

Memorandum

TO: DANIEL Y. SUMNER, ESQ.
General Counsel

CC: JENNIFER MONTERO
Chief Financial Officer

FROM: ALBERT A. DEL CASTILLO, ESQ.
Greenberg Traurig, P.A.

DATE: May 26, 2020

RE: IMPLEMENTATION OF COASTAL ACCOUNT NEW MASTER TRUST
INDENTURE

Set forth below is a summary of the background of the Coastal Account's new Master Trust Indenture ("MTI") and the few action items required to implement the same. As explained below, all necessary approvals from Citizens' Board of Governors (the "Board") and the Office of Insurance Regulation ("OIR") were obtained in April 2015. Accordingly, no further official action is required by the Board or OIR.

1. The Coastal Account's existing Trust Indenture, as amended and supplemented over time (the "1997 Trust Indenture") has been in place since it was approved, executed and delivered by the Florida Windstorm Underwriting Association ("FWUA") in 1997.
2. In 2015, Citizens decided to amend and restate in its entirety the 1997 Trust Indenture with a modernized trust indenture that would be more user-friendly, would contain a number of changes Citizens had identified over the years as being desirable, and would allow Citizens to eliminate the Pledge, Security and Trust Agreement (the "PSTA") that was put in place by FWUA in 1997. (A copy of the MTI is attached.)
3. The new Coastal Account MTI was approved by the Board in 2015, at the time Citizens approved the issuance of its Coastal Account Series 2015A Bonds. Section 13 of the Bond Resolution adopted by the Board on April 7, 2015 (the "2015 Bond Resolution") expressly approved the form of the MTI and authorized the execution and delivery thereof at such time as no Coastal Account bonds were outstanding the holders of which had not consented to the MTI. (See Section 13 of attached 2015 Bond Resolution.)
4. On April 9, 2015, OIR issued an order approving the Coastal Account Series 2015A Bonds and also approving the Coastal Account's new MTI. (See attached OIR Order).

5. The MTI was described in the Official Statement for the Series 2015A Bonds and the purchasers of the Series 2015A Bonds were told that by virtue of their purchase of such bonds they consented (for themselves and any subsequent transferees) to the MTI. However, there were other Coastal Account bonds outstanding at the time of issuance of the Series 2015A Bonds which had not consented to the MTI. Therefore, the MTI could not be executed and delivered by Citizens until those bonds were no longer outstanding.
6. The last of the outstanding Coastal Account bonds that did not consent to the MTI are the Series 2011A-1 Bonds. Those bonds will be paid in full on June 1, 2020. Thus, the MTI can be executed and delivered by Citizens on or after June 2, 2020. Once the MTI is executed and delivered, the 1997 Indenture and the PSTA will no longer be in effect, and future Coastal Account bonds will be issued under and secured by the MTI. (In case you are wondering, the Tenth Supplemental Trust Indenture pursuant to which the Series 2015A Bonds were issued provides that any Series 2015A Bonds that are outstanding at the time of execution and delivery of the MTI will, after the MTI is in effect, be deemed to have been issued under – and will be secured by - the MTI.)
7. The 2015 Bond Resolution also provided that, in connection with the new MTI, Citizens would appoint an entity to serve as Master Trustee. (See Section 13(c) of the 2015 Bond Resolution.) The Master Trustee was not named in the 2015 Bond Resolution because, as described in Paragraph 8. below, at the time of adoption of the 2015 Bond Resolution Citizens was in the beginning stages of a trustee selection process.
8. In April 2015, Citizens issued an RFP for selection of an entity to serve as trustee under both the existing 1997 Trust Indenture and the PLA/CLA Master Trust Indenture. The RFP provided that the entity selected as trustee would serve a five-year term with an optional two-year renewal - a total term of seven years if Citizens exercised the two-year renewal option. As a result of the RFP process, in September 2015, the Board approved Regions Bank to serve as trustee. The contract for trustee services was executed by the parties in December 2015. (See attached contract between Citizens and Regions Bank.)
9. At the time Citizens went through the RFP process to select a new trustee for the Coastal Account and PLA/CLA indentures, it knew the Coastal Account Series 2011A Bonds would fully mature on June 1, 2020 – and the expectation was that the MTI would become effective on or shortly after June 2, 2020.
10. At any time on or after June 2, 2020, Citizens may execute and deliver the MTI. Prior to execution thereof, the MTI needs to be completed, as certain information was left blank at the time the MTI was approved by the Board in 2015. The missing information can be provided by any of the Citizens officials named in the 2015 Bond Resolution. (See Sections 13 and 15 of the 2015 Bond Resolution.)
11. As a result of (i) the 2015 Bond Resolution already approving the form of the MTI and the execution and delivery thereof, (ii) the OIR Order also approving the MTI and (iii) the trustee selection process undertaken by Citizens in 2015, the MTI can be executed and

delivered on or after June 2, 2020, with Regions Bank as Master Trustee, without any further official action required by the Board or OIR. Pursuant to Sections 13 and 15 of the 2015 Bond Resolution, Citizens' authorized officers can finalize the MTI and execute and deliver the same.

12. Within ten business days after execution and delivery of the MTI, Citizens will need to file a continuing disclosure "event" notice on EMMA describing, among other things, the amendment and restatement of the 1997 Indenture through the MTI.

I hope the foregoing summary is helpful. Please let me know if you have any questions.

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