA does not issue commercial property insurance, condominium association master policies, or insure any other non-residential risks.

The CEA policy defines earthquakes that occur during a “seismic event” as “one or more earthquakes that occur within a 360-hour period. The seismic event commences upon the initial earthquake, and all earthquakes or aftershocks that occur within the 360 hours immediately following the initial earthquake are considered for purposes of this policy to be part of the same seismic event.” The CEA policy requires that the “seismic event” must commence during the policy period; it does not cover losses from earthquakes, aftershocks or other shaking related to a seismic event that commenced before the inception (or start) of the policy.

CEA’s Standard Homeowners Policy Coverage

The CEA offers two types of coverage for homeowners and mobilehome owners: a standard Homeowners policy and a Homeowners Choice policy, each of which has its own premium rate structure.

The CEA’s standard Homeowners policies include coverage for all of the following:

- Coverage A – Dwelling (and limited Coverage B – Extensions to Dwelling): the structural coverage with a limit of insurance that matches the stated dwelling structure coverage (i.e. Coverage A – Dwelling) limit on the policyholder’s homeowners or residential fire policy;
- Coverage C – Personal Property coverage with limit options between \$5,000 and \$200,000;
- Coverage D – Loss of Use coverage with limit options between \$1,500 and \$100,000;
- “Other Coverages” including, among other things:
 - Emergency repairs coverage, as a 5% sublimit of the Coverage A limit (the first \$1,500 of which is not subject to any deductible), for emergency repairs to protect the covered property from further damage, secure the residence premises, or restore habitability of the dwelling. The coverage will pay for removal of broken glass and to repair or replace broken windows or other structural glass.
 - Building Code Upgrade coverage, as additional insurance with limit options between \$10,000 and \$30,000, to help cover the additional costs of reconstruction to bring that property up to local residential building code standards in effect on the date of the earthquake;
- Deductible: A policy deductible of 5%, 10%, 15%, 20%, or 25% of the Coverage A amount applies before structural or personal property losses are paid; loss of use coverage is not subject to a deductible. Only structural losses, and not personal property losses, are applied to meet the policy deductible.

Homeowner's Choice Policy Coverage

Homeowner's Choice Policies offer policyholders the same types of coverage as the standard Homeowners policy, along with a choice in coverage and premium, allowing policyholders to purchase only the coverages they want.

The CEA's Homeowners Choice policy provides coverage in the following manner:

- The option to purchase only Coverage A – Dwelling (with limited Coverage B – Extensions to Dwelling), with an option to purchase, in addition, Coverage C – Personal Property or Coverage D – Loss of Use, or both. Coverage A – Dwelling (with limited Coverage B – Extensions to Dwelling) is issued with a limit of insurance that matches the stated dwelling structure coverage (i.e. Coverage A–Dwelling) limit on the policyholder's homeowners or residential fire policy. The limit options for Homeowners Choice are identical to the limit option for the analogous coverages described above in the standard Homeowners policy;
- Separate deductibles for Coverage A – Dwelling and Coverage C – Personal Property
 - A separate deductible option of 5%, 10%, 15%, 20%, or 25% for each coverage;
 - The Coverage C – Personal Property deductible is waived if the Coverage A – Dwelling deductible is met by loss to covered structural property;
- As with the standard Homeowners policy, “Other Coverages,” including coverage for emergency repairs and building code upgrades.

Common Interest Development (Condominium) Owners Policies

CEA condominium owners policies provide three coverage packages, which may be purchased separately or in combination:

- Option One - Building Property (Coverage A) – Coverage for damage to interior structural components and built-in fixtures, such as cabinets, built-in appliances and wall-to-wall carpeting that are part of the policyholder's individual residence unit. This coverage has limit options ranging between \$25,000 and \$100,000, with deductible options ranging between 5% and 25%. The coverage includes an additional \$10,000 in building code upgrade coverage, to cover additional costs related to upgrades required by residential building codes in effect at the time of the earthquake.
- Option Two - Personal Property (Coverage C) and Loss of Use (Coverage D) – Personal-property coverage limits begin at \$5,000 and range up to \$200,000, and there are deductible options ranging between 5% and 25% of the selected limit of insurance. Debris removal coverage is included as an additional insurance (up to 5% of the limit of insurance, but not to exceed \$1,000). Loss of Use coverage has coverage limits ranging between \$1,500 and \$100,000. Loss of Use coverage never has a deductible, regardless of limit selected.
- Option Three - Loss Assessments (Coverage E) – Loss Assessment coverage assists in paying for the insured's share of certain assessments made against the insured by the condominium or homeowners association for the purpose of repairing earthquake damage to commonly owned parts of covered structures. Loss Assessments coverage has a limit of ranging between \$25,000 and \$100,000, depending on the level of coverage purchased by the insured. The deductible for

Loss Assessment coverage ranges between 5% and 25% of the applicable limit of insurance, depending on the option selected by the policyholder. In the event the condominium association chooses not to repair covered earthquake damage, and the value of the policyholder's interest in the condominium is impaired as a result, this insurance also covers the loss in value of the policyholder's interest, up to the applicable limit of insurance

Renters Policies

Renters policies provide no coverage for structures or other real property. CEA renters policies include both Personal Property and Loss of Use coverage.

- Personal Property (Coverage C) – Coverage for damage to personal property with a standard base limit of insurance of \$5,000, and optional higher limits up to \$200,000 for an additional premium. There are deductible options ranging between 5% and 25% of the selected limit of insurance; and
- Loss of Use (Coverage D) – Coverage for additional living expense and loss of use with a standard base limit of insurance of \$1,500, and optional higher limits up to \$100,000 for an additional premium. There is no deductible regardless of limit selected.

POLICY CLAIMS

No catastrophic earthquake has occurred in California since the CEA first accepted risk on December 1, 1996. A number of moderate earthquakes have occurred that, in the aggregate as of June 30, 2019, resulted in the CEA having handled approximately 5,000 claims and paid 479 claims totaling approximately \$8.9 million. [To be updated as of 11/30/2019]

The following table presents claim payments to policyholders as of [June 30, 2019]. [To be updated]

Event Name	Date of Event	Magnitude	# of Paid Claims	Paid Claims	Loss Adjustment Expense Paid	Total Paid Losses & Loss Adjustment Expense
Chino	1/5/1998	4.3	1	\$ 1,385.72	\$ 124.71	\$ 1,510.43
San Juan Bautista	8/12/1998	5.3	1	161,204.93	13,643.13	174,848.06
Redding	11/26/1998	5.2	1	4,029.72	362.67	4,392.39
1998 Minor Quakes		Various	2	4,199.20	377.93	4,577.13
Hector Mine	11/16/1999	7.0	25	137,361.81	12,362.47	149,724.28
1999 Minor Quakes		Various	1	4,037.26	363.35	4,400.61
Napa	9/3/2000	5.2	15	278,130.07	25,031.71	303,161.78
Ferndale	1/13/2001	5.4	1	34,764.54	3,128.79	37,893.33
West Hollywood	9/9/2001	4.2	10	67,044.15	6,033.94	73,078.09
2001 Minor Quakes		Various	1	52,896.82	4,760.70	57,657.52
2002 Minor Quakes		Various	1	8,361.24	752.51	9,113.75
San Simeon	12/22/2003	6.4	86	2,692,628.02	242,339.74	2,934,967.76
Parkfield	9/28/2004	6.0	1	7,032.59	632.93	7,665.52
Chatsworth	8/9/2007	4.5	1	7,813.88	703.24	8,517.12
Alum Rock	10/30/2007	5.6	1	6,149.20	553.42	6,702.62
Chino Hills	7/29/2008	5.4	8	145,967.19	13,089.08	159,056.27
Calexico	12/30/2009	5.9	1	275.88	24.83	300.71
2009 Minor Quakes		Various	2	8,627.67	776.49	9,404.16
Ferndale	1/1/2010	6.5	3	23,901.50	2,151.13	26,052.63
Baja California Mexico	4/4/2010	7.2	17	81,066.58	7,296.00	88,362.58
2010 Minor Quakes		Various	1	225,000.00	-	225,000.00
Brawley	8/26/2012	5.3	2	23,833.24	2,145.00	25,978.24
2012 Minor Quakes		Various	3	146,471.18	13,182.41	159,653.59
Greenville	5/23/2013	5.7	1	1,500.00	135.00	1,635.00
Westwood	3/17/2014	4.4	6	67,989.89	6,119.09	74,108.98
La Habra	3/28/2014	5.1	84	458,354.56	41,251.91	499,606.47
American Canyon	8/24/2014	6.0	195	3,533,174.00	317,985.66	3,851,159.66
2014 Minor Quakes		Various	3	18,859.35	1,697.34	20,556.69
2015 Minor Quakes		Various	2	5,877.79	529.00	6,406.69
2018 Minor Quakes		Various	3	6,058.71	545.28	6,603.99
Total			479	\$8,213,996.59	\$718,099.46	\$8,932,096.05

Source: California Earthquake Authority.

“Magnitude” means the Richter scale magnitude assigned by the United States Geological Survey.

“# of Paid Claims” is a numeric count of the claims that received a payment from the CEA for damage caused by a particular earthquake.

“Paid Claims” means the total dollar amount of all claims paid by the CEA to policyholders for a particular earthquake.

“Loss Adjustment Expense Paid” is the amount paid to Participating Insurers for handling claims (9% of paid claims).

CEA’s Risk-Management Philosophy

The CEA’s goal is to be able to pay one hundred percent of covered claims and still have sufficient resources to continue operating as a sustainable provider of earthquake insurance. The CEA strives for both accuracy and balance in its claim-paying structure - accuracy, from a careful consideration of modeled loss output from the major earthquake models, and balance, both from the diversification of its claim-paying sources and from the weighing of the tradeoff between coverage and sustainability.

In analyzing the earthquake risk in its portfolio, the CEA uses three earthquake modelers: CoreLogic, AIR Worldwide Corporation (“AIR”), and Risk Management Solutions, Inc. (“RMS”). The CEA continues to critically analyze each model to gain a better understanding of how any newly-published scientific findings might affect each earthquake model. The CEA’s earthquake risk in its portfolio is modeled as of June 30 and December 31 of each year. The model outputs are used to determine the CEA’s claim-paying capacity. Since June 30, 2018, the CEA’s loss curve used for determining its risk transfer needs has been based on an equal weighting (33.33%) for each of the three modelers.

In December 2019, the CEA Governing Board approved a risk-transfer strategy that set the minimum and maximum aggregate claim-paying capacity to 1-in-400 and 1-in-550 year return periods. This means that the CEA projects that it will have claims-payment sources at least sufficient to pay losses that it would sustain from a 1-in-400-year loss and still continue operating as a viable insurer. These are projections and actual results may differ substantially.

Loss modeling is subject to risks and uncertainties, including the uncertainty of the incidence and severity of earthquakes; loss models are not designed to and cannot predict the occurrence of earthquakes. The actual extent of losses to the CEA may differ materially from that indicated by loss modeling. Modeling earthquake losses is an inherently subjective process, involving the assessment of scientific and engineering information from a number of sources and that may not be complete or accurate. A significant amount of uncertainty exists in modeling earthquakes, including earthquake severity, recurrence intervals and ground-shaking estimates, site-specific soil conditions, building vulnerabilities, building and contents replacement costs, loss expenses, risk limits and locations, insurance-policy terms, and post-event demand surge (earthquakes may cause increased demand, and therefore higher costs, for building materials, construction labor, inspection services, temporary housing and insurance-claim services).

The science and engineering that underlie earthquake-loss estimation change often, and for that reason, the CEA sponsors significant scientific and engineering research and closely monitors modeling developments. After new scientific information has gone through peer review, the CEA works with the commercial modelers to model the potential impacts of any new scientific or research developments on CEA risk and rates, and to gain a better understanding of the different views of the impact from the various modelers.

Loss Modeling and Rate Setting

As set forth above, the CEA uses earthquake loss modeling to determine the amount of loss payment sources that it needs. In addition, the CEA uses earthquake loss modeling data as input in developing its premium rates, which are required by the CEA Act to be actuarially sound. The CEA is authorized by the CEA Act to use the output of earthquake loss modeling as a basis for rate setting.

The models estimate earthquake frequency and severity, taking into account soil type and the location, age, and construction type of the CEA’s portfolio of insured properties. As output, the model estimates earthquake loss likely to be sustained by groups of insured CEA properties organized by the United States Postal Service ZIP Code. The CEA’s Chief Risk and Actuarial Officer and staff interpret and aggregate the modeled loss costs into rating territories based on geographic and soil characteristics, each of which is assigned a specific, indicated premium base-rate. The base-rate is augmented by adjustments for other structural attributes such as number of stories, construction year, foundation type, and roof type.

The EARLE System

The Insurance Commissioner’s regulations (Title 10 of the California Code of Regulations, Section 2697.8), reads in pertinent part:

Upon the occurrence of any earthquake event in the State [of California] that is likely to give rise to significant covered losses, the staff of the [California Earthquake] Authority shall, within seven (7) calendar days of the date of the earthquake event, cause to be created a scientific model of anticipated, covered losses from that event.

This regulation requires the CEA to be able to determine, with reasonable confidence, the estimated covered losses to the CEA portfolio from a significant earthquake in California within seven days. The purpose of this action is so the CEA can make an informed decision regarding whether pro rating of claim payments would be required and, if so, to what extent. The CEA also uses this information in calculating the probable loss to the CEA.

The CEA established its proprietary “EARLE” (for Earthquake Loss Estimation) system to enable the CEA to meet this regulatory requirement. As described above, there are three widely recognized, commercially available catastrophe-loss models/modelers: AIR, CoreLogic, and RMS. All three modelers are under contract to provide CEA with timely delivery of post-event loss estimates. Following a major event expected to create significant losses to the CEA, each catastrophe-loss modeler provides estimates of CEA insured losses using the United States Geological Survey ShakeMap (which provides maps of ground motion and shaking intensity following significant earthquakes) for the event and the most recent quarterly CEA portfolio within 24 hours of a request from the CEA.

Potential Losses to the CEA

If claims and claim expenses exceed the CEA’s available claim-paying resources, the CEA could be permitted to pay claims on a pro rata or installment basis. While pro rata or installment payments are undesirable, they are expressly contemplated by the CEA Act, and one or both could become necessary if claims and claim expenses exceed available resources.

If the CEA ever proposes to pay claims on a pro rata basis or in installments, the CEA Act would require the Insurance Commissioner to order the CEA to cease renewing or accepting new earthquake insurance policies. That would give the Insurance Commissioner time to evaluate the CEA’s status and financial position. The Insurance Commissioner would have to decide, among other things, whether the CEA should be permitted to continue in the business of insurance. The order would not prevent the CEA from collecting policyholder premiums for outstanding policies and paying debt service on the Bonds from revenues from those policies. For a discussion of the consequences of such an order, see “RISK FACTORS – Payment Deficiency” and “SECURITY FOR THE BONDS—Events of Default and Limitations on Remedies.”

The Insurance Commissioner’s regulations (Title 10 of the California Code of Regulations, Section 2697.8) require the payment plan to ensure the maintenance of sufficient capital to ensure the continued operation of the CEA for the purpose of paying claims; discharging the CEA’s debts, including the Bonds and other bonded indebtedness; and paying or providing for other obligations of the CEA.

Projections

The CEA uses a proprietary advanced computer model to simulate the CEA’s financial performance by measuring and quantifying risks to which it is believed to be subject under various loss scenarios. The model is also used to evaluate CEA capital requirements, help determine reinsurance and securitization strategies, and assess the impacts of changing conditions, such as those resulting from policyholder growth and changes in the cost of repairing or replacing insured property. Importantly, these financial-risk management techniques help the CEA assess its reinsurance and other risk-financing

must perform all claim-handling services with no less care or diligence than they would in the conduct of their own insurance business. Participating Insurers are permitted to use their own claim-handling practices except where the practices conflict with CEA procedures, as set forth in the CEA's Procedures and Accounting Manual, Plan of Operations, Claim Manual, bulletins, and directives. In case of any such conflict, the CEA's procedures supersede the Participating Insurers claim-handling practices. The CEA has contracted with a claims administration firm to advise the CEA in field-adjusting matters and to assist in the claims-adjusting compliance review of the Participating Insurers.

The CEA works with Participating Insurers to train agents and adjusters, as well as independent adjuster companies that staff Participating Insurers. In 2019, the CEA trained a total of 1,854 agents and 1,708 adjusters. To increase the number of agents and adjusters trained, the CEA provides online, in-person, CEA-sponsored training, as well as Webinar training sessions. CEA also conducts an annual meeting for Participating Insurer claim management staff accountable for responding to claims as a result of an earthquake event.

In order to determine claims-adjusting compliance by Participating Insurers, the CEA conducts claims reinspections and claim-file audits.

- Reinspections. Promptly after an earthquake occurs, to make certain that claims are being handled in a prompt, fair, and consistent manner, the CEA, in conjunction with its claims consultant (Crawford & Company), conducts claim re-inspections of selected claims. Re-inspections include an on-site re-inspection and claimant interview. Subsequent inspections seek to confirm, and re-establish, if necessary, consistent claims handling among Participating Insurers.
- Claim-file audits. About one year after a catastrophic earthquake, the CEA conducts full-scale, detailed claim-file audits to determine whether Participating Insurers have appropriately applied CEA Coverage and followed CEA Claims Manual procedures.

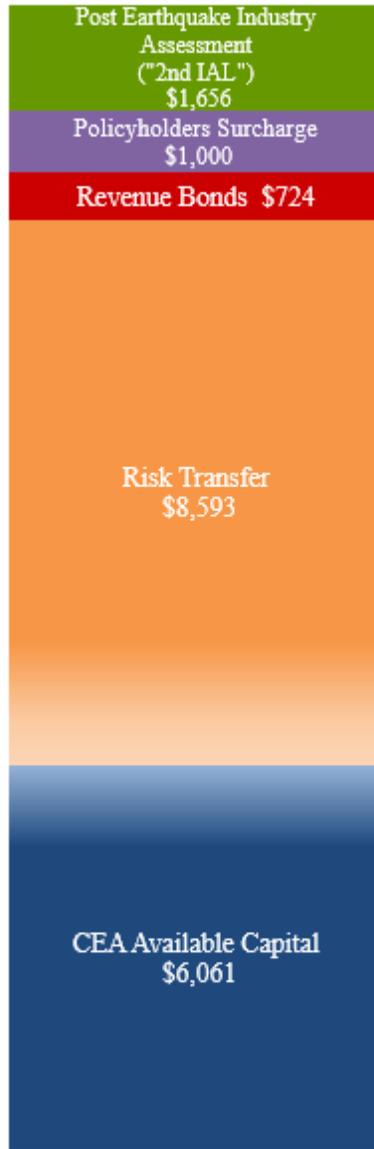
Following an earthquake event, CEA's Chief Risk and Actuarial Officer works with staff to establish sufficient reserves needed to satisfy claims. The amount of reserves needed are estimated using policy claim information, estimated claims incurred but not reported, and estimates of expenses for investigating and adjusting all incurred claims. The reserve amount is updated as more policy claim information becomes available.

SOURCES OF FUNDS TO PAY CLAIMS

General

The CEA had approximately \$18.0 billion in claim-paying capacity on January 1, 2020, the sources of which are identified in the following table. The sources are depicted in layer form and represent the general order of funds used to pay claims, though there may be some variation from that order based on the terms of individual risk transfer arrangements or other factors. Massive losses on account of policyholder claims likely would result in a restructuring of the CEA's claim-paying capacity and the sources available to conduct operations and pay claims. For example, if losses exhausted Available Capital and reduced the Risk Transfer layer, the CEA might use amounts in the Revenue Bond Proceeds Layer to cover its operating expenses as well as a portion of future losses not covered by new reinsurance contracts.

**California Earthquake Authority
 Claim-paying Capacity Without New Revenue Bonds
 As of January 1, 2020**



Total Capacity \$18,034M

Note: Not drawn to scale

Source: California Earthquake Authority.

The CEA currently has five layers of funds to pay claims. The five layers of funds are summarized below.

Available Capital Layer

“Available Capital,” as defined by the CEA Act in California Insurance Code Section 10089.5(b), is the sum of all moneys and invested assets actually held in the California Earthquake Authority Fund, less loss reserves and loss adjustment expense reserves under all of the CEA’s policies of residential earthquake

insurance, and less the unearned premium reserve. Available Capital includes all interest or other income from the investment of money held in the California Earthquake Authority Fund. Available Capital does not include unearned premium, the proceeds of contracts of reinsurance procured by or in the name of the CEA pursuant to subdivision (a) of California Insurance Code Section 10089.10, any funds realized on capital market contracts authorized by subdivision (b) of California Insurance Code Section 10089.10, or the proceeds of bonds issued by or in the name of the CEA. The CEA's Available Capital, as of January 1, 2020, totaled \$6.1 billion.

Risk-Transfer Layer

The CEA's risk-transfer layer is currently made up of two types of reinsurance: traditional and transformer. Traditional reinsurance is provided to the CEA under the CEA's traditional form of reinsurance contracts, including with traditional rated reinsurers (which meet the CEA's credit and other quality standards for reinsurers) and with alternative-market or collateralized reinsurers (counterparties that provide collateral or other financial security). Transformer reinsurance is provided to the CEA under fully-collateralized reinsurance contracts with counterparties that in turn, with the CEA's permission, transfer the risk to the capital markets through catastrophe bond issuances.

The CEA has historically purchased reinsurance in the global reinsurance marketplace as its most significant method of risk-transfer. The CEA has engaged three reinsurance intermediary firms to help the CEA in analyzing the global reinsurance market, assessing the creditworthiness of potential reinsurers and determining and negotiating the best available terms for reinsurance. In addition, the CEA directly places reinsurance with certain reinsurers, without the use of an intermediary in those placements.

The CEA has detailed guidelines in place for its risk transfer program. The guidelines specify best business practices for the CEA to access the traditional reinsurance market as well as alternative risk transfer markets, such as the alternative risk transfer products funded by the sale of catastrophe bonds and collateralized reinsurance issued by institutional investors (such as hedge funds, pension plans, and other specialized funds that invest in insurance-linked securities ("ILS") transactions) that are not traditional reinsurers. The guidelines seek to accomplish four goals, in the following order of priority: to minimize the risk to the CEA that a provider might fail to pay claims under a reinsurance contract because of the provider's financial condition; to encourage the CEA to secure claim-paying capacity from providers and use products that, together, can endure all market conditions; to enable the CEA to select the most efficient claim-paying capacity, including rates on line that are competitive with other sources of claim-paying capacity; and to provide for reasonable flexibility by allowing for alternative products and stable sources of claim-paying capacity that are more cost-effective. The guidelines list steps the CEA is to consider to accomplish these goals. The guidelines require CEA staff to prepare and submit to the CEA Governing Board for its approval, on at least an annual basis, a risk transfer strategy that sets forth the basic risk transfer goals and benchmarks for the ensuing year.

As of January 1, 2020, the CEA had \$8.593 billion in reinsurance, consisting of \$6.618 billion in traditional reinsurance and \$1.975 billion in transformer reinsurance.

The CEA cannot predict whether or when reinsurance market changes may occur, and thus cannot state that it will always continue to obtain adequate reinsurance coverage on acceptable terms. Reduced availability of reinsurance could severely impact the CEA under its current financial structure. See "RISK FACTORS – Payment Deficiency."

Revenue Bonds Layer

The CEA issues revenue bonds in order to provide liquidity, diversity, and stability for the CEA's claim-paying structure. Revenue bonds provide flexibility to the CEA and can be used as a liquidity tool for funding the payment of earthquake claims. In July 2006, the CEA issued \$350,000,000 principal amount of its Series 2006 Revenue Bonds (the "Series 2006 Bonds"). In November 2014, the CEA issued \$315,000,000 principal amount of its Revenue Bonds, Series 2014 ("Series 2014 Bonds"). The Series 2006 Bonds and the Series 2014 Bonds are no longer outstanding. Net proceeds of the Series 2006 Bonds and the Series 2014 Bonds were deposited in the related Claims-Paying Accounts and have not been expended to pay claims. The proceeds of the Series 2020 Bonds will be deposited in the respective Claims-Paying Account for each Series. See "SECURITY FOR THE BONDS – California Earthquake Authority Fund; Claims-Paying Account" and "SOURCE AND USES OF FUNDS." Amounts in the Claims-Paying Accounts are to be applied solely for the payment of policyholder claims, however, if Available Capital has been exhausted and all policyholder claims have been paid or provided for, the CEA may transfer amounts in the Claims-Paying Account to another account and apply the funds for any lawful purpose, including, at its option, payment of Debt Service Deposits.

Policyholders Surcharge Layer

The CEA has the statutory authority to issue up to \$1 billion in bonds payable from surcharges imposed on CEA policyholders. The maximum amount of surcharges may not exceed debt service on the surcharge-backed bonds. The surcharge applied to each CEA earthquake insurance policy may not exceed 20 percent of the annual basic residential earthquake insurance premium in any one year for that policy. No surcharge could be imposed unless the CEA incurred an amount of earthquake claims so large that it exceeded the CEA's Available Capital and available risk transfer recoveries. The imposition of surcharges on policyholders would require action by the CEA Governing Board and approval of the Insurance Commissioner.

Industry-Assessment Layer

In addition to the initial capital contributions required of Participating Insurers upon their joining the CEA, Participating Insurers are also subject to post-earthquake assessments (the "Industry Assessment Layers" or "IALs"). Currently, the CEA has the ability to assess its Participating Insurers in one "layer." This layer is commonly referred to as the "2nd IAL." Other IALs have existed but have since expired under their own terms pursuant to statutory formulas. The 2nd IAL is subject to annual reduction pursuant to the CEA Act once the CEA's Available Capital exceeds \$6 billion for the last 180 days of a calendar year. Assessments on Participating Insurers are required to be levied in proportion to each Participating Insurer's share of the CEA's total gross written premium. Each Participating Insurer's CEA market share for purposes of calculating assessments is based on its CEA market share as of the end of the prior calendar year.

In addition, the CEA under the CEA Act may collect assessments on its Participating Insurers of up to an aggregate of \$1.656 billion to pay policyholder claims and to return the amount of Available Capital to \$350 million if policyholder claims and claim expenses paid by CEA due to earthquake events exhausts all other available funds.

The following table shows the CEA market share of each Participating Insurer as of December 31, 2017 and December 31, 2018.

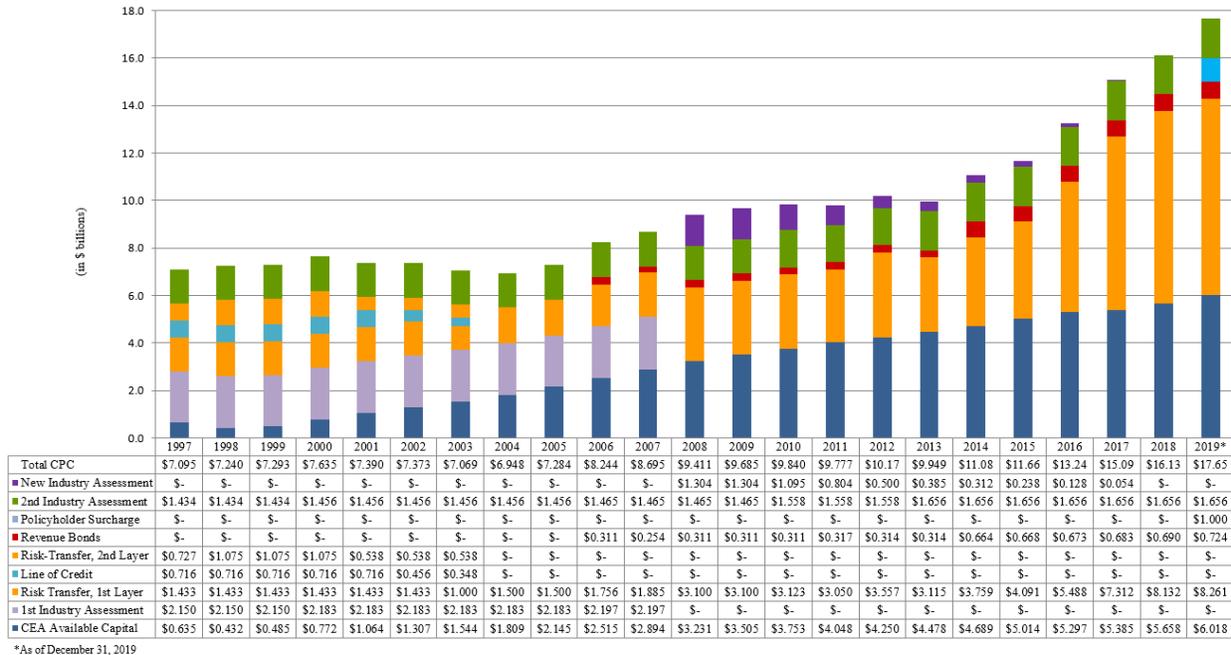
**California Earthquake Authority
Participating Insurers as of December 31, 2018**

Participating Insurer	2017	2018
	CEA Market Share	CEA Market Share
State Farm Group	32.6377358%	33.3265338%
USAA	14.5070098%	13.2349360%
Farmers	13.1385622%	13.1459631%
Allstate	9.6712789%	9.3009067%
Inter-Ins. Exchange	7.2948151%	7.3733166%
Safeco	5.9534872%	6.0029062%
CSAA	5.0020408%	5.6211000%
Mercury	4.1283605%	4.4580141%
Nationwide	2.9226664%	2.7923285%
Liberty Mutual	2.4891885%	2.4271047%
Foremost	0.6623591%	0.7172151%
FAIR Plan	0.5830186%	0.5435461%
Encompass	0.5432341%	0.4964020%
Homesite	0.3119540%	0.3462241%
Armed Forces	0.0716454%	0.0685913%
ASI	0.0505933%	0.1183938%
MAPFRE	0.0241980%	0.0208040%
Golden Eagle	0.0076828%	0.0053916%
Hyundai	0.0001696%	0.0003222%
Total	100.00%	100.00%

Source: California Earthquake Authority.

The following graph shows the CEA’s historical claim-paying capacity through December 31, 2019:

**California Earthquake Authority
Historical Claim Paying Capacity
Through December 31, 2019**



Source: California Earthquake Authority.

Limited Sources of Funds. The sources of funds listed above are the only sources of funds to pay claims that have been arranged to date by the CEA. See “RISK FACTORS – Limited Sources of Funds to Pay Claims.”

Funds held in the CEA’s Earthquake Loss Mitigation Fund are by statute not available to pay policyholder or other claims against the CEA. The balance of the Mitigation Fund at November 30, 2019, was approximately \$8.7 million. The Mitigation Fund was created by the CEA Act, which requires the CEA to annually transfer an amount equal to the lesser of 5% of the CEA’s investment income or \$5 million to the Mitigation Fund if deemed actuarially sound by a consulting actuary. The CEA Act requires the fund to be used to supply grants and loans or loan guarantees to dwelling owners who wish to retrofit their homes to protect against earthquake damage. Dwelling owners are not required to be CEA policyholders. The CEA and the Governor’s Office of Emergency Services have entered into a joint exercise of powers agreement to create the California Residential Mitigation Program to carry out a joint mitigation program funded by the CEA’s Mitigation Fund.

Deficiency in Funds to Pay Claims

If at any time the CEA Governing Board determines all of the CEA’s Available Capital may be exhausted and no source of additional funds, such as assessments, reinsurance, or bond proceeds, is will be available to the CEA to pay policyholder claims, the CEA Governing Board is required to develop and present to the Insurance Commissioner a plan to pay policyholder claims on a pro rata basis or in installment payments. If the CEA proposes to pay policyholder claims on a pro rata basis or in installment payments, the Insurance Commissioner would be required by the CEA Act to order the CEA to cease renewing and

accepting new earthquake insurance policies. As a result policyholder premiums would cease, at least for the duration of the Insurance Commissioner’s order. While the CEA has developed statistical models showing the probability of being forced to pay claims on a pro rata basis, such modeled indications are inherently imprecise predictors of future events. Any reduction in one of these sources could adversely affect the CEA’s ability to conduct its insurance business, the CEA’s finances, and the CEA’s financial-strength rating and credit rating. See “RISK FACTORS – Payment Deficiency” and “SECURITY FOR THE BONDS – Events of Default and Limitations on Remedies.” The State of California has no liability for payment of claims in excess of funds available to the CEA under the CEA Act.

Prior Bond Issues

The CEA issues revenue bonds in order to provide liquidity, diversity, and stability for the CEA’s claim-paying structure. The CEA issued its Series 2006 Bonds in the aggregate principal amount of \$350,000,000 and Series 2014 Bonds in the aggregate principal amount of \$315,000,000. The Series 2006 Bonds and the Series 2014 Bonds are no longer outstanding and the net proceeds of both the Series 2006 Bonds and the Series 2014 Bonds, which were deposited in each respective Claims-Paying Account and remain available to the CEA, have not been used to pay claims. See “SOURCES OF FUNDS TO PAY CLAIMS – General – Revenue Bonds Layer.”

Certain Historical Financial Information

The following table sets forth certain historical financial information, including the CEA’s claim-paying capacity, from 2015 through 2019.

California Earthquake Authority Certain Historical Financial Information (2015 through 2019)

	2019 <u>(As of Nov. 30)</u>	2018 <u>(As of Dec. 31)</u>	2017 <u>(As of Dec. 31)</u>	2016 <u>(As of Dec. 31)</u>	2015 <u>(As of Dec. 31)</u>
Direct Premiums Written	\$ 761,216,057	\$ 778,340,984	\$ 706,550,318	\$ 619,134,034	\$ 634,442,394
Net Premiums Earned	\$ 399,878,767	\$ 367,718,070	\$ 334,814,921	\$ 426,189,186	\$ 429,489,919
Net Underwriting Gain	\$ 222,153,020	\$ 190,047,789	\$ 182,110,049	\$ 277,892,215	\$ 286,558,287
Investment Income ⁽¹⁾	\$ 114,813,636	\$ 105,539,322	\$ 81,770,000	\$ 63,218,610	\$ 42,808,825
Balance Sheet Assets	\$ 7,131,357,906	\$ 6,734,247,157	\$ 6,525,547,407	\$ 6,319,285,069	\$ 5,992,857,077
Loss and LAE Reserves	\$ 4,905,000	\$ 115,114	\$ 94,974	\$ 188,029	\$ 407,911
Risk-Transfer Expenses	\$ 341,980,371	\$ 366,630,729	\$ 315,744,745	\$ 202,192,413	\$ 189,085,436
Total Net Position	\$ 6,672,634,445	\$ 6,199,579,213	\$ 5,894,771,499	\$ 5,667,710,159	\$ 5,300,424,870
Policy Count	1,110,118	1,050,835	1,021,707	931,652	879,540
Claim Paying Capacity	\$17,646,000,000	\$16,136,000,000	\$15,090,000,000	\$13,242,000,000	\$11,667,000,000

⁽¹⁾ Unrealized gain/loss is not included in investment income as most investments are held to maturity. This is consistent with statutory reporting which excludes unrealized gain/loss.

Source: California Earthquake Authority.

LITIGATION AND ADMINISTRATIVE PROCEEDINGS

No litigation is pending against the CEA, with service of process on the CEA having been accomplished, seeking to restrain or enjoin the sale or delivery of the Series 2020 Bonds or challenging the validity of the Series 2020 Bonds or any proceedings of the CEA taken with respect to the foregoing. The CEA is a party to routine litigation incident to the conduct of its insurance business and related programs. The CEA does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the CEA.

There is not now pending, or known to the CEA's general counsel to be threatened, any material litigation against the CEA, with service of process on the CEA having been accomplished, or any material administrative proceeding before the California Department of Insurance seeking sanctions or penalties against the CEA. See "SECURITY FOR THE BONDS – Rate Covenant" for information concerning administrative proceedings that could be invoked in connection with a rate application filed by the CEA with the Insurance Commissioner.

RISK FACTORS

This section of the Official Statement describes certain risk factors that may affect the payment of and security for the Bonds. Potential investors should consider, among other matters, these risk factors in connection with any purchase of the Series 2020 Bonds. The following discussion is not meant to present an exhaustive list of the risks associated with the purchase of any Series 2020 Bonds (and other considerations that may be relevant to particular investors) and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating whether to purchase the Series 2020 Bonds.

Single Type of Insurance

The CEA Act authorizes the CEA to sell policies of basic residential earthquake insurance and states that the CEA is not authorized to transact any other type of insurance business. This proscription against diversification means the CEA has no other source of insurance-premium income to offset adverse financial developments in its earthquake-insurance business.

If a California homeowner (including an owner of a condominium unit or a mobilehome owner) or renter has obtained a policy of residential property insurance from a Participating Insurer, that policyholder is entitled to purchase a CEA policy of basic residential earthquake insurance, subject only to the CEA's limited eligibility standards. Accordingly, though such factors may affect the rate it charges for a policy, the CEA does not decide whether to accept or reject a particular risk (i.e., underwrite) based on seismic data, property location, soil conditions, or the like; the CEA must issue and renew the policy if the structure has no pre-existing, non-cosmetic earthquake damage and the policyholder has an eligible companion policy of residential property insurance from a Participating Insurer.

Limited Sources of Funds to Pay Claims

The sources of funds described under "SOURCES OF FUNDS TO PAY CLAIMS" are the CEA's only sources of funds to pay claims. One of those sources, the authority to levy assessments on the Participating Insurers, is subject to reduction over time under a statutory formula set forth in the provisions of the CEA Act. Any such reduction of assessment authority would reduce the CEA's claim-paying capacity to the extent the CEA's other sources of funds to pay claims would not offset this reduction. Such a net reduction in the CEA's claim-paying capacity could adversely affect the CEA's ability to conduct its

insurance business, the CEA's finances, and the CEA's financial-strength rating and credit rating. See "SOURCES OF FUNDS TO PAY CLAIMS – General – *Industry-Assessment Layer*".

Payment Deficiency

In the Indenture, the CEA has covenanted to apply its Pledged Revenue to pay debt service on the Bonds. Pledged Revenue consists primarily of Pledged Policyholder Premiums.

It would be possible for the CEA to lack funds to pay the Bonds under the following circumstances. If, as a result of massive policyholder claims (see "POLICY CLAIMS – Projections"), the CEA found it necessary to propose to the Insurance Commissioner a plan to pay policyholder claims on a pro rata basis or in installment payments, the Insurance Commissioner would be required by Section 10089.35 of the CEA Act to order the CEA to cease renewing and accepting new earthquake insurance policies, and as a result policyholder premiums would likely decline, at least for the duration of the Insurance Commissioner's order, which in turn could result in a debt service payment deficiency. While the CEA has developed statistical models showing the probability of its being forced to pay claims on a pro-rata basis, such modeled indications are inherently imprecise predictors of future events. See also "Loss-Modeling Uncertainty," below.

The CEA Act requires, in substance, that the Insurance Commissioner shall not, directly or indirectly, when exercising his or her regulatory authority, impede or interfere with, but shall affirmatively take all necessary steps to effect, the full and timely payment of debt service on the Series 2020 Bonds, the pledge of Pledged Revenue as security for the Series 2020 Bonds, and the application of Pledged Revenue to pay the Series 2020 Bonds in accordance with the Indenture. However, the CEA does not believe that this requirement would preclude the Insurance Commissioner from ordering the CEA to cease renewing and accepting new earthquake insurance policies under the circumstances described in the preceding paragraph. The Insurance Commissioner's regulations require any plan to pay policyholder claims on a pro rata or installment payment basis to ensure the maintenance of sufficient capital to ensure the continued operation of the CEA for the purpose of paying claims; discharging the CEA's debts, including the Bonds and other bonded indebtedness; and paying or providing for other obligations of the CEA.

The enforceability of the obligation of each Participating Insurer to remit Pledged Policyholder Premiums to the CEA and the Trustee is subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations in California and other states on legal remedies against insurers. Accordingly, there may be circumstances under which a Participating Insurer does not remit Pledged Policyholder Premiums to the CEA and the Trustee in full or on a timely basis.

Dependence Upon Reinsurance

The CEA purchases large limits of catastrophe reinsurance coverage. The CEA believes that it is the largest purchaser of catastrophe reinsurance in the United States and one of the top three purchasers of catastrophe reinsurance in the world. In the future, the CEA could be unable to obtain adequate reinsurance coverage on acceptable terms because of the large amounts of reinsurance purchased by the CEA and the unpredictability of future worldwide reinsurance market conditions. Any long-term substantial reduction in the worldwide market availability of reinsurance could significantly reduce the CEA's claim-paying capacity under its current financial structure, thereby limiting its ability to conduct its business. The CEA's claim-paying ability also would be adversely affected if reinsurers fail to perform under their reinsurance contracts with the CEA.

Loss-Modeling Uncertainty

The CEA uses loss modeling in several aspects of its business, including the development of premium rates. Loss modeling is subject to risks and uncertainties, including the uncertainty of the incidence and severity of earthquakes; loss models are not designed to and cannot predict the timing or occurrence of earthquakes. The actual extent of losses to the CEA may differ materially from that indicated by loss modeling. Modeling earthquake losses is an inherently subjective process, involving the assessment of scientific and engineering information from a number of sources and that may not be complete or accurate. A significant amount of uncertainty exists in the earthquake events being modeled, including earthquake severity, recurrence intervals and ground-shaking estimates, site-specific soil conditions, building vulnerabilities, building and contents replacement costs, loss expenses, risk limits and locations, insurance-policy terms, and post-event demand surge (large catastrophic events may cause increased demand for building materials, construction labor, inspection services, temporary housing and insurance-claim services). See “POLICY CLAIMS – Loss Modeling and Rate Setting.”

Right of Participating Insurers to Withdraw

Participating Insurers that want to withdraw from the CEA may do so on 12 months’ written notice to the CEA. If a noticed withdrawal would reduce the remaining CEA participants’ cumulative California residential property insurance market share to less than 65% of the total California residential property insurance market, Section 10089.19 of the CEA Act requires the Insurance Commissioner to recommend to the Legislature whether to continue or terminate the CEA. According to California Department of Insurance data, as of December 31, 2018, the cumulative California residential property insurance market share of all Participating Insurers was approximately 78%. Over the years, since the inception of the CEA, three insurers have withdrawn from the CEA, while several other insurers have joined the CEA as participating Insurers during that time. At the time of their withdrawal, the withdrawing insurers were writing an insignificant portion of the CEA’s book of business (fewer than 400 policies). Insurers that withdraw are not entitled to any refund of capital contributed to the CEA and must continue to offer earthquake insurance renewal and new coverage to their customers but from a non-CEA source. The CEA is required by the CEA Act (at California Insurance Code Section 10089.22) and the Indenture to continue in existence for so long as any bonds of the CEA (including the Series 2020 Bonds) are outstanding. However, the announcement of plans to terminate the CEA could adversely affect the business and Pledged Revenue of the CEA.

Termination of the CEA

The CEA Act (in California Insurance Code Section 10089.22) and the Indenture provide that the CEA shall continue in existence for so long as any bonds of the CEA (including the Bonds) are outstanding. The CEA is not authorized to become a debtor in a case under the United States Bankruptcy Code or make an assignment for the benefit of creditors. The CEA is not permitted by California law to have a liquidator, receiver or conservator. The CEA believes that it cannot go out of existence other than by act of the California Legislature after all of the bonds are no longer outstanding. However, other provisions of the CEA Act contemplate that CEA operations could be curtailed, even while bonds are outstanding. As noted above under “Payment Deficiency,” under certain circumstances the Insurance Commissioner could order the CEA to cease renewing and accepting new earthquake insurance policies, and as a result Pledged Policyholder Premiums would cease and no longer constitute a source of Pledged Revenue, which in turn could result in a debt service payment deficiency.

State Legislation or Action

The CEA Act provides that the State pledges to and agrees with the holders of CEA bonds that the State will not limit, alter, or restrict the rights vested in the CEA by the CEA Act to fulfill each pledge of revenues and any other terms of any agreement made with or for the benefit of the holders of CEA bonds or in any way impair the rights or remedies of the holders of CEA bonds. This provision of the CEA Act affords limited but not complete protection for the Owners of Bonds against amendment of the CEA Act or actions that adversely affect Bondholders by legislation, action by the Governor under the California Emergency Services Act (Chapter 7, Division 1, Title 2 of the California Government Code), or voter initiative. Under California law, the electorate has the right, through its initiative powers, to propose statutes as well as amendments to the California Constitution. Generally, any matter that is a proper subject of legislation can become the subject of an initiative and be submitted to voters at the next general election.

Owners of the Bonds are entitled to the benefit of the prohibitions in Article I, Section 10, of the Constitution of the United States (the “Contract Clause”) against a state’s impairment of the obligation of contracts. The prohibition, although not absolute, is particularly strong when applied to the State’s attempt to evade its own obligations. Similar protections are afforded by Article I, Section 9, of the California Constitution.

Under applicable law, the State must justify the exercise of its inherent police power to safeguard the vital interests of its people before the State may alter the CEA Act, the Indenture or the rights and remedies of Bondholders in a manner that would substantially impair the rights of Bondholders. In order to do so, the State must demonstrate a significant and legitimate public purpose, such as the remedying of a broad and general social or economic problem. In the event that the State so demonstrates a significant and legitimate public purpose, the State must also show that the impairment of the Bondholders’ rights is reasonable and appropriate to the public purpose justifying the legislation’s adoption.

Nonetheless, a repeal, amendment or suspension of, or moratorium on, provisions of the CEA Act, the Indenture or the rights and remedies of Bondholders could be sought or adopted, even if such repeal, amendment, suspension or moratorium might constitute a violation of the Indenture. Additionally, the State might take, or refuse to take, or cause the CEA to take, or refuse to take, action required of the CEA under the Indenture, even if such action or inaction might constitute a violation of the Indenture. Costly and time-consuming litigation might ensue which might adversely affect the price and liquidity of the Bonds and the timely payment thereof. Moreover, the outcome of such litigation might be adverse to the interests of Bondholders, and accordingly, Bondholders could experience a decline in value of their investment as a result of any such event.

The CEA Act, in California Insurance Code Section 10089.54, provides that in the event both the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Association (“Freddie Mac”) propose to implement policies to require earthquake insurance for single-family residential structures (other than condominium units or townhouses) as a condition of purchasing a mortgage or trust deed secured by that structure, it is the intent of the California Legislature that it should convene to consider whether the CEA should continue to write new earthquake insurance policies, with or without modification, or to cease writing new earthquake insurance policies. Section 10089.54 also provides that in the event Fannie Mae and Freddie Mac implement such policies, the CEA is required to cease writing new earthquake insurance policies 180 days after such implementation unless a California statute is enacted authorizing the CEA to continue writing new earthquake insurance policies. Section 10089.54 authorizes the CEA to continue to renew its existing earthquake insurance policies even if Fannie Mae and Freddie Mac implement such policies. Preventing the CEA from issuing new policies could have a material adverse effect on the amount of Debt Service Deposits and Pledged Revenue available to pay debt service on Bonds.

Decline in Demand for CEA Insurance

Factors beyond the control of CEA could adversely affect the demand for CEA insurance policies and the ability of the CEA to maintain Pledged Policyholder Premiums at their current levels. Such factors include, but are not limited to, the following:

General Economic Factors. An economic downturn affecting California could reduce discretionary incomes which in turn could result in reduced demand for CEA insurance policies. Because new policies are often written upon the purchase of a home, a slowdown in residential real estate sales could also have the effect of reduced demand for new CEA insurance policies.

Insurance-to-Value Programs. Increases in the absolute cost of CEA insurance due to Participating Insurers' "insurance-to-value" programs, which are designed to match insurance coverage to the updated, actual reconstruction costs of insured properties, could have the effect of reducing demand for CEA policies.

Change in Law. Insurers writing residential property insurance policies in California are required by California law to offer earthquake insurance to their insureds. A change in law eliminating this requirement could adversely affect the CEA. The CEA takes no position as to whether the non-impairment covenant described above limits the right of the State to enact a law eliminating this requirement.

Regulatory Approval of Rates

All rates charged by the CEA must be approved by the Insurance Commissioner before use. In order to establish or change any rate, the CEA is required to file a rate application with the Insurance Commissioner. The rate application includes modeling and other information and a rate structure recommended by the CEA staff, in consultation with the CEA's Chief Risk and Actuarial Officer, and approved by the CEA's Governing Board. After public notice of the rate application, a hearing may be conducted. A protracted hearing could occur before rates may be established or changed. In addition, administrative decisions arising from such hearings are subject to judicial review.

Limited Remedies Available to Bondholders

If an event of default were to occur, the sole remedy of the holders of Bonds will be to have the Trustee require the CEA to perform its obligations under the Indenture. Acceleration of principal of the Bonds is not permitted. See "SECURITY FOR THE BONDS – Events of Default and Limitations on Remedies."

Cybersecurity

The CEA relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the CEA faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems.

In _____, 20[___], an incident occurred in which a CEA [employee's] email account was compromised as a result of a brute-force password attack. In _____, 20[___], another incident occurred in which a CEA [employee's] email credentials were compromised as a result of a malicious link in a phishing email. Neither incident resulted in the exposure or loss of any sensitive information and neither incident involved any further breach of the CEA's systems. In each case, the affected user accounts were identified, disabled, and quarantined until they could be scanned for malware and other threats and subsequently

sanitized. The employees involved in each incident were provided with cybersecurity counseling. Neither incident resulted in any liability or costs to the CEA and there was no associated litigation or other remediation in either case.

The CEA has put in place a number of cybersecurity policies including, but not limited to, acceptable use, incident reporting and handling, data security standards, and the CEA's Enterprise Information Security Plan. The CEA also performs annual independent security assessments and penetration tests, as well as continuous scanning of CEA systems using multiple tools and approaches in determining cybersecurity vulnerabilities and areas of exposure. The CEA maintains an internal information security team (the "INFOSEC Team"), but also employs third party providers to monitor specific areas alongside the INFOSEC Team.

The CEA has taken various actions in the past six months to improve its security controls and effectively manage cybersecurity risks, including adding resources to the INFOSEC Team and hiring a Chief Information Security Officer and Chief Risk Officer. Additionally, the CEA will be implementing a formalized security training plan this year, which will cover the full lifecycle of employment for CEA employees. The CEA is also in the process of obtaining a cybersecurity insurance policy.

No assurances can be given that the CEA's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the CEA's computer and information technology systems could impact its operations and damage the CEA's digital networks and systems, and the costs of remedying any such damage could be substantial.

Possible Tax Consequences

Defeasance of any Series 2020 Bond may result in a reissuance of the Bond for federal tax purposes, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the holder's adjusted tax basis in the Series 2020 Bond.

Limited Liquidity

The Underwriters have no obligation to make a secondary market in the Series 2020 Bonds, and no assurance can be given that a secondary market will develop or exist. Owners of the Series 2020 Bonds have no right to tender their Series 2020 Bonds for purchase by the CEA. Investors should consider the Series 2020 Bonds as long-term investments in which funds are committed to maturity.

FINANCIAL STATEMENTS

The financial statements as of and for the years ended December 31, 2018 and December 31, 2017, included in this Official Statement, have been audited by Plante & Moran, PLLC, independent accountants (the "Auditor"), as stated in their report appearing in APPENDIX A. [The Auditor has provided CEA its consent to include such audited financial statements as part of this Official Statement.] [Confirm]

RATINGS

Fitch Ratings ("Fitch"), and Moody's Investors Service ("Moody's") have assigned ratings of "___" and "___," respectively, to the Series 2020A-1 Bonds and ratings of "___" and "___," respectively, to the Series 2020A-2 Bonds. An explanation of the significance of these ratings may be obtained from the rating agencies furnishing the same. Such ratings reflect only the views of the respective rating agencies.

There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that the ratings might not be revised or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. Any revision or withdrawal of a credit rating could have an effect on the market prices and marketability of the Series 2020 Bonds. The CEA cannot predict the timing or impact of future actions by the rating agencies.

UNDERWRITING

The Series 2020A-1 Bonds will be purchased by an underwriting group represented by J.P. Morgan Securities LLC (collectively, the “Series 2020A-1 Underwriters”) from the CEA. The Series 2020A-1 Underwriters have agreed to purchase the Series 2020A-1 Bonds at a price of \$ _____, which represents the principal amount of the Series 2020A-1 Bonds. The underwriting fee for the Series 2020A-1 Bonds is \$ _____ and will be paid by CEA from its available funds and will not be paid with proceeds of the Series 2020 Bonds. The purchase contract pursuant to which the Series 2020A-1 Bonds are being sold provides that the Series 2020A-1 Underwriters will purchase all of the Series 2020A-1 Bonds if any are purchased. The obligation to make such purchase will be subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Series 2020A-2 Bonds will be purchased by an underwriting group represented by Citigroup Global Markets, Inc. (collectively, the “Series 2020A-2 Underwriters” and, together with the Series 2020A-1 Underwriters, the “Underwriters”) from the CEA. The underwriting fee for the Series 2020A-2 Bonds is \$ _____ and will be paid by CEA from its available funds and will not be paid with proceeds of the Series 2020 Bonds. The Series 2020A-2 Underwriters have agreed to purchase the Series 2020A-2 Bonds at a price of \$ _____, which represents the principal amount of the Series 2020A-2 Bonds. The purchase contract pursuant to which the Series 2020A-2 Bonds are being sold provides that the Series 2020A-2 Underwriters will purchase all of the Series 2020A-2 Bonds if any are purchased. The obligation to make such purchase will be subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

Several of the Underwriters have provided letters to the CEA relating to their distribution practices or other affiliations for inclusion in this Official Statement, which are set forth in Appendix F. The CEA does not guarantee the accuracy or completeness of the information contained in such letters and the information therein is not to be construed as a representation of the CEA or of any Underwriter other than the Underwriter providing such representation.

MUNICIPAL ADVISOR

Raymond James & Associates, Inc., is serving as Municipal Advisor to the CEA in connection with the sale and issuance of the Series 2020A-1 Bonds and the Series 2020A-2 Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization, sale and issuance of the Series 2020 Bonds is subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the CEA. Certain legal matters will be passed upon for the CEA by Hawkins Delafield & Wood LLP, Disclosure Counsel to the CEA, and Tom Welsh, General Counsel to the CEA. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP. The proposed form of the approving opinion of Bond Counsel is set forth in APPENDIX C – “PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL.” Bond Counsel, Disclosure Counsel, General Counsel, and Underwriters’ Counsel do not undertake any responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Series 2020 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2020 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2020 Bonds. The proposed form of opinion of Bond Counsel is set forth in Appendix C.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2020 Bonds that acquire their Series 2020 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2020 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2020 Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2020 Bonds pursuant to this offering for the issue price that is applicable to such Series 2020 Bonds (i.e., the price at which a substantial amount of the Series 2020 Bonds are sold to the public) and who will hold their Series 2020 Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Series 2020 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2020 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2020 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2020 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2020 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain, and loss with respect to the Series 2020 Bonds at the time that such income, gain, or loss is recognized on such financial statements instead of under

the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018)

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2020 Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Series 2020 Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2020 Bonds is less than the amount to be paid at maturity of such Series 2020 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2020 Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

The Series 2020 Bonds may be issued at a premium. In general, the excess of the issue price of a Series 2020 Bond over its stated principal amount will constitute a premium. A U.S. Holder of a Series 2020 Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2020 Bond.

Sale or Other Taxable Disposition of the Series 2020 Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition of a Series 2020 Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2020 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2020 Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2020 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2020 Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2020 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2020 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2020 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Bonds. If the CEA defeases any Series 2020 Bond, the Series 2020 Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a U.S. holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the U.S. holder's adjusted federal income tax basis in the Series 2020 Bond.

Information Reporting and Backup Withholding. Payments on the Series 2020 Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2020 Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Series 2020 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2020 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with back-up withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act,” payments of principal of, and interest on, any Series 2020 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the CEA through stock ownership and (2) a bank which acquires such Series 2020 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Series 2020 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Series 2020 Bonds. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the CEA or a deemed retirement due to defeasance of the Series 2020 Bond) or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the CEA) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2020 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that, at the time of such individual’s death, payments of interest with respect to such Series 2020 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading “Foreign Account Tax Compliance Act,” under current U.S. Treasury Regulations, payments of principal and interest on any Series 2020 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2020 Bond or a financial institution holding the Series 2020 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the

name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act (“FATCA”)—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Series 2020 Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

CONTINUING DISCLOSURE

The CEA will covenant for the benefit of the holders and beneficial owners of the Series 2020 Bonds to provide certain financial information and operating data relating to the CEA (the “Annual Report”) by not later than the September 30th following the end of the CEA’s fiscal year (which ends December 31) and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of certain enumerated events will be filed by, or on behalf of, the CEA with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access website of the MSRB. The specific nature of the information to be contained in the Annual Report and the events requiring the filing of a notice are set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Pursuant to the Indenture, failure of the CEA to comply with its obligations under the Continuing Disclosure Certificate will not be considered an event of default under the Indenture. However, the Trustee, or any Bondholder or Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the CEA to comply with its obligations under the Continuing Disclosure Certificate.

AUTHORIZATION

The delivery of this Official Statement, including the Appendices and other information herein, has been duly authorized by the CEA.

CALIFORNIA EARTHQUAKE AUTHORITY

APPENDIX A
FINANCIAL STATEMENTS

APPENDIX B

SUMMARY OF THE INDENTURE

APPENDIX C

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Upon the delivery of the Series 2020 Bonds of the California Earthquake Authority, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the CEA, proposes to deliver its approving opinion in substantially the following form:

California Earthquake Authority
Sacramento, California

California Earthquake Authority Revenue Bonds, Series 2020 (Federally Taxable)
(Final Opinion)

APPENDIX D

BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear Bank S.A./N.V. (“Euroclear”) or Clearstream Banking S.A. (“Clearstream”) (DTC, Euroclear and Clearstream together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that CEA believe to be reliable, but the CEA, the Trustee and the Underwriters do not take any responsibility for the accuracy, completeness or adequacy of the information in this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The CEA and the Underwriters will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Series 2020 Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

DTC Book-Entry Only System. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Series 2020 Bonds in the aggregate principal amount of the Series 2020 Bonds and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2020 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2020 Bond documents. For example, Beneficial Owners of the Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the CEA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest and redemption premium, if any, on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the CEA or its paying agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the CEA or the paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the CEA or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the CEA or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The CEA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the CEA believes to be reliable, but the CEA takes no responsibility for its accuracy.

For so long as the Series 2020 Bonds are registered in the name of DTC or its nominee, Cede & Co., the CEA and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2020 Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, references in this Official Statement to registered owners of the Series 2020 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2020 Bonds.

Because DTC is treated as the owner of the Series 2020 Bonds for substantially all purposes Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown, the CEA, its paying agent or DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Series 2020 Bonds that may be transmitted by or through DTC.

Neither the CEA, the Trustee nor the Underwriters have any responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct or Indirect Participant with respect to any beneficial ownership interest in any Series 2020 Bonds;
- the delivery to any Direct or Indirect Participant or any other person, other than a registered owner as shown in the bond register, of any notice with respect to any Series 2020 Bonds including, without limitation, any notice of redemption with respect to any Series 2020 Bonds;
- the payment to any Direct or Indirect Participant or any other person, other than a registered owner as shown in the bond register, of any amount with respect to the principal of, premium, if any, or interest on, any Series 2020 Bonds; or
- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book entry only system hereinabove described, the CEA and its paying agent may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Series 2020 Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal, premium, if any, and interest on the Series 2020 Bonds;
- giving notices of redemption and other matters with respect to the Series 2020 Bonds;

- registering transfers with respect to the Series 2020 Bonds; and
- the selection of Series 2020 Bonds for redemption.

Euroclear and Clearstream. Euroclear and Clearstream have advised as follows:

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

General. The Series 2020 Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series 2020 Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by

delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The CEA and the Underwriters will not impose any fees in respect of holding the Series 2020 Bonds; however, holders of book-entry interests in the Series 2020 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement. Interests in the Series 2020 Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2020 Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series 2020 Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Series 2020 Bonds against payment (value as on the date of delivery of the Series 2020 Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2020 Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series 2020 Bonds following confirmation of receipt of payment to us on the date of delivery of the Series 2020 Bonds.

Secondary Market Trading. Secondary market trades in the Series 2020 Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Series 2020 Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Series 2020 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2020 Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Series 2020 Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series 2020 Bonds, or to receive or make a payment or delivery of Series 2020 Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. The CEA and the Underwriters expect that the Series 2020 Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers, common codes and CUSIP numbers, as applicable, for the Series 2020 Bonds are set out on the cover of this Official Statement.

General. None of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the CEA, the Underwriters nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

APPENDIX E

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed as of _____, 2020, by the California Earthquake Authority (the “Authority”) in connection with the issuance by the Authority of \$ _____ aggregate principal amount of California Earthquake Authority Revenue Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of [Dated Date], as supplemented by the First Supplemental Indenture, dated as of [Dated Date] (hereinafter collectively referred to as the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Authority hereby covenants and agrees as follows:

SECTION 1. Nature of the Disclosure Certificate. This Disclosure Certificate is executed for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds from time to time, and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below), but this Disclosure Certificate (i) shall not be deemed to create any monetary or other liability on the part of the State of California and (ii) shall not be deemed to create any monetary liability of the Authority to any other persons, including Holders or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used but not defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean the Annual Report filed by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” shall mean any Person listed on the registration books of the Trustee as the registered owner of any Bonds.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” shall mean the official statement relating to the Bonds, dated _____, 2020.

“Participating Underwriter” shall mean any original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2–12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, not later than September 30 of each year in which the Bonds are outstanding, commencing with the report containing 2019 Fiscal Year financial information, submit an Annual Report consistent with the requirements of this Disclosure Certificate (an “Annual Report”) to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information both as prescribed by the MSRB; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the submission to the MSRB of the Annual Report if the audited financial statements are not available by that date. The Authority shall make available a copy of any Annual Report to any person who requests a copy at a cost not exceeding the reasonable cost of duplication and delivery.

(b) If in any year the Authority does not submit the Annual Report to the MSRB by the date specified above, the Authority shall instead submit a notice to the MSRB through the EMMA System stating that the Annual Report has not been timely completed and, if known, stating the date by which the Authority expects to submit the Annual Report.

(c) The Authority (or if a Dissemination Agent other than the Authority has been appointed, the Dissemination Agent) shall:

1. provide a report to the Trustee certifying that the Annual Report has been submitted pursuant to this Disclosure Certificate and listing the dates of the submittals; and
2. take any other actions mutually agreed to between the Dissemination Agent and the Trustee.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the Authority for the fiscal year ended on the most recent December 31, of the type included in the Official Statement. If the Authority’s audited financial statements are not available by the date the Annual Report is required to be submitted pursuant to this Disclosure Certificate, the Annual Report shall contain or include by reference the most recent unaudited annual financial statements available to the Authority, and the audited financial statements shall be submitted in the same manner as the Annual Report when and if they become available.

(b) Other financial information and operating data as follows: (a) an updated table of Pledged Policyholder Premiums; (b) an updated table of claim payments made by the Authority; and (c) an updated table depicting the Authority’s claim-paying capacity.

The Annual Report may consist of one or more documents. Any or all of the items listed above may be included in the Annual Report by reference to other documents that the Authority has submitted to the MSRB through the EMMA System, including any final official statement (in which case such final official statement must also be available from the MSRB through the EMMA System). The Authority shall clearly identify in the Annual Report each such document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes, including a change in the financial strength rating of the Authority issued by A.M. Best Company; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. Modifications to rights of the Owners of the Bonds;
3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee;
8. Incurrence of a Financial Obligation of the Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders.

(c) The Authority shall timely submit a notice of the occurrence of a Listed Event, as required under applicable federal securities laws, to the MSRB through the EMMA System.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under Section 3, 4 and 5 of this Disclosure Certificate shall terminate, with respect to any of the Series 2020 Bonds, upon the final maturity, legal defeasance, prior redemption or acceleration of such Series 2020 Bonds.

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out the obligations under this Disclosure Certificate, and the Authority may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Authority. If at any time there is not an Authority-appointed or Authority-engaged Dissemination Agent, the Authority shall be the Dissemination Agent. The Dissemination Agent (if not the Authority) shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend or waive any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or a change in the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of 60% of the Bonds outstanding or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds. The Authority may amend this Disclosure Certificate without approval by the Holders to the extent permitted by rule, order or other official pronouncement of the SEC.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Authority shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment or waiver relates to a change of the accounting principles to be followed by the Authority in preparing its financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is effective should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and the financial statements as prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of dissemination or communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event in addition to the information that is specifically required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to the information that is specifically required by this Disclosure Certificate, the Authority shall not have any obligation under this Disclosure Certificate to update such information or include it in any Annual Report or future notice of occurrence of a Listed Event.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity (except the right of the Trustee or any Holder or Beneficial Owner to enforce the provisions of this Disclosure Certificate on behalf of the Holders). This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based on the Rule.

SECTION 11. Partial Invalidity. If any one or more of the agreements or covenants, or portions thereof, required by this Disclosure Certificate to be performed by or on the part of the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants, or such portions of either or both, shall be null and void and shall be deemed separable from the remaining agreements and covenants, or portions thereof, and shall in no way affect the validity of, and the Holders of the Bonds shall retain all the benefits afforded to them under, this Disclosure Certificate. The Authority hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase of this Disclosure Certificate, irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases of this Disclosure Certificate, or the application thereof to any person or circumstance, may be held to be unconstitutional, unenforceable, or invalid.

SECTION 12. Governing Law. The laws of the State of California shall govern this Disclosure Certificate, the interpretation of this Disclosure Certificate, and any right or liability arising under this Disclosure Certificate. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced, or prosecuted in the Superior Court of California, County of Sacramento, California.

IN WITNESS WHEREOF, the Authority has executed this Disclosure Certificate as of the date first above written.

CALIFORNIA EARTHQUAKE AUTHORITY

By _____

APPENDIX F

LETTERS FROM CERTAIN UNDERWRITERS

\$ _____
California Earthquake Authority
Revenue Bonds, Series 2020A-1
(Federally Taxable)

PURCHASE CONTRACT

[Pricing Date]

California Earthquake Authority
Chief Financial Officer
801 K Street, Suite 1000
Sacramento, California 95814

Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, J.P. Morgan Securities LLC (the “Representative”), acting on behalf of itself and the other underwriters named on the attached Schedule I to this Purchase Contract (collectively, the “Underwriters”), offers to enter into this Purchase Contract with the California Earthquake Authority (the “Authority”) and with the Treasurer of the State of California (the “State Treasurer”), acting as agent for sale on behalf of the Authority. This offer is made subject to the Authority’s and State Treasurer’s acceptance of this Purchase Contract on or before 11:59 p.m., California time, on the date set forth above and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice by the Representative delivered to the Authority and the State Treasurer at any time prior to the acceptance of this Purchase Contract by the Authority and the State Treasurer. Upon acceptance of this offer the Purchase Contract will be binding upon the Authority, the State Treasurer and the Underwriters. Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the meanings ascribed to such terms as set forth in the Preliminary Official Statement (defined herein).

Section 1. Upon the terms and conditions and upon the basis of the representations, warranties and covenants set forth in this Purchase Contract, the Underwriters, jointly and severally, agree to purchase from the State Treasurer, and the State Treasurer agrees to sell and deliver to the Underwriters, on behalf of the Authority, all (but not less than all) of the \$_____ aggregate principal amount of the Authority’s Revenue Bonds, Series 2020A-1 (Federally Taxable) (the “Bonds”).

The Bonds shall be dated their date of delivery and shall mature on the dates and in the amounts and bear interest at the rates per annum set forth in Schedule II attached hereto. The aggregate purchase price for the Bonds shall be as set forth in Schedule III attached hereto, with the

payment for and delivery of the Bonds to be made pursuant to Section 11 of this Purchase Contract (such payment and delivery and the other actions contemplated to take place at the time of such payment and delivery being sometimes referred to herein as the “Closing”).

Section 2. The Underwriters acknowledge receipt of the Authority’s Preliminary Official Statement, dated _____, 2020, relating to the Bonds (including the cover page and all appendices thereto, the “Preliminary Official Statement”) and the Authority agrees to deliver or cause to be delivered to the Underwriters the final Official Statement relating to the Bonds dated the date hereof as provided in Section 8 of this Purchase Contract (including the cover page and all appendices thereto and as may be amended and supplemented from time to time pursuant to this Purchase Contract, the “Official Statement”). The Authority has “deemed final” the Preliminary Official Statement pursuant to Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”) except for the omission of certain information permitted to be omitted by such rule, as stated in the certificate of the Authority regarding the Preliminary Official Statement delivered to the Representative on the date thereof.

The Underwriters have reviewed the information in the Preliminary Official Statement and will review the information in the Official Statement when delivered, in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters have not guaranteed and will not guarantee the accuracy or completeness of such information. The Underwriters have not notified the State Treasurer or the Authority of the need to modify or supplement the Preliminary Official Statement.

Section 3. The Bonds shall be issued and secured under the provisions of California Insurance Code Sections 10089.5 through 10089.54 (the “CEA Act”), a resolution of the Authority adopted on _____, 2020, and the Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust (collectively, the “Indenture”), each dated as of February 1, 2020 by and between the Authority and U.S. Bank National Association, as trustee thereunder (the “Trustee”). The Bonds shall be issued in the form as described in the Indenture and shall be payable as set forth in the Indenture. The Bonds shall be legal, valid and binding obligations of the Authority to the extent provided in the Indenture, payable solely from Pledged Revenue and Debt Service Deposits (as defined in the Indenture). Net proceeds of the Bonds (being the principal amount of the Bonds less the underwriting discount) will be held by the Authority in its 2020 Claim-Paying Account to enhance the Authority’s claims-paying capacity.

The Authority will undertake, pursuant to a Continuing Disclosure Certificate, dated as of [Closing Date] (the “Continuing Disclosure Certificate”), to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12. The form of the Continuing Disclosure Certificate is set forth as Appendix E to the Preliminary Official Statement and the Official Statement.

Section 4. The Representative has delivered a deposit in the form of a wire transfer (in immediately available funds) to a financial institution for the account of the Authority in an amount equal to \$ _____. Such deposit has been delivered by the Underwriters as security for the performance by the Underwriters of their obligations to purchase, accept delivery of and pay for the Bonds at Closing. Upon acceptance of this offer by the Authority and the State Treasurer, the Authority may draw upon such deposit and invest the proceeds of the deposit for its account. At the Closing, the Underwriters shall pay or cause to be paid the purchase price of the Bonds (as specified

in Schedule III), less the amount of such deposit, without interest on such deposit. Should the Authority fail to deliver the Bonds at Closing, or should the State Treasurer or the Authority be unable to satisfy the conditions to the obligations of the Underwriters to accept delivery of and to pay for the Bonds, as set forth in this Purchase Contract (unless waived by the Underwriters), or should such obligations of the Underwriters be terminated for a reason permitted by this Purchase Contract, the Authority shall forthwith return the amount of such deposit within two business days, without interest, to the Underwriters. If the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and pay for any of the Bonds at the Closing as herein provided, such deposit shall be retained by the Authority as and for full liquidated damages for the failure of the Underwriters to accept delivery of and pay for the Bonds. The retention of such deposit shall constitute a full release and discharge of all claims and rights of the State Treasurer and the Authority against the Underwriters on account of such failure. The Underwriters, the Authority, and the State Treasurer understand that in such event the Authority's actual damages may be more or less than the amount of such deposit and the exact amount of actual damages will be difficult to ascertain. Accordingly, each of the Underwriters waives any right to claim that the Authority's actual damages resulting from such failure are less than the amount of such liquidated damages and the execution of this Purchase Contract by the State Treasurer and the Authority shall constitute a waiver of any right the State Treasurer or the Authority may have to additional damages from the Underwriters.

Section 5. The Underwriters have designated the Representative to act on behalf of the Underwriters with respect to this Purchase Contract. The Representative hereby represents, warrants, and covenants to the Authority and the State Treasurer that (a) it is duly authorized to execute this Purchase Contract on behalf of the Underwriters and to take all actions required or permitted to be taken hereunder by or on behalf of the Underwriters, (b) any authority, discretion, or other power conferred upon the Underwriters by this Purchase Contract may be exercised by the Representative acting without any of the other Underwriters, and (c) the Representative shall promptly notify the Authority and the State Treasurer of the date when all of the Bonds have been sold.

Section 6. It shall be a condition to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be sold and delivered by the Authority to the Underwriters at Closing. The Underwriters agree to make an initial bona fide public offering of all of the Bonds, at the offering prices (or yields) set forth on Schedule II attached hereto. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriters.

Section 7. The Representative represents that there were no Bonds sold by the Underwriters in the initial offering to investors, the sale to whom would require registration under foreign law.

Section 8. (a) The Authority hereby authorizes the distribution of the Official Statement by the Underwriters in connection with the public offering and the sale of the Bonds. The Authority consents to the distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement, in electronic form, in connection with the offering of the Bonds. The Authority shall supply or cause to be supplied to the Underwriters, within seven (7) business days of the date of this Purchase Contract and in time to accompany any confirmation that requests payment from any customer, provided such business day is no later than one (1) business day prior to the Closing, the Official Statement in the designated electronic format to allow the Underwriters to comply with Rule 15c2-12 and the applicable rules of the Municipal Securities Rulemaking Board (the "MSRB").

Each of the Underwriters hereby agrees that it will not send any confirmation requesting payment for the purchase of any of the Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Representative agrees to: (a) provide the State Treasurer and the Authority, by 5:00 p.m., California time, on the day this Purchase Contract is executed, with final pricing information on the Bonds and any other information necessary for the completion of the Official Statement; (b) promptly disseminate or cause to be disseminated to the Underwriters an electronic copy of the Official Statement, including any supplements thereto prepared by the Authority; (c) promptly file an electronic copy of the Official Statement, including any supplements prepared by the Authority, with the MSRB through its Electronic Municipal Market Access website, in each case, within one business day or receipt thereof; and (d) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

(b) From the date hereof until the earlier of twenty-five (25) days from the “end of the underwriting period” (as defined in paragraph (f)(2) of Rule 15c2-12) or the date when all of the Bonds have been sold by the Underwriters, if in the reasonable opinion of the Authority, Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), General Counsel to the Authority, or Norton Rose Fulbright US LLP (“Underwriters’ Counsel”), any event shall occur as a result of which it is necessary to amend or supplement the Official Statement so that it does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority, may, and if requested by the Representative will, forthwith prepare and furnish to the Underwriters in the electronic format designated by the MSRB an amendment of or supplement to the Official Statement (in form and substance satisfactory to Bond Counsel, General Counsel to the Authority and Underwriters’ Counsel,) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. For the period of time this section remains operative, the Authority will furnish to the Underwriters such information as the Underwriters may, in consultation with the Authority and the State Treasurer, from time to time reasonably request. The Authority may assume that the “end of the underwriting period,” for purposes of Rule 15c2-12, and the sale of all of the Bonds by the Underwriters, will occur on the date of Closing unless notified otherwise, in writing, by the Representative on the date of Closing . If the Representative notifies the Authority and the State Treasurer that the end of the underwriting period shall not occur on the date of Closing, the Representative shall promptly notify the Authority and the State Treasurer of the date when all Bonds have been sold by the Underwriters. After the earlier of twenty-five (25) days from the “end of the underwriting period” or the date when the Representative notifies the Authority and the State Treasurer that all of the Bonds have been sold by the Underwriters, the Authority will no longer be obligated to amend or supplement the Official Statement.

Section 9. The Authority represents to each of the Underwriters as follows, each such representation to be deemed made as of the date of this Purchase Contract unless otherwise stated:

(a) The Authority will furnish or cause to be furnished such information, execute or cause to be executed such instruments and take or cause to be taken such other reasonable action in cooperation with the Representative as the Representative may deem necessary in order to qualify the Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States and other countries, as the Underwriters may designate

and determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, however, that the foregoing will not require the Authority to register as a dealer or broker or to consent to service of process or to qualify as a foreign corporation in connection with such qualification in any foreign jurisdiction or to comply with any other requirements reasonably deemed by the Authority to be unduly burdensome in connection with the foregoing.

(b) The Authority is a duly constituted and validly existing public instrumentality of the State of California (the “State”) and has all necessary power and authority to issue the Bonds, to enter into this Purchase Contract, the Indenture and the Continuing Disclosure Certificate, to issue, sell and deliver the Bonds to the Underwriters as provided herein, and to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(c) The Authority has duly authorized the execution and delivery of this Purchase Contract, the Indenture, the Continuing Disclosure Certificate and the Bonds, has duly authorized the delivery of the Official Statement, and has duly authorized the performance of its obligations under this Purchase Contract, the Indenture, the Continuing Disclosure Certificate and the Bonds;

(d) This Purchase Contract, the Indenture, the Continuing Disclosure Certificate and the Bonds, upon due execution by the other parties hereto or thereto, will constitute legal, valid and binding obligations of the Authority, enforceable against it in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion and to the limitations on legal remedies against governmental entities of the State;

(e) The Authority is not in breach of or in default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Authority is a party or otherwise subject, which breach or default would in any way materially and adversely affect this Purchase Contract, the Indenture and the Continuing Disclosure Certificate, or the issuance of the Bonds, and no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default; and the execution and delivery by the Authority of this Purchase Contract, the Indenture and the Continuing Disclosure Certificate, and compliance with the provisions thereof or of the Indenture, and the issuance, sale and delivery of the Bonds will not materially conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree or any agreement or other instrument to which the Authority is a party or otherwise subject; nor will any such execution, delivery, issuance, sale or compliance result in the creation or imposition of any lien, charge, encumbrance or security interest of any nature whatsoever upon any of the revenues or assets of the Authority pledged to pay the principal of and interest on the Bonds, except as expressly provided or permitted by the CEA Act, the Indenture and the Bonds;

(f) Except as set forth in the Official Statement, no litigation is pending (with service of process having been accomplished) or, to the knowledge of the Authority, threatened against the Authority (a) to restrain or enjoin the collection of any of the Pledged Revenue under the Indenture or the pledge thereof, (b) in any way questioning or affecting any of the rights, powers, duties or obligations of the Authority with respect to the Pledged Revenue under the Indenture, (c) to restrain or enjoin the execution or delivery of this Purchase Contract, the Bonds, the Indenture or the

Continuing Disclosure Certificate, or performance under any of the Indenture and the Continuing Disclosure Certificate, or in any way questioning or affecting any authority for the issuance of the Bonds or enforceability of the Bonds, the Indenture, the Continuing Disclosure Certificate and this Purchase Contract, (d) in any way contesting the accuracy of the Official Statement or contesting or affecting the validity of this Purchase Contract, the Bonds, the Indenture or the Continuing Disclosure Certificate, or any other document, license, permit or approval necessary to the performance on its part under such documents or the proceeding or authority pursuant to which the Bonds will be issued and sold, or (e) in any way questioning or affecting any other agreement or instrument to which the Authority is a party, wherein an unfavorable decision or ruling with respect to any of the above would materially adversely affect the sale or issuance of the Bonds as contemplated by this Purchase Contract or the Indenture or which, in any way, would adversely affect the validity or enforceability of the Bonds, the Indenture, the Continuing Disclosure Certificate or this Purchase Contract or would materially adversely affect the collection of any of the Pledged Revenue under the Indenture or the pledge thereof;

(g) There is no litigation pending (with service of process having been accomplished) or, to the knowledge of the Authority, threatened against the Authority that may result in any material adverse change in the financial condition of the Authority;

(h) The Authority, the CEA Act, the Bonds, the Indenture and the Continuing Disclosure Certificate conform or, as applicable, will conform at Closing, to the descriptions thereof contained in the Official Statement, and the Bonds, when sold to the Underwriters as provided herein and issued and delivered in accordance with the Indenture, will be validly issued and outstanding special obligations of the Authority entitled to the benefits of the CEA Act and the Indenture;

(i) No consent, authorization or approval of, or filing or registration with, any governmental or regulatory office or body not already obtained is required to be obtained by the Authority for the execution and delivery of this Purchase Contract, the Bonds, the Indenture and the Continuing Disclosure Certificate, and, except as disclosed in the Official Statement, no consent, authorization or approval of, or filing or registration with, any governmental or regulatory office or body not already obtained by the Authority is required to be obtained by the Authority for the performance thereof; and

(j) As of its date, and as of the date hereof, the Preliminary Official Statement (excluding the information contained therein relating to the Underwriters, under the caption “Information Concerning Offering Registrations in Certain Jurisdictions Outside the United States” and The Depository Trust Company (“DTC”) and its book-entry system) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(k) The Official Statement (excluding the information contained therein relating to the Underwriters, under the caption “Information Concerning Offering Registrations in Certain Jurisdictions Outside the United States” and DTC and its book-entry system) as of its date, and as of the date of Closing, will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) The Authority is not now, and has not at any time been, in default in the payment of principal of or interest on its bonds;

(m) The audited financial statements of the Authority included in Appendix A to the Official Statement do and will fairly present the financial position and results of operations of the Authority as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles applied consistently; and, there has been no material adverse change in the financial condition or results of operations of the Authority since December 31, 2018; and

(n) Except as otherwise disclosed in the Preliminary Official Statement, the Authority has not failed to comply in all material respects with any previous undertakings with regard to the Rule 15c2-12 to provide annual reports or notices of enumerated events in the past five years.

(o) The Authority will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Indenture.

Section 10. The State Treasurer represents to each of the Underwriters as follows, each such representation to be deemed made as of the date of this Purchase Contract unless otherwise stated:

(a) The State Treasurer has the requisite right, power and authority to enter into this Purchase Contract.

(b) At the date of Closing, this Purchase Contract (assuming due authorization, execution and delivery by and validity against the parties thereto other than the State Treasurer) will constitute the valid and binding obligations of the State Treasurer in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting the creditors' rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State.

Section 11. At 8:30 a.m., California time, on [Closing Date], or at such other time or on such earlier or later date as may be agreed upon by the Representative and the Authority, the Authority will, subject to the terms and conditions of this Purchase Contract, deliver or cause to be delivered to the Representative at such place or in such manner as may be mutually agreed upon, the documents required to be delivered pursuant to this Purchase Contract and the Underwriters will accept delivery of the Bonds in definitive form through the facilities of DTC and such documents and pay the purchase price of the Bonds as set forth in Schedule III of this Purchase Contract (less the amount of the deposit referred to in Section 4 of this Purchase Contract) by wire transfer in immediately available funds to the order of a financial institution, for the account of the Authority (or by such other form of payment in immediately available funds as shall have been mutually agreed upon by the Authority and the Representative). The Bonds in definitive form shall be evidenced by printed, typewritten, lithographed or word-processed Bonds in authorized denominations. The Bonds shall be credited immediately after such payment to the account of the Representative at DTC. It is anticipated that CUSIP identification numbers will be printed, typewritten, lithographed or word processed on the Bonds, but neither the failure to include a CUSIP identification number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the

Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract.

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC, in the form of a single fully registered Bond for each maturity of the Bonds. The Authority acknowledges that the services of DTC will be used initially by the Underwriters in order to permit the issuance of the Bonds in book-entry form, and agrees to cooperate fully with the Underwriters in employing such services.

Not later than 10 days after the date of the Closing, the Representative (on behalf of the Underwriters) shall submit to the State Treasurer and the Authority the report(s) required by Section 1899.532 of Title 2 of the California Code of Regulations.

Section 12. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the Authority and of the State Treasurer contained herein and upon the performance by the Authority and the State Treasurer of their obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing. The Underwriters' obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) the representations and warranties of the Authority and the State Treasurer contained herein shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing, as if made on the date of the Closing;

(b) at the time of the Closing, the Authority's resolution authorizing the issuance of the Bonds and execution and delivery of the Indenture and the Continuing Disclosure Certificate shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except in any case as may have been disclosed to the Representative and not objected to by the Representative;

(c) (i) the Underwriters shall have the right to terminate their obligations to purchase the Bonds by written notification by the Representative to the State Treasurer and the Authority if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs that, in the reasonable judgment of the Representative, after consultation with the State Treasurer and the Authority, requires termination:

(1) any event shall occur or any circumstance shall exist that causes the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(2) any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds or obligations of the general character of the Bonds any material restriction not now in force or shall increase materially any restriction now in force with respect to the extension of credit by the Underwriters or charges to the net capital requirements of the Underwriters; or

(3) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which has the effect of requiring the Bonds to be registered under, or the sale thereof to be in violation of, the Securities Act of 1933, as amended (“Securities Act”), or has the effect of requiring the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (“Trust Indenture Act”), or, in each case, any law analogous thereto relating to governmental bodies;

(ii) the Underwriters shall have the further right to terminate their obligations to purchase the Bonds by written notification by the Representative to the State Treasurer and the Authority if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and in the reasonable judgment of the Representative, after consultation with the State Treasurer and the Authority, such event would have the effect of materially adversely affecting, directly or indirectly, the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds at the contemplated offering price(s) set forth in the attached Schedule II:

(1) any rating of the Bonds described herein shall have been downgraded or withdrawn by Fitch Ratings (“Fitch”) or Moody’s Investors Service (“Moody’s”); provided, that a change in outlook or placement on a “watch” list with respect to a rating shall not constitute a downgrade for purposes hereof;

(2) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and shall remain in force, or material disruption in commercial banking or securities settlement or clearances services shall have occurred;

(3) any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the Authority;

(4) there shall have occurred a material adverse effect on the financial markets of the United States resulting from any new material outbreak or escalation of hostilities or any domestic or international calamity or crisis; or

(5) the occurrence of one or more major, damaging earthquakes which, in the judgment of the Representative, after consultation with the Authority’s Chief Risk Officer and in reliance on loss estimates prepared by the Authority, will have a material adverse effect on the claim-paying ability of the Authority.

(d) at or prior to the Closing, the Representative shall have received each of the following documents:

(1) the Preliminary Official Statement and the Official Statement, together with any supplements or amendments thereto in the event the Preliminary Official Statement or the Official Statement has been supplemented or amended;

(2) certified copy of the resolution of the Authority;

- (3) executed counterparts of the Indenture;
- (4) an executed Continuing Disclosure Certificate;
- (5) an opinion of Bond Counsel, dated the date of Closing, relating to the Bonds, in substantially the form set forth in Appendix C to the Official Statement;
- (6) a letter from Bond Counsel, dated the date of Closing and addressed to the Representative on behalf of the Underwriters, to the effect that its respective opinion referred to in the immediately preceding subparagraph 5 may be relied upon by the Underwriters to the same extent as if such opinion were addressed to the Underwriters;
- (7) a supplemental opinion of Bond Counsel, dated the date of Closing and addressed to the Authority, the State Treasurer and the Representative on behalf of the Underwriters, to the effect that:
 - (i) this Purchase Contract has been duly executed and delivered, and (assuming due authorization, execution and delivery by the Representative and validity against the Underwriters) is a valid and binding agreement of, each of the Authority and the State Treasurer;
 - (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;
 - (iii) (A) the statements contained in the Preliminary Official Statement under the captions “THE SERIES 2020 BONDS,” “SECURITY FOR THE BONDS,” and “TAX MATTERS” and Appendix B – “SUMMARY OF THE INDENTURE” and in Appendix C “PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL”(excluding any financial and statistical data therein, any information marked as preliminary, subject to change, any information permitted to be omitted by Securities and Exchange Commission Rule 15c2-12 or otherwise left blank and any information describing the book-entry system therein and any material that may be included under such captions by reference to other documents), insofar as such statements expressly summarize certain provisions of the Indenture and the form and content of the final opinion of Bond Counsel are accurate in all material respects and (B) the statements contained in the Official Statement under the captions “THE SERIES 2020 BONDS,” “SECURITY FOR THE BONDS,” and “TAX MATTERS,” Appendix B – “SUMMARY OF THE INDENTURE” and in Appendix C – “PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL” (excluding any financial and statistical data therein and any information describing the book-entry system and any material that may be included under such captions by reference to other documents), in each case, insofar as such statements expressly summarize certain provisions of the Indenture and the form and content of the final opinion of Bond Counsel are accurate in all material respects.
- (8) an opinion of Hawkins Delafield & Wood, Disclosure Counsel, dated the date of Closing and addressed to the Underwriters in form and substance as set forth in Exhibit A hereto;

(9) an opinion of Underwriters' Counsel, dated the date of Closing and addressed to the Representative, in form and substance satisfactory to the Underwriters;

(10) a certificate of the Chief Financial Officer of the Authority, dated the date of the Closing, to the effect that, to the best of his knowledge, the representations and warranties of the Authority contained in this Purchase Contract are true and correct as of the date of the Closing as if made on such date; and except as disclosed in the Official Statement, there have been no adverse change of a material nature in the financial position or results of operations of the Authority since the date of the Preliminary Official Statement;

(11) a certificate of the State Treasurer dated the date of the Closing, executed on her behalf by any Deputy Treasurer, to the effect that the representations and warranties of the State Treasurer contained in this Purchase Contract are true and correct as of the date of the Closing as if made on such date;

(12) an opinion of General Counsel to the Authority, dated the date of Closing, and addressed to the Authority and the Representative on behalf of the Underwriters, to the effect that

(i) the Authority is a public instrumentality of the State, duly organized and validly existing pursuant the laws of the State;

(ii) the resolution of the Authority approving and authorizing the execution and delivery of the Indenture, the Continuing Disclosure Certificate and this Purchase Contract (collectively, the "Authority Documents") and the Bonds was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law with all public notice required by law and at which a quorum was present and acting throughout;

(iii) (a) the Authority has full right and lawful authority to execute and deliver the Authority Documents and the Bonds; (b) the Authority Documents and the Bonds have been duly authorized and executed on behalf of the Authority; and (c) the Authority Documents and the Bonds are the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principals relating to or limiting creditor's rights generally;

(iv) all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction over the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under the Indenture or any of its other obligations under the Indenture or under this Purchase Contract have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds;

(v) the execution and delivery of the Authority Documents and the Bonds and compliance with the provisions thereof, under the circumstances contemplated by thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(vi) except as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending (with service of process having been accomplished) or, to the knowledge of the Authority, threatened against the Authority: (a) to restrain or enjoin the collection of any of the Pledged Revenue under the Indenture or the pledge thereof, (b) in any way questioning or affecting any of the rights, powers, duties or obligations of the Authority with respect to the Pledged Revenue under the Indenture, (c) to restrain or enjoin the execution or delivery of this Purchase Contract, the Bonds, the Indenture or the Continuing Disclosure Certificate, or performance under any of the Indenture and the Continuing Disclosure Certificate, or in any way questioning or affecting any authority for the issuance of the Bonds or validity or enforceability of the Bonds or the Indenture, the Continuing Disclosure Certificate and this Purchase Contract, (d) in any way contesting the accuracy of the Official Statement or contesting or affecting the validity of any approval necessary to the performance on its part under such documents or the proceeding or authority pursuant to which the Bonds will be issued and sold, or (e) in any way questioning or affecting any other agreement or instrument to which the Authority is a party, wherein an unfavorable decision or ruling with respect to any of the above would materially adversely affect the sale or issuance of the Bonds as contemplated by this Purchase Contract or the Indenture or which, in any way, would adversely affect the validity or enforceability of the Bonds, the Indenture, the Continuing Disclosure Certificate or this Purchase Contract or would materially adversely affect the collection of any of the Pledged Revenue under the Indenture or the pledge thereof;

(vii) all references and descriptions, wherever occurring, in the Preliminary Official Statement and the Official Statement (including any appendix thereto) concerning California law, including but not limited to the CEA Act or any portion thereof, and including any description in the Preliminary Official Statement and the Official Statement concerning the application of the CEA Act or other provisions of California law, are accurate in all material respects; and

(viii) the Preliminary Official Statement, as of its date and as of the [Pricing Date], and the Official Statement, as of the date hereof and as of the Closing Date, including but not limited to the sections entitled “CALIFORNIA EARTHQUAKE AUTHORITY,” “SECURITY FOR THE BONDS,” “SOURCES AND USES OF FUNDS,” “POLICIES AND PREMIUMS,” “POLICY CLAIMS,” “SOURCES OF FUNDS TO PAY CLAIMS,” “LITIGATION AND ADMINISTRATIVE PROCEEDINGS,” “RISK FACTORS,” “FINANCIAL STATEMENTS,” “CONTINUING DISCLOSURE” and “AUTHORIZATION,” as well as Appendix E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” and the statements contained therein, insofar as they are within the knowledge of such counsel, were and are (as applicable) true and correct and fairly summarized and summarize (as applicable) the matters encompassed thereby to the extent such matters are described therein, and the Preliminary Official Statement and the Official Statement (excluding therefrom information under the caption “Information Concerning Offering Registrations in Certain Jurisdictions Outside the United States” and information concerning DTC and the book-entry system, and Appendices A, C, D and F thereto, as to which such counsel will

express no view, and financial, accounting, statistical or economic or demographic or earthquake data, or forecasts, numbers charts, tables, graphs, exhibits, projections, assumptions or expressions of opinion, or any management discussion or analysis, all of which such counsel may expressly exclude from the scope of such opinion and as to which such counsel need express no opinion or view) did not, does not and will not (as applicable) contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(13) letters indicating that the Bonds have received the ratings of “___” by Moody’s and “___” by Fitch;

(14) evidence of required filings with the California Debt and Investment Advisory Commission;

(15) a certificate of the Trustee, dated the date of Closing, to the effect that:

(i) the Trustee is duly organized and existing as a national banking association under the laws of the United States of America, in good standing under the laws of the State, and has the full power and authority to enter into and perform its duties under the Indenture and to execute and deliver the Bonds to the Representative pursuant to the terms of the Indenture;

(ii) the Trustee is duly authorized to enter into the Indenture;

(iii) the execution and delivery by the Trustee of the Indenture, and compliance with the terms thereof, will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, which conflict breach or default would materially adversely affect the ability of the Trustee to perform its obligations under the Indenture or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee;

(iv) exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee’s authority to perform a trust business (all of which routine filing, to the best of the Trustee’s knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Indenture or the execution and delivery of the Bonds; and

(v) there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee’s participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds and the Indenture

(16) consent of Plante & Moran LLC to include in the Preliminary Official Statement and the Official Statement the Authority's audited financial statements for the fiscal years ended December 31, 2018 and 2017;

(17) evidence of approval by the California Insurance Commissioner of the Authority entering into this Purchase Contract; and

(18) such additional legal opinions, certificates, instruments or other documents as Bond Counsel reasonably requests or as the Representative may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Contract and as of the date of the Closing, of the Authority's or of the State Treasurer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority or the State Treasurer on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority or the State Treasurer.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance reasonably satisfactory to the Authority, the State Treasurer, the Representative, Bond Counsel, and Underwriters' Counsel. If the State Treasurer and the Authority shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract (unless waived by the Underwriters) or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters, the Authority, nor the State Treasurer shall be under further obligation hereunder, except that: (i) the amount of the deposit referred to in Section 4 of this Purchase Contract shall be returned to the Underwriters by the Authority in accordance with Section 4 and (ii) the respective obligations of the Authority, the State Treasurer, and the Underwriters set forth in Section 13 of this Purchase Contract shall continue in full force and effect.

Section 13. (a) The Underwriters shall be under no obligation to pay any expenses incident to the performance of the Authority's or the State Treasurer's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Bond Counsel and Disclosure Counsel; (ii) expenses incurred on behalf of the Authority's or State Treasurer's employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees; (iii) the fees and disbursements of the Trustee and Trustee's counsel (if any), auditors, engineers, consultants or others retained by the State Treasurer, or the Authority in connection with the transactions contemplated herein; (iv) any fees charged by investment rating agencies for the rating of the Bonds; and (v) the fees of the municipal advisor to the Authority. The foregoing fees and expenses may, but are not required to, be paid from the proceeds of the Bonds in accordance with the Indenture.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, except as provided by the State Treasurer by agreement, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) all out-of-pocket disbursements and expenses incurred by the Underwriters in

connection with the offering and distribution of the Bonds; (iii) the fees and disbursements relating to the qualifications of the Bonds for sale under the securities or “Blue Sky” laws of various jurisdictions and the preparation of the “Blue Sky” Memoranda or Legal Investment Survey; (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters’ Counsel, the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review, and (v) the fee of the California Debt and Investment Advisory Commission (notwithstanding that such California Debt and Investment Advisory Commission fees are solely the legal obligation of the Underwriters, the Authority agrees to reimburse the Underwriters for such fees).

Section 14. Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing to:

Office of the State Treasurer
Public Finance Division
915 Capitol Mall, Room 261
Sacramento, California 95814
Attention: Blake Fowler

California Earthquake Authority
801 K Street, Suite 1000
Sacramento, California 95814
Attention: Chief Financial Officer

Representative:

J.P. Morgan Securities LLC
1415 L Street, Suite 650
Sacramento, CA 95814
Attention: Juan C. Fernandez, Executive Director

Section 15. This Purchase Contract shall constitute the entire agreement between the parties hereto with respect to the Bonds and is made solely for the benefit of the Authority, the State Treasurer and the Underwriters (including the successors or assigns of any Underwriter), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the Authority’s and State Treasurer’s representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriters; (ii) delivery of and payment for the Bonds, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 16. If any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 17. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 18. (a) This Purchase Contract shall be governed by and interpreted under the laws of the State of California.

(b) Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to this Purchase Contract, the Preliminary Official Statement or the final Official Statement or any document relating hereto or thereto shall be brought in the courts of the State located in the County of Sacramento and, by execution and delivery of this Purchase Contract, the parties hereto consent to and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum nonconveniens, which they may now or hereafter have to the bringing of any such action or proceedings in such jurisdiction.

Section 19. The Authority, the Treasurer, and the Underwriters acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction among the Authority, the Treasurer, and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as an agent, advisor or fiduciary of the Authority or the Treasurer; (ii) the Underwriters have not assumed (individually or collectively) any advisory or fiduciary responsibility to the Authority or the Treasurer with respect to this Purchase Contract, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters or any affiliate of the Underwriters have provided other services or are currently providing other services to the Authority or the Treasurer on other matters); (iii) the only contractual obligations the Underwriters have to the Authority and the Treasurer with respect to the transactions contemplated hereby are those set forth in this Purchase Contract; (iv) the Underwriters have financial and other interests that differ from those of the Authority and the Treasurer and (v) the Authority, the Treasurer, and the Underwriters have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in the foregoing paragraph is intended to limit the Underwriters' obligations of fair dealing under MSRB Rule G-17.

[Remainder of page intentionally left blank.]

Section 20. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the Authority and the State Treasurer and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

**CITIGROUP GLOBAL MARKETS INC.,
AS REPRESENTATIVE OF THE
UNDERWRITERS**

By: _____
Authorized Signatory

Accepted at _____ a.m./p.m. PT this ___
day of February 2020

**TREASURER OF THE STATE OF
CALIFORNIA**

By: _____
Deputy Treasurer
For California State Treasurer Fiona Ma

CALIFORNIA EARTHQUAKE AUTHORITY

By: _____
Chief Financial Officer
California Earthquake Authority

CALIFORNIA EARTHQUAKE AUTHORITY
REVENUE BONDS, SERIES 2020A-1
(Federally Taxable)
PURCHASE CONTRACT

SCHEDULE I
(to Purchase Contract)

List of Underwriters

Senior Managing Underwriter

J.P. Morgan Securities LLC

Co-Senior Managing Underwriters

Citigroup Global Markets Inc.
Goldman, Sachs & Co.

Co-Managing Underwriters

[TO COME]

SCHEDULE II
(To Purchase Contract)

**[\$Principal Amount]
California Earthquake Authority
Revenue Bonds, Series 2020A-1
(Federally Taxable)**

Principal Amount	Interest Rate	Priced to Yield	Maturity Date
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\$ _____ % Term Bond Due _____, Priced to Yield ____%

SCHEDULE III
(to Purchase Contract)

PRINCIPAL AMOUNT, UNDERWRITERS' DISCOUNT AND PURCHASE PRICE

SERIES	PAR AMOUNT	UNDERWRITERS' DISCOUNT	PURCHASE PRICE ¹
2020	\$		

¹ There will be credited toward the aggregate purchase price of the Bonds at Closing the amount of the deposit made pursuant to Section 4 of this Purchase Contract.

EXHIBIT A
FORM OF DISCLOSURE COUNSEL OPINION

\$ _____
California Earthquake Authority
Revenue Bonds, Series 2020A-2
(Federally Taxable)

PURCHASE CONTRACT

[Pricing Date]

California Earthquake Authority
Chief Financial Officer
801 K Street, Suite 1000
Sacramento, California 95814

Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, Citigroup Global Markets Inc. (the “Representative”), acting on behalf of itself and the other underwriters named on the attached Schedule I to this Purchase Contract (collectively, the “Underwriters”), offers to enter into this Purchase Contract with the California Earthquake Authority (the “Authority”) and with the Treasurer of the State of California (the “State Treasurer”), acting as agent for sale on behalf of the Authority. This offer is made subject to the Authority’s and State Treasurer’s acceptance of this Purchase Contract on or before 11:59 p.m., California time, on the date set forth above and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice by the Representative delivered to the Authority and the State Treasurer at any time prior to the acceptance of this Purchase Contract by the Authority and the State Treasurer. Upon acceptance of this offer the Purchase Contract will be binding upon the Authority, the State Treasurer and the Underwriters. Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the meanings ascribed to such terms as set forth in the Preliminary Official Statement (defined herein).

Section 1. Upon the terms and conditions and upon the basis of the representations, warranties and covenants set forth in this Purchase Contract, the Underwriters, jointly and severally, agree to purchase from the State Treasurer, and the State Treasurer agrees to sell and deliver to the Underwriters, on behalf of the Authority, all (but not less than all) of the \$_____ aggregate principal amount of the Authority’s Revenue Bonds, Series 2020A-2 (Federally Taxable) (the “Bonds”).

The Bonds shall be dated their date of delivery and shall mature on the dates and in the amounts and bear interest at the rates per annum set forth in Schedule II attached hereto. The aggregate purchase price for the Bonds shall be as set forth in Schedule III attached hereto, with the

payment for and delivery of the Bonds to be made pursuant to Section 11 of this Purchase Contract (such payment and delivery and the other actions contemplated to take place at the time of such payment and delivery being sometimes referred to herein as the “Closing”).

Section 2. The Underwriters acknowledge receipt of the Authority’s Preliminary Official Statement, dated _____, 2020, relating to the Bonds (including the cover page and all appendices thereto, the “Preliminary Official Statement”) and the Authority agrees to deliver or cause to be delivered to the Underwriters the final Official Statement relating to the Bonds dated the date hereof as provided in Section 8 of this Purchase Contract (including the cover page and all appendices thereto and as may be amended and supplemented from time to time pursuant to this Purchase Contract, the “Official Statement”). The Authority has “deemed final” the Preliminary Official Statement pursuant to Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”) except for the omission of certain information permitted to be omitted by such rule, as stated in the certificate of the Authority regarding the Preliminary Official Statement delivered to the Representative on the date thereof.

The Underwriters have reviewed the information in the Preliminary Official Statement and will review the information in the Official Statement when delivered, in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters have not guaranteed and will not guarantee the accuracy or completeness of such information. The Underwriters have not notified the State Treasurer or the Authority of the need to modify or supplement the Preliminary Official Statement.

Section 3. The Bonds shall be issued and secured under the provisions of California Insurance Code Sections 10089.5 through 10089.54 (the “CEA Act”), a resolution of the Authority adopted on _____, 2020, and the Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust (collectively, the “Indenture”), each dated as of February 1, 2020 by and between the Authority and U.S. Bank National Association, as trustee thereunder (the “Trustee”). The Bonds shall be issued in the form as described in the Indenture and shall be payable and subject to redemption as set forth in the Indenture. The redemption provisions for the Bonds in the Indenture shall conform in all material respects with the redemption provisions set forth in Schedule II attached hereto and set forth in the Official Statement. The Bonds shall be legal, valid and binding obligations of the Authority to the extent provided in the Indenture, payable solely from Pledged Revenue and Debt Service Deposits (as defined in the Indenture). Net proceeds of the Bonds (being the principal amount of the Bonds less the underwriting discount) will be held by the Authority in its 2020 Claim-Paying Account to enhance the Authority’s claims-paying capacity.

The Authority will undertake, pursuant to a Continuing Disclosure Certificate, dated as of [Closing Date] (the “Continuing Disclosure Certificate”), to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12. The form of the Continuing Disclosure Certificate is set forth as Appendix E to the Preliminary Official Statement and the Official Statement.

Section 4. The Representative has delivered a deposit in the form of a wire transfer (in immediately available funds) to a financial institution for the account of the Authority in an amount equal to \$ _____. Such deposit has been delivered by the Underwriters as security for the performance by the Underwriters of their obligations to purchase, accept delivery of and pay for the Bonds at Closing. Upon acceptance of this offer by the Authority and the State Treasurer, the

Authority may draw upon such deposit and invest the proceeds of the deposit for its account. At the Closing, the Underwriters shall pay or cause to be paid the purchase price of the Bonds (as specified in Schedule III), less the amount of such deposit, without interest on such deposit. Should the Authority fail to deliver the Bonds at Closing, or should the State Treasurer or the Authority be unable to satisfy the conditions to the obligations of the Underwriters to accept delivery of and to pay for the Bonds, as set forth in this Purchase Contract (unless waived by the Underwriters), or should such obligations of the Underwriters be terminated for a reason permitted by this Purchase Contract, the Authority shall forthwith return the amount of such deposit within two business days, without interest, to the Underwriters. If the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and pay for any of the Bonds at the Closing as herein provided, such deposit shall be retained by the Authority as and for full liquidated damages for the failure of the Underwriters to accept delivery of and pay for the Bonds. The retention of such deposit shall constitute a full release and discharge of all claims and rights of the State Treasurer and the Authority against the Underwriters on account of such failure. The Underwriters, the Authority, and the State Treasurer understand that in such event the Authority's actual damages may be more or less than the amount of such deposit and the exact amount of actual damages will be difficult to ascertain. Accordingly, each of the Underwriters waives any right to claim that the Authority's actual damages resulting from such failure are less than the amount of such liquidated damages and the execution of this Purchase Contract by the State Treasurer and the Authority shall constitute a waiver of any right the State Treasurer or the Authority may have to additional damages from the Underwriters.

Section 5. The Underwriters have designated the Representative to act on behalf of the Underwriters with respect to this Purchase Contract. The Representative hereby represents, warrants, and covenants to the Authority and the State Treasurer that (a) it is duly authorized to execute this Purchase Contract on behalf of the Underwriters and to take all actions required or permitted to be taken hereunder by or on behalf of the Underwriters, (b) any authority, discretion, or other power conferred upon the Underwriters by this Purchase Contract may be exercised by the Representative acting without any of the other Underwriters, and (c) the Representative shall promptly notify the Authority and the State Treasurer of the date when all of the Bonds have been sold.

Section 6. It shall be a condition to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be sold and delivered by the Authority to the Underwriters at Closing. The Underwriters agree to make an initial bona fide public offering of all of the Bonds, at the offering prices (or yields) set forth on Schedule II attached hereto. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriters.

Section 7. The Representative represents that there were no Bonds sold by the Underwriters in the initial offering to investors, the sale to whom would require registration under foreign law.

Section 8. (a) The Authority hereby authorizes the distribution of the Official Statement by the Underwriters in connection with the public offering and the sale of the Bonds. The Authority consents to the distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement, in electronic form, in connection with the offering of the Bonds. The Authority shall supply or cause to be supplied to the Underwriters, within seven (7) business days of the date of this Purchase Contract and in time to accompany any confirmation that requests payment from any customer, provided such business day is no later than one (1) business day prior to the Closing, the

Official Statement in the designated electronic format to allow the Underwriters to comply with Rule 15c2-12 and the applicable rules of the Municipal Securities Rulemaking Board (the “MSRB”). Each of the Underwriters hereby agrees that it will not send any confirmation requesting payment for the purchase of any of the Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Representative agrees to: (a) provide the State Treasurer and the Authority, by 5:00 p.m., California time, on the day this Purchase Contract is executed, with final pricing information on the Bonds and any other information necessary for the completion of the Official Statement; (b) promptly disseminate or cause to be disseminated to the Underwriters an electronic copy of the Official Statement, including any supplements thereto prepared by the Authority; (c) promptly file an electronic copy of the Official Statement, including any supplements prepared by the Authority, with the MSRB through its Electronic Municipal Market Access website, in each case, within one business day or receipt thereof; and (d) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

(b) From the date hereof until the earlier of twenty-five (25) days from the “end of the underwriting period” (as defined in paragraph (f)(2) of Rule 15c2-12) or the date when all of the Bonds have been sold by the Underwriters, if in the reasonable opinion of the Authority, Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), General Counsel to the Authority, or Norton Rose Fulbright US LLP (“Underwriters’ Counsel”), any event shall occur as a result of which it is necessary to amend or supplement the Official Statement so that it does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority, may, and if requested by the Representative will, forthwith prepare and furnish to the Underwriters in the electronic format designated by the MSRB an amendment of or supplement to the Official Statement (in form and substance satisfactory to Bond Counsel, General Counsel to the Authority and Underwriters’ Counsel,) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. For the period of time this section remains operative, the Authority will furnish to the Underwriters such information as the Underwriters may, in consultation with the Authority and the State Treasurer, from time to time reasonably request. The Authority may assume that the “end of the underwriting period,” for purposes of Rule 15c2-12, and the sale of all of the Bonds by the Underwriters, will occur on the date of Closing unless notified otherwise, in writing, by the Representative on the date of Closing. If the Representative notifies the Authority and the State Treasurer that the end of the underwriting period shall not occur on the date of Closing, the Representative shall promptly notify the Authority and the State Treasurer of the date when all Bonds have been sold by the Underwriters. After the earlier of twenty-five (25) days from the “end of the underwriting period” or the date when the Representative notifies the Authority and the State Treasurer that all of the Bonds have been sold by the Underwriters, the Authority will no longer be obligated to amend or supplement the Official Statement.

Section 9. The Authority represents to each of the Underwriters as follows, each such representation to be deemed made as of the date of this Purchase Contract unless otherwise stated:

(a) The Authority will furnish or cause to be furnished such information, execute or cause to be executed such instruments and take or cause to be taken such other reasonable action in cooperation with the Representative as the Representative may deem necessary in order to qualify the

Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States and other countries, as the Underwriters may designate and determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, however, that the foregoing will not require the Authority to register as a dealer or broker or to consent to service of process or to qualify as a foreign corporation in connection with such qualification in any foreign jurisdiction or to comply with any other requirements reasonably deemed by the Authority to be unduly burdensome in connection with the foregoing.

(b) The Authority is a duly constituted and validly existing public instrumentality of the State of California (the “State”) and has all necessary power and authority to issue the Bonds, to enter into this Purchase Contract, the Indenture and the Continuing Disclosure Certificate, to issue, sell and deliver the Bonds to the Underwriters as provided herein, and to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(c) The Authority has duly authorized the execution and delivery of this Purchase Contract, the Indenture, the Continuing Disclosure Certificate and the Bonds, has duly authorized the delivery of the Official Statement, and has duly authorized the performance of its obligations under this Purchase Contract, the Indenture, the Continuing Disclosure Certificate and the Bonds;

(d) This Purchase Contract, the Indenture, the Continuing Disclosure Certificate and the Bonds, upon due execution by the other parties hereto or thereto, will constitute legal, valid and binding obligations of the Authority, enforceable against it in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion and to the limitations on legal remedies against governmental entities of the State;

(e) The Authority is not in breach of or in default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Authority is a party or otherwise subject, which breach or default would in any way materially and adversely affect this Purchase Contract, the Indenture and the Continuing Disclosure Certificate, or the issuance of the Bonds, and no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default; and the execution and delivery by the Authority of this Purchase Contract, the Indenture and the Continuing Disclosure Certificate, and compliance with the provisions thereof or of the Indenture, and the issuance, sale and delivery of the Bonds will not materially conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree or any agreement or other instrument to which the Authority is a party or otherwise subject; nor will any such execution, delivery, issuance, sale or compliance result in the creation or imposition of any lien, charge, encumbrance or security interest of any nature whatsoever upon any of the revenues or assets of the Authority pledged to pay the principal of and interest on the Bonds, except as expressly provided or permitted by the CEA Act, the Indenture and the Bonds;

(f) Except as set forth in the Official Statement, no litigation is pending (with service of process having been accomplished) or, to the knowledge of the Authority, threatened against the Authority (a) to restrain or enjoin the collection of any of the Pledged Revenue under the Indenture or the pledge thereof, (b) in any way questioning or affecting any of the rights, powers, duties or

obligations of the Authority with respect to the Pledged Revenue under the Indenture, (c) to restrain or enjoin the execution or delivery of this Purchase Contract, the Bonds, the Indenture or the Continuing Disclosure Certificate, or performance under any of the Indenture and the Continuing Disclosure Certificate, or in any way questioning or affecting any authority for the issuance of the Bonds or enforceability of the Bonds, the Indenture, the Continuing Disclosure Certificate and this Purchase Contract, (d) in any way contesting the accuracy of the Official Statement or contesting or affecting the validity of this Purchase Contract, the Bonds, the Indenture or the Continuing Disclosure Certificate, or any other document, license, permit or approval necessary to the performance on its part under such documents or the proceeding or authority pursuant to which the Bonds will be issued and sold, or (e) in any way questioning or affecting any other agreement or instrument to which the Authority is a party, wherein an unfavorable decision or ruling with respect to any of the above would materially adversely affect the sale or issuance of the Bonds as contemplated by this Purchase Contract or the Indenture or which, in any way, would adversely affect the validity or enforceability of the Bonds, the Indenture, the Continuing Disclosure Certificate or this Purchase Contract or would materially adversely affect the collection of any of the Pledged Revenue under the Indenture or the pledge thereof;

(g) There is no litigation pending (with service of process having been accomplished) or, to the knowledge of the Authority, threatened against the Authority that may result in any material adverse change in the financial condition of the Authority;

(h) The Authority, the CEA Act, the Bonds, the Indenture and the Continuing Disclosure Certificate conform or, as applicable, will conform at Closing, to the descriptions thereof contained in the Official Statement, and the Bonds, when sold to the Underwriters as provided herein and issued and delivered in accordance with the Indenture, will be validly issued and outstanding special obligations of the Authority entitled to the benefits of the CEA Act and the Indenture;

(i) No consent, authorization or approval of, or filing or registration with, any governmental or regulatory office or body not already obtained is required to be obtained by the Authority for the execution and delivery of this Purchase Contract, the Bonds, the Indenture and the Continuing Disclosure Certificate, and, except as disclosed in the Official Statement, no consent, authorization or approval of, or filing or registration with, any governmental or regulatory office or body not already obtained by the Authority is required to be obtained by the Authority for the performance thereof; and

(j) As of its date, and as of the date hereof, the Preliminary Official Statement (excluding the information contained therein relating to the Underwriters, under the caption "Information Concerning Offering Registrations in Certain Jurisdictions Outside the United States" and The Depository Trust Company ("DTC") and its book-entry system) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(k) The Official Statement (excluding the information contained therein relating to the Underwriters, under the caption "Information Concerning Offering Registrations in Certain Jurisdictions Outside the United States" and DTC and its book-entry system) as of its date, and as of the date of Closing, will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) The Authority is not now, and has not at any time been, in default in the payment of principal of or interest on its bonds;

(m) The audited financial statements of the Authority included in Appendix A to the Official Statement do and will fairly present the financial position and results of operations of the Authority as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles applied consistently; and, there has been no material adverse change in the financial condition or results of operations of the Authority since December 31, 2018; and

(n) Except as otherwise disclosed in the Preliminary Official Statement, the Authority has not failed to comply in all material respects with any previous undertakings with regard to the Rule 15c2-12 to provide annual reports or notices of enumerated events in the past five years.

(o) The Authority will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Indenture.

Section 10. The State Treasurer represents to each of the Underwriters as follows, each such representation to be deemed made as of the date of this Purchase Contract unless otherwise stated:

(a) The State Treasurer has the requisite right, power and authority to enter into this Purchase Contract.

(b) At the date of Closing, this Purchase Contract (assuming due authorization, execution and delivery by and validity against the parties thereto other than the State Treasurer) will constitute the valid and binding obligations of the State Treasurer in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting the creditors' rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State.

Section 11. At 8:30 a.m., California time, on [Closing Date], or at such other time or on such earlier or later date as may be agreed upon by the Representative and the Authority, the Authority will, subject to the terms and conditions of this Purchase Contract, deliver or cause to be delivered to the Representative at such place or in such manner as may be mutually agreed upon, the documents required to be delivered pursuant to this Purchase Contract and the Underwriters will accept delivery of the Bonds in definitive form through the facilities of DTC and such documents and pay the purchase price of the Bonds as set forth in Schedule III of this Purchase Contract (less the amount of the deposit referred to in Section 4 of this Purchase Contract) by wire transfer in immediately available funds to the order of a financial institution, for the account of the Authority (or by such other form of payment in immediately available funds as shall have been mutually agreed upon by the Authority and the Representative). The Bonds in definitive form shall be evidenced by printed, typewritten, lithographed or word-processed Bonds in authorized denominations. The Bonds shall be credited immediately after such payment to the account of the Representative at DTC. It is anticipated that CUSIP identification numbers will be printed, typewritten, lithographed or word processed on the Bonds, but neither the failure to include a CUSIP identification number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the

Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract.

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC, in the form of a single fully registered Bond for each maturity of the Bonds. The Authority acknowledges that the services of DTC will be used initially by the Underwriters in order to permit the issuance of the Bonds in book-entry form, and agrees to cooperate fully with the Underwriters in employing such services. The Underwriters have advised the Authority and the State Treasurer that the Bonds will be made eligible for partial redemption to be treated by The Depository Trust Company in accordance with its rules and procedures, as a “pro rata pass-through distribution of principal.”

Not later than 10 days after the date of the Closing, the Representative (on behalf of the Underwriters) shall submit to the State Treasurer and the Authority the report(s) required by Section 1899.532 of Title 2 of the California Code of Regulations.

Section 12. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the Authority and of the State Treasurer contained herein and upon the performance by the Authority and the State Treasurer of their obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing. The Underwriters’ obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) the representations and warranties of the Authority and the State Treasurer contained herein shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing, as if made on the date of the Closing;

(b) at the time of the Closing, the Authority’s resolution authorizing the issuance of the Bonds and execution and delivery of the Indenture and the Continuing Disclosure Certificate shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except in any case as may have been disclosed to the Representative and not objected to by the Representative;

(c) (i) the Underwriters shall have the right to terminate their obligations to purchase the Bonds by written notification by the Representative to the State Treasurer and the Authority if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs that, in the reasonable judgment of the Representative, after consultation with the State Treasurer and the Authority, requires termination:

(1) any event shall occur or any circumstance shall exist that causes the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(2) any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds or obligations of the general character of the Bonds any material restriction not now in force or shall increase materially any restriction now in force with respect to the extension of credit by the Underwriters or charges to the net capital requirements of the Underwriters; or

(3) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which has the effect of requiring the Bonds to be registered under, or the sale thereof to be in violation of, the Securities Act of 1933, as amended (“Securities Act”), or has the effect of requiring the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (“Trust Indenture Act”), or, in each case, any law analogous thereto relating to governmental bodies;

(ii) the Underwriters shall have the further right to terminate their obligations to purchase the Bonds by written notification by the Representative to the State Treasurer and the Authority if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and in the reasonable judgment of the Representative, after consultation with the State Treasurer and the Authority, such event would have the effect of materially adversely affecting, directly or indirectly, the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds at the contemplated offering price(s) set forth in the attached Schedule II:

(1) any rating of the Bonds described herein shall have been downgraded or withdrawn by Fitch Ratings (“Fitch”) or Moody’s Investors Service (“Moody’s”); provided, that a change in outlook or placement on a “watch” list with respect to a rating shall not constitute a downgrade for purposes hereof;

(2) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and shall remain in force, or material disruption in commercial banking or securities settlement or clearances services shall have occurred;

(3) any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the Authority;

(4) there shall have occurred a material adverse effect on the financial markets of the United States resulting from any new material outbreak or escalation of hostilities or any domestic or international calamity or crisis; or

(5) the occurrence of one or more major, damaging earthquakes which, in the judgment of the Representative, after consultation with the Authority’s Chief Risk Officer and in reliance on loss estimates prepared by the Authority, will have a material adverse effect on the claim-paying ability of the Authority.

(d) at or prior to the Closing, the Representative shall have received each of the following documents:

(1) the Preliminary Official Statement and the Official Statement, together with any supplements or amendments thereto in the event the Preliminary Official Statement or the Official Statement has been supplemented or amended;

(2) certified copy of the resolution of the Authority;

- (3) executed counterparts of the Indenture;
- (4) an executed Continuing Disclosure Certificate;
- (5) an opinion of Bond Counsel, dated the date of Closing, relating to the Bonds, in substantially the form set forth in Appendix C to the Official Statement;
- (6) a letter from Bond Counsel, dated the date of Closing and addressed to the Representative on behalf of the Underwriters, to the effect that its respective opinion referred to in the immediately preceding subparagraph 5 may be relied upon by the Underwriters to the same extent as if such opinion were addressed to the Underwriters;
- (7) a supplemental opinion of Bond Counsel, dated the date of Closing and addressed to the Authority, the State Treasurer and the Representative on behalf of the Underwriters, to the effect that:
 - (i) this Purchase Contract has been duly executed and delivered, and (assuming due authorization, execution and delivery by the Representative and validity against the Underwriters) is a valid and binding agreement of, each of the Authority and the State Treasurer;
 - (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;
 - (iii) (A) the statements contained in the Preliminary Official Statement under the captions “THE SERIES 2020 BONDS,” “SECURITY FOR THE BONDS,” and “TAX MATTERS” and Appendix B – “SUMMARY OF THE INDENTURE” and in Appendix C “PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL”(excluding any financial and statistical data therein, any information marked as preliminary, subject to change, any information permitted to be omitted by Securities and Exchange Commission Rule 15c2-12 or otherwise left blank and any information describing the book-entry system therein and any material that may be included under such captions by reference to other documents), insofar as such statements expressly summarize certain provisions of the Indenture and the form and content of the final opinion of Bond Counsel are accurate in all material respects and (B) the statements contained in the Official Statement under the captions “THE SERIES 2020 BONDS,” “SECURITY FOR THE BONDS,” and “TAX MATTERS,” Appendix B – “SUMMARY OF THE INDENTURE” and in Appendix C – “PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL” (excluding any financial and statistical data therein and any information describing the book-entry system and any material that may be included under such captions by reference to other documents), in each case, insofar as such statements expressly summarize certain provisions of the Indenture and the form and content of the final opinion of Bond Counsel are accurate in all material respects.
- (8) an opinion of Hawkins Delafield & Wood, Disclosure Counsel, dated the date of Closing and addressed to the Underwriters in form and substance as set forth in Exhibit A hereto;

(9) an opinion of Underwriters' Counsel, dated the date of Closing and addressed to the Representative, in form and substance satisfactory to the Underwriters;

(10) a certificate of the Chief Financial Officer of the Authority, dated the date of the Closing, to the effect that, to the best of his knowledge, the representations and warranties of the Authority contained in this Purchase Contract are true and correct as of the date of the Closing as if made on such date; and except as disclosed in the Official Statement, there have been no adverse change of a material nature in the financial position or results of operations of the Authority since the date of the Preliminary Official Statement;

(11) a certificate of the State Treasurer dated the date of the Closing, executed on her behalf by any Deputy Treasurer, to the effect that the representations and warranties of the State Treasurer contained in this Purchase Contract are true and correct as of the date of the Closing as if made on such date;

(12) an opinion of General Counsel to the Authority, dated the date of Closing, and addressed to the Authority and the Representative on behalf of the Underwriters, to the effect that

(i) the Authority is a public instrumentality of the State, duly organized and validly existing pursuant the laws of the State;

(ii) the resolution of the Authority approving and authorizing the execution and delivery of the Indenture, the Continuing Disclosure Certificate and this Purchase Contract (collectively, the "Authority Documents") and the Bonds was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law with all public notice required by law and at which a quorum was present and acting throughout;

(iii) (a) the Authority has full right and lawful authority to execute and deliver the Authority Documents and the Bonds; (b) the Authority Documents and the Bonds have been duly authorized and executed on behalf of the Authority; and (c) the Authority Documents and the Bonds are the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principals relating to or limiting creditor's rights generally;

(iv) all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction over the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under the Indenture or any of its other obligations under the Indenture or under this Purchase Contract have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds;

(v) the execution and delivery of the Authority Documents and the Bonds and compliance with the provisions thereof, under the circumstances contemplated by thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(vi) except as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending (with service of process having been accomplished) or, to the knowledge of the Authority, threatened against the Authority: (a) to restrain or enjoin the collection of any of the Pledged Revenue under the Indenture or the pledge thereof, (b) in any way questioning or affecting any of the rights, powers, duties or obligations of the Authority with respect to the Pledged Revenue under the Indenture, (c) to restrain or enjoin the execution or delivery of this Purchase Contract, the Bonds, the Indenture or the Continuing Disclosure Certificate, or performance under any of the Indenture and the Continuing Disclosure Certificate, or in any way questioning or affecting any authority for the issuance of the Bonds or validity or enforceability of the Bonds or the Indenture, the Continuing Disclosure Certificate and this Purchase Contract, (d) in any way contesting the accuracy of the Official Statement or contesting or affecting the validity of any approval necessary to the performance on its part under such documents or the proceeding or authority pursuant to which the Bonds will be issued and sold, or (e) in any way questioning or affecting any other agreement or instrument to which the Authority is a party, wherein an unfavorable decision or ruling with respect to any of the above would materially adversely affect the sale or issuance of the Bonds as contemplated by this Purchase Contract or the Indenture or which, in any way, would adversely affect the validity or enforceability of the Bonds, the Indenture, the Continuing Disclosure Certificate or this Purchase Contract or would materially adversely affect the collection of any of the Pledged Revenue under the Indenture or the pledge thereof;

(vii) all references and descriptions, wherever occurring, in the Preliminary Official Statement and the Official Statement (including any appendix thereto) concerning California law, including but not limited to the CEA Act or any portion thereof, and including any description in the Preliminary Official Statement and the Official Statement concerning the application of the CEA Act or other provisions of California law, are accurate in all material respects; and

(viii) the Preliminary Official Statement, as of its date and as of the [Pricing Date], and the Official Statement, as of the date hereof and as of the Closing Date, including but not limited to the sections entitled “CALIFORNIA EARTHQUAKE AUTHORITY,” “SECURITY FOR THE BONDS,” “SOURCES AND USES OF FUNDS,” “POLICIES AND PREMIUMS,” “POLICY CLAIMS,” “SOURCES OF FUNDS TO PAY CLAIMS,” “LITIGATION AND ADMINISTRATIVE PROCEEDINGS,” “RISK FACTORS,” “FINANCIAL STATEMENTS,” “CONTINUING DISCLOSURE” and “AUTHORIZATION,” as well as Appendix E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” and the statements contained therein, insofar as they are within the knowledge of such counsel, were and are (as applicable) true and correct and fairly summarized and summarize (as applicable) the matters encompassed thereby to the extent such matters are described therein, and the Preliminary Official Statement and the Official Statement (excluding therefrom information under the caption “Information Concerning Offering Registrations in Certain Jurisdictions Outside the United States” and information concerning DTC and the book-entry system, and Appendices A, C, D and F thereto, as to which such counsel will

express no view, and financial, accounting, statistical or economic or demographic or earthquake data, or forecasts, numbers charts, tables, graphs, exhibits, projections, assumptions or expressions of opinion, or any management discussion or analysis, all of which such counsel may expressly exclude from the scope of such opinion and as to which such counsel need express no opinion or view) did not, does not and will not (as applicable) contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(13) letters indicating that the Bonds have received the ratings of “___” by Moody’s and “___” by Fitch;

(14) evidence of required filings with the California Debt and Investment Advisory Commission;

(15) a certificate of the Trustee, dated the date of Closing, to the effect that:

(i) the Trustee is duly organized and existing as a national banking association under the laws of the United States of America, in good standing under the laws of the State, and has the full power and authority to enter into and perform its duties under the Indenture and to execute and deliver the Bonds to the Representative pursuant to the terms of the Indenture;

(ii) the Trustee is duly authorized to enter into the Indenture;

(iii) the execution and delivery by the Trustee of the Indenture, and compliance with the terms thereof, will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, which conflict breach or default would materially adversely affect the ability of the Trustee to perform its obligations under the Indenture or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee;

(iv) exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee’s authority to perform a trust business (all of which routine filing, to the best of the Trustee’s knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Indenture or the execution and delivery of the Bonds; and

(v) there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee’s participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds and the Indenture

(16) consent of Plante & Moran LLC to include in the Preliminary Official Statement and the Official Statement the Authority's audited financial statements for the fiscal years ended December 31, 2018 and 2017;

(17) evidence of approval by the California Insurance Commissioner of the Authority entering into this Purchase Contract; and

(18) such additional legal opinions, certificates, instruments or other documents as Bond Counsel reasonably requests or as the Representative may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Contract and as of the date of the Closing, of the Authority's or of the State Treasurer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority or the State Treasurer on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority or the State Treasurer.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance reasonably satisfactory to the Authority, the State Treasurer, the Representative, Bond Counsel, and Underwriters' Counsel. If the State Treasurer and the Authority shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract (unless waived by the Underwriters) or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters, the Authority, nor the State Treasurer shall be under further obligation hereunder, except that: (i) the amount of the deposit referred to in Section 4 of this Purchase Contract shall be returned to the Underwriters by the Authority in accordance with Section 4 and (ii) the respective obligations of the Authority, the State Treasurer, and the Underwriters set forth in Section 13 of this Purchase Contract shall continue in full force and effect.

Section 13. (a) The Underwriters shall be under no obligation to pay any expenses incident to the performance of the Authority's or the State Treasurer's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Bond Counsel and Disclosure Counsel; (ii) expenses incurred on behalf of the Authority's or State Treasurer's employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees; (iii) the fees and disbursements of the Trustee and Trustee's counsel (if any), auditors, engineers, consultants or others retained by the State Treasurer, or the Authority in connection with the transactions contemplated herein; (iv) any fees charged by investment rating agencies for the rating of the Bonds; and (v) the fees of the municipal advisor to the Authority. The foregoing fees and expenses may, but are not required to, be paid from the proceeds of the Bonds in accordance with the Indenture.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, except as provided by the State Treasurer by agreement, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) all out-of-pocket disbursements and expenses incurred by the Underwriters in

connection with the offering and distribution of the Bonds; (iii) the fees and disbursements relating to the qualifications of the Bonds for sale under the securities or “Blue Sky” laws of various jurisdictions and the preparation of the “Blue Sky” Memoranda or Legal Investment Survey; (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters’ Counsel, the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review, and (v) the fee of the California Debt and Investment Advisory Commission (notwithstanding that such California Debt and Investment Advisory Commission fees are solely the legal obligation of the Underwriters, the Authority agrees to reimburse the Underwriters for such fees).

Section 14. Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing to:

Office of the State Treasurer
Public Finance Division
915 Capitol Mall, Room 261
Sacramento, California 95814
Attention: Blake Fowler

California Earthquake Authority
801 K Street, Suite 1000
Sacramento, California 95814
Attention: Chief Financial Officer

Representative:

Citigroup Global Markets Inc.
444 S. Flower Street, 27th Floor
Los Angeles, California 90071
Attention: Christopher Mukai, Managing Director

Section 15. This Purchase Contract shall constitute the entire agreement between the parties hereto with respect to the Bonds and is made solely for the benefit of the Authority, the State Treasurer and the Underwriters (including the successors or assigns of any Underwriter), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the Authority’s and State Treasurer’s representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriters; (ii) delivery of and payment for the Bonds, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 16. If any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 17. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 18. (a) This Purchase Contract shall be governed by and interpreted under the laws of the State of California.

(b) Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to this Purchase Contract, the Preliminary Official Statement or the final Official Statement or any document relating hereto or thereto shall be brought in the courts of the State located in the County of Sacramento and, by execution and delivery of this Purchase Contract, the parties hereto consent to and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum nonconveniens, which they may now or hereafter have to the bringing of any such action or proceedings in such jurisdiction.

Section 19. The Authority, the Treasurer, and the Underwriters acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction among the Authority, the Treasurer, and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as an agent, advisor or fiduciary of the Authority or the Treasurer; (ii) the Underwriters have not assumed (individually or collectively) any advisory or fiduciary responsibility to the Authority or the Treasurer with respect to this Purchase Contract, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters or any affiliate of the Underwriters have provided other services or are currently providing other services to the Authority or the Treasurer on other matters); (iii) the only contractual obligations the Underwriters have to the Authority and the Treasurer with respect to the transactions contemplated hereby are those set forth in this Purchase Contract; (iv) the Underwriters have financial and other interests that differ from those of the Authority and the Treasurer and (v) the Authority, the Treasurer, and the Underwriters have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in the foregoing paragraph is intended to limit the Underwriters' obligations of fair dealing under MSRB Rule G-17.

[Remainder of page intentionally left blank.]

Section 20. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the Authority and the State Treasurer and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

**CITIGROUP GLOBAL MARKETS INC.,
AS REPRESENTATIVE OF THE
UNDERWRITERS**

By: _____
Authorized Signatory

Accepted at _____ a.m./p.m. PT this ___
day of February 2020

**TREASURER OF THE STATE OF
CALIFORNIA**

By: _____
Deputy Treasurer
For California State Treasurer Fiona Ma

CALIFORNIA EARTHQUAKE AUTHORITY

By: _____
Chief Financial Officer
California Earthquake Authority

CALIFORNIA EARTHQUAKE AUTHORITY
REVENUE BONDS, SERIES 2020A-2
(Federally Taxable)
PURCHASE CONTRACT

SCHEDULE I
(to Purchase Contract)

List of Underwriters

Senior Managing Underwriter

Citigroup Global Markets Inc.

Co-Senior Managing Underwriters

Goldman, Sachs & Co.
J.P. Morgan Securities LLC

Co-Managing Underwriters

[TO COME]

SCHEDULE II
(To Purchase Contract)

**[\$Principal Amount]
California Earthquake Authority
Revenue Bonds, Series 2020A-2
(Federally Taxable)**

Principal Amount	Interest Rate	Priced to Yield	Maturity Date
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\$ _____ % Term Bond Due _____, Priced to Yield ____%

Redemption Provisions

[to come]

SCHEDULE III
(to Purchase Contract)

PRINCIPAL AMOUNT, UNDERWRITERS' DISCOUNT AND PURCHASE PRICE

SERIES	PAR AMOUNT	UNDERWRITERS' DISCOUNT	PURCHASE PRICE ¹
2020	\$		

¹ There will be credited toward the aggregate purchase price of the Bonds at Closing the amount of the deposit made pursuant to Section 4 of this Purchase Contract.

EXHIBIT A
FORM OF DISCLOSURE COUNSEL OPINION

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed as of _____, 2020, by the California Earthquake Authority (the “Authority”) in connection with the issuance by the Authority of \$ _____ aggregate principal amount of California Earthquake Authority Revenue Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of [Dated Date], as supplemented by the First Supplemental Indenture, dated as of [Dated Date] (hereinafter collectively referred to as the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Authority hereby covenants and agrees as follows:

SECTION 1. Nature of the Disclosure Certificate. This Disclosure Certificate is executed for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds from time to time, and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below), but this Disclosure Certificate (i) shall not be deemed to create any monetary or other liability on the part of the State of California and (ii) shall not be deemed to create any monetary liability of the Authority to any other persons, including Holders or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used but not defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean the Annual Report filed by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” shall mean any Person listed on the registration books of the Trustee as the registered owner of any Bonds.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” shall mean the official statement relating to the Bonds, dated _____, 2020.

“Participating Underwriter” shall mean any original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2–12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, not later than September 30 of each year in which the Bonds are outstanding, commencing with the report containing 2019 Fiscal Year financial information, submit an Annual Report consistent with the requirements of this Disclosure Certificate (an “Annual Report”) to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information both as prescribed by the MSRB; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the submission to the MSRB of the Annual Report if the audited financial statements are not available by that date. The Authority shall make available a copy of any Annual Report to any person who requests a copy at a cost not exceeding the reasonable cost of duplication and delivery.

(b) If in any year the Authority does not submit the Annual Report to the MSRB by the date specified above, the Authority shall instead submit a notice to the MSRB through the EMMA System stating that the Annual Report has not been timely completed and, if known, stating the date by which the Authority expects to submit the Annual Report.

(c) The Authority (or if a Dissemination Agent other than the Authority has been appointed, the Dissemination Agent) shall:

1. provide a report to the Trustee certifying that the Annual Report has been submitted pursuant to this Disclosure Certificate and listing the dates of the submittals; and
2. take any other actions mutually agreed to between the Dissemination Agent and the Trustee.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the Authority for the fiscal year ended on the most recent December 31, of the type included in the Official Statement. If the Authority’s audited financial statements are not available by the date the Annual Report is required to be submitted pursuant to this Disclosure Certificate, the Annual Report shall contain or include by reference the most recent unaudited annual financial statements available to the Authority, and the audited financial statements shall be submitted in the same manner as the Annual Report when and if they become available.

(b) Other financial information and operating data as follows: (a) an updated table of Pledged Policyholder Premiums; (b) an updated table of claim payments made by the Authority; and (c) an updated table depicting the Authority’s claim-paying capacity.

The Annual Report may consist of one or more documents. Any or all of the items listed above may be included in the Annual Report by reference to other documents that the Authority has submitted to the MSRB through the EMMA System, including any final official statement (in which case such final official statement must also be available from the MSRB through the EMMA System). The Authority shall clearly identify in the Annual Report each such document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes, including a change in the financial strength rating of the Authority issued by A.M. Best Company; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. Modifications to rights of the Owners of the Bonds;
3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee;
8. Incurrence of a Financial Obligation of the Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders.

(c) The Authority shall timely submit a notice of the occurrence of a Listed Event, as required under applicable federal securities laws, to the MSRB through the EMMA System.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under Section 3, 4 and 5 of this Disclosure Certificate shall terminate, with respect to any of the Series 2020 Bonds, upon the final maturity, legal defeasance, prior redemption or acceleration of such Series 2020 Bonds.

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out the obligations under this Disclosure Certificate, and the Authority may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Authority. If at any time there is not an Authority-appointed or Authority-engaged Dissemination Agent, the Authority shall be the Dissemination Agent. The Dissemination Agent (if not the Authority) shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend or waive any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or a change in the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of 60% of the Bonds outstanding or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds. The Authority may amend this Disclosure Certificate without approval by the Holders to the extent permitted by rule, order or other official pronouncement of the SEC.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Authority shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment or waiver relates to a change of the accounting principles to be followed by the Authority in preparing its financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is effective should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and the financial statements as prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of dissemination or communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event in addition to the information that is specifically required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to the information that is specifically required by this Disclosure Certificate, the Authority shall not have any obligation under this Disclosure Certificate to update such information or include it in any Annual Report or future notice of occurrence of a Listed Event.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity (except the right of the Trustee or any Holder or Beneficial Owner to enforce the provisions of this Disclosure Certificate on behalf of the Holders). This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based on the Rule.

SECTION 11. Partial Invalidity. If any one or more of the agreements or covenants, or portions thereof, required by this Disclosure Certificate to be performed by or on the part of the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants, or such portions of either or both, shall be null and void and shall be deemed separable from the remaining agreements and covenants, or portions thereof, and shall in no way affect the validity of, and the Holders of the Bonds shall retain all the benefits afforded to them under, this Disclosure Certificate. The Authority hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase of this Disclosure Certificate, irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases of this Disclosure Certificate, or the application thereof to any person or circumstance, may be held to be unconstitutional, unenforceable, or invalid.

SECTION 12. Governing Law. The laws of the State of California shall govern this Disclosure Certificate, the interpretation of this Disclosure Certificate, and any right or liability arising under this Disclosure Certificate. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced, or prosecuted in the Superior Court of California, County of Sacramento, California.

IN WITNESS WHEREOF, the Authority has executed this Disclosure Certificate as of the date first above written.

CALIFORNIA EARTHQUAKE AUTHORITY

By _____

CALIFORNIA EARTHQUAKE AUTHORITY

RESOLUTION ADOPTED BY THE CALIFORNIA EARTHQUAKE AUTHORITY GOVERNING BOARD ON JANUARY 30, 2020, AUTHORIZING THE CALIFORNIA EARTHQUAKE AUTHORITY TO ISSUE AND SELL REVENUE BONDS IN 2020 ON SUCH TERMS AND CONDITIONS AS THE STATE TREASURER MAY APPROVE AS AGENT FOR SALE OF THE REVENUE BONDS, UNDER THE AUTHORITY OF INSURANCE CODE SECTIONS 10089.7 AND 10089.10.

WHEREAS, the California Earthquake Authority (the “Authority”) is a public instrumentality of the State of California, duly organized and operating pursuant to Chapter 8.6 of Part 1 of Division 2 of the California Insurance Code (the “Act”);

WHEREAS, it is necessary and desirable and in the best interests of the Authority to expand the capacity of the Authority for writing earthquake coverage by entering into one or more capital-markets contracts pursuant to Sections 10089.7 and 10089.10 of the Act, which provide and establish conditions for, *inter alia*, the purchase and sale of revenue bonds of the Authority (the “2020 Bonds”); and

WHEREAS, Section 10089.7 of the Act provides that the Authority may issue bonds payable from and secured by the Authority’s pledge of all or any part of the Authority’s revenues to finance activities authorized by the Act and sell those bonds at public or private sale in the form and on those terms and conditions as the State Treasurer shall approve; and

WHEREAS, Section 10089.10 of the Act provides *inter alia* that on prior approval of the California Insurance Commissioner, the Authority, through the State Treasurer, shall enter capital markets contracts on such terms as the Governing Board of the Authority and the State Treasurer may consider reasonable and appropriate; and

WHEREAS, it now appears reasonable, appropriate, and necessary for the Authority to issue and sell the 2020 Bonds to provide claim-paying capacity for the Authority;

WHEREAS, the Governing Board has heard and discussed the Authority staff’s presentations and related written material about the proposed issuance and sale of the 2020 Bonds; and

WHEREAS, the public has been given an opportunity to make comments and suggestions on the subjects of this resolution, after having received the notice required by law of its opportunity to do so.

ACCORDINGLY, IT IS RESOLVED by the Authority, acting by and through its Governing Board at a meeting duly convened and held on January 30, 2020, that:

Section 1. The Authority is authorized to enter into one or more capital-markets contracts in substantially the form presented to the Governing Board at this meeting for the purchase and sale of up to \$700,000,000 principal amount of 2020 Bonds, in one or more series, in a negotiated sale to one or more underwriters selected by the State Treasurer, at prices and on terms approved by the State Treasurer, provided that the true interest cost of the 2020 Bonds may not exceed 3.0%.

Section 2. The Authority is authorized to enter into an Indenture of Trust with U.S. Bank National Association, as Trustee, a First Supplemental Indenture of Trust with U.S. Bank National Association, as Trustee, and a Second Supplemental Indenture of Trust with U.S. Bank National Association, as Trustee (collectively, the “Indenture”), in substantially the forms presented to the Governing Board at this meeting, with such changes, omissions, and additions as the chief financial officer and the general counsel of the Authority shall authorize, and the dates, interest rates, maturity dates, the revenues pledged to the 2020 Bonds, and all other terms of the 2020 Bonds shall be as provided in the Indenture.

Section 3. The Authority is authorized to prepare and distribute an official statement for the 2020 Bonds, in preliminary and final form, in substantially the form presented to the Governing Board at this meeting, with such changes, omissions, and additions and supplements as the chief financial officer and the general counsel of the Authority shall authorize.

Section 4. The Governing Board hereby authorizes the chief executive officer, the chief financial officer, and the general counsel of the Authority, and each of them, to work with all relevant and appropriate parties to negotiate and enter into the documents and agreements referred to in this resolution and any additional documents and agreements and any certificates, instructions, orders, representations and requests that are necessary or appropriate to complete the issuance and sale of the 2020 Bonds pursuant to this resolution and to effect the application of the proceeds thereof as authorized by the Indenture and contemplated by the related official statement.

Section 5. The Governing Board finds that the issuance and sale of the 2020 Bonds pursuant to this resolution are on terms the Governing Board considers reasonable and appropriate and in accordance with (a) the authority of the Governing Board pursuant to, *inter alia*, Section 10089.7 of the Act, and (b) both the intent and the framework of Section 10089.10, subdivisions (b) and (c), of the Act.

Section 6. All actions taken to date to accomplish the foregoing are hereby ratified, confirmed, and approved.

Section 7. The chief executive officer, the chief financial officer, and the general counsel of the Authority, and each of them acting alone, are hereby authorized and directed to do any and all things that they deem necessary or advisable in order to implement the foregoing.

Section 8. To the extent that this resolution conflicts with the provisions of any prior Authority action, the provisions of this resolution will govern.

APPROVED AS TO FORM

Tom Welsh
General Counsel

PASSED AND ADOPTED BY THE GOVERNING BOARD OF THE CALIFORNIA EARTHQUAKE AUTHORITY, THIS 30TH DAY OF JANUARY, 2020, BY THE FOLLOWING VOTE:

PRESENT (STRIKE OUT VOTING MEMBERS (OR THEIR DESIGNEES) NOT PRESENT):

- Governor Newsom
- Treasurer Ma
- Insurance Commissioner Lara

AYES:

NOES:

ABSTAIN:

ABSENT:

CALIFORNIA EARTHQUAKE AUTHORITY
CERTIFICATE REGARDING RESOLUTION

I hereby certify:

1. We are the Chief Executive Officer and Chief Financial Officer of the California Earthquake Authority (the “Authority”), respectively; we are familiar with the facts we certify in this Certificate Regarding Resolution; and we are authorized and qualified to certify those facts;
2. The Governing Board of the Authority duly adopted the foregoing resolution;
3. The foregoing resolution has not been amended, modified, supplemented, rescinded or repealed; and
4. The foregoing resolution is in full force and effect as of this date.

Date: January 30, 2020

Glenn A. Pomeroy, Chief Executive Officer

Tom Hanzel, Chief Financial Officer



CEA GOVERNING BOARD MEETING DATES FOR - 2020

January 30, 2020 – Thursday

March 12, 2020 – Thursday

June 11, 2020 – Thursday

September 10, 2020 – Thursday

December 10, 2020 – Thursday

CEA ADVISORY PANEL MEETING DATES FOR - 2020

None scheduled at this time

[IMPORTANT NOTE: *This schedule is for future meetings that have been proposed and approved by the respective bodies named. Meeting dates, times, and locations are subject to change. The final dates, times, and locations will be announced on official Public Notice, issued by the CEA 10 or more days before the date of the meeting. Public Notices are also posted on the CEA Web site www.EarthquakeAuthority.com*]