

KERN REGIONAL CENTER

3200 N. Sillect Avenue • Bakersfield, CA 93308 • (661) 327-8531

Board of Directors Meeting

6:30 p.m. – 8:00 p.m.

KRC Malibu Conference Room

3300 N. Sillect Ave.

Bakersfield, CA 93308

MINUTES

May 28, 2019

Present Board Members:

Oscar Axume

Nickole Mensch

Kevin Gosselin

Martin Vasquez

Mitzi Villalon

Quanah Mason

GENERAL BUSINESS

1. Executive Session

2. Call to Order and Introductions

The meeting was called to order at approximately 6:30 p.m. by Oscar Axume. It was determined that a quorum was present.

3. Approval/Additions to Agenda

A. Regular Meeting of the Board of Directors Agenda dated May 28, 2019.

M/S/C – (Mason/Villalon) to approve the agenda for the meeting of May 28. 6-0-0.

4. Meeting Minute Approval

A. Minutes of the Regular Meeting of the Board of Directors held April 23, 2019.

M/S/C – (Vazquez/Gosselin) to approve minutes of the regular meeting of the Board of Directors of April 29, 2019 with a correction: remove Quanah from list of attendees and section 5b modified to be included in section 6a. 6-0-0.

5. Public Input

A. **Terrance Arch** stated that the lack of transportation in East Kern County is affecting the families and consumers. He would like to highlight to the Board the importance of transportation in East Kern and the great effect it has on the families.

UNFINISHED BUSINESS

REPORTS

6. Board President Report

A. Peter Evans and Russ Trice provided the Board with information on the Bond Refinance. See **Attachment 1, 2, 3 & 4**. They estimate an saving threshold of \$6 million.

- a. Motion to adopt resolution as set forth on the agenda. **M/S/C** – (Villalon/Mason) to adopt the resolution of the Board of Directors of Kern Regional Center approving the form and authorizing the preparation of a Preliminary Official Statement, a First Amendment to Office Lease with the Developmental Services Support Foundation concerning Kern regional Center’s headquarters, a Continuing Disclosure Agreement, and authorizing and directing certain actions with respect thereto. 6-0-0.
- B. The Nominating Committee would like to recommend Simon Verdugo as a new Board Member. **M/S/C** – to appoint Simon Verdugo to the Board (Axume/Mensch) 6-0-0.

7. Client Representative

No Report.

8. Financial Report

- a. Tom Wolfram provided the financial reported. Please see **Attachment 5**.
- b. This report is as of April of 2019.
- c. Purchase of Services as of the end of April: KRC has paid providers \$137 million out of an allocation of \$186 million.
- d. CFO, Tom Wolfram, projects that from May to June, KRC will spend another \$19 million.
- e. Providers will sometimes not bill for up to 2 years; this sets off the purchase of services numbers.
- f. Operations Budget is \$21.9 million for the year. \$19 million have been spent to date. It is projected that KRC will spend an additional \$2.8 million by the end of the year, leaving KRC with a total expenditure of \$21.9 million; with a deficit of \$18,000.
- g. KRC will cut back on spending for the next few months to try and cut the \$18,000 back.
- h. Attorney bills have set back the budget back more than anticipated.

9. Executive Director’s Report

- a. The DDS financial audit for fiscal years 16/17 and 17/18 started today. KRC had its entrance interview this afternoon.
- b. Getting closer to finalization of budget language; Social Recreation is still on the table. The senate and the assembly have voted on what they want to put forward.
- c. Call your legislators, advocate for restoration of Social Recreation.
- d. The senate is supporting an 8% across the board increase as a down payment on the rate study outcome. Service Providers desperately need this.
- e. There is also strong support for elimination of half day billing and the uniform holiday schedule.
- f. Please contact your legislators to advocate for any of the aforementioned topics if you support them.

10. Vendor Advisory Committee

- a. The Community Wellness Fair in Bakersfield and the Bishop Family Fun Day which occurred both on May 11th; both had great turn outs and are events we would like to hold again, but on different days.

- b. Michi and Cherylle both gave similar presentations as they did or will give tonight.
- c. Celia discussed the end of the fiscal year and the time consuming process of preparing new POSs and canceling out those not being utilized, and that SCs will be calling provides regarding some POSs. She also discussed the importance of getting all unbilled items submitted. She also spoke about Exceptional Family Center 12th Annual Spanish-Speaking Conference on June 8th. And She thoroughly addressed four prior issues the vendors expressed. Finally, she let us know that a new Case Management List is being prepared and should be distributed shortly.
- d. There was a discussion regarding Therap (TheirRap) and the mandatory electronic SIR training starting July 22. Effective August 1, 2019 it will be mandatory that all SIR be electronically submitted through Therap.
- e. The By-laws sub-committee would like to thank the Board for approving our Revised VAC By-Laws last month in my absence.
- f. The Law Enforcement sub-committee met and is working with Sandra Perez to put together a train the trainer course to assist law enforcement and providers on effectively dealing with individuals with disabilities that have issues involving law enforcement; they are also working on designating a specific individual, in law enforcement, that we could send our concerns directly to.
- g. The Employment sub-committee met prior to the VAC meeting and stated they plan to continue meeting at that time to discuss issues in the community, getting feedback and perhaps having experts in the employment arena do presentations for the VAC.
- h. The Transportation sub-committee met and were informed their direct contact at KRC is Lynn Clark, they provided sample letters that employer and employees should write to our Congressman and Congresswomen regarding the support for our community; of which I have samples of those letters if anyone is interested. They also discussed that the "Rider Policy" they've been working on is nearing completion but still needing to complete the Spanish portion before it can be distributed.
- i. Shawn White at PathPoint shared with us that PathPoint is submitting an Op-ed (a page of special features usually opposite the editorial page of a newspaper) to the Bakersfield Californian on "Keeping the Promise to the Developmentally Disabled Community". They are in the process of writing the final draft and wanted to offer the opportunity to other vendors in Kern County to co-sign on the submission. He needs all interested vendors to respond to him by this Thursday. If you are interested, please reach out to Shawn at: Shawn.White@pathpoint.org
- j. Vendor concerns / be reaching out to the Community Services Department:
 - Service Coordinator Training; and I will be reaching out to Shannon Lucke
 - How often should residential providers be getting call from SCs re: empty beds? Weekly/Monthly so if we can get clarification that would be great?
 - Should the KRC Brd Minutes/Agenda be posted on the KRC website prior to the Friday before? Timely issue?
- k. Upcoming Dates/Events:

- Central Valley Down Syndrome Summit on June 1st 7:00 – 3:30 p.m. at New Life Church’s Southwest, 4201 Stine Road
- Exceptional Family Center 12th Annual Spanish-Speaking Conference on June 8th 7:00 – 1:00 p.m. at Marriott
- Self Determination meeting on June 17th at 5:00 p.m. in Malibu Room
- KRC Vendor Faire on June 18th in the Malibu Room starting at 1:30 p.m.
- KRC Board meeting on June 25th at 6:30 – 8:30 p.m. in Malibu Room
- VAC meeting on July 23rd at 10:00 – 12:00 p.m. in the Malibu Room
- Therap Regional Conference July 30th from 9:00 – 5:00 p.m. in Fresno
- SLS Task Force meeting on August 7th at 10:00 a.m. in the Malibu Room
- KRC Annual Carnival on October 5th at Shriner's Noble Park
- SLS Task Force meeting on October 16th at 10:00 a.m. in the Malibu Room
- 28th Annual KRC VAC Luncheon on November 8th at DoubleTree
- On March 28th President Trump announced a reversal of the plans to cut funding from the Special Olympics
- The State of California officially recognizes May as Prader-Will Syndrome Awareness Month
- May is CalFresh Awareness Month CalFreshFood.org
- CalFresh, known federally as the Supplemental Nutrition Assistance Program or SNAP (previously Food Stamp Program), provides monthly food benefits to individuals and families with low-income and provides economic benefits to communities.
- Beginning June 1st many Supplemental Security Income (SSI) recipients will become eligible for CalFresh Food Benefits with NO CHANGE or reduction to SSI/SSP amounts.

11. Staff Report

A. Self Determination

- a. San Adreas Regional Center has vended Premier as their first FMS. Michael Bowers and Celia Pinal will work with families to get them transitioned into the slow roll out of self-determination.
- b. Almost 1,000 families were present at the Bishop Community Day.

- c. There were 34 community members with booths.
- d. The next Self Determination Committee meeting is scheduled for June 17th at 5:00 pm.

B. Community Placement Plan

- a. The home and community base waiver related to the final rule have released the 18/19 awardees.
- b. Kern Adult Program, Kern Residential Home and Path Point were awarded for the ACBS final rule.
- c. Escrow on the ongoing project closed on April 19th. KRC is currently working with the city and has asked the Department for a letter of support to move the project along.

C. Community Resource Development Plan

- a. Brilliant corners applied for this project. Cherylle is requesting that the Board waive the 30 days policy to review and to approve engagement with Brilliant Corners. KRC has until June 30th to encumber this funding. **M/S/C** – to waive the 30 days (Gosselin/Mensch) 5-0-1 (Villalon).
M/S/C – approve the CPP housing agreement with Brilliant Corners (Gosselin/Mensch) 5-0-1 (Villalon).
- b. KRC has been working on finding transportation for the Eastern Kern areas with no success. Families are reimbursed for transportation and the search is ongoing.
- c. KRC has hired a Dental Coordinator, Melanie Waters, and is working on a mobile dental clinic.
- d. KRC is still looking for an EBSH for two adult males.
- e. KRC will be posting an RFP for a Level 4I children’s home.

D. Service Standards – Day Care and Social Skills Training Update

- a. Service Standard were submitted to DDS on May 8th.

BOARD TRAINING

NEW BUSINESS

GOOD AND WELFARE

- a. Meeting is adjourned at approximately 7:43 p.m.

The next Regular Meeting of the Board of Directors is scheduled for Tuesday, May 28th, 2019, at 6:30 p.m. in the Malibu Conference Room at the Kern Regional Center.

Note: Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Administrative Assistant during regular business hours at 661-852-3360.

Respectfully submitted: _____
Eva Rocha

Action Items:

M/S/C – (Mason/Villalon) to approve the agenda for the meeting of May 28. 6-0-0.

M/S/C – (Vazquez/Gosselin) to approve minutes of the regular meeting of the Board of Directors of April 29, 2019 with a correction: remove Quanah from list of attendees and section 5b modified to be included in section 6a. 6-0-0.

M/S/C – (Villalon/Mason) to adopt the resolution of the Board of Directors of Kern Regional Center approving the form and authorizing the preparation of a Preliminary Official Statement, a First Amendment to Office Lease with the Developmental Services Support Foundation concerning Kern regional Center’s headquarters, a Continuing Disclosure Agreement, and authorizing and directing certain actions with respect thereto. 6-0-0.

M/S/C – to appoint Simon Verdugo to the Board (Axume/Mensch) 6-0-0.

M/S/C – to waive the 30 days (Gosselin/Mensch) 5-0-1 (Villalon).

M/S/C – approve the CPP housing agreement with Brilliant Corners (Gosselin/Mensch) 5-0-1 (Villalon).

RECORDING REQUESTED BY AND
WHEN RECORDED, MAIL TO:

Norton Rose Fulbright US LLP
555 South Flower Street, 41st Floor
Los Angeles, California 90071
Attention: Russell C. Trice, Esq.

(Space Above for Recorder's Use)

FIRST AMENDMENT TO OFFICE LEASE

BY AND BETWEEN

DEVELOPMENTAL SERVICES SUPPORT FOUNDATION, AS LESSOR,

AND

KERN REGIONAL CENTER, AS LESSEE

As of _____ 1, 2019

Relating to

\$ _____
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
REFUNDING REVENUE BONDS
(KERN REGIONAL CENTER PROJECT)
SERIES 2019

FIRST AMENDMENT TO OFFICE LEASE

THIS FIRST AMENDMENT TO OFFICE LEASE (this "Amendment"), which is dated and shall be effective as of _____, 2019 (the "Effective Date"), is entered into by and between DEVELOPMENTAL SERVICES SUPPORT FOUNDATION ("Lessor"), formerly known as "Developmental Services Support Foundation for Kern, Inyo and Mono Counties," a California nonprofit public benefit corporation organized and existing under the laws of the State of California (the "State"), and KERN REGIONAL CENTER ("Lessee"), a California nonprofit public benefit corporation organized and existing under the laws of the State.

RECITALS

WHEREAS, Lessor and Lessee previously entered into that certain Office Lease, dated as of May 1, 2009 (the "Lease") and recorded on May 14, 2009 as Document Number 0209070000 in the Official Records of the Office of the Kern County Recorder with respect to that certain improved real property located at 3200 and 3300 N. Sillect Avenue, Bakersfield, California, as further described in the Lease (the "Property"); and

WHEREAS, the improvements on the property include a two-story building consisting of approximately 24,742 rentable square feet, and a one-story building consisting of approximately 33,000 rentable square feet, as further described in the Lease (collectively, the "Premises"); and

WHEREAS, pursuant to the Lease, Lessee has leased the entire Premises for its use and occupancy; and

WHEREAS, Lessor and Lessee have previously cooperated to cause the California Municipal Finance Authority (the "Authority") to issue its Revenue Bonds (Kern Regional Center Project) 2009 Series A (the "2009 Bonds") to finance improvements to the Property by execution and delivery of the Lease; and

WHEREAS, pursuant to Section 45 of the Lease, the Lease may be amended by a written agreement signed by both Lessor and Lessee; and

WHEREAS, Lessor and Lessee desire to finance and refinance improvements to the Premises by executing and delivering this Amendment and causing the Authority to issue its Refunding Revenue Bonds (Kern Regional Center Project) Series 2019 (the "2019 Bonds"); and

Now, THEREFORE, in consideration of the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby amend the Lease and agree as follows:

1. Condition to Validity of Amendment. The validity of this Amendment is conditioned on the Authority's issuance and sale of the 2019 Bonds.

2. Premises (Lease §1.2). Subsections 1.2(a) and 1.2(b) of the Lease are hereby deleted in their entirety and replaced with the following:

“1.2 Premises. The Premises include (i) an approximately 33,000 rentable square foot building at 3200 North Sillect Avenue and (ii) an approximately 24,742 rentable square foot building at 3300 North Sillect Avenue (collectively, the “Buildings”). The Buildings are in the City of Bakersfield (the “City”), County of Kern, and State of California with zip code 93308, as more specifically described in Exhibit B-1 hereto. Lessee’s right to use and occupy the Premises includes, but is not limited to, all of the Buildings, all parking areas, the roofs, the exterior walls, the area above the dropped ceilings, and the utility raceways of both Buildings. The Premises also include the Property upon which the Buildings are located, along with any other buildings and improvements thereon or to be constructed thereon (and are sometimes collectively referred to herein as the “Project.”).”

3. Extension of Term; New Expiration Date (Lease §1.3). The Original Term is hereby extended until December 31, 2049, which is also the new Expiration Date. All references in the Lease and this Amendment to the “Original Term” means the Lease term as extended herein.

4. Rent Schedule (Lease §1.5). Effective on the Effective Date, the rent schedules and estimated operating expense payments referenced in Section 1.5 of the Lease and set forth on Exhibits A-1 and A-2 are hereby deleted in their entirety and replaced with the rent schedule set forth on Exhibit A attached hereto. The new rent schedule sets forth the rent for both Buildings. For purposes of clarification, the Operating Expenses noted on Exhibit A are estimates only; Lessee shall pay actual Operating Expenses whether they are less than or exceed the estimates set forth on Exhibit A.

5. Business Hours (Lease §1.12). Section 1.12 of the Lease is hereby deleted in its entirety and replaced with the following:

“**1.12 Business Hours.** Lessee shall have access to the Premises 24 hours per day, seven days per week; provided, that Lessor may limit access to the Premises if required by law or for safety reasons upon reasonable notice to Lessee. Lessor shall not unreasonably restrict access to the Premises.”

6. Vehicle Parking (Lease §2.6). Section 2.6 of the Lease (including clauses (a), (b), (c) and (d) thereof), is hereby deleted in its entirety and replaced with the following:

“**2.6 Vehicle Parking.** Lessee shall be entitled to use all parking areas and parking spaces in the Project at all times for parking and any other lawful purpose. All parking spaces and parking areas are provided free of charge to Lessee.”

7. No Common Areas; No Rules and Regulations (Lease §§2.7-2.10). Because Lessee has the exclusive right to occupy the entirety of the Project, there are no Common Areas in the Project. Rather, the areas defined in Lease Section 2.7 as Common Areas are part of the Premises. As such, (i) Lease Sections 2.7 through 2.10 (which discuss the Common Areas and their use and regulation), and all subsections thereof, are hereby deleted in their entirety and

(ii) the Rules and Regulations attached as Exhibit “C” to the Lease are hereby deleted in their entirety. All other references in the Lease to “Common Areas” mean portions of the Premises.

8. Property Manager (Lease §2.11). If Lessor appoints a Property Manager, Lessor shall pay for such services, and shall not pass on such cost as an Operating Expense. As such, the last sentence of Subsection 2.11 (“*Lessor reserves the right...as an Operating Expense*”) is hereby deleted.

9. Operating Expenses (Lease §7.3). The provisions of Section 7.3 of the Lease pertaining to Lessee’s payments with respect to Operating Expenses are hereby supplemented as follows:

Energy Saving Devices. Lessor hereby grants to Lessee the right and option to install solar panels and other energy savings devices and equipment (collectively, the “Energy Saving Devices”) anywhere within the Project, including but not limited to the roofs of the Buildings or either of them, on the following conditions: (i) Lessor shall have no responsibility for any of the costs to install, maintain, repair or replace the Energy Saving Devices; (ii) Lessor shall reasonably cooperate with Lessee, including executing permits and other documents as may be necessary or convenient for the installation of the Energy Saving Devices, at no out-of-pocket cost to Lessor; and (iii) Lessee shall hold harmless, indemnify and defend Lessor from any loss or liability of any nature relating to the installation, use, maintenance, repair, and replacement of the Energy Saving Devices.

10. Utilities and Services (Lease §11). Sections 11.1 through 11.4 of the Lease are hereby deleted in their entirety and replaced with the following:

“**11.1. Utilities and Services.** Lessee shall arrange for, and shall pay directly to the appropriate supplier where applicable the cost of, all natural gas, electricity, sewer service, telephone, water, refuse disposal, and other utilities and services supplied to the Premises, and shall be responsible for arranging and paying for all janitorial and landscaping services provided to the Premises.”

11. Reservations (Lease §41). Section 41 of the Lease (including subsections (a) and b) thereof), is hereby deleted in its entirety and replaced with the following:

“**41. Reservations.** Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the access or use of the Premises by Lessee or its invitees. Lessor shall not take any of the following actions without first obtaining Lessee’s consent: (i) change the name, address or title of the Buildings or Project; or (ii) place any signs, notices or displays upon the roof, exterior of the Buildings or otherwise within the Project. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Buildings by third parties shall in no way affect this Lease or impose any liability upon Lessor.”

12. Maintenance, Repair and Replacement Fund. As of the Effective Date, Lessor holds the sum of Four Hundred and Fifty Thousand Dollars (\$450,000.00) in a maintenance, repair and replacement fund (the “MR&R Fund”) for the benefit of the Premises. During the Term, Lessee may periodically incur costs in excess of \$15,000 to maintain, repair or replace portions of the Buildings and other improvements within the Project (the “MR&R Costs”). In such event, Lessee may request Lessor to approve or pre-approve payment of the MR&R Costs from the MR&R Fund. Lessor’s approval shall not be unreasonably withheld, conditioned or delayed. Within 30 days after receipt of documentation of the MR&R Costs, Lessor shall disburse approved funds from the MR&R Fund to Lessee as reimbursement for its MR&R Costs, until the MR&R Fund is fully depleted. Lessor has the option, but no legal obligation, to replenish the MR&R Fund from time to time.

13. Revocation of Addendum. The Addendum to Office Lease, dated May 14, 2009, is hereby revoked and shall be of no further force and effect.

14. Indemnity. On August 27, 2015, Lessor received an audit from DDS in connection with certain programs and services undertaken by third parties during the period July 1, 2010 through June 30, 2013. In such audit, DDS found total billing discrepancies in the amount of \$297,606 (the “Alleged Billing Discrepancies”). Of this amount, DDS stated that Lessor should reimburse \$217,497 to Lessee and \$80,109 to DDS. To date, Lessor has not reimbursed Lessee or DDS for the Alleged Billing Discrepancies. Lessee intends to reach an agreement with DDS to resolve the Alleged Billing Discrepancies. Lessee hereby waives any claim against Lessor for reimbursement of the Alleged Billing Discrepancies. Lessee hereby agrees to defend, indemnify and hold Lessor harmless from any loss and liability Lessor may incur arising from claims asserted by DDS against Lessor relating to the Alleged Billing Discrepancies.

15. Definitions. All capitalized terms used in this Amendment and not specifically defined herein shall have the meanings ascribed to such terms in the Lease.

16. Effect of Amendment. Except as expressly removed or modified by this Amendment, all of provisions of the Lease shall remain in full force and effect.

17. Counterparts; Delivery. This Amendment may be executed in counterparts, each which shall be deemed an original and both of which shall constitute a single instrument. Signed copies of this Amendment delivered by facsimile or electronically (such as PDF) shall be deemed the same as originals.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Office Lease on the dates set forth opposite their respective signatures below.

“Lessor”:

DEVELOPMENTAL SUPPORT SERVICES
FOUNDATION, a California nonprofit
corporation

Dated: _____, 2019

By: _____
Name: _____
President

“Lessee”:

KERN REGIONAL CENTER, a California
nonprofit corporation

Dated: _____, 2019

By: _____
Name: _____
President

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Kern)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Kern)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

EXHIBIT "A"

KRC Lease Payment Schedule (p. 1 of 2)

[Attach Rent Schedule Before Signing this Amendment]

EXHIBIT "A"

KRC Lease Payment Schedule (p. 2 of 2)

[Attach Rent Schedule Before Signing this Amendment]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of July 1, 2019 (the “Disclosure Agreement”), is executed and delivered by the Kern Regional Center (“KRC”), the Developmental Services Support Foundation (the “Corporation”) (each, a California nonprofit public benefit corporation and together, the “Obligated Persons”) and _____ (the “Dissemination Agent”), in connection with the issuance by the California Municipal Finance Authority (the “Authority”) of its \$_____ aggregate principal amount of Refunding Revenue Bonds (Kern Regional Center Project) Series 2019A and \$_____ aggregate principal amount of Revenue Bonds (Kern Regional Center Project) Series 2019B (Federally Taxable) (together, the “Bonds”). The Bonds are being issued pursuant to Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Act”) and an Indenture of Trust, dated as of July 1, 2019 (the “Indenture”), by and among the Authority, the Corporation, and the MUFG Union Bank, N.A., as trustee. The Obligated Persons and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Obligated Persons and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule (as defined herein). The Obligated Persons and the Dissemination Agent acknowledge that the Authority has no responsibility for continuing disclosure.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Obligated Persons pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the Executive Director of the Corporation or his or her designee, or such other officer or employee as the Obligated Persons shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean _____, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

“Fiscal Year” shall mean, with respect to KRC, the period beginning on July 1 of each year and ending on the next succeeding June 30, and, with respect to the Corporation, the period beginning on January 1 of each year and ending on the next succeeding December 31, or any 12 month or 52 week period hereafter selected by the Obligated Persons, with notice of such selection or change in fiscal year to be provided as set forth herein.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company, New York, New York or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the U.S. Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website.

“Participating Underwriter” shall mean any of the original underwriter or underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Obligated Persons shall, or shall cause the Dissemination Agent to, not later than March 1 of each year, commencing with March 1, 2020, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Obligated Persons may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes for the Obligated Persons, the Obligated Persons shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than ten (10) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Obligated Persons shall provide the Annual Report to the Dissemination Agent. If by ten Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report from the Obligated Persons, the Dissemination Agent shall notify the Obligated Persons of such failure to receive the report.

(c) If the Dissemination Agent is unable to verify that an Annual Report of the Obligated Persons has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall notify the Obligated Persons and the Obligated Persons shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A, or in such other form as prescribed or acceptable to MSRB.

(d) The Dissemination Agent shall, if and to the extent, an Obligated Person has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with such Obligated Person, certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement and stating the date that it was provided.

SECTION 4. Content of Annual Reports.

(a) The Obligated Persons' respective Annual Report shall contain or include by reference the following:

(i) The audited financial statements of each of the Obligated Persons for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to nonprofit entities from time to time by the Financial Accounting Standards Board. If the Obligated Persons' audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) The following tables presented in Appendix A to the Official Statement, updated for the Fiscal Year covered by the Annual Report or, with respect to (c) below, updated for the most current Fiscal Year available:

- (a) "Kern Regional Center DDS Contract Revenues";
- (b) "Kern Regional Center Caseload."

(b) A summary of the aggregate amount of, final maturity date of, and debt service or lease payments for the then-current year with respect to any debt or obligations payable by the Obligated Persons (to the extent not included in the audited financial statements of the Obligated Persons contained in the Obligated Persons' Annual Report).

(c) Any or all of the items listed above may be included by specific reference to other documents, including the audited financial statements, official statements of debt issues of the Obligated Persons, which have been available to the public on the MSRB's internet website or filed with the U.S. Securities and Exchange Commission. The Obligated Persons shall clearly identify each such other document so included by reference in the applicable Annual Report

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Obligated Persons shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten (10) business days after the occurrence of such Listed Event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the 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, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.

The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (i), (iii), (iv), (v), (vi), (ix), (xi), (xii) or (xvi), inform the Obligated Person of the occurrence of such event. As soon as reasonably practicable after obtaining knowledge of the occurrence of such event, the Obligated Person shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of any of the events listed in Section 5(a) (ii), (vii), (viii), (x), (xiii), (xiv) or (xv), inform the Obligated Person of the occurrence of such event and request that the Obligated Person

promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d).

(d) Whenever the Obligated Person obtains knowledge of the occurrence of any event specified in Section 5(a) (ii), (vii), (viii), (x), (xiii), (xiv) and (xv), the Obligated Person shall as soon as possible, in order to meet the ten (10) business day deadline to file notices required under the Rule and pursuant to the following sentence, determine if such event would be material under applicable Federal securities law. If the Obligated Person determines that knowledge of the occurrence of such event would be material under applicable Federal securities law, the Obligated Person shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(e) The Obligated Person shall, within one (1) business day after obtaining knowledge of the occurrence of any of the Listed Events, inform the Dissemination Agent of such event and notify the Dissemination Agent in writing whether or not to report the event pursuant to subsections (b) or (d) above.

SECTION 6. Termination of Reporting Obligation. The obligations of the Obligated Persons and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Obligated Persons shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. (a) The Obligated Persons may, from time to time, appoint or engage another Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Obligated Persons pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Obligated Persons shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Obligated Persons. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Obligated Persons. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Obligated Persons in a timely manner and in a form suitable for filing.

(b) The Obligated Persons reserve the right to make any filing with the MSRB which is required by this Disclosure Agreement by submitting such filing information to the EMMA website.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Obligated Person, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Obligated Person shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Obligated Person to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(b).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Persons from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If an Obligated Person chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, such Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Obligated Persons, or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Persons, or the Dissemination Agent, as the case may be, to comply with its respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Obligated Persons, or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Obligated Persons agree, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Obligated Persons for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Obligated Persons. The obligations of the Obligated Persons under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Persons, the Authority, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Dissemination Agent, the Obligated Persons or the Authority seeking any remedy other than to compel specific performance of this Disclosure Agreement. None of the Dissemination Agent, the Obligated Persons or the Authority shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

SECTION 13. Notices. All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the Obligated Persons: Kern Regional Center
3200 No. Sillect Avenue
Bakersfield, California 93308
Attention: Chief Executive Officer

Developmental Services Support Foundation
3200 No. Sillect Avenue
Bakersfield, California 93308
Attention: President

To the Dissemination Agent: [to come]

The Obligated Persons may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, any notices required to be given hereunder to the Dissemination Agent or the Obligated Persons may be given by any form of electronic transmission capable of producing a written record.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Agreement to be duly executed and delivered by their respective officers as of the date first above written.

KERN REGIONAL CENTER

By: _____
Authorized Representative

DEVELOPMENTAL SERVICES SUPPORT

By: _____
Authorized Representative

_____, as Dissemination Agent

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Persons: Kern Regional Center
Developmental Services Support Foundation

Name of Issuer: California Municipal Finance Authority

Name of Issue: \$_____ California Municipal Finance Authority Refunding Revenue
Bonds (Kern Regional Center Project) Series 2019A

\$_____ California Municipal Finance Authority Revenue Bonds
(Kern Regional Center Project) Series 2019B (Federally Taxable)

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the Obligated Persons have not provided an Annual Report with respect to the above-named Bonds as required by this Continuing Disclosure Agreement dated as of July 1, 2019, between the Obligated Persons and the Dissemination Agent. The Obligated Persons anticipate that the Annual Report will be filed by _____.

Dated: _____

on behalf of the Obligated Persons

cc: Kern Regional Center
Developmental Services Support Foundation

RESOLUTION NO. ____

KERN REGIONAL CENTER

May 28, 2019

RESOLUTION OF THE BOARD OF DIRECTORS OF KERN REGIONAL CENTER APPROVING THE FORM AND AUTHORIZING THE PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT, A FIRST AMENDMENT TO OFFICE LEASE WITH THE DEVELOPMENTAL SERVICES SUPPORT FOUNDATION CONCERNING KERN REGIONAL CENTER'S HEADQUARTERS, A CONTINUING DISCLOSURE AGREEMENT, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

WHEREAS, Kern Regional Center, a California nonprofit corporation ("KRC") has requested the assistance of the Developmental Services Support Foundation, a California nonprofit public benefit corporation (the "Corporation"), with respect to refinancing the acquisition, construction, equipping and/or renovation of certain improvements for use as office facilities owned by the Corporation and leased to KRC (the "Project"); and

WHEREAS, to effectuate the above, KRC, as lessee, and the Corporation, as lessor, will enter into a First Amendment to Office Lease, effective on the closing date for the Bonds (as defined below), amending that certain Office Lease, dated as of May 1, 2009 (the "Office Lease") and effective on May 14, 2009, by and between the Corporation and KRC; and

WHEREAS, the Corporation intends to refinance the Project through the assistance of the California Municipal Finance Authority (the "Authority"), a joint exercise of powers authority and a public entity of the State of California; and

WHEREAS, pursuant to an Indenture of Trust, dated as of June 1, 2019 (the "Indenture"), by and among the Authority, the Corporation and MUFJ Union Bank, N.A., as Trustee, the Authority will issue its Refunding Revenue Bonds (Kern Regional Center Project) Series 2019A and its Revenue Bonds (Kern Regional Center Project) Series 2019B (Federally Taxable) (together, the "Bonds") for the purpose of refunding all of the Authority's outstanding Revenue Bonds (Kern Regional Center Project), Series 2009 Series A (the "Prior Bonds"); and

WHEREAS, KRC will distribute a preliminary official statement (the "Preliminary Official Statement") and a final official statement (the "Official Statement") relating to the Bonds to prospective and actual purchasers of the Bonds; and

WHEREAS, KRC will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") for the benefit of the Owners (as defined in the Indenture) of the Bonds and in order to assist Westhoff, Cone & Holmstedt (the "Underwriter"), in complying with Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), and

WHEREAS, there have been made available to the Board of Directors of KRC (the “Board”) the proposed forms of the following documents and agreements:

1. First Amendment to Office Lease;
2. Preliminary Official Statement; and
3. Continuing Disclosure Agreement.

NOW, THEREFORE, BE IT RESOLVED, by the Board as follows:

SECTION 1. The proposed form of First Amendment to Office Lease, as presented to this meeting, is hereby approved in connection with the refunding of the Prior Bonds and the issuance and delivery of the Bonds by the Authority, which Bonds are hereby approved, provided (i) the total Base Rent payable by KRC between July 1, 2019 and July 1, 2039 under the First Amendment to Office Lease is at least \$6 million less than the total Base Rent currently payable by KRC for that same time period under the Office Lease, and (ii) between January 1, 2020 and the end of the First Amendment to Office Lease term, the Base Rent does not increase by more than 2 percent per year. Any member of the Board, the Executive Director of KRC and the Chief Financial Officer of KRC, and each of their respective designees (each an “Authorized Representative”), is hereby authorized and directed, for and on behalf of KRC, to execute and deliver the First Amendment to Office Lease in substantially such form, with such changes and insertions therein as an Authorized Representative may approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Board hereby authorizes and directs any Authorized Representative to take such actions as the Authorized Representative shall deem necessary or desirable for KRC to enforce its rights and exercise its remedies under the First Amendment to Office Lease.

SECTION 2. The proposed form of Preliminary Official Statement, as presented to this meeting, is hereby approved. Any Authorized Representative is hereby authorized and directed, for and on behalf of KRC, to approve a final Official Statement, in substantially such form, such approval to be conclusively evidenced by the execution a certificate to such effect. The Underwriter is hereby authorized to distribute the Official Statement in preliminary form to persons who may be interested in the purchase of the Bonds and to deliver the Official Statement in final form to the purchasers of the Bonds, in each case with such changes as may be approved by an Authorized Representative. Upon approval of such additions and changes by an Authorized Representative, the Preliminary Official Statement shall be deemed final as of its date, as evidenced by a certificate to such effect, except for the omission of certain information as provided in and pursuant to Rule 15c2-12.

SECTION 3. The proposed form of Continuing Disclosure Agreement, as presented to this meeting, is hereby approved. Any Authorized Representative is hereby authorized and directed, for and on behalf of KRC, to execute the Continuing Disclosure Agreement, in substantially such form, with such changes and insertions therein as an Authorized Representative may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 4. The Board hereby authorizes the Authorized Representatives, and each of them acting alone, to do any and all things and to execute and deliver any and all documents, certificates, agreements or contracts, including any tax agreement or certificate, which such member or members acting alone may deem advisable to effectuate the intent of this Resolution. Actions taken by any Board member, the Executive Director of KRC, the Chief Financial Officer of KRC, any of their individual designees, and each of them acting alone, in furtherance hereof shall be binding upon KRC without any further ratification by this Board.

SECTION 5. All actions heretofore taken by the members of the Board, the Executive Director of KRC, the Chief Financial Officer of KRC, their designees and other appropriate officers and agents of KRC with respect to the matters set forth herein are hereby ratified, confirmed and approved.

SECTION 6. This Resolution shall take effect from and after its adoption.

The foregoing resolution was adopted by the Board of Directors of Kern Regional Center on May 28, 2019.

KERN REGIONAL CENTER

By: _____
Name: _____
Title: _____

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2019

Moody’s “_”
(See “RATING” herein)

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under existing law, and subject to the matters described in “TAX MATTERS – 2019A BONDS” herein, interest on the 2019A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not included in the federal alternative minimum tax on the owners thereof. See “TAX MATTERS – 2019A BONDS” herein. It is also the opinion of Bond Counsel that under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. Interest on the 2019B Bonds will be included in gross income for federal income tax purposes. See “TAX MATTERS – 2019B BONDS” herein.

\$ _____ *

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Refunding Revenue Bonds
(Kern Regional Center Project)
Series 2019A

\$ _____ *

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Revenue Bonds
(Kern Regional Center Project)
Series 2019B (Federally Taxable)

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

The \$ _____ * California Municipal Finance Authority Refunding Revenue Bonds (Kern Regional Center Project) Series 2019A (the “2019A Bonds”) and the \$ _____ * California Municipal Finance Authority Revenue Bonds (Kern Regional Center Project) Series 2019B (Federally Taxable) (the “2019B Bonds” and, together with the 2019A Bonds, the “Bonds”) will be issued as fully-registered bonds registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. Payments of the principal of, redemption premium, if any, and interest on the Bonds will be made to DTC by MUFG Union Bank, N.A., as trustee (the “Trustee”). Disbursement of payments to DTC Participants is the responsibility of DTC, and disbursement of payments to the Beneficial Owners is the responsibility of DTC Participants. See Appendix C – “BOOK-ENTRY SYSTEM.” Interest on the Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2019.

The Bonds are subject to optional and mandatory redemption as described herein. See “THE BONDS – Redemption” herein.

The 2019A Bonds are being issued by the California Municipal Finance Authority (the “Authority”), which will loan the proceeds of the Bonds to the Developmental Services Support Foundation (the “Corporation”) pursuant to a Loan Agreement to provide funds which the Corporation will use to (i) refund all of the California Municipal Finance Authority Revenue Bonds (Kern Regional Center Project), Series 2009, currently outstanding in the aggregate principal amount of \$ _____, (ii) fund a reserve for the 2019A Bonds, (iii) [fund interest for the 2019A Bonds through November 1, 20__.] and (iv) pay a portion of the costs of issuing the 2019A Bonds. The 2019B Bonds are being issued by the Authority to (i) fund a maintenance, repair and replacement fund (“MR&R Fund”), (ii) fund a reserve for the 2019B Bonds, and (iii) fund the costs of issuing the 2019B Bonds and a portion of the costs of issuing the 2019A Bonds. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

The Bonds are limited obligations of the Authority, payable solely from and secured by the pledge of Revenues under the Indenture. Neither the Authority, its members, the State of California (the “State”), nor any of its political subdivisions (other than the Authority) shall be directly, indirectly, contingently or morally obligated to use any other moneys or assets to pay all or any portion of the debt service due on the Bonds, to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Bonds are not a pledge of the faith and credit of the Authority, its members, the State or any of its political subdivisions nor do they constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The Authority has no taxing power.

This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered by the Underwriter when, as and if issued by the Authority, and accepted by the Underwriter, subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel and subject to certain other conditions. Norton Rose Fulbright US LLP is serving as Disclosure Counsel. Approval of certain legal matters will be passed upon for the Authority by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California, for the Kern Regional Center by Musick, Peeler & Garrett LLP, San Diego, California, for the Corporation by LeBeau - Thelen, LLP, Bakersfield, California, and for the Underwriter by its counsel, Quint & Thimmig LLP, Larkspur, California. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July __, 2019.

Westhoff, Cone & Holmstedt

Dated: _____, 2019

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a 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.

MATURITY SCHEDULES*

\$ _____*
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
REFUNDING REVENUE BONDS
(KERN REGIONAL CENTER PROJECT)
SERIES 2019A

| <u>Maturity Date</u> <u>(November 1)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP†</u> <u>(Base 13048T)</u> |
|---|---------------|-------------|--------------|--------------|---------------------------------------|
|---|---------------|-------------|--------------|--------------|---------------------------------------|

\$ _____ % Term Bonds due November 1, 20__ Priced to Yield ____% CUSIP NO.†:

\$ _____ % Term Bonds due November 1, 20__ Priced to Yield ____% CUSIP NO.†:

\$ _____*
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
REVENUE BONDS
(KERN REGIONAL CENTER PROJECT)
SERIES 2019B (FEDERALLY TAXABLE)

| <u>Maturity Date</u> <u>(November 1)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP†</u> <u>(Base 13048T)</u> |
|---|---------------|-------------|--------------|--------------|---------------------------------------|
|---|---------------|-------------|--------------|--------------|---------------------------------------|

\$ _____ % Term Bonds due November 1, 20__ Priced to Yield ____% CUSIP NO.†:

\$ _____ % Term Bonds due November 1, 20__ Priced to Yield ____% CUSIP NO.†:

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), 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 the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the Authority, the Corporation, KRC or the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the California Municipal Finance Authority (the "Authority"), the Developmental Services Support Foundation (the "Corporation"), the Kern Regional Center ("KRC") or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Corporation, KRC, or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the Authority, the Corporation, and KRC and includes information from sources that are believed to be reliable, but the Authority, the Corporation, and KRC do not guarantee the completeness or accuracy of the information from such sources. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Corporation, or KRC, or other matters described herein since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access ("EMMA") website. The Authority and KRC each maintains a website. The information presented therein is not part of this Official Statement and should not be relied on in making investment decisions with respect to the Bonds. Unless otherwise expressly stated, references to Internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including any content on KRC's website) is incorporated in this Official Statement by reference. The Authority and KRC make no representation regarding the accuracy or completeness of the information presented on such websites.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement, including in Appendix A attached hereto, constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which 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. Although such expectations reflected in such forward-looking statements are believed to be reasonable, there can be no assurance that such expectations will prove to be correct. Except as otherwise noted, neither the Authority, the Corporation nor KRC plan to issue any updates or revisions to those forward-looking statements if or when the expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

\$_____*

**CALIFORNIA MUNICIPAL FINANCE
AUTHORITY**
Refunding Revenue Bonds
(Kern Regional Center Project)
Series 2019A

\$_____*

**CALIFORNIA MUNICIPAL FINANCE
AUTHORITY**
Revenue Bonds
(Kern Regional Center Project)
Series 2019B (Federally Taxable)

INTRODUCTION

This Introduction contains a brief summary of certain of the terms of the Bonds being offered hereby and a full review should be made of the entire Official Statement, including the cover page and the Appendices hereto in order to make an informed investment decision. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the laws of the State of California (the "State") or any documents referred to herein do not purport to be complete and such references are qualified in their entirety to the complete provisions thereof. Capitalized terms used and not otherwise defined herein are defined in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" or in the Indenture, the Office Lease, or the Loan Agreement, as applicable.

General

This Official Statement, including the cover page and Appendices hereto (this "Official Statement"), provides certain information in connection with the offering of \$_____* aggregate principal amount of Refunding Revenue Bonds (Kern Regional Center Project) Series 2019A (the "2019A Bonds") and \$_____* aggregate principal amount of Revenue Bonds (Kern Regional Center Project) Series 2019B (Federally Taxable) (the "2019B Bonds" and, together with the 2019A Bonds, the "Bonds") of the California Municipal Finance Authority (the "Authority"). The Bonds will be issued pursuant to the provisions of the Joint Exercise of Powers Act, comprising Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the Government Code of the State, as amended (the "Act"), and an Indenture of Trust, dated as of July 1, 2019 (the "Indenture"), by and among the Authority, the Developmental Services Support Foundation (the "Corporation") and MUFJ Union Bank, N.A., as trustee (the "Trustee").

The Authority will loan the proceeds of the Bonds to the Corporation pursuant to a Loan Agreement, dated as of July 1, 2019 (the "Loan Agreement"), by and between the Authority and the Corporation. Payments under the Loan Agreement will be made primarily from amounts received by the Corporation from the Kern Regional Center, a California nonprofit public benefit corporation ("KRC") pursuant to the Office Lease, dated May 1, 2009 by and between the Corporation and KRC with respect to the Facilities, as amended by the First Amendment to Office Lease, dated as of July 1, 2019 (collectively the "Office Lease").

The Corporation will use the proceeds of the 2019A Bonds to: (i) refund all of the California Municipal Finance Authority Revenue Bonds (Kern Regional Center Project), Series 2009, currently outstanding in the aggregate principal amount of \$_____ (the "Prior Bonds"), (ii) fund a reserve for the 2019A Bonds, (iii) [fund interest for the 2019A Bonds through November 1, 20___,] and (iv) pay a portion of the costs of issuing the 2019A Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein. The Corporation, pursuant to a loan agreement, dated as of May 1, 2009 (the "Prior

* Preliminary, subject to change.

Loan Agreement”), borrowed from the Authority the proceeds of the Prior Bonds to finance the acquisition, construction and equipping of office facilities (together, the “Facilities”), located at 3200 and 3300 North Sillect Avenue, Bakersfield, California 93308 (together, the “Property”) for lease to KRC. The Property and Facilities are collectively referred to herein as the “Project.”

The 2019B Bonds are being issued by the Authority to (i) fund a maintenance, repair and replacement fund (“MR&R Fund”), (ii) fund a reserve for the 2019B Bonds, and (iii) fund the costs of issuing the 2019B Bonds and a portion of the costs of issuing the 2019A Bonds. See “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Regional Centers

KRC is one of 21 regional centers (the “Regional Centers”) in California (the “State”) that coordinate services under contracts with the State to persons with developmental disabilities as mandated under the Lanterman Developmental Disabilities Services Act (the “Lanterman Act”). State contracts with the Regional Centers are typically for a term of five years, with funding in each year subject to appropriation by the State Legislature. The Lanterman Act defines “developmental disability” as intellectual disability (formerly known as mental retardation), cerebral palsy, epilepsy, autism or other conditions similar to intellectual disability or conditions that require treatment similar to that required by persons with intellectual disability which occur before 18 years of age.

Under the Lanterman Act, Regional Centers are responsible for eligibility determinations and client assessment, the development of a program plan for each individual receiving services, and case management. In general, Regional Centers pay for services only if an individual does not have private insurance or they cannot refer an individual to services that are provided by the State or a local agency. Regional Centers purchase services such as transportation, health care, respite care, day programs and residential care provided by community-based service providers.

Kern Regional Center

Since 1971 KRC has contracted with the State to provide services for the developmentally disabled and their families pursuant to the Lanterman Act. KRC’s total contracted revenues from the State of California exceeded \$171 million in fiscal year 2017-18. KRC’s preliminary allocation (historically, █% of the annual allocation) for the current fiscal year 2018-19 budget is approximately \$█ million, representing \$█ million for operations and approximately \$█ million for purchases of services. KRC provides services to approximately 9,000 consumers and in a service area of approximately 22,000 square miles in Kern, Inyo and Mono counties. KRC is a California nonprofit public benefit corporation and a tax-exempt organization described in section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). See APPENDIX A – “CERTAIN INFORMATION RELATING TO THE DEVELOPMENTAL SERVICES SUPPORT FOUNDATION AND THE KERN REGIONAL CENTER.”

The Corporation

The Corporation is a California nonprofit public benefit corporation and a tax-exempt organization described in section 501(c)(3) of the Code. The Corporation was established in 1994 by citizens of the City of Bakersfield, California (the “City”) who recognized the need to support KRC’s mission to normalize the lives of people with developmental disabilities. The Corporation was organized exclusively as a supporting organization of KRC. See APPENDIX A – “CERTAIN INFORMATION RELATING TO THE DEVELOPMENTAL SERVICES SUPPORT FOUNDATION AND THE KERN REGIONAL CENTER.”

Recent Developments

For significant recent developments, please see Appendix A – “CERTAIN INFORMATION RELATING TO THE DEVELOPMENTAL SERVICES SUPPORT FOUNDATION AND THE KERN REGIONAL CENTER” – KERN REGIONAL CENTER – “Management Discussion.”

The Bonds

The Bonds will be dated the date of delivery, will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof (each an “Authorized Denomination”). Interest on the Bonds is payable semiannually on each May 1 and November 1, commencing November 1, 2019 (each, an “Interest Payment Date”). The Bonds are subject to optional and mandatory redemption prior to their maturity as described herein. See “THE BONDS – Redemption” herein. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

The Authority may issue Additional Bonds on parity with the Bonds as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds” herein.

Book-Entry System

The Bonds will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Purchases of the Bonds may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Bonds will not receive physical delivery of the Bonds. Payments of principal of, premium, if any, and interest on the Bonds are payable by the Trustee to DTC, which will in turn remit such payments to the DTC Participants, which will in turn remit such payments to the Beneficial Owners of the Bonds. See APPENDIX C – “BOOK-ENTRY SYSTEM.”

Sources of Payment of the Bonds

The Authority is obligated to pay the Bonds solely from Revenues and the other funds available therefor under the Indenture. Under the Loan Agreement, the Corporation has pledged Gross Revenues (as defined herein) to the payment of the loan payments to be made under the Loan Agreement (“Loan Payments”), which are due in amounts and at the times necessary to pay the principal of, premium, if any, and interest to the date of maturity or redemption of the Bonds, when due. The primary source of Gross Revenues and thus repayment for the Bonds is rent received by the Corporation under the Office Lease. The term of the Office Lease will exceed the final maturity of the Bonds. KRC will make rent payments under the Office Lease from moneys received from the State pursuant to KRC’s contract under the Lanterman Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “RISK FACTORS – State Budget and Funding” herein.

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER OR ANY PERSON EXECUTING THE BONDS IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES UNDER THE INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY) SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, ITS MEMBERS, THE STATE OR ANY OF ITS

POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.

Reserve Fund

Payments of principal of, premium, if any, and interest on the Bonds will also be secured by amounts on deposit in the 2019A Reserve Account or the 2019B Reserve Account, as applicable, within the Reserve Fund established under the Indenture. No amount in the 2019A Reserve Account may be applied to support the 2019B Bonds and no amount in the 2019B Reserve Account may be applied to support the 2019A Bonds.

Deed of Trust

To secure its obligations under the Loan Agreement and the Indenture, the Corporation will execute and deliver a Deed of Trust with Assignment of Rents and Fixture Filing, dated as of July 1, 2019 (the “Deed of Trust”), for the benefit of the Trustee, as trustee for the Owners of the 2019A Bonds, encumbering the Facilities. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Deed of Trust” and “RISK FACTORS – Limitations Relating to the Deed of Trust” herein.

Continuing Disclosure

The Corporation and KRC will agree in a Continuing Disclosure Agreement, dated as of July 1, 2019 (the “Continuing Disclosure Agreement”), by and between the Corporation and KRC to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”), certain annual financial information and operating data relating to the Corporation and KRC and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12, as amended (the “Rule”) adopted by the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Additional Information

The brief descriptions of the Bonds, the Indenture, the Loan Agreement, the Deed of Trust, the Office Lease, the Continuing Disclosure Agreement and documents, statutes, reports and other instruments included in this Official Statement do not purport to be complete, comprehensive or definitive. All references to such documents and other documents, statutes, reports and other instruments are qualified in their entirety by reference to such document, statute, report or instrument. Copies of the Bonds, the Indenture, the Loan Agreement, the Deed of Trust, the Office Lease and the Continuing Disclosure Agreement may be obtained, upon written request, from the Trustee.

PLAN OF REFUNDING

The Prior Bonds were issued pursuant to an Indenture of Trust, dated as of May 1, 2009 (the “Prior Indenture”), by and among the Authority, the Corporation, and MUFG Union Bank, N.A., as trustee (the “Prior Trustee”). Pursuant to the terms of an Escrow Agreement, dated as of July 1, 2019 (the “Escrow Agreement”), by and between the Corporation and MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”), a portion of the proceeds of the 2019A Bonds, together with other available moneys (collectively, the “Escrow Deposit”), will be deposited into the escrow fund established under the Escrow Agreement. The Escrow Deposit will be sufficient to purchase United States Government Securities (as defined in the Prior Indenture), the principal and interest on which when due will provide moneys that, together with uninvested moneys deposited with the Escrow Agent, will be sufficient to pay the scheduled principal of and interest on the Prior Bonds coming due on and prior to _____, 20__, and to redeem the Prior Bonds on _____, 20__ (the “Redemption Date”) at a redemption price of 100% of the principal amount thereof plus accrued interest to said redemption date.

_____, certified public accountants (the “Verification Agent”), will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the Escrow Deposit deposited in the Escrow Fund. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

ESTIMATED SOURCES AND USES OF PROCEEDS

The proceeds of the Bonds, together with other available amounts, are expected to be applied as follows:

| Estimated Sources of Funds | <u>2019A Bonds</u> | <u>2019B Bonds</u> | <u>Total</u> |
|--|---------------------------|---------------------------|---------------------|
| Principal Amount of Bonds | \$ | \$ | \$ |
| [Net] Original Issue Premium/Discount | | | |
| Amounts Released from Prior Bonds | | | |
| Total | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| | | | |
| Estimated Uses of Funds | | | |
| Escrow Fund | \$ | \$ | \$ |
| MR&R Fund | | | |
| Reserve Account | | | |
| Funded Interest Fund ⁽¹⁾ | | | |
| Costs of Issuance Account ⁽²⁾ | | | |
| Total | <u>\$</u> | <u>\$</u> | <u>\$</u> |

⁽¹⁾ Represents funded interest through November 1, 20__.

⁽²⁾ Includes Underwriter’s discount, legal fees, fees and expenses of the Trustee, initial administration fee of the Authority, rating agency fees, printing costs, and other costs incurred in connection with the issuance of the Bonds.

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service due on the Bonds.

[Remainder of page intentionally left blank.]

| Year Ending June 30 | 2019A Bonds | | | 2019B Bonds | | | Grand Total |
|------------------------------------|-------------------------|------------------------|--------------------------------------|-------------------------|------------------------|--------------------------------------|------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> | |
| 2020 | | | | | | | |
| 2021 | | | | | | | |
| 2022 | | | | | | | |
| 2023 | | | | | | | |
| 2024 | | | | | | | |
| 2025 | | | | | | | |
| 2026 | | | | | | | |
| 2027 | | | | | | | |
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| 2029 | | | | | | | |
| 2030 | | | | | | | |
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| 2032 | | | | | | | |
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| 2041 | | | | | | | |
| 2042 | | | | | | | |
| 2043 | | | | | | | |
| 2044 | | | | | | | |
| 2045 | | | | | | | |
| 2046 | | | | | | | |
| 2047 | | | | | | | |
| 2048 | | | | | | | |
| 2049 | | | | | | | |
| 2050 | | | | | | | |
| Total | | | | | | | |

THE BONDS

General

The Bonds will be issued and sold in the aggregate principal amounts set forth on the inside cover page hereof as fully registered bonds in Authorized Denominations. Interest on the Bonds is payable on each Interest Payment Date. The principal of, premium, if any, and interest with respect to the Bonds is payable by the Trustee to DTC, which will in turn remit such principal, premium, if any, and interest to the DTC Participants, which will in turn remit such principal, premium, if any, and interest to the Beneficial Owners of the Bonds. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

The Bonds will be dated their date of issuance and will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the Interest Payment Date next preceding the date of authentication thereof, or if a Bond is authenticated on or before the Record Date for the first Interest Payment Date, from its initial date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Corporation will make monthly deposits with the Trustee in the amounts set forth in the Loan Agreement such that eight Business Days preceding each Interest Payment Date or Principal Installment Date, as applicable, an amount equal to the amount of the interest or principal payable on the Bonds on such Interest Payment Date or Principal Installment Date, as applicable, less any amounts then on deposit in the Bond Fund is available to pay the interest or principal on the Bonds payable on such Interest Payment Date or Principal Installment Date, as applicable.

Redemption*

Optional Redemption. The 2019A Bonds maturing on or after November 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part, on any date on and after November 1, 20__, at the principal amount of the Bonds to be redeemed, without premium, plus unpaid accrued interest, if any, to the date of redemption, from any moneys received by the Trustee from the Corporation pursuant to the Loan Agreement. The maturities and the principal amount of the Bonds of each maturity to be redeemed will be as directed by the Corporation.

The 2019B Bonds are not subject to optional redemption.

Mandatory Redemption of 2019A Bonds. The 2019A Bonds maturing on November 1, 20__ (the “20__ Term Bonds”) are subject to mandatory redemption, in part, by lot, from Mandatory Sinking Fund Installments on each November 1 from and after November 1, 20__, at the principal amount of the 20__ Term Bonds to be redeemed, without premium. Sinking Fund Installments for the 20__ Term Bonds maturing on November 1, 20__, are due on the following dates and in the following amounts:

Mandatory Sinking Fund
Installment Due Dates
(November 1)

Mandatory Sinking
Fund Installments

(maturity)

* Preliminary, subject to change.

If the 2019A Term Bonds are optionally redeemed, the remaining Sinking Fund Installments shall be reduced in an aggregate amount equal to the principal amount of such Term Bonds so redeemed, as directed by the Corporation, or in the absence of such direction, as proportionately as possible in Authorized Denominations.

Mandatory Redemption of 2019B Bonds.

The 2019B Bonds maturing on November 1, 20__ (the “20__ Term Bonds”) are subject to mandatory redemption, in part, by lot, from Mandatory Sinking Fund Installments on each November 1 from and after November 1, 20__, at the principal amount of the 20__ Term Bonds to be redeemed, without premium. Sinking Fund Installments for the 20__ Term Bonds maturing on November 1, 20__, are due on the following dates and in the following amounts:

| Mandatory Sinking Fund Installment Due Dates (<u>November 1</u>) | Mandatory Sinking Fund <u>Installments</u> |
|--|---|
|--|---|

(maturity)

If the 2019B Term Bonds are optionally redeemed, the remaining Sinking Fund Installments shall be reduced in an aggregate amount equal to the principal amount of such Term Bonds so redeemed, as directed by the Corporation, or in the absence of such direction, as proportionately as possible in Authorized Denominations.

Redemption Procedures

Notice of Redemption. The Trustee, for and on behalf of the Authority, shall give notice of any redemption by first class mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to (i) the Owner of such Bond at the address shown on the Bond Register on the date such notice is mailed; (ii) the Securities Depositories; (iii) one or more Information Services; (iv) the Authority, (v) the Corporation, and (vi) the Municipal Securities Rulemaking Board (the “MSRB”). Notice of redemption to the Securities Depositories, the Information Services, and the MSRB shall be given by telecopy or other electronic means. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds to be redeemed, the redemption date, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), the principal amount, the CUSIP numbers (if any) of the Bonds to be redeemed and, if less than all, the distinctive certificate numbers of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that the interest on the Bonds designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed and any unpaid interest accrued thereon to the redemption date) and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Notwithstanding the foregoing, failure by the Trustee to give notice pursuant to this paragraph to the Authority or any one or more of the Information Services or the Securities Depositories, or the MSRB or the insufficiency of any such notices shall not affect the sufficiency of the proceedings for redemption. Failure to mail the notices required by this paragraph to any Owner of any Bonds designated for redemption, or any defect in any notice so mailed, shall not affect the validity of the proceedings for redemption of any other Bonds.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice such Bonds are to be deemed to have been paid within the meaning of the Indenture, such notice shall

also state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the redemption price of such Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds. If such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the Persons and in the manner in which the notice of redemption was given, that such amounts were not so received.

Selection of Bonds for Redemption. The principal amount of Bonds of each maturity to be redeemed will be as specified by the Corporation. If less than all of the Bonds of any maturity are called for redemption, the Trustee is required to select the Bonds of such maturities, or any given portion thereof, to be redeemed, by lot in such manner as it may determine. Notwithstanding the foregoing, if less than all of the Bonds of any maturity are to be redeemed, selection of the Bonds to be redeemed will be made in accordance with customary practices of DTC or the applicable successor depository, as the case may be.

Effect of Redemption. Notice of redemption having been duly given as described under “Notice of Redemption” above, and moneys for payment of the redemption price being held by the Trustee, the Bonds so called for redemption will, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption will cease to accrue, such Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof (including interest, if any, accrued to the redemption date), without interest accrued on any funds held after the redemption date to pay such redemption price.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Lanterman Act; Department of Developmental Services; State Budget

In 1969, the State Legislature enacted the California Welfare & Institutions Code section 4500 *et seq.*, known as the Lanterman Act, which created a State funded entitlement program for qualifying State residents with developmental disabilities, those at risk of developing a developmental disability, and their families. The Lanterman Act mandates that the State’s services for the developmentally disabled be administered through a network of private nonprofit corporations.

There are currently 21 Regional Centers that operate under contract with the California Department of Developmental Services (“DDS”) pursuant to the Lanterman Act. The Lanterman Act creates a framework involving both DDS and the Regional Centers. DDS has jurisdiction over promoting the uniformity and cost-effectiveness of the Regional Centers. The Regional Centers determine the level of services needed and coordinate those services to persons with developmental disabilities. The Regional Centers coordinate services and support for approximately 330,000 children and adults with developmental disabilities and infants at risk of developmental delay or disability. KRC is one of the Regional Centers.

Each Regional Center is required to undertake during each fiscal year two comprehensive evaluations of its budget and funding requirements for the upcoming fiscal year. Such evaluations are conducted in coordination with DDS. Regional Centers are required to bring any funding insufficiencies to the attention of DDS and the Association of Regional Center Agencies (“ARCA”) in time to allow ARCA to request that the applicable Regional Center’s funding needs be incorporated into the Governor’s January budget proposal and the Governor’s May Revision to the budget proposal. Each Regional Center’s contract provides that if ARCA and the State are not able to agree in any fiscal year on the funding allocation process for a Regional Center, no less than 99% of the purchase of service and operations requirements of such Regional Center will be funded by January 15 of that fiscal year. Under

the Regional Center contracts, each Regional Center is also required to provide monthly Sufficiency of Allocation Reports to DDS, identifying and explaining any month to month changes in projected expenditures. Contract amounts for each Regional Center may be adjusted based on the budgetary needs of such Regional Center.

A Regional Center’s contract is typically modified in mid-August following the passage of the State’s Budget Act and provides substantially all of the funding needs of the Regional Center. Contract amounts not advanced to the Regional Center are paid by DDS on a monthly basis as reimbursements for purchase of service costs incurred by the Regional Center. Regional Centers return substantially all budgeted but unexpended funds to DDS at the end of each fiscal year, with only a small cash balance carried from one fiscal year to the next.

The following table sets forth Regional Centers’ portion of the DDS Budget for the fiscal years 2014-15 through 2018-19 and the total State Budget for such years.

**California Department of Developmental Services
Budget for Regional Centers
Fiscal Years 2014-15 through 2018-19
(In Millions)**

| | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Regional Centers⁽¹⁾ | \$ 4,848.5 | \$ 5,260.8 | | | |
| Total % Change | 10.7% | 8.5% | | | |
| Total State Budget | \$156,357.6 | \$167,574.6 | | | |
| Total % Change | 7.6% | 7.2% | | | |

Source: State of California, Department of Finance, Final Budget Summary.

⁽¹⁾ Includes purchase of service and operations funds.

Future State actions taken to address budgetary difficulties could have the effect of reducing revenues to the Regional Centers, including KRC. The Corporation and KRC are unable to predict the nature, extent or effect of any future reductions, were they to occur, or the impact any such future reductions may have on KRC’s finances and operations. See “RISK FACTORS – State Budget and Funding” herein. In addition, the Corporation and KRC are unable to predict the impact of any future State budget actions on Federal resources that historically have been available to the Regional Centers.

Kern Regional Center

KRC was established in 1971 to serve the growing population of the greater Kern County region in the southern part of the Central Valley of California. KRC is the sole agency under contract with DDS to provide services to the developmentally disabled in the counties of Kern, Inyo and Mono, as mandated by the Lanterman Act. KRC’s contract with DDS has been continually renewed since 1971.

KRC’s caseload and budget have grown as the population of its service area has grown over the decades. KRC’s current caseload is approximately 9,000 consumers. See APPENDIX A – “CERTAIN INFORMATION RELATING TO THE DEVELOPMENTAL SERVICES SUPPORT FOUNDATION AND THE KERN REGIONAL CENTER.” The source of repayment for the Bonds will be primarily from funds received by KRC pursuant to its contract with DDS, which amounts will be paid by KRC to the Corporation as rent under the Office Lease in connection with the Facilities.

Under KRC’s contract with DDS, the State may take corrective action against KRC based on its failure to perform under the contract. KRC’s current contract with DDS provides that “[i]f it is found that [KRC] does not meet or is at risk of not meeting performance standards, due to the failure to meet

performance objectives or requirements under the Lanterman Act or the terms of the contract, the State may take any or all of the following actions independently or in combination: the provision of technical assistance; loss of fiscal incentives; mandated consultation with designated representatives of [the Association of Regional Center Agencies] or a management team designated by the State, or both; issuance of a letter of noncompliance; pursuit of legal or equitable remedies for enforcement of specified obligations; or contract termination or contract nonrenewal subject to section 4635 of the Welfare and Institutions Code.” The State may take any other appropriate action under the Lanterman Act. [KRC has never had its contract with DDS suspended, terminated or not renewed.][confirm]

No assurance can be given, that DDS will not take corrective action in the future, including, without limitation, termination of KRC’s contract with DDS. In such circumstance, KRC’s management believes that KRC’s employees would remain in the Facilities and continue to coordinate services to the developmentally disabled and that all payments required to be made under the Office Lease would continue to be made under a different management team installed by DDS.

Pledge of Revenues under the Indenture

The principal of and interest on the Bonds are payable solely from and secured solely by the Revenues, the Deed of Trust, the Office Lease (other than Reserved Rights) and all amounts and securities in the funds and accounts held by the Trustee (other than the Rebate Fund and any account therein) and pledged under the Indenture. “Revenues” means all receipts, payments and other income derived by the Authority or the Trustee pursuant to the Loan Agreement (except any payments owed by the Corporation to the Authority in connection with its Reserved Rights made pursuant to the Loan Agreement), including all Loan Payments and all amounts received by the Corporation under the Office Lease constituting Gross Revenues (as defined herein) under the Loan Agreement, or otherwise in respect of the financing of the Project as provided in the Loan Agreement, and any income or revenue derived from the investment of any money in any fund or account established pursuant to the Indenture (other than the Rebate Fund and the Additional Payments Fund and any account therein). Pursuant to the Indenture, the Authority transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges, other than certain reserved rights it has under the Loan Agreement, including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security interest therein. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Monthly Deposits

The Corporation is obligated to make monthly deposits with the Trustee in the amounts set forth in the Loan Agreement such that eight Business Days preceding each Interest Payment Date or Principal Installment Date, as applicable, an amount equal to the amount of the interest or principal payable on the Bonds on such Interest Payment Date or Principal Installment Date, as applicable, less any amounts then on deposit in the Bond Fund available to pay the interest or principal on the Bonds payable on such Interest Payment Date or Principal Installment Date, as applicable. Under the Loan Agreement, the Corporation has an absolute and unconditional general obligation to pay the Loan Payments to be made thereunder, which payments are due in amounts and at the times necessary to pay the principal of and interest to the date of maturity or redemption of the Bonds. Loan Payments are expected to be paid primarily from amounts paid by KRC as rent under the Office lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Office Lease” herein.

Pledge of Gross Revenues

Under the Loan Agreement the Corporation agrees that, so long as any of the Bonds are Outstanding or any Additional Payments under the Loan Agreement remain unpaid, it will deposit all of the Gross Revenues, as soon as practicable upon receipt, with such banking institutions as the Corporation

shall designate from time to time (the “Depository Banks”) in accounts designated collectively as the “Gross Revenue Fund,” and, pursuant to the Loan Agreement, the Corporation pledges, and, to the extent permitted by law, grants a security interest to the Trustee, as assignee of the Authority, for the benefit of the Owners, as and to the extent provided in the Loan Agreement, in the Gross Revenue Fund and all of the Gross Revenues to secure the payment of the Loan Payments and any Additional Payments under the Loan Agreement and the performance by the Corporation of its other obligations under the Loan Agreement.

“Gross Revenues” means all revenues, income, receipts and money received in any period by the Corporation (other than the proceeds of borrowing and interest earned thereon if and to the extent such interest is required to be excluded by the terms of the borrowing), including, but without limiting the generality of the foregoing, (a) gross revenues derived from its operation and possession of and pertaining to the Facilities or any other property or facilities owned or held by the Corporation, (b) gifts, grants, bequests, donations and contributions to the Corporation, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Loan Payments or Additional Payments under the Loan Agreement and, (c) proceeds with respect to, arising from, or relating to the Facilities or any other property or facilities owned or held by the Corporation and derived from (i) insurance (including business interruption insurance) or condemnation proceeds (except to the extent such proceeds are required by the terms of the Loan Agreement or the Indenture to be used for purposes inconsistent with their use for the payment of Loan Payments or Additional Payments under the Loan Agreement), (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical and hospital expense reimbursement programs and agreements, and (vi) contract rights, accounts, instruments, claims for the payment of moneys and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Corporation; provided, however, that Gross Revenues shall not include any funds received by the Corporation pursuant to vendor contracts to be used by the Corporation for the coordination of services to the developmentally disabled; provided further, however, that Gross Revenues shall not include any payments received by the Corporation in connection with homes for the developmentally disabled administered by the Corporation to the extent that such payments are required to pay costs, mortgage payments or contractual services with respect to such homes.

Amounts in the Gross Revenue Fund may be used and withdrawn by the Corporation at any time for any lawful purpose, except as provided in the Loan Agreement. If the Corporation is delinquent for more than three (3) Business Days in the payment or required prepayment of any Loan Payment, or in the payment of monthly deposits required under the Loan Agreement, the Authority or the Trustee shall notify the Corporation and the Depository Bank(s) of such delinquency, and, unless such Loan Payments or other payment is made within five (5) Business Days after receipt by the Corporation of such notice, the Corporation shall cause the Depository Bank(s) to transfer the Gross Revenue Fund to the name and credit of the Trustee, as assignee of the Corporation. The Gross Revenue Fund shall remain in the name and to the credit of the Trustee until the amounts on deposit in the Gross Revenue Fund are sufficient to pay in full (or have been used to pay in full) all Loan Payments in default and payments required and until all other Events of Default known to the Trustee shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefore, whereupon the Gross Revenue Fund (except Gross Revenues required to make such payments or cure such defaults) shall be returned to the name and credit of the Corporation. During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Trustee shall use and withdraw from time to time amounts in the Gross Revenue Fund, making such withdrawals first from amounts in the Gross Revenue Fund, to make Loan Payments, Additional Payments under the Loan Agreement, and other payments required of the Corporation under the Loan Agreement or with respect to any Parity Debt, as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Loan Payments and Parity Debt according to the amounts due for Loan Payments and Parity Debt, and to such other payments in the order which the Trustee, in its discretion, shall

determine to be in the best interests of the Owners of the Bonds, without discrimination or preference. During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Corporation shall continue to deposit all Gross Revenues in the Gross Revenue Fund and shall not be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Trustee in its sole discretion so directs for the payment of current or past due operating expenses of the Corporation; provided, however, that the Corporation shall be entitled to use or withdraw any amounts in the Gross Revenue Fund which do not constitute Gross Revenues.

Debt Service Coverage Under Loan Agreement

The Corporation covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rent, fees and charges for the use of the Facilities which, together with all other receipts and revenues of the Corporation and any other funds available therefor, will be sufficient in each Fiscal Year to produce Net Income Available for Debt Service equal to at least 1.25 times Aggregate Debt Service for such Fiscal Year with respect to the Bonds. No assurance can be provided that if rent is insufficient under the Office Lease that the Corporation will have or be able to raise sufficient revenue to satisfy this covenant. The expense component of rent under the Office Lease is variable depending on the actual expenses of KRC; however, historically expenses are relatively stable. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – Loan Agreement.”

Office Lease

The Corporation entered into the Office Lease with KRC for the Facilities on May 1, 2009 and it became effective on May 14, 2009. The Office Lease will be amended pursuant to the First Amendment to Office Lease, dated as of July 1, 2019. The term of the Office Lease exceeds the final maturity of the Bonds. **Rent under the Office Lease is the primary source of Gross Revenues under the Loan Agreement and therefore the primary source of Revenues under the Indenture to secure the repayment of the principal of and interest on the Bonds.** The base rent escalates each fiscal year during the term of the Office Lease. See “RISK FACTORS” herein.

Deed of Trust

To secure its obligations under the Loan Agreement and the Indenture, the Corporation will execute and deliver the Deed of Trust, encumbering the Facilities. See “RISK FACTORS – Limitations Relating to the Deed of Trust” herein.

Reserve Fund

The Indenture establishes a Reserve Fund, and within the Reserve Fund the 2019A Reserve Account and the 2019B Reserve Account. Each Account will be funded at the Reserve Requirement. “Reserve Requirement” means, with respect to any Account within the Reserve Fund and as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the original principal amount of the Bonds of such Series (or, if the amount of original issue discount or original issue premium applicable to the Bonds of such Series exceeds two percent (2%), ten percent (10%) of the initial offering price to the public of the Bonds of such Series, (b) the greatest amount of the Bond Debt Service attributable to the applicable Series in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond of such Series is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service attributable to the applicable Series for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of the applicable Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for a Series is due, divided by the number of such Fiscal Years, all as computed and determined by the Corporation

and specified in writing to the Trustee. Notwithstanding the foregoing, an Account within the Reserve Fund may be funded for multiple Series of Bonds pursuant to a Supplemental Indenture, provided that the restrictions set forth in the Code are not violated for Tax-Exempt Bonds issued pursuant to such Supplemental Indenture. The initial 2019A Reserve Requirement is \$_____ and the initial 2019B Reserve Requirement is \$_____. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – Indenture.”

Insurance

The Corporation is obligated to procure or cause to be procured and maintain or cause to be maintained through the term of the loan under the Loan Agreement, insurance for the Facilities against loss or damage to the Facilities or such structure or item of furniture or equipment caused by fire or lightning, with an extended coverage endorsement and vandalism and malicious mischief insurance, which such extended coverage insurance will, as nearly as practicable, cover loss or damage by [earthquake,] explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; [provided, that earthquake coverage will be required only if available from reputable insurers at commercially reasonable rates, as determined by an Insurance Consultant].

In addition, the Corporation is required to maintain or cause to be maintained rental interruption or loss of use insurance for the Facilities in an amount not less than the maximum remaining scheduled Loan Payments in any twenty-four (24) month period, to insure against loss of use of the Facilities caused by perils covered by the insurance required in the Loan Agreement. The insurance required by the Loan Agreement shall be in an amount equal to the lesser of the replacement cost (without deduction for depreciation) of the Facilities or the principal amount of the Outstanding Bonds (except that such insurance may be subject to deductible clauses of not to exceed ten percent (10%) of the amount of any one loss). The Corporation is required to maintain flood insurance on the Facilities and the furniture, equipment and other contents therein at such levels as shall be determined adequate by the Insurance Consultant in its sole discretion. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – Loan Agreement.” There can be no assurance that such insurance will cover all losses or that uninsured or underinsured losses will not have a material adverse impact on the Corporation and its operations.

Limited Obligation of Authority

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER OR ANY PERSON EXECUTING THE BONDS IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES UNDER THE INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, ITS MEMBERS, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.

Limitation on Encumbrances

Under the Loan Agreement, the Corporation covenants and agrees that it will not incur, create, assume or permit to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (a “security interest”) upon the Revenues or the Facilities whether now owned or hereafter acquired except for Permitted Encumbrances. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Limitations on Indebtedness

In the Loan Agreement, the Corporation covenants and agrees that it will not incur any indebtedness or financial obligations by borrowing money, by assuming or guaranteeing the obligations of others, by entering into installment purchase contracts or leases required to be capitalized in accordance with generally accepted accounting principles, or otherwise (other than indebtedness, not for borrowed money, incurred in the ordinary course of business); provided, however, that the Corporation may incur:

- (i) Funded Debt incurred for the purpose of refinancing or refunding outstanding indebtedness, which may be Parity Debt if incurred for the purpose of refinancing or refunding outstanding Parity Debt, provided that the Board of Directors determines that such refinancing or refunding is in the best interests of the Corporation;
- (ii) Debt subordinated to Parity Debt, provided that the instrument pursuant to which such debt is incurred contains no provision that would permit the obligee under such instrument to cause an event of default to occur in connection with any Funded Debt; and
- (iii) Non-Recourse Indebtedness arising either in connection with the Corporation’s financing of real or personal property not theretofore owned by the Corporation, or in connection with the refinancing of Non-Recourse Indebtedness, whether, in either case, such indebtedness be to the sellers of such property or to banks or other lenders and whether, in either case, such indebtedness be unsecured or secured by liens on the property financed.

Additional Bonds

The Authority may at any time issue Additional Bonds under the Indenture payable from and secured by a pledge of the Revenues under the Indenture on a parity with the Bonds upon the satisfaction of certain conditions set forth therein. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

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STATE BUDGET

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the Corporation or the Authority, and the Corporation and the Authority can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Proposed 2019-20 State Budget

Governor Gavin Newsom released the proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget") on January 10, 2019 which, for fiscal year 2018-19, projects total expenditures of \$144.1 billion and total general fund revenues and transfers of \$136.9 billion. The Proposed 2019-20 Budget projects that at the end of the 2018-19 fiscal year the State will have total available general fund reserves of \$18.3 billion, including \$3.9 billion in the traditional general fund reserve, \$13.5 billion in the State's Budget Stabilization Account ("BSA") and \$900 million in the Safety Net Reserve Fund. The Proposed 2019-20 Budget also projects total general fund revenues and transfers of \$142.6 billion for fiscal year 2019-20 and authorizes expenditures of \$144.2 billion, and projects that the State will end the 2019-20 fiscal year with total available general fund reserves of \$18.5 billion, including \$2.3 billion in the traditional general fund reserve, \$15.3 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The Proposed 2019-20 Budget notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10%. Under such new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes.

With respect to California counties, significant features of the Proposed 2019-20 Budget with include the following:

- ***In-Home Supportive Services ("IHSS")*** — The Proposed 2019-20 Budget provides for an easing of the funding burden on counties for IHSS by proposing changes that would increase State funding for IHSS by an estimated \$241.7 million in fiscal year 2019-20, increasing to \$547.3 million in 2022-23. These increases would reduce county funding requirements for IHSS, providing welcome relief for counties.
- ***Regional Housing Goals***— The Proposed 2019-20 Budget revises the State's regional housing goals by providing \$250 million to counties and cities to help "jump-start" housing production, with a further \$500 million for incentives for local agencies that meet related goals. The Proposed 2019-20 Budget, however, also proposes withholding transportation funding from local agencies in areas where housing production has not met planning targets.
- ***Housing and Homelessness Programs***. The Proposed 2019-20 Budget increases funding for homelessness by \$500 million for siting emergency shelters, navigation centers, and supportive housing and also proposes to expand a pilot program allowing Caltrans to lease unused State property for emergency shelters and to expedite "No Place Like

Home” funds to build permanent supportive housing for those living with severe mental illness.

- ***Disaster Response, Recovery, and Prevention.*** The Proposed 2019-20 Budget provides property tax backfills for disaster-affected counties, including longer term backfills for Butte and Lake Counties, as well as a waiver for the local share of debris removal costs. The Governor also proposes to fund improvements to the 9-1-1 system, earthquake early warning, mutual aid, public safety radios, and, importantly, fuels reduction, prescribed burns, and other wildfire prevention programs pursuant to SB 901 enacted in 2018.
- ***Local Child Support Agencies.*** The Proposed 2019-20 Budget proposes an additional \$56 million (\$36.9 million federal funds and \$19.1 million General Fund) for Local Child Support Agency administrative costs, representing the first of a three-year, phased-in implementation of a new budgeting methodology. The funding will be allocated to 21 counties with relatively lower funding levels, many of which have a high proportion of low-income households.
- ***Transportation.*** The Proposed 2019-20 Budget provides \$1.2 billion in transportation funding to California cities and 58 counties for local road repairs, \$1.2 billion for the repair and maintenance of the State highway system, \$400 million to repair and maintain the State’s bridges and culverts, \$307 million to improve trade corridors, and \$250 million is to increase throughput on congested commute corridors. The Proposed 2019-20 Budget also reflects \$458 million for local transit operations and \$386 million for capital improvements for transit, commuter, and intercity rail.

May Revision to the Proposed 2019-20 Budget

Governor Newsom released the May Revision to the Proposed 2019-20 Budget (the “May Revision”) on May 9, 2019. The May Revision provides an increase of \$144.5 billion over the Proposed 2019-20 Budget to the State’s general-fund budget for an entire State budget of \$213.5 billion for Fiscal Year 2019-20, increased from \$209 billion in the Proposed 2019-20 Budget, including increases in education, child care, affordable housing, wildfire prevention and the expansion of Medi-Cal availability to young undocumented adults, while increasing budget reserves and paying down certain of the State’s substantial pension debt. The May Revision allocates \$15 billion to building budgetary resiliency and paying down the State’s unfunded liabilities (slated as being \$1.4 billion higher in the May Revision than in the Proposed 2019-20 Budget) and includes \$4.5 billion to eliminate State debts and reverse deferrals, \$5.7 billion to build reserves, and \$4.8 billion to pay down unfunded retirement liabilities. The May Revision also includes a portion of the Proposition 98 settle-up that was not reflected in the Proposed 2018-19 Budget and an additional \$1.2 billion deposit into the Rainy Day Fund bringing the reserve to \$16.5 billion in Fiscal Year 2019-20. The May Revision projects that the Rainy Day Fund is expected to reach its constitutional cap of 10 percent of General Fund Revenues in Fiscal Year 2020-21, two years earlier than predicted in the Proposed 2019-20 Budget, and by the end of Fiscal Year 2022-23, the Rainy Day Fund balance is projected to be \$18.7 billion.

The May Revision states that \$8.2 billion has been designated for support of developmental services. The May Revision, in particular, includes \$165 million (\$100 million from the State’s General Fund), beginning January 1, 2020, for supplemental provider rate increases for community developmental services. Annual costs of these rates increases are \$330 million (\$200 million from the State’s General Fund). These funds will focus on three specific areas to address specific service delivery elements within the Regional Center system, including: (1) stabilizing residential capacity; (2) addressing rate differences between Regional Centers and vendors; and (3) enhancing consumer safety through mandated fingerprint requirements. In addition to the proposed rate increases, the May Revision proposes the following reforms: (1) establishing and enforcing comprehensive Regional Center performance goals and increased

accountability measures; (2) developing a statewide oversight system that regularly reviews Regional Center and provider performance and disseminates best practices and standards; and 3) more frequent monitoring of Regional Center budgets.

Future State Budgets

No prediction can be made by the Corporation as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the Corporation cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on Corporation or KRC finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures.

There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the Corporation or KRC. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the Corporation, the Authority or KRC have no control.

RISK FACTORS

Investment in the Bonds involves substantial risks. The following information should be considered by prospective investors in evaluating an investment in the Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations which may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of such risks.

Limited Source for Repayment

The Corporation's primary source of revenues to pay debt service on the Bonds will be the rental payments it receives from KRC under the Office Lease. If KRC were to default in paying rent under the Office Lease there likely would be insufficient moneys available to pay the Owners of the Bonds. The Corporation is presently dependent on KRC for substantially all of the Corporation's Gross Revenues. The Corporation's Gross Revenues will be derived almost entirely from amounts paid by the State pursuant to various contracts between KRC and the State, and, in particular, the contract with DDS that funds KRC's operations and the purchase of services budget. See APPENDIX A - "CERTAIN INFORMATION RELATING TO THE DEVELOPMENTAL SERVICES SUPPORT FOUNDATION AND THE KERN REGIONAL CENTER."

The amounts paid by DDS to KRC vary from year to year, and there can be no assurance that the State will continue to renew the DDS contract with KRC at current levels for the services it coordinates to the developmentally disabled. If the State fails to renew the DDS contract with KRC, the ability of KRC to pay the rent required under the Office Lease and thus the ability of the Corporation to pay debt service on the Bonds would be adversely affected.

State Budget; Annual Appropriation; Rent Allocation

The primary source of Gross Revenues and thus repayment for the Bonds is rent received by the Corporation under the Office Lease. KRC makes rent payments under the Office Lease from moneys received from the State pursuant to KRC's contract with DDS under the Lanterman Act. Funding for the Regional Centers is subject to annual appropriation by the State Legislature. During the previous economic recession, the State experienced severe financial and economic restraints. For example, in fiscal years 2012-13, 2013-14, and 2014-15, DDS maintained its allocation for rent to KRC (and other Regional Centers) to the approximate allocation level for fiscal year 2010-11. **[what about 2015-16, 2016-17 and 2017-18? Status of 2018-19?; are there any written communications from DDS on this subject?] To**

the extent the rent allocation under the DDS contract is less than the rent payable by KRC under the Office Lease for the Facilities (which rent is subject to an annual escalation pursuant to the Office Lease), KRC has used and will use other operations funds provided for under the DDS contract or other available funds to satisfy its rent obligations. Use of other funds has reduced and will reduce funds available to KRC for staffing and other operational purposes. The use of operations funds in addition to those funds specifically allocated to rent payments has not materially adversely affected KRC's operations or financial condition. Inability of KRC to make rent payments under the Office Lease in a timely manner may result in an inability of the Corporation to meet its payment obligations under the Loan Agreement, which may in turn have a material adverse effect on the timely payment of principal of and interest on the Bonds.

Future State actions taken to address budgetary difficulties could have the effect of reducing or delaying funding to DDS and the Regional Centers. There can be no assurance that such difficulties will not have a material adverse effect on KRC's ability to pay when due rent payments under the Lease.

The Corporation and KRC are unable to predict the nature, extent or effect of any future reductions, or the impact that any such reductions may have on KRC's finances and operations. **Neither DDS nor any other State agency is a party to the Office Lease and there can be no guarantee that the State will fund the Regional Centers, including KRC, through the term of the Office Lease in amounts sufficient for KRC to make the required payments to the Corporation thereunder.** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Lanterman Act; Department of Developmental Services; State Budget" herein.

Information regarding the State budget is regularly available at various State-maintained websites, including the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. The Corporation and KRC take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on such websites, and such information is not incorporated herein by reference.

Tax-Exempt Status

Tax-Exempt Status of Interest on the 2019A Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the 2019A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that the issuers file an information report with the IRS. The Authority, the Corporation, and KRC have agreed that they will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of the interest on the 2019A Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See also "TAX MATTERS – 2019A BONDS" below.

Neither the Authority, the Corporation, nor KRC has sought to obtain a private letter ruling from the IRS with respect to the exempt status of interest on the 2019A Bonds or from the State of California with respect to the exempt status of interest on the Bonds, and the opinion of Norton Rose Fulbright US LLP is not binding on the IRS or the State of California. There is no assurance that any IRS examination of the 2019A Bonds will not adversely affect the market value of the 2019A Bonds.

Maintenance of Tax-Exempt Status of the Corporation and KRC. The tax-exempt status of the 2019A Bonds presently depends upon maintenance by each of the Corporation and KRC of its status as an organization described in section 501(c)(3) of the Code and their use of the financed facilities in

furtherance of their exempt purposes. The maintenance of this status depends on compliance with general rules regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals, such as the private benefit and inurement rules.

Tax-exempt organizations are subject to scrutiny from and face the potential for sanctions and monetary penalties imposed by the Internal Revenue Service (the “IRS”). If a tax-exempt entity is engaged in private inurement or impermissible private benefit, or for other reasons, the IRS may impose intermediate monetary sanctions or revoke its tax-exempt status. If either the Corporation or KRC were to lose its tax-exempt status, interest on the 2019A Bonds could become taxable and defaults in covenants with respect to the Bonds would likely be triggered. Such an event could also have material adverse consequences on the financial condition of the Corporation and KRC.

The Corporation or KRC may be audited by the IRS, including with respect to compliance with the rules applicable to organizations described in section 501(c)(3) of the Code and with respect to whether its activities constitute unrelated trades or businesses. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit ultimately could affect the tax-exempt status of the Corporation or KRC, as well as the exclusion from gross income for federal income tax purposes of the interest on the 2019A Bonds.

State Income Tax Exemption. The loss by either the Corporation or KRC of the exclusion of interest from gross income for federal tax purposes might trigger a challenge to their State income and property tax exemptions. Depending on the circumstances, such an event could be adverse and material. The Corporation and KRC believe that the Facilities will be exempt from California real property taxation.

Bankruptcy Risks

The rights and remedies of the Owners of the Bonds are subject to various provisions of the federal Bankruptcy Code. If the Corporation or KRC was to become a debtor in a bankruptcy case, its revenues and certain of its accounts receivable and other property created or otherwise acquired after the filing of such petition and for up to 90 days prior to the filing of such petition may not be subject to the security interest created under the Indenture for the benefit of the Owners of the Bonds. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Corporation or KRC and their respective properties, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over their respective properties. If the bankruptcy court so ordered, the property of the Corporation or KRC, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of the Corporation or KRC despite the security interest of the Trustee therein. While the Bankruptcy Code requires that the interest of the Trustee as lien owner be adequately protected before the collateral may be used by the Corporation or KRC, such protection could take the form of a replacement lien on assets of the Corporation or KRC acquired or created after the bankruptcy petition is instituted. The rights of the Trustee to enforce liens and security interests against the assets of the Corporation or KRC could be delayed during the pendency of the rehabilitation proceedings.

The Corporation or KRC could file a plan for the reorganization of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, if confirmed by a court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds

that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Hazardous Substances

While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to hazardous substances. In general, the Corporation may be required by law to remedy conditions of the Facilities relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are stringent and similar to certain federal acts. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling the hazardous substance. If any portion of the Facilities is affected by a hazardous substance, the marketability of the Facilities could be impacted and the value of the Facilities could be reduced by the cost of remedying the condition. Any of these potentialities described in this paragraph could significantly affect the value of the Facilities that would be realized upon a default and foreclosure. In addition, during any period when remediation is occurring, all or a portion of the Facilities may not be able to be occupied. In such circumstance, KRC would be entitled to abatement of all or a portion of its obligation to pay rent under the Office Lease. Any business interruption insurance obtained in connection with the lease of the Facilities may not be sufficient to pay all rent due during such period of abatement.

Limitations on Remedies

The ability of the Trustee to enforce the agreements set forth in the Indenture, the Deed of Trust, and the Loan Agreement will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or be limited. The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors’ rights.

Seismic Activity

Generally, throughout the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking, destabilization or liquefaction of the soils, and potential for damage to property located at or near the center of such seismic activity.

Isabella Dam

The Facilities are located approximately 50 miles downstream from the Lake Isabella Dam (the “Dam”), which serves flood control and irrigation storage purposes. The Dam is located at the confluence of the north and south forks of the Kern River. **The U.S. Army Corps of Engineers (the “USACE”) has designated the Dam as a DSAC Class I (“very high urgency”) dam.** The Dam Safety Action Classification System (“DSAC”) is intended to provide consistent and systematic guidelines for appropriate actions to address the dam safety issues and deficiencies of USACE dams. DSAC Class I (Very High Urgency) – Dams where progression toward failure is confirmed to be taking place under normal operations and the dam is almost certain to fail under normal operations within a time frame from

immediately to within a few years without intervention; or, the combination of life or economic consequences with probability of failure is extremely high. In 2013, following the signing of a Record of Decision in December 2012, the USACE entered the Pre-Construction Engineering and Design phase of the Isabelle Lake Dam Safety Modification Project (the “Safety Modification Project”). [Phase one of the Safety Modification Project – which erected two U.S. Forest Services facilities to replace the former facilities that previously sat in the project’s excavation footprint – was completed in Fall 2017. Phase two of the project began on April 3, 2018 and is projected to finish in 2022. Phase two will focus on the incorporation of modern dam design practices and construction in both the main and auxiliary dams. On February 14, 2019, the USACE announced that lake levels in the Dam are allowed to rise back to 361,250 acre-feet or 2,589 feet elevation for the remainder of Safety Modification Project. After the Safety Modification Project’s expected completion in 2022, the Dam will be allowed to return to its previous capacity of 568,000 acre-feet.]

On November 9, 2007, the USACE released the Isabella Dam Consensus Report (the “Consensus Report”), based on an external peer review that validated the USACE’s high risk classification of the Dam. In early 2008, the USACE completed the initial preparation of an updated map that identifies areas around the City which would likely be flooded if the Dam fails. The map may be accessed at: <https://kernpublicworks.com/building-and-development/floodplain-management/lake-isabella-flood-area/>. The information set forth on such website is not incorporated herein by reference. The Corporation and KRC cannot guarantee that the Dam will not fail. If the Dam fails, there could be interruption of KRC’s occupancy of the Facilities and impairment of KRC’s operations and such interruption and/or impairment could be material, which could in turn reduce the amounts available to the Corporation to pay the amounts that secure the Bonds.

[KRC and the Corporation maintain flood insurance through the National Flood Insurance Program (the “NFIP”). KRC and the Corporation believe that such flood insurance would apply to the existing Facilities if a flood resulted from failure of the Dam. Coverage is renewed annually and is presently maintained by KRC for the Facilities’ contents in the amount of \$500,000, with a deductible of \$25,000 and by the Corporation for the Facilities in the amount of \$500,000, with a deductible of \$25,000. These are presently the maximum coverages available through the NFIP. The Corporation will covenant in the Loan Agreement to obtain additional flood insurance for the Facilities, if available at commercially reasonable rates, based on the advice of an Insurance Consultant.][confirm/update]

Limitations Relating to the Deed of Trust

The security afforded by the Deed of Trust is limited. There can be no assurance that the lien of the Deed of Trust could be foreclosed or otherwise realized upon at a time or in an amount sufficient to make full and timely payment of principal of and interest on the Bonds.

Foreclosure. There are two methods of foreclosing on a deed of trust under State law, by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust may be accomplished by a nonjudicial trustee’s sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and election to sell and send a copy to the trustor, to any person who has recorded a request for a copy of the notice of default and notice of sale, to any successor in interest of the trustor and to certain other parties discernable from the real property records. The trustee then must wait for the lapse of at least three months after the recording of the notice of default and election to sell before establishing the trustee’s proposed sale date and giving a notice of sale (in a form mandated by State statutes). The notice of sale must be posted in a public place and published once a week for three consecutive calendar weeks, with the first such publication preceding the trustee’s sale by at least 20 days. Such notice of sale must be posted on the property and sent, at least 20 days prior to the trustee’s sale, to the trustor, to each person who has requested a copy, to any successor in interest of the trustor, to the beneficiary of any junior deed of trust and to certain other parties discernable from the real property records. In addition, the notice of sale must be recorded with the county recorder at least 14 days

prior to the date of sale. The trustor, any successor in interest of the trustor in the trust property, or any person having a junior lien or encumbrance of record may, during the statutory reinstatement period, cure any monetary default by paying the entire amount of the debt then due under the terms of the deed of trust and the obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys' and trustee's fees. Following a nonjudicial sale, neither the trustor nor any junior lien holder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor.

Should foreclosure under a deed of trust be sought in the form of a judicial foreclosure, it is generally subject to most of the delays and expenses of other lawsuits, and sometimes requires up to several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs). In addition, to assure collection of any rents assigned as additional collateral under the Deed of Trust, the Trustee would likely need to seek the appointment by a court of a receiver for the Facilities.

Antideficiency Legislation and Certain Other Limitations on Lenders. California has four principal statutory prohibitions limiting the remedies of a beneficiary under a deed of trust. Two such prohibitions limit the beneficiary's right to obtain a deficiency judgment, one being based on the method of foreclosure and the other on the type of debt secured. Under the former, a deficiency judgment is ordinarily barred when the foreclosure is accomplished by means of a nonjudicial trustee's sale, except for limited exceptions not applicable to the Deed of Trust. Under the latter, a deficiency judgment is barred where a foreclosed deed of trust secures certain purchase money obligations. A State law, commonly known as the "one form of action" rule, requires the beneficiary to exhaust the security under a deed of trust by foreclosure before bringing a personal action against the trustor on the indebtedness. If a court were to hold that this rule were applicable to the Deed of Trust, and the trustee under the Deed of Trust or the Owners of the Bonds were to file suit or take other actions (including set off) to collect the debt secured by the Deed of Trust without seeking to enforce their remedies under the Deed of Trust, they might be precluded from thereafter proceeding under the Deed of Trust. State law also limits any deficiency judgment obtained by a beneficiary following a judicial sale to the excess of the outstanding debt above the fair market value of the property at the time of sale. This prevents a beneficiary from obtaining a large deficiency judgment against the debtor as the result of low bids at a judicial sale. Statutory provisions (such as the federal bankruptcy laws) may have the effect of delaying enforcement of the lien of the Deed of Trust in the event of a default by the Corporation.

THE AUTHORITY

Under Title 1, Division 7, Chapter 5 of the California Government Code (the "JPA Act"), certain California cities, counties and special districts have entered into a joint exercise of powers agreement (the "JPA Agreement") forming the Authority for the purpose of exercising powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of California law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law.

The Authority may sell and deliver obligations other than the Bonds. These obligations will be secured by instruments separate and apart from the Indenture and Loan Agreement, and the holders of such other obligations of the Authority will have no claim on the security for the Bonds. Likewise, the Holders of the Bonds will have no claim on the security for such other obligations that may be issued by the Authority.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and the section entitled “ABSENCE OF LITIGATION - The Authority.” The Authority does not and will not in the future monitor the financial condition of the Corporation or KRC or otherwise monitor payment of the Bonds or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Bonds, the Corporation or KRC has been undertaken solely by the Corporation and KRC. See “CONTINUING DISCLOSURE” herein.

TAX MATTERS

2019A Bonds

Tax Exemption. The delivery of the 2019A Bonds is subject to the opinion of Bond Counsel to the effect that interest on the 2019A Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the 2019A Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the 2019A Bonds is exempt from personal income taxes of the State of California. A form of Bond Counsel’s opinion with respect to the 2019A Bonds is reproduced as Appendix F. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Authority made in a certificate dated the date of delivery of the 2019A Bonds pertaining to the use, expenditure, and investment of the proceeds of the 2019A Bonds and representations and certifications of the Corporation and KRC made in certificates dated the date of delivery of the 2019A Bonds pertaining to the use of the facilities refinanced with the proceeds of the Bonds and the qualification of the Corporation and KRC as tax-exempt organizations described in section 501(c)(3) of the Code; will rely on and assume the accuracy of an opinion of LeBeau – Thelen, LLP, counsel to the Corporation, that the Corporation is an organization exempt from federal income taxation under section 501(a) of the Code as an organization described in section 501(c)(3) of the Code; will rely on and assume the accuracy of an opinion of Musick, Peeler & Garret LLP, counsel to KRC, that KRC is an organization exempt from federal income taxation under section 501(a) of the Code as an organization described in section 501(c)(3) of the Code; and will assume continuing compliance by the Authority, the Corporation, and KRC with the provisions of the Indenture, the Loan Agreement, and the Lease Agreement subsequent to the issuance of the 2019A Bonds. The Indenture, the Loan Agreement, and the Lease Agreement contain covenants by the Authority, the Corporation, and KRC with respect to, among other matters, the use of the proceeds of the 2019A Bonds and the facilities financed therewith by persons other than state or local governmental units or tax-exempt organizations described in section 501(c)(3) of the Code in furtherance of their exempt purposes, the manner in which the proceeds of the 2019A Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the 2019A Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the 2019A Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the 2019A Bonds is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the

2019A Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2019A Bonds, the District may have different or conflicting interests from the owners of the 2019A Bonds. Public awareness of any future audit of the 2019A Bonds could adversely affect the value and liquidity of the 2019A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the 2019A Bonds. Prospective purchasers of the 2019A Bonds should be aware that the ownership of tax-exempt obligations such as the 2019A Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the 2019A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the 2019A Bonds. Prospective purchasers of the 2019A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain 2019A Bonds. The initial public offering price of certain 2019A Bonds (the "Discount 2019A Bonds") may be less than the amount payable on such 2019A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount 2019A Bond (assuming that a substantial amount of the Discount 2019A Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount 2019A Bond. A portion of such original issue discount allocable to the holding period of such Discount 2019A Bond by the initial purchaser will, upon the disposition of such Discount 2019A Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the 2019A Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount 2019A Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount 2019A Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount 2019A Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount 2019A Bond in the hands of such

owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount 2019A Bond was held) is includable in gross income.

Owners of Discount 2019A Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount 2019A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount 2019A Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount 2019A Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain 2019A Bonds (the "Premium 2019A Bonds") may be greater than the amount payable on such 2019A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium 2019A Bond (assuming that a substantial amount of the Premium 2019A Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium 2019A Bonds. The basis for federal income tax purposes of a Premium 2019A Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium 2019A Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium 2019A Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium 2019A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium 2019A Bonds.

2019B Bonds

The delivery of the 2019B Bonds is subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the 2019B Bonds is exempt from personal income taxes of the State of California. A form of Bond Counsel's opinion with respect to the 2019B Bonds is reproduced as Appendix F.

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the 2019B Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the 2019B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the 2019B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the 2019B Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such 2019B Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2019B BONDS.

Payments of Stated Interest on the 2019B Bonds. The stated interest paid on the 2019B Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount. If a substantial amount of the 2019B Bonds of any stated maturity is purchased at original issuance for a purchase price (the “Issue Price”) that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the 2019B Bonds of such maturity will be treated as being issued with “original issue discount.” The amount of the original issue discount will equal the excess of the principal amount payable on such 2019B Bonds at maturity over its Issue Price, and the amount of the original issue discount on the 2019B Bonds will be amortized over the life of the 2019B Bonds using the “constant yield method” provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the 2019B Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the 2019B Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the 2019B Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner’s gross income while the beneficial owner holds the 2019B Bonds will increase the adjusted tax basis of the 2019B Bonds in the hands of such beneficial owner.

Premium. If a beneficial owner purchases a 2019B Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the 2019B Bond with “amortizable bond premium” equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the 2019B Bond and may offset interest otherwise required to be included in respect of the 2019B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a 2019B Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2019B Bond. However, if the 2019B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the 2019B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2019B Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the 2019B Bonds as well as gain on the sale of a 2019B Bond.

Disposition of 2019B Bonds and Market Discount. A beneficial owner of 2019B Bonds will generally recognize gain or loss on the redemption, sale or exchange of a 2019B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the 2019B Bonds. Generally, the beneficial owner's adjusted tax basis in the 2019B Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the 2019B Bonds.

Under current law, a purchaser of a 2019B Bond who did not purchase the 2019B Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the 2019B Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the 2019B Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the 2019B Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire 2019B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of 2019B Bonds could have a material effect on the market value of the 2019B Bonds.

Legal Defeasance. If the Issuer elects to defease the 2019B Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding 2019B Bonds (a "legal defeasance"), under current tax law, a beneficial owner of 2019B Bonds may be deemed to have sold or exchanged its 2019B Bonds. In the event of such a legal defeasance, a beneficial owner of 2019B Bonds generally would recognize gain or loss in the manner described above. Ownership of the 2019B Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the 2019B Bonds.

Backup Withholding. Under section 3406 of the Code, a beneficial owner of the 2019B Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the 2019B Bonds. This withholding applies if such beneficial owner of 2019B Bonds: (i) fails to furnish to payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the 2019B Bonds. Beneficial owners of the 2019B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the 2019B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as

portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2019B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the 2019B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the 2019B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, 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 United States 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, the Foreign Account Tax Compliance Act ("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 United States owner. 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 and principal under the 2019B Bonds and sales proceeds of 2019B Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to beneficial owners with respect to the 2019B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a 2019B Bond for U.S. federal income tax purposes.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Norton Rose Fulbright US LLP is also serving as Disclosure Counsel. Approval of certain legal matters will be passed upon for the Authority by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California, for KRC by Musick, Peeler & Garrett LLP, San Diego, California, for the Corporation by LeBeau - Thelen, LLP, Bakersfield, California, and for the Underwriter by its counsel, Quint & Thimmig LLP, Larkspur, California. Jones Hall, A Professional Law Corporation undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

LITIGATION

The Authority

To the knowledge of the Authority, there is no material litigation pending or threatened against the Authority concerning the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance thereof.

The Corporation and KRC

There are no actions, suits or proceedings pending or, to the Corporation's and KRC's best knowledge, threatened against the Corporation or KRC; (i) seeking to restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Revenues pledged under the Indenture or the collection of Gross Revenues under the Loan Agreement or the payment of Loan Payments; (ii) in any way contesting or adversely affecting the authority for the issuance of the Bonds or the validity of the Bonds, the Indenture, the Loan Agreement, the Deed of Trust or the Office Lease; (iii) contesting the existence or powers of the Corporation or KRC; (iv) which, if determined adversely to it, would materially adversely affect the consummation of the transactions described in this Official Statement or contemplated by the Indenture, the Loan Agreement, the Deed of Trust or the Office Lease or the ability of the Corporation or KRC to perform their obligations thereunder, as applicable; or (v) contesting the Corporation's or KRC's status as an organization described in section 501(c)(3) of the Code or which would subject any income of the Corporation to federal income taxation to such extent as would result in loss of the exclusion from gross income for federal income tax purposes of interest on any of the Bonds under section 103 of the Code.

In the ordinary course of carrying out its activities, KRC is subject to litigation from time to time. The Corporation and KRC are not aware of any pending litigation against the Corporation or KRC that would materially and adversely impair or delay the payments to be made by KRC to the Corporation under the Office Lease.

UNDERWRITING

The Authority and the Corporation have entered into a purchase contract with Westhoff, Cone & Holmstedt (the "Underwriter") pursuant to which the Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority at an aggregate price of \$_____ (being the principal amount of the Bonds of \$_____, plus an original issue premium of \$_____, less an underwriter's discount of \$_____). The Underwriter is obligated under the purchase contract to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold by the Underwriter to certain dealers and others at yields lower than the public offering yield indicated on the inside cover hereof, and such public offering yield may be changed, from time to time, by the Underwriter.

[Westhoff, Cone & Holmstedt has entered into an agreement with Alamo Capital for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, Westhoff, Cone & Holmstedt will share a portion of its underwriting compensation with respect to the Bonds with Alamo Capital.]

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell Bonds and the Authority will not provide any such information. The Authority shall have no liability to the Holders of the Bonds or any other person with respect to the Rule.

The Corporation and KRC have undertaken all responsibilities for any continuing disclosure to Owners as described below, and the Authority shall have no liability to the Owners of the Bonds or any other person with respect to the Rule. To assist the Underwriter with its obligation to comply with applicable provisions of the Rule, the Corporation and KRC will execute the Continuing Disclosure Agreement. See APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

In the past five years, KRC failed to timely file financial statements for fiscal year 2014, and the Corporation failed to timely file financial statements for fiscal years 2014 and 2015. Certain annual reports for fiscal years 2014 and 2015 did not include all content required by the applicable disclosure undertaking. The Corporation and KRC have since filed such financial statements and have filed supplemental annual reports to correct the applicable omissions. In connection with the annual reports described above, within the past five years, the Corporation and KRC did not file a notice of failure to provide annual financial information on or before the date specified in their prior continuing disclosure undertaking. Additionally, the Corporation and KRC failed to file notices of a rating upgrade in connection with the Prior Bonds. **[confirm 2018 filings]**

RATING

Moody’s Investors Service, Inc. (“Moody’s”) has assigned the Bonds a rating of “__.” Such rating reflects only the view of Moody’s and any explanation of the significance of such rating should be obtained from Moody’s at the following address: Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in the judgment of Moody’s circumstances so warrant. Any such downward revision, suspension or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

FINANCIAL STATEMENTS

Included as Appendix B to this Official Statement are the audited financial statements of the Corporation for the Fiscal Year ended June 30, 2018 and the financial statements of KRC for the Fiscal Year ended June 30, 2018. The auditors for such financial statements were not requested to consent to the inclusion of their reports in Appendix B and they have not undertaken to update their respective reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by such auditors with respect to any event subsequent to the respective date of its reports.

MISCELLANEOUS

All quotations from and summaries and explanations of the Indenture, the Loan Agreement, the Continuing Disclosure Agreement, the Office Lease, the Deed of Trust and of other documents contained herein do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions. Copies of the foregoing documents may be obtained upon request from the Trustee and upon payment of the expenses incurred in connection therewith.

Any statements in this Official Statement involving matters of opinion are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the Corporation and Owners of any of the Bonds. Appendices A and B hereto, and other portions of this Official Statement, contain certain information with respect to the Corporation and KRC. Such information has been furnished by the Corporation and KRC and officers and officials of the Corporation and KRC, and the Authority makes no representation or warranty whatsoever with respect to the information contained in such Appendices or any other information contained in this Official Statement, except for information set forth under the captions “THE AUTHORITY” and “LITIGATION – The Authority” herein.

This Official Statement and the execution and delivery thereof have been duly approved and authorized by the Corporation and KRC.

DEVELOPMENTAL SERVICES SUPPORT FOUNDATION

By: _____
President

KERN REGIONAL CENTER

By: _____
President

APPENDIX A

CERTAIN INFORMATION RELATING TO THE DEVELOPMENTAL SERVICES SUPPORT FOUNDATION AND THE KERN REGIONAL CENTER

In 1969, the State of California (the “State”) enacted the Lanterman Developmental Disabilities Services Act (the “Lanterman Act”), which created a state-funded entitlement program for all State residents with developmental disabilities, those at risk of developing a developmental disability, and their families. The Lanterman Act mandates that the State’s services for the developmentally disabled be administered through a network of private nonprofit corporations. There are currently 21 such corporations (the “Regional Centers”), that operate under contract with the California Department of Developmental Services (“DDS”), the central coordinating agency for the Regional Centers. The Regional Centers coordinate services and support for approximately 330,000 children and adults with developmental disabilities and infants at risk of developmental delay or disability. In fiscal year 2017-18, the State provided approximately \$6.36 million for operations and purchase of services for the developmentally disabled through the Regional Centers.

THE CORPORATION

General

The Developmental Services Support Foundation (the “Corporation”) is a California nonprofit public benefit corporation and an organization described in section 501(c)(3) of the Internal Revenue Code of 1986. The Corporation was established in 1994 by citizens in the City of Bakersfield (the “City”) who recognized the need to support the Kern Regional Center, a California nonprofit public benefit corporation (“KRC”), mission to normalize the lives of people with developmental disabilities. The Corporation is organized exclusively as a supporting organization for KRC. The Corporation’s bylaws state that the Corporation’s objectives and purposes include, but are not necessarily limited to, “(i) the funding of various charitable or community services, special projects of the Corporation and other charitable organizations; and (ii) the funding of various activities and programs of or supported by KRC and its affiliated organizations.” To further these objectives and purposes, the Corporation assisted KRC in financing and acquiring its current headquarters facility in the City.

Board of Directors

The Corporation is governed by a Board of Directors comprised of seven members (the “Corporation Board of Directors”). The Corporation’s President/Program Specialist oversees the day-to-day operations of the Corporation. The current members of the Corporation Board of Directors and their principal occupations are set forth in the following table:

| <u>Name</u> | <u>Position</u> | <u>Date Appointed</u> | <u>Term</u> | <u>Principal Occupation</u> |
|---------------------|-------------------------|-----------------------|-------------|---|
| Diana Campbell Rice | President | | | Nonprofit/Business Consultant |
| Gary Frank | Secretary | | | Retired, Attorney |
| Cynthia Bailey | Chief Financial Officer | | | Retired Program Manager/Kern Regional Center |
| Sheila Saban | Member | | | |
| Eric Greenwood | Member | | | Sr. Geological Advisor/California Resources Corporation |
| Scarlett Sabin | Member | | | Executive Director, Bakersfield Ronald McDonald House |

| <u>Name</u> | <u>Position</u> | <u>Date Appointed</u> | <u>Term</u> | <u>Principal Occupation</u> |
|---------------|-----------------|-----------------------|-------------|---|
| Sheila Shegos | Member | | | Resource Director, Community Action Partnership of Kern |

Property Insurance

The Corporation currently maintains insurance with commercial insurers for maximum policy amounts of up to \$5,500,000 for KRC’s building at 3200 N. Sillect Avenue and \$5,000,000 for KRC’s building at 3300 N. Sillect Avenue, each with a deductible of \$2,500.

Department of Developmental Services Audits.

On August 27, 2015, the Corporation received an audit from DDS in connection with certain programs and services undertaken by third-parties during the period July 1, 2010 through June 30, 2013 (the “2013 Audit”). In the 2013 Audit, DDS found total billing discrepancies in the amount of \$297,606. Of this amount, DDS indicated that \$217,497 should be reimbursed by the Corporation to KRC and \$80,109 must be reimbursed by the Corporation to DDS. On September 21, 2015, the Corporation responded to John Doyle, the Chief Deputy Director of DDS and disputed the findings of both amounts allegedly owed by the Corporation. [DDS has not formally responded to the Corporation’s response of September 21, 2015. No assurance can be provided regarding the ultimate outcome of the DDS audit. KRC has agreed in writing to indemnify the Corporation for both disputed amounts claimed by DDS.] [\$297,606 was absorbed into the 2013 Audit appeal.] [UPDATE] [Please provide a copy of the written indemnity]

THE KERN REGIONAL CENTER

General

KRC, founded in 1971, operates as one of the Regional Centers established under the Lanterman Act to coordinate services to the developmentally disabled and their families. KRC has approximately [redacted] employees and operates from seven field offices serving the counties of Inyo, Kern, and Mono and a headquarters facility in the City of Bakersfield. KRC provides services to approximately 9,000 consumers and its service area covers approximately 22,000 square miles in Kern, Inyo and Mono counties. These counties, as of July 1, 2018, have a combined population of more than 900,000 residents. KRC's contracted operations revenues from the State exceeded \$24 million in fiscal year 2017-18.

Eligibility Criteria

Individuals must have a developmental disability, as defined in section 4512 of the California Welfare and Institutions Code, to receive services from providers under contract with Regional Centers funded by DDS. "Developmental disability" means a disability that originates before an individual attains age 18 years, continues, or can be expected to continue, indefinitely, and constitutes a substantial disability for that individual, including intellectual disability, cerebral palsy, epilepsy, and autism. This term also includes disabling conditions found to be closely related to intellectual disability or to require treatment similar to that required for individuals with intellectual disability, but does not include other handicapping conditions that are solely physical in nature. Infants and toddlers, ages 0 to 36 months, who have an established risk condition or who have a developmental delay may also qualify for services.

KRC Board of Directors

KRC is governed by a Board of Directors (the "KRC Board of Directors") composed of volunteer members from the community with demonstrated interest in developmental disabilities, including individuals with developmental disabilities or their parent or guardian. The members of the KRC Board of Directors and their respective occupation are set forth below. **[Please confirm – bylaws of KRC state that there should be 16 board members; KRC website confirms that the board is composed of "16 individuals" but only lists 11 members]**

| <u>Name</u> | <u>Position</u> | <u>Date Appointed</u> | <u>Term</u> | <u>Occupation</u> |
|---------------------|-----------------|-----------------------|-------------|-------------------|
| Oscar Axume | Board President | | | |
| Ismael Romero | Vice President | | | |
| Nickole Mensch | Treasurer | | | |
| Quanah Mason | Secretary | | | |
| Jasmeet Bains, M.D. | Member | | | |
| Kevin Gosselin | Member | | | |
| Ryan Jones | Member | | | |
| Raymond McCaslin | Member | | | |
| Mark Tolentino | Member | | | |
| Martin Vasquez | Member | | | |
| Mitzi Villalon, VAC | Member | | | |

Brief biographies of the officers of the KRC Board of Directors are set forth below.

Oscar Axume.

Ismael Romero.

Nickole Mensch.

Quanah Mason.

Management

KRC's day-to-day operations are managed by an administrative team of professionals, led by KRC's Executive Director, Michi A. Gates, Ph.D. This professional team has extensive management experience with KRC and other nonprofit organizations. Brief biographies of the administrative team of KRC are set forth below.

Michi A. Gates, Ph.D.

[Please provide biographies of other members of the admin team]

California State Department of Developmental Services Contract

The primary source of operations revenue for KRC is through its contract with DDS. KRC is the sole agency under contract with DDS for State-funded services for the developmentally disabled in its service area. KRC's contracted revenues from the State exceeded \$171.8 million in fiscal year 2017-18. KRC's preliminary allocation for the current fiscal year 2018-19 budget is approximately \$ [redacted] million, representing \$ [redacted] million for operations and approximately \$ [redacted] million for purchase of services. The DDS contract has a term of [redacted] years and is scheduled to expire in 20 [redacted]. [The contract has been renewed continuously since 1972.] [confirm]

The DDS Contract provides that the State shall make available to KRC funds for the provision of services in advance of KRC's actual performance. At the beginning of each fiscal year KRC receives a preliminary allocation (historically, 80% of the annual allocation) and throughout the fiscal year the contract is amended with additional allocations. The amounts advanced are twenty-five percent (25%) of the contract amount in the preliminary allocation and any subsequent contract amendments. Each month, after service providers are paid, KRC submits a claim to DDS and receives reimbursement. Near the end

of each fiscal year, DDS offsets KRC's monthly claims using the money advanced in the beginning of such fiscal year. Following the end of each fiscal year KRC may submit claims for reimbursement for any late invoices from service providers for services provided the previous two fiscal years.

Management Discussion

Performance Contract. Each year KRC submits a performance contract to DDS for approval. The performance contract [REDACTED]. The 2019 Performance Contract was adopted by the KRC Board of Directors on [REDACTED], 2019] and approved by DDS on [REDACTED], 2019]. [Statement of Assurances for 2019 Performance Contract was signed by Michi Gates on October 24, 2018]

Budget.

Audit Findings. [Here, please provide discussion of the various audit findings covered in Note 8 (“DDS Payable”) of the Notes to Financial Statements for Fiscal Year 2018]

Recent Management. [Here, please discuss DDS intervention, consultants, recent improvement in the past 5 years, etc.]

Current Management Issues. [Here, discuss any issues relevant to current management, including the recent decision to defund Just Johnson Inc.'s “Get Employment Ready” program due to inability to pay salaries]

Labor Disputes. [Here, please address documented labor issues regarding the freezing of pensions, reported establishment of 401k, threatened labor strike, etc.]

Threatened Closure of KRC. [Here, please address the alleged threatened closure of KRC reported by Local 521 in 2018]

Caseload Ratio. [Here, please address KRC's 2018 caseload ratio (16% increase in 2017-18, “worst caseload ratio in the State” according to KRC's Board Minutes) and the improvement in caseload KRC has seen since them, i.e., hiring 25 new service coordinators]

Litigation. [Here, please address 2018 criminal charges levied against caretaker working for AIMES Consulting, Inc. – contracted by KRC – for scalding a disabled woman under the care of KRC – background check conducted prior to engaging this contractor?]

The following table sets forth the total revenues received by KRC under the DDS contract for the past five fiscal years and the preliminary allocation for the current fiscal year.

**KERN REGIONAL CENTER
DDS CONTRACT REVENUES
Fiscal Years 2013-14 through 2017-18 and Fiscal Year 2018-19 (Estimated)**

| <u>Revenue Category</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19⁽¹⁾</u> |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------------|
| Operations | \$ 15,891,276 | \$ 16,862,788 | \$ 17,465,021 | \$ 20,092,828 | \$ 24,453,147 | |
| Purchase of Service | <u>127,420,115</u> | <u>131,610,042</u> | <u>143,800,219</u> | <u>162,139,238</u> | <u>147,357,776</u> | |
| Total Revenues | <u>\$143,311,391</u> | <u>\$148,472,830</u> | <u>\$161,265,240</u> | <u>\$182,232,066</u> | <u>\$171,810,923</u> | |

Source: KRC.

⁽¹⁾ Estimated.

The operations category includes personal services, equipment and facility rental, general office expenses, accounting and legal fees, and contractor and sub-contractor indirect costs. The purchase of services category includes out-of-home care services, including community care facilities and special services; day programs, including day-care, day training, supported employment and work activity programs; and other services, including prevention, hospital care, respite care and transportation. In accordance with the terms of the DDS Contract, an audit may be performed by an authorized State representative. Should such audit disclose any unallowable costs, KRC may be required to reimburse such costs to the State. In the opinion of KRC's management, any disallowed costs would not have a material adverse effect on the revenues available to pay rent under the Office Lease, as described in the Official Statement. KRC's management is not aware of any request to DDS for reimbursement of costs to date that has been disallowed. However, KRC cannot predict what costs, if any, may be disallowed by the State in the future or whether any such disallowed costs would materially impair KRC's ability to pay its obligations, including obligations to the Corporation.

Caseload

The following table sets forth KRC's caseload for fiscal years 2014 through 2018. KRC's caseload increased more than 16% during this period. Please see the Management Discussion for more information about KRC's caseload ratio.

**KERN REGIONAL CENTER
CASELOAD
Fiscal Years 2013-14 through 2017-18**

| <u>Fiscal Year</u> | <u>Consumers Served⁽¹⁾</u> |
|--------------------|---------------------------------------|
| 2013-14 | 7,410 |
| 2014-15 | 7,698 |
| 2015-16 | 7,944 |
| 2016-17 | 8,068 |
| 2017-18 | 9,080 |

Source: KRC.

Revenues and Expenses

The following table sets forth revenues and expenses of KRC for fiscal years 2013-14 through 2017-18.

**KERN REGIONAL CENTER
REVENUES AND EXPENSES**
Fiscal Years Ended June 30, 2013-14 through 2017-18

| | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|---|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Changes in unrestricted net assets | | | | | |
| Revenue | | | | | |
| Reimbursement from State of California | \$147,455,305 | \$153,127,274 | \$158,003,739 | \$169,859,022 | \$171,710,289 |
| Contributions | 5,105 | 40,396 | - | - | - |
| Management fee | - | - | - | - | - |
| Interest income | 41,733 | 42,152 | 52,357 | 65,711 | 75,170 |
| Other income | <u>159,020</u> | <u>15,149</u> | <u>5,973</u> | <u>18,294</u> | <u>25,464</u> |
| Total Revenue | \$147,661,163 | \$153,224,971 | \$158,062,069 | \$169,943,027 | \$171,810,923 |
| Expenses | | | | | |
| Purchase of services: | | | | | |
| Out of home | \$ 30,088,194 | \$ 31,051,601 | \$ 31,588,405 | \$ 35,111,185 | \$ 33,543,069 |
| Day programs | 23,547,170 | 24,964,701 | 26,924,133 | 29,245,082 | 28,122,892 |
| Other services | <u>77,147,573</u> | <u>79,526,412</u> | <u>80,854,071</u> | <u>84,720,568</u> | <u>85,691,815</u> |
| Total | \$130,782,937 | \$135,542,714 | \$139,366,609 | \$149,076,835 | \$147,357,776 |
| Intake and assessment | \$ 1,306,201 | \$ 1,356,229 | \$ 1,447,955 | \$ 896,325 | - |
| Case management | 10,612,362 | 11,005,342 | 12,064,720 | 15,112,599 | 17,093,611 |
| Program development | 319,296 | 514,510 | 624,460 | 1,089,612 | - |
| Other client services | 491,617 | 529,970 | 132,521 | 151,125 | - |
| Grants and special projects | <u>878,122</u> | <u>1,179,993</u> | <u>868,238</u> | <u>1,333,544</u> | <u>946,792</u> |
| Total | \$ 13,607,598 | \$ 14,586,044 | \$ 15,137,894 | \$ 18,583,205 | \$ 18,040,403 |
| Operating Expenses | \$ 3,405,929 | \$ 3,509,344 | \$ 3,557,566 | \$ 2,292,175 | \$ 6,412,744 |
| Total Expenses | \$147,796,464 | \$153,638,102 | \$158,062,069 | \$169,952,215 | \$171,810,923 |
| Change in net assets | \$ (135,301) | \$ (413,131) | - | \$ (9,188) | - |
| Net assets at beginning of year | \$ 579,764 | \$ 444,463 | \$ 31,332 | \$ 31,332 | \$ 22,144 |
| Net assets, end of year | <u>\$ 444,463</u> | <u>\$ 31,332</u> | <u>\$ 31,332</u> | <u>\$ 22,144</u> | <u>\$ 22,144</u> |

Source: Audited financial statements of KRC.

Assets and Liabilities

The following table sets forth the statements of financial position for fiscal years 2013-14 through 2017-18.

KERN REGIONAL CENTER
STATEMENTS OF FINANCIAL POSITION
Fiscal Years 2013-14 through 2017-18

| ASSETS | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Current Assets | | | | | |
| Cash and cash equivalents | \$ 3,882,162 | \$ 853,516 | \$ 7,369,113 | \$10,921,357 | \$ 4,858,400 |
| State reimbursement claims | 7,203,391 | 9,987,376 | 3,877,076 | | |
| Receivable – ICF providers | 5,123,446 | 2,843,616 | 1,383,562 | 1,195,713 | 1,554,393 |
| Accounts receivable, related parties | 1,500 | 1,500 | (523) | | |
| Other receivables | 148,060 | 47,450 | 16,139 | 67,001 | 76,908 |
| Prepaid expenses | 309,837 | 522,432 | 419,378 | 509,619 | 423,292 |
| Due from client trust accounts | <u>237,896</u> | <u>223,131</u> | <u>187,283</u> | <u>344,468</u> | <u>654,659</u> |
| Total current assets | \$16,906,292 | \$14,479,021 | \$14,443,978 | \$13,038,158 | \$ 7,567,652 |
| Property and Equipment, net of accumulated depreciation | | | | | |
| Office equipment | \$ 2,059,513 | \$ 1,855,137 | \$ 1,378,234 | \$ 1,538,388 | \$ 1,946,473 |
| Noncurrent Assets | | | | | |
| Restricted cash | \$ 1,369,355 | \$ 1,194,122 | \$1,102,014 | | |
| Contracts receivable – unfunded defined and post-retirement benefit liability, accrued vacation/sick pay, retirement payable | 35,026,151 | 48,362,199 | 60,290,823 | | |
| Due from vendors | 206,739 | 241,332 | 169,308 | | |
| Deposits | 84,749 | 16,350 | 16,350 | 16,350 | 17,330 |
| Client receivables | <u>-</u> | <u>-</u> | <u>-</u> | | |
| Total noncurrent assets | <u>\$36,686,994</u> | <u>\$49,814,003</u> | <u>\$61,578,495</u> | <u>\$54,952,747</u> | <u>\$50,918,212</u> |
| Total Assets | <u>\$55,652,799</u> | <u>\$66,148,161</u> | <u>\$76,208,757</u> | <u>\$69,529,293</u> | <u>\$60,432,337</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities | | | | | |
| Line of credit | - | - | - | - | - |
| Current maturities of long-term debt | \$ 109,409 | \$ 182,742 | \$ 139,091 | \$ 42,752 | - |
| Accounts payable | 12,672,132 | 13,033,832 | 13,623,926 | 13,047,815 | 7,337,823 |
| Payable to DDS – ICF providers | 3,948,525 | 1,879,334 | 255,381 | 252,990 | 247,826 |
| Payable to DDS | 281,037 | 759,118 | 517,472 | - | - |
| State Reimbursement Claims Payable, Net | - | - | 665,752 | 1,078,411 | 1,981,271 |
| Accrued expenses | <u>274,912</u> | <u>470,652</u> | <u>665,752</u> | <u>847,241</u> | <u>851,150</u> |
| Total current liabilities | \$17,286,015 | \$16,325,678 | \$15,201,622 | \$15,269,209 | \$10,418,070 |
| Long-Term Liabilities and Revenues | | | | | |
| Long-term debt, less current maturities | \$ 367,011 | \$ 106,039 | \$ 42,752 | | |
| Defined benefit and post retirement plan unfunded liability | 33,664,670 | 46,008,413 | 57,429,737 | 51,711,078 | 47,150,215 |
| Reserve for investment in equipment | 1,429,804 | 1,379,451 | 1,378,234 | 1,495,636 | 1,946,473 |
| Accrued vacation and sick pay | 1,091,481 | 1,103,126 | 1,023,066 | 1,031,226 | 895,435 |
| Client trust liability | <u>1,369,355</u> | <u>1,603,063</u> | <u>2,293,964</u> | | |
| Total long-term liabilities and revenues | \$37,922,321 | \$50,200,092 | \$62,167,753 | | |
| Net Assets - unrestricted | <u>444,463</u> | <u>31,332</u> | <u>31,332</u> | <u>22,144</u> | <u>22,144</u> |
| TOTALS | <u>\$55,652,799</u> | <u>\$66,557,102</u> | <u>\$77,400,707</u> | | |

Source: Audited financial statements of KRC.

KRC maintains a line of credit with a commercial bank to ensure no disruption in meeting cash requirement needs on a daily basis. The line of credit is currently \$15 million and expires on September 30, 2019. The line of credit is collateralized by all of KRC's assets, including rights to payment under its contract with DDS, and is renewed annually.

Unemployment Insurance

KRC has elected to self-insure for unemployment insurance and is required to reimburse the State for benefits paid to former employees. As of _____, 20__, KRC had \$ _____ in its unemployment insurance reserve fund.

Service Agreements

KRC coordinates the services provided to its Consumers through service agreements with third-party vendors. The service agreements conform to applicable regulations under the Lanterman Act. Some of the services provided under third-party contracts include supported living services, educational services, community integration services and independent-living transition services. KRC has never experienced any material disruptions in the provision of service to its Consumers because of a dispute related to any service agreement.

Employees and Labor Relations

Approximately 90% KRC's employees are covered by a collective bargaining agreement with Social Services Union Local 521 ("Local 521"). The previous collective bargaining agreement covered the period October 1, 2011 through September 30, 2014. A new agreement was signed in February 2017, and covers the period December 16, 2016 through December 15, 2019. KRC's other employees are not represented by a union. Please see the Management Discussion for information about recent labor disputes.

Pension Plans and Post-Retirement Benefits

KRC has a money purchase pension plan and a defined benefit pension plan covering all eligible employees. All employees of KRC who work at least 15.5 hours per week are eligible to participate in one of KRC's retirement plans. Employees who worked for KRC on or before June 30, 2002 had the option of participation in the money purchase plan or the defined benefit plan. Employees hired after June 30, 2002 participate in the defined benefit plan only. KRC also maintains a 403(b) plan in a combination of custodial accounts. Please see the Management Discussion for information about the labor disputes concerning KRC's retirement plans.

Money Purchase Pension Plan. Union employee participants in the Money Purchase Pension Plan receive an employer contribution of 12.4% of compensation. Non-union employees receive an employer contribution of 10.9% of compensation, plus 4.3% of excess compensation. Excess compensation is defined as compensation in excess of \$12,000. The Money Purchase Pension Plan allows for employee contributions. For the fiscal year ended June 30, 2018, the employer contribution to the Money Purchase Pension Plan was [\$_____].

Defined Benefit Pension Plan. KRC maintains a defined benefit pension plan (the "Plan"). Benefits under the Plan are based on the employees' years of service and average compensation. KRC's funding policy is to contribute annually an amount that is not less than the minimum funding requirement of the Employee Retirement Income Security Act of 1974.

403(b) Plan. Participating employees are allowed to make contributions of their gross wages through payroll deductions, pursuant to certain Internal Revenue Code limitations. Effective January 1, 2009, employer contributions are no longer made to the plan.

The following table sets forth the valuation results for the Plan for the valuation dates referenced below.

**KERN REGIONAL CENTER
DEFINED BENEFIT PENSION PLAN FUNDING PERCENTAGE**

| | July 1, 2014 | July 1, 2015 | July 1, 2016 | July 1, 2017 | July 1, 2018 |
|---|----------------|----------------|----------------|---------------|---------------|
| Plan Assets | | | | | |
| a. Total Plan Assets | \$29,841,817 | \$30,393,529 | \$31,618,549 | \$35,110,125 | \$38,297,157 |
| b. Funding Standard Carryover Balance | -- | -- | -- | -- | -- |
| c. Prefunding Balance | <u>372,744</u> | <u>134,907</u> | <u>145,229</u> | <u>12,948</u> | <u>13,818</u> |
| d. Net Plan Assets (a) – (b) – (c) = d | \$29,469,073 | \$30,258,622 | \$31,473,317 | \$35,097,177 | \$38,283,339 |
| Plan Liabilities | | | | | |
| | \$32,046,428 | \$34,237,566 | \$37,145,394 | \$40,201,562 | \$44,467,138 |
| Funding Target Attainment Percentage | | | | | |
| (Net Plan Assets/Plan Liabilities) | 91.96% | 88.38% | 84.73% | 87.30% | 86.09% |

Source: Actuarial Report for Plan Years 2014 to 2018.

Post-Retirement Benefits. An employee must enroll in a CalPERS health insurance plan prior to retirement in order to be eligible to participate in KRC’s post retirement plan as a retiree. To be eligible, the employee’s age and years of service must equal to at least 75 upon retirement.

Operating Leases

KRC leases from the Corporation two offices in Bakersfield, California to house its operations. These leases have an original term of 30 years with 20 years remaining. Total rent expense for these two offices for the year ended June 30, 2018 was \$1,283,947. The leases expire June 30, 2039. **[Please confirm this is accurate – from 2018 audit (in particular, is there one lease or two leases for the two offices?)]**

KRC also leases office spaces in outlying cities within Kern County for its various service locations. For the year ended June 30, 2018, KRC was obligated in the amount of \$182,920 under lease agreements in these outlying locations, which have various expiration dates ending but may be renewed **[Please provide specific range of expiration dates]**. See Appendix B, Note 10.

Contingencies

KRC is dependent on continued funding provided by DDS to operate and coordinate services to its clients. KRC’s contract with DDS provides funding for services under the Lanterman Act. If the expenditures of KRC result in a deficit position at the end of any contract year, DDS may, but is not required to, reallocate surplus funds within the State system to supplement KRC’s funding. Should a system-wide deficit occur, DDS is required to report to the Governor of the State and the appropriate fiscal committee of the State Legislature and recommend actions to secure additional funds or reduce expenditures.

APPENDIX B

**FINANCIAL STATEMENTS OF THE DEVELOPMENTAL SERVICES SUPPORT
FOUNDATION AND THE KERN REGIONAL CENTER**

APPENDIX C

BOOK-ENTRY SYSTEM

The information in this Appendix concerning The Depository Trust Company, New York, New York (“DTC”), and DTC’s book-entry system has been obtained from DTC and the Corporation and the Authority take no responsibility for the completeness or accuracy thereof. The Corporation and the Authority cannot and do not give any assurances that DTC, Direct Participants (as defined below) or Indirect Participants (as defined below) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The Authority, the Corporation and KRC are not responsible or liable for the failure of DTC or any DTC Direct or Indirect Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC’s Direct and Indirect Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The 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 each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 issues of million U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (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 an S&P Global Ratings rating of “AA+.” The DTC Rules applicable to DTC’s Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each 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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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 registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the 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 Corporation or the Trustee, on a 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 Trustee, the Corporation or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of such principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, 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 depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered as described in the Indenture.

The Corporation or the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F
PROPOSED FORMS OF BOND COUNSEL OPINIONS

KERN REGIONAL CENTER
 BUDGET AND EXPENSE REPORT
 FY 2018/2019
 AS OF MARCH 31, 2019

| | Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 | Col. 6 | Col. 7 |
|---------------------------------------|-----------------------------------|----------------------|--|---|------------------------------------|-----------------------------------|-------------------------------------|
| | Preliminary Allocation - E Series | E-1 Allocation | Total Allocation To Date thru E-1 Alloc - Col.1 + Col. 2 | Purchase of Service By Claim to State - July 2018 to March 2019 | Projected -April 2019 to June 2019 | Total Projected - Col. 4 + Col. 5 | Projected Balance - Col. 3 - Col. 6 |
| PURCHASE OF SERVICES | | | | | | | |
| GENERAL | | | | | | | |
| Out of Home Care | \$ 31,719,280 | \$ 7,550,791 | \$ 39,270,071 | \$ 27,944,670 | \$ 8,095,255 | \$ 36,039,925 | \$ 3,230,146 |
| Day Programs | 24,095,671 | 5,735,986 | 29,831,657 | 23,464,050 | 3,913,815 | 27,377,865 | 2,453,792 |
| Other Services | 77,241,048 | 18,387,270 | 95,628,318 | 64,555,805 | 23,206,639 | 87,762,444 | 7,865,874 |
| SUBTOTAL GENERAL | 133,055,999 | 31,674,047 | 164,730,046 | 115,964,525 | 35,215,709 | 151,180,234 | 13,549,812 |
| Less: ICF SPA Funded | | | | (654,518) | (3,058,614) | (3,713,132) | 3,713,132 |
| TOTAL GENERAL | \$ 133,055,999 | \$ 31,674,047 | \$ 164,730,046 | \$ 115,310,007 | \$ 32,157,095 | \$ 147,467,102 | \$ 17,262,944 |
| Percentage | | | 100% | 70.00% | 19.52% | | 10.48% |
| COMMUNITY PLACEMENT PLAN (CPP) | | | | | | | |
| Out of Home Care | | \$ 409,019 | \$ 409,019 | \$ 229,780 | \$ 179,239 | \$ 409,019 | - |
| Day Programs | | - | 0 | \$ 12,736 | (12,736) | 0 | - |
| Other Services | | - | 0 | 246,998 | (246,998) | 0 | - |
| TOTAL CPP | \$ - | \$ 409,019 | \$ 409,019 | \$ 489,513 | \$ (80,494) | \$ 409,019 | \$ - |
| Percentage | | | 100.00% | 119.68% | -19.68% | | 0.00% |
| TOTAL PURCHASE OF SERVICE | \$ 133,055,999 | \$ 32,083,066 | \$ 165,139,065 | \$ 115,799,520 | \$ 32,076,601 | \$ 147,876,121 | \$ 17,262,944 |
| Percentage | | | 100% | 70.12% | 19.42% | | 10.45% |
| GRAND TOTAL ALL BUDGETS | \$ 150,079,134 | \$ 36,170,833 | \$ 186,249,967 | \$ 122,044,470 | \$ 35,023,882 | \$ 157,068,352 | \$ 29,181,615 |
| Percentage | | | 100% | 65.53% | 18.80% | | 15.67% |

BUDGET AND EXPENSE REPORT
 FY 2018/2019
 AS OF MARCH 31, 2019

| OPERATIONS | Preliminary Allocation - E Series | E-1 Allocation | Total Allocation To Date thru E-1 Allocation |
|---------------------------------------|-----------------------------------|---------------------|--|
| GENERAL | | | |
| Salaries and Benefits | \$ 17,023,135 | \$ (83,976) | \$ 16,939,159 |
| Operating Expenses | | 3,315,224 | 3,315,224 |
| TOTAL PERSONNEL SERVICES | 17,023,135 | 3,231,248 | 20,254,383 |
| COMMUNITY PLACEMENT PLAN (CPP) | | | |
| Salaries & Benefits | | \$ 421,455 | \$ 421,455 |
| Operating Expenses | | - | - |
| SUBTOTAL CPP | \$ - | \$ 421,455 | \$ 421,455 |
| FOSTER GRANDPARENT PROGRAM | | | |
| Salaries & Benefits | | \$ 65,399 | \$ 65,399 |
| Operating Expenses | | 146,784 | 146,784 |
| SUBTOTAL FGP | \$ - | \$ 212,183 | \$ 212,183 |
| SENIOR COMPANION PROGRAM | | | |
| Salaries & Benefits | | \$ 67,765 | \$ 67,765 |
| Operating Expenses | | 155,116 | 155,116 |
| SUBTOTAL FGP | \$ - | \$ 222,881 | \$ 222,881 |
| GRAND TOTAL OPERATIONS | \$ 17,023,135 | \$ 4,087,767 | \$ 21,110,902 |

| | Budgeted | Operations July 2018 to March 2019 | Projected April 2019 to June 2019 | Total Projected | Projected (Over)/Under |
|-----------------------------------|----------------------|------------------------------------|-----------------------------------|----------------------|------------------------|
| REVENUES | | | | | |
| Total Allocation to Date Thru E-1 | \$ 21,110,902 | | | | |
| Other Income | \$ 842,407 | | | | |
| | <u>\$ 21,953,309</u> | | | | |
| EXPENDITURES | | | | | |
| Salaries and Benefits | \$ 17,522,355 | \$ 13,976,607 | \$ 3,296,957 | \$ 17,273,564 | \$ 248,791 |
| Operating Expenses | 4,430,954 | 3,630,913 | 1,046,758 | 4,677,671 | (246,717) |
| | <u>\$ 21,953,309</u> | <u>\$ 17,607,520</u> | <u>\$ 4,343,715</u> | <u>\$ 21,951,235</u> | <u>\$ 2,074</u> |