

CHICO UNIFIED SCHOOL DISTRICT

RESOLUTION NO. 1348-16

**AUTHORIZING THE ISSUANCE AND SALE OF REFUNDING BONDS OF THE
DISTRICT AND RELATED ACTIONS**

WHEREAS, pursuant to Resolution No. 1015-08 adopted March 26, 2008 by the Board of Trustees (the "Board") of the Chico Unified School District (the "District"), the Board requested the County of Butte to issue its General Obligation Bonds, Election of 1998, Series B;

WHEREAS, pursuant to Resolution No. 0808-007 adopted by the Butte County Board of Supervisors on April 8, 2008, Butte County issued, on behalf of the District, \$30,725,000 aggregate principal amount of Chico Unified School District, Butte County, California, Election of 1998, General Obligation Bonds, Series B (the "Series B Bonds");

WHEREAS, pursuant to Article 9 (Sections 53550 and following) and Article 11 (Sections 53580 and following) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, the District is authorized to issue refunding bonds to refund all or a portion of the Series B Bonds (the "Prior Bonds");

WHEREAS, prudent management of the fiscal affairs of the District requires that the District issue refunding bonds (the "Refunding Bonds") under the provisions of Article 9 (Sections 53550 and following) and Article 11 (Sections 53580 and following) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code to redeem on August 1, 2018 the portion of the Series B Bonds that mature on and after August 1, 2019 (the "Refunded Prior Bonds"), provided that a sufficient level of present value savings may be achieved by doing so;

WHEREAS, it appears to the Board that the total net interest cost to maturity plus the principal amount of the Refunding Bonds (plus any costs of issuance not funded from proceeds of the Refunding Bonds) will not exceed the total net interest cost to maturity plus the principal amount of the Refunded Prior Bonds, which, pursuant to California Government Code Sections 53552 and 53556, will permit the Board to issue the Refunding Bonds without another vote of the electorate;

WHEREAS, the following documents and proposed agreements relating to the issuance and sale of the Refunding Bonds, which are incorporated herein by reference, have been presented to the Board for its review and approval:

a. the Paying Agent Agreement relating to the Refunding Bonds (the "Paying Agent Agreement"), between the District and The Bank of New York Mellon Trust Company, N.A., as Paying Agent (the "Paying Agent");

b. the Escrow Agreement (the "Escrow Agreement") between The Bank of New York Mellon Trust Company, N.A., as escrow agent, and the District that provides for the deposit of funds sufficient to pay interest on the outstanding Refunded Prior Bonds through the redemption date and to pay the redemption price of the Refunded Prior Bonds on the redemption date;

c. the Bond Purchase Agreement (the "Bond Purchase Agreement") between the District and the underwriter or underwriters (the "Underwriter") to be selected by the District through a competitive process conducted by Isom Advisors, a division of Urban Futures (the "Financial Advisor"), whereby the Underwriter will agree to purchase the Refunding Bonds when and as issued and delivered by the District;

d. the Official Statement (the "Official Statement") describing the Refunding Bonds and the District; and

f. the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), whereby the District undertakes to provide annual reports and material events notices as required under federal securities laws;

NOW, THEREFORE, be it resolved by the Board of Trustees of the Chico Unified School District as follows:

Section 1. Recitals. The Board hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Issue Authorized. The Board hereby authorizes the issuance of the Refunding Bonds in an aggregate principal amount not to exceed \$30,000,000; provided that the total net interest cost to maturity plus the principal amount of the Refunding Bonds (plus any costs of issuance not funded from proceeds of the Refunding Bonds) does not exceed the total net interest cost to maturity plus the principal amount of the Refunded Prior Bonds, and further provided that the Superintendent or the Assistant Superintendent, Business Services has determined that the refunding of the Refunded Prior Bonds produces net present value savings of at least 6% of the par amount of the Refunded Prior Bonds (or such higher amount of savings as they may require). The Board hereby authorizes the use of municipal bond insurance for the Refunding Bonds if necessary.

Section 3. Authorization of Officers to Execute and Deliver Documents. The Board hereby authorizes the President, the Vice President, the Secretary, and Clerk of this Board and the Superintendent, the Assistant Superintendent, Business Services (the "Designated Officers"), and each of them individually, for and in the name of and on behalf of the District, to approve, execute, and deliver the following agreements and documents:

- a. the Paying Agent Agreement;
- b. the Escrow Agreement;
- c. the Bond Purchase Agreement;
- d. the Official Statement; and
- e. the Continuing Disclosure Certificate,

in substantially the forms presented to this meeting, which agreements and documents are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be

approved by the officer or officers executing the agreements or documents for the District. The execution of the foregoing by a Designated Officer or Officers of the District shall constitute conclusive evidence of such officer's or officers' and the Board's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of agreements and documents presented to this meeting. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, form, registration privileges, place or places of payment, terms of redemption, and other terms of the Refunding Bonds and provisions relating to municipal bond insurance, shall be as provided in the Paying Agent Agreement as finally executed.

Section 4. Approval of Method of Sale and Bond Purchase Agreement. The Board hereby authorizes the sale of the Refunding Bonds. Upon the recommendation of the Financial Advisor, the Designated Officers, and each of them individually, on behalf of this Board, are hereby authorized to negotiate the sale of the Refunding Bonds with one or more underwriters (the "Underwriters") selected by such officer or officers and to execute and deliver the Bond Purchase Agreement to the Underwriters. This method of sale has been selected by the Board because it offers greater flexibility than a public sale process in setting and changing the time and terms of the sale. The estimated costs associated with the issuance of the Refunding Bonds, including the expenses of bond counsel, the financial advisor, the rating agency and other services and including an estimated underwriter(s) discount and premium for municipal bond insurance, are \$300,000.

Section 5. Distribution of Official Statement. The Board hereby authorizes and directs the Financial Advisor and/or the Underwriter to distribute copies of the Official Statement in preliminary form to persons who may be interested in the purchase of the Refunding Bonds and to deliver copies of the final Official Statement to all purchasers of the Refunding Bonds. The Board hereby authorizes and directs the Designated Officers, and each of them individually, to deliver to the Underwriter or the Financial Advisor a certificate to the effect that the District deems the preliminary Official Statement, in the form approved by the Designated Officer, to be final and complete as of its date.

Section 6. Valid Obligations. The Board hereby determines that all acts and conditions necessary to be performed by the District or to have been met precedent to and in issuing of the Refunding Bonds in order to make them valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Refunding Bonds have been performed and have been met, in regular and due form as required by law; that the full faith and credit of the District are hereby pledged for the timely payment of the principal of and interest on the Refunding Bonds; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Refunding Bonds.

Section 7. Bond and Disclosure Counsel. The law firm of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, is hereby retained as bond counsel and disclosure counsel to the District with respect to the Refunding Bonds. The Designated Officers, and each of them individually, are hereby authorized to execute and deliver a legal services agreement with each such firm.

Section 8. Identification of Financial Advisor. Isom Advisors, a division of Urban Futures will serve as financial advisor with respect to the Refunding Bonds. The Designated

Officers, and each of them individually, are hereby authorized to execute and deliver a services agreement with such company.

Section 9. Authorization of Officers to Execute Documents. The Board hereby authorizes and directs its officers and the officials and staff of the District, and each of them individually, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Refunding Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this Resolution. All actions heretofore taken by such officers, officials and staff that are in conformity with the purposes and intent of this Resolution are hereby ratified, confirmed, and approved in all respects.

Section 10. Effective Date. This resolution shall take effect immediately upon its passage.

This Resolution of the Board of Trustees of the Chico Unified School District Authorizing the Issuance and Sale of Refunding Bonds of the District and Related Actions is **APPROVED, PASSED, AND ADOPTED** on September 7, 2016, by a majority of the members of the Board, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

President of the Board of Trustees

ATTEST:

Secretary of the Board of Trustees

ESCROW AGREEMENT

by and between

CHICO UNIFIED SCHOOL DISTRICT

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Escrow Agent

Dated October 1, 2016

\$(PAR AMOUNT)
CHICO UNIFIED SCHOOL DISTRICT
BUTTE COUNTY, CALIFORNIA
ELECTION OF 1998 GENERAL OBLIGATION BONDS, SERIES B

ESCROW AGREEMENT

This ESCROW AGREEMENT (the "Escrow Agreement"), dated October 1, 2016, is by and between the CHICO UNIFIED SCHOOL DISTRICT, a school district duly organized and existing under and by virtue of the laws of the State of California (the "District") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States and being qualified to accept and administer the trust hereby created (the "Bank"), as escrow agent (the "Escrow Agent").

WITNESSETH:

WHEREAS, pursuant to Resolution No. 1015-8 adopted March 26, 2008 by the Board of Trustees (the "Board") of the District, the Board requested the County of Butte to issue its General Obligation Bonds, Election of 1998, Series B.

WHEREAS, on behalf of the District's Board of Education (the "Board"), the County of Butte (the "County") issued the "Chico Unified School District (Butte County, California) General Obligation Bonds, Election of 1998, Series B" in the amount of \$30,725,000 (the "Series B Bonds"), pursuant to Resolution No. 0808-007 adopted by the Butte County Board of Supervisors on April 8, 2008 (the "Resolution");

WHEREAS, paying agent services for the Series B Bonds are performed pursuant to paying agent agreement dated May 8, 2008 by and between the District and the Bank, successor in interest to The Bank of New York Trust Company, N.A. (the "Series B Paying Agent Agreement");

WHEREAS, the Series B Bonds financed the acquisition, renovation, and modernization of certain District facilities;

WHEREAS, the District has determined that prudent management of the fiscal affairs of the District requires that it advance refund the Series B Bonds that mature on and after August 1, 2019 (the "Refunded Bonds");

WHEREAS, in order to implement the foregoing, the District duly issued \$[PAR AMOUNT] principal amount of its Chico Unified School District (Butte County, California) 2016 General Obligation Refunding Bonds, (the "Refunding Bonds") and pursuant to that certain paying agent agreement dated October 1, 2016 (the "Paying Agent Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent");

WHEREAS, the District has taken action to cause to be made available for purchase by the Escrow Agent, from amounts on deposit in the Series B Escrow Fund (as defined herein), certain direct noncallable United States Treasury obligations (the "Escrow Securities"), listed on Schedule I attached hereto and made a part hereof, in an aggregate principal amount that, together with the money deposited in the Series B Escrow Fund at the same time as such deposit and the income to accrue on such securities, will be sufficient to provide for the payment of interest on the Refunded Bonds to and including August 1, 2018, and to pay the redemption price of the Refunded Bonds on that date; and

WHEREAS, the provisions of the Resolution, the Series B Paying Agent Agreement, and the Paying Agent Agreement are incorporated herein by reference as if set forth herein in full.

NOW, THEREFORE, the District and the Escrow Agent hereby agree as follows:

Section 1. Establishment and Maintenance of the Series B Escrow Fund.

The Escrow Agent agrees to establish and maintain the Series B Escrow Fund (the "Series B Escrow Fund") until all the Refunded Bonds have been redeemed and interest thereon paid as provided herein. The Escrow Agent shall, except as provided in Section 2 hereof, hold the Escrow Securities and the money (whether constituting the initial deposit in the Series B Escrow Fund or constituting receipts on the Escrow Securities) in the Series B Escrow Fund at all times as a separate trust account wholly segregated from all other securities, investments or money held by it. All securities and money in the Series B Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 3 hereof, to secure the redemption of the Refunded Bonds and payment of interest thereon as provided herein. On the date of execution and delivery of this Escrow Agreement, the District shall cause to be transferred to the Escrow Agent the sum of \$_____, which the Escrow Agent shall deposit in the Series B Escrow Fund.

Section 2. Investment of Money in the Series B Escrow Fund. The District hereby directs the Escrow Agent to purchase the Escrow Securities at a price of \$_____ with amounts in the Series B Escrow Fund and retain the balance of such amounts in cash in the Series B Escrow Fund. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this section and in full compliance with the provisions hereof.

Section 3. Payment from the Series B Escrow Fund. The District hereby irrevocably instructs the Escrow Agent, and the Escrow Agent hereby agrees, to use the interest on and principal of all Escrow Securities held in the Series B Escrow Fund, together with any other money, to pay debt service on the Refunded Bonds to and including August 1, 2018, and to pay the redemption price of the Refunded Bonds on that date, as set forth in Schedule II attached hereto.

Section 4. Notices of Defeasance and Redemption. The District hereby irrevocably instructs the Escrow Agent, in accordance with the terms and conditions of the Resolution, to provide notices of defeasance and notices of redemption for the Refunded Bonds, such notices to be provided in the time and manner specified in the Resolution.

Section 5. Deficiencies in the Series B Escrow Fund. If at any time the Escrow Agent shall become aware that the money in the Series B Escrow Fund will not be sufficient to make all payments required by Section 3 hereof, the Escrow Agent shall notify the District in writing as soon as reasonably practicable of such fact, stating the amount of such deficiency and the reason therefor (if known to it), and the District shall use its best efforts to obtain and deposit with the Escrow Agent for deposit in the Series B Escrow Fund such additional money as may be required to provide for the making of all such payments, provided that such additional money may be deposited solely from lawfully available funds of the District or from a special appropriation made by the District for such purpose, which appropriation shall at all times be subject to the sole discretion of the District. The District shall incur no liability, however, if such additional moneys

are unavailable or are not sufficient for such purpose. The Escrow Agent shall in no event or manner be responsible for the failure of the District to make any such deposit.

Section 6. Compensation and Indemnification of the Escrow Agent. (a) The District shall pay the Escrow Agent a fee for its services hereunder and shall reimburse the Escrow Agent for its out-of-pocket expenses (including but not limited to the reasonable fees and expenses, if any, of its counsel or accountants) incurred by the Escrow Agent in connection with these services, all as more particularly agreed upon by the District and the Escrow Agent; provided that these fees and expenses shall in no event be deducted from the Series B Escrow Fund. Under no circumstances shall the Escrow Agent assert a lien on the Series B Escrow Fund for any of its fees or expenses.

(b) The District agrees to indemnify the Escrow Agent, its directors, agents, and its officers or employees for, and hold the Escrow Agent, its directors, agents, and its officers or employees harmless from, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind (including, without limitation, reasonable fees and disbursements of counsel or accountants for the Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow Agent or such other party at any time by reason of its performance of Escrow Agent's services, in any transaction arising out of the Escrow Agreement or any of the transactions contemplated herein, unless due to the negligence or willful misconduct of the particular indemnified party.

(c) The obligations of the District hereunder to the Escrow Agent shall survive the termination or discharge of this Escrow Agreement or the resignation or removal of the Escrow Agent.

Section 7. Functions of the Escrow Agent.

(a) Moneys held by the Escrow Agent hereunder are to be held and applied for the payment of the Refunded Bonds in accordance with the Resolution, the Series B Paying Agent Agreement and the Paying Agent Agreement.

(b) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in the Escrow Agreement and no implied duties or obligations shall be read into the Escrow Agreement against the Escrow Agent.

(c) The Escrow Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, and shall be protected and indemnified as stated in the Escrow Agreement, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document, report or opinion furnished to the Escrow Agent and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate, document, report or opinion.

(d) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect, punitive, or consequential damages, even if parties know of the possibility of such damages. The Escrow Agent shall have no duty or responsibility under the Escrow Agreement in

the case of any default in the performance of covenants or agreements contained in a bond purchase agreement (the "Bond Purchase Agreement") related to the Refunding Bonds, or the Series B Paying Agent Agreement, or in the case of the receipt of any written demand with respect to such default. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under the Escrow Agreement.

(e) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the District) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(f) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein or in the Bond Purchase Agreement, the Series B Paying Agent Agreement, or the Paying Agent Agreement.

(g) The Escrow Agent may become the owner of, or acquire any interest in, any of the Refunding Bonds with the same rights that it would have if it were not the Escrow Agent, and may engage or be interested in any financial or other transaction with the District.

(h) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of the moneys deposited to the Series B Escrow Fund and moneys to make the payments of principal, interest, and redemption premium, if any, with respect to the Refunded Bonds, in accordance with the terms and conditions herein.

(i) The Escrow Agent shall not be liable for any action or omission of the District under the Escrow Agreement or the Bond Purchase Agreement or the Series B Paying Agent Agreement or the Paying Agent Agreement.

(j) Whenever in the administration of the trust of the Escrow Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of the Escrow Agreement upon the faith thereof.

(k) The Escrow Agent may at any time resign by giving written notice to the District of such resignation, whereupon the District shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective sixty (60) days after notice of the resignation is given as stated above or upon appointment of a successor Escrow Agent, whichever first occurs. If the District does not appoint a successor Escrow Agent by the resignation effective date, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent (or may deposit with the court money or other property held by it in trust under the Escrow Agreement), which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the District may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until

the District appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the District shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

(l) The Escrow Agent will provide the District with monthly statements of the account maintained hereunder.

(m) None of the provisions of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

(n) The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of *force majeure*. The term "*force majeure*" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. *Force majeure* shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(o) The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission, or other similar unsecured electronic methods, provided that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 8. Merger or Consolidation of the Escrow Agent. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent and vested with all of the title to the Series B Escrow Fund and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 9. Amendment of the Escrow Agreement. The Escrow Agreement may not be revoked or amended by the parties hereto unless there shall first have been filed with the District and the Escrow Agent (i) an opinion of bond counsel that such amendment will not adversely affect the excludability from gross income for federal income tax purposes of interest evidenced by the Refunding Bonds or the Refunded Bonds, and (ii) unless such amendment is not materially adverse to the interests of the registered owners of the Refunded Bonds, as evidenced by an opinion of bond counsel, the written consent of the registered owners of all Refunded Bonds then outstanding.

Section 10. Governing Law. The Escrow Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 11. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given if received or sent by first class mail, as follows:

If to the District: Chico Unified School District
 1163 East Seventh Street
 Chico, CA 95928-5999
 Attention: _____

If to the Escrow Agent: The Bank of New York Mellon Trust Company, N.A.

 Attention: _____

Section 12. Severability. If any section, paragraph, sentence, clause or provision of the Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of the Escrow Agreement.

Section 13. Execution. The Escrow Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same agreement.

[Signature page follows]

IN WITNESS WHEREOF, the District and the Escrow Agent have caused the Escrow Agreement to be executed each on its behalf by their officers thereunto duly authorized.

CHICO UNIFIED SCHOOL DISTRICT

By: _____
Assistant Superintendent

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,**

By: _____
Authorized Officer

SCHEDULE I

ESCROW SECURITIES

United States Treasury Certificates of Indebtedness
State and Local Government Series

Principal Amount	Interest Rate	Issue Date	Maturity Date

United States Treasury Notes
State and Local Government Series

Principal Amount	Interest Rate	Issue Date	Maturity Date	First Interest Payment Date

SCHEDULE II

PAYMENT AND REDEMPTION SCHEDULES

Refunded Series B Bonds

<u>Payment Date</u>	<u>Amount</u>

SCHEDULE III
FINAL SLGS SUBSCRIPTION

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2016

NEW ISSUE – FULL BOOK-ENTRY

RATING:

Moody's: "___"

See "Rating"

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California ("Bond Counsel"), based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters."

\$(PAR AMOUNT)*
CHICO UNIFIED SCHOOL DISTRICT
(Butte County, California)
2016 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery**Due: August 1, as set forth on inside cover**

The Chico Unified School District (the "District") is issuing its 2016 General Obligation Refunding Bonds (the "Bonds") (i) to refund a portion of the District's outstanding Election of 1998 General Obligation Bonds, Series B; and (ii) to pay costs of issuance of the Bonds.

The Bonds are general obligations of the District. The Board of Supervisors of the County of Butte has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property that is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due. See "Security and Sources of Payment for the Bonds."

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See Appendix F - "Book-Entry-Only System."

Interest on the Bonds accrues from their date of delivery and is payable on February 1, 2017, and semiannually thereafter on February 1 and August 1 of each year. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "The Bonds – Redemption."

[The District has applied for bond insurance, but there is no guarantee that a commitment to insure the Bonds will be issued or that the District will obtain such bond insurance.]

MATURITY SCHEDULE
(on inside front cover)

This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will also be passed upon for the Underwriter by _____, _____, California, as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company, on or about _____, 2016.

[Underwriter's Logo]

This Official Statement is dated September __, 2016

* Preliminary, subject to change

\$[PAR AMOUNT]*
CHICO UNIFIED SCHOOL DISTRICT
(Butte County, California)
2016 GENERAL OBLIGATION REFUNDING BONDS

MATURITY SCHEDULE*

\$ _____ * Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP®†
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\$ _____ % Term Bond due August 1, 20 ____ – Yield: ____ % - CUSIP®† _____

** Preliminary, subject to change*

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter, the District, Bond Counsel, nor Disclosure Counsel is responsible for the selection or correctness of the CUSIP® numbers set forth above.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated above, and those public offering prices may be changed from time to time by the Underwriter.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Document Summaries. All summaries of documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents and do not purport to be complete statements of any or all of such provisions. Copies of documents referred to herein and information concerning the Bonds are available from the District, 1163 East Seventh Street, Chico, CA 95928-5999. The District may impose a charge for copying, mailing and handling.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, Butte County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

CHICO UNIFIED SCHOOL DISTRICT
Butte County, California

BOARD OF EDUCATION

Eileen Robinson, President
Dr. Kathleen E. Kaiser, Vice President
Gary Loustale, Clerk
Elizabeth Griffin, Member
Linda Hovey, Member

DISTRICT ADMINISTRATION

Kelley Staley, Superintendent
Kevin Bultema, Assistant Superintendent, Business Services
Joanne Parsley, Assistant Superintendent, Educational Services
Jim Hanlon, Assistant Superintendent, Human Resources

FINANCIAL ADVISOR

Isom Advisors, A Division of Urban Futures, Incorporated
Walnut Creek, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation
Sacramento, California

PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

VERIFICATION AGENT

[insert]

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OFFICIAL STATEMENT

\$[PAR AMOUNT]*
CHICO UNIFIED SCHOOL DISTRICT
(Butte County, California)
2016 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and attached appendices, is to set forth certain information concerning the issuance, sale, and delivery of the Chico Unified School District 2016 General Obligation Refunding Bonds (the "Bonds"), to be issued by the Chico Unified School District (the "District") in the aggregate principal amount specified above.

The Bonds are being issued pursuant to the Paying Agent Agreement dated September 1, 2016 (the "Paying Agent Agreement"), between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Paying Agent Agreement.

The Bonds are being issued to provide funds to refund the District's Election of 1998 General Obligation Bonds, Series B, that mature on and after August 1, 2019. Proceeds of the Bonds will also be used to pay costs of issuance of the Bonds.

The Bonds are general obligations of the District. The Board of Supervisors of the County of Butte (the "County") has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property that is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due. See "Security and Sources of Payment for the Bonds."

General information about the District is included in Appendix A. While the Bonds are general obligations of the District, the general fund of the District is not expected to be used to pay any of the debt service on the Bonds.

THE BONDS

Authority for Issuance

The Bonds are general obligation bonds to be issued under provisions of the Constitution of the State of California, the laws of the State, including Article 9 (Sections 53550 and following) and Article 11 (Sections 53580 and following) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, and pursuant to the Paying Agent Agreement. The Government Code permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds that were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds not exceed the total debt service to maturity on the bonds being refunded. See "The Bonds — Authority for Issuance; Purpose."

* Preliminary, subject to change.

Purpose of the Bonds

The Bonds are being issued to provide funds to refund the District's Election of 1998 General Obligation Bonds, Series B, that mature on and after August 1, 2019. Proceeds of the Bonds will also be used to pay costs of issuance of the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about October __, 2016.

Description of the Bonds

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of DTC. Beneficial Owners of the Bonds will not receive physical certificates representing their interests in the Bonds but will receive a credit balance on the books of the nominees for such Beneficial Owners.

The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof. The Bonds are dated their date of delivery and will bear interest from such date. Interest on the Bonds is payable on February 1, 2017, and semiannually thereafter on February 1 and August 1 of each year.

The principal of and interest on the Bonds will be paid by the Paying Agent to DTC, which will in turn remit such payments to its DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds as described herein. As long as Cede & Co. is the registered owner of the Bonds, the principal and interest on the Bonds is payable by wire transfer with same-day funds transferred by the Paying Agent to Cede & Co., as nominee for DTC.

As long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See Appendix F – "Book-Entry- Only System" for more information about DTC. If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered as described under the caption "Registration, Transfer and Exchange of Bonds."

The Paying Agent, the District, the County, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Redemption*

Optional Redemption. Bonds maturing on or after August 1, ____ are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the District and at random within a maturity), on or after August 1, ____, at a redemption price equal to the principal amount of Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the "Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1

* Preliminary, subject to change.

of each year, in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount thereof, together with interest thereon accrued to the redemption date, without premium.

\$ _____ Term Bonds Maturing on August 1, _____

Redemption Date
(August 1)

Principal Amount

Selection of Bonds for Redemption. For purposes of selecting Bonds for optional redemption, each \$5,000 of principal will be deemed to be a separate Bond. If less than all the Outstanding Bonds of a maturity are to be redeemed, the Paying Agent will select the particular Bonds to be redeemed from the Outstanding Bonds that have not previously been called for redemption, in minimum amounts of \$5,000, at random in any manner that the Paying Agent in its sole discretion deems fair.

Notice of Redemption. When Bonds are being redeemed as described above, the Paying Agent shall mail notice of redemption not fewer than 30 nor more than 60 days prior to the redemption date by first-class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register. The Paying Agent shall also file such notice of redemption on the same day with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) website.

Each notice of redemption shall state (a) the date of the notice; (b) the series designation of the Bonds; (c) the date of issue of the Bonds; (d) the redemption date; (e) the Redemption Price; (f) the place or places of redemption (including the name and appropriate address or addresses of the Paying Agent); (g) the CUSIP® number (if any) of the maturity or maturities; and (h) if less than all of any such maturity, the distinctive certificate numbers of the Bonds of that maturity 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 notice shall also (a) state that on the redemption date there will become due and payable on each of Bonds to be redeemed the Redemption Price thereof or of the specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption; (b) state that from and after the redemption date interest thereon shall cease to accrue; and (c) require that the redeemed Bonds be then surrendered at the address or addresses of the Paying Agent specified in the redemption notice.

Failure by the Paying Agent to file notice with MSRB or failure of any Owner to receive notice or any defect in any notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Paying Agent to mail notice to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom the notice was mailed.

Effect of Notice of Redemption. Notice of redemption having been duly given as aforesaid and moneys for payment of the Redemption Price of the Bonds so to be redeemed being held by the Paying Agent, on the redemption date designated in the notice (i) the Bonds so to be redeemed will become due and payable at the Redemption Price specified in the notice; (ii) interest on the redeemed Bonds will cease to accrue; (iii) the redeemed Bonds will cease to be entitled to any benefit or security under the Paying Agent Agreement; and (iv) the Owners of the redeemed Bonds will have no rights in respect thereof except to receive payment of the Redemption Price. Upon surrender of any Bond for redemption in accordance with the redemption notice, the Paying Agent will pay the Redemption Price of the Bond.

Right to Rescind. The District may make any optional redemption conditional upon the availability of moneys for payment of the Redemption Price on the redemption date designated in the notice and may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds called for redemption. Any optional redemption and notice thereof shall be rescinded, if, for any reason, on the date fixed for redemption, moneys are not available for such purpose in an amount sufficient to pay in full on that date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Registration, Transfer and Exchange of Bonds

If the book-entry system is discontinued, the provisions in the Paying Agent Agreement summarized below will govern the registration, exchange and transfer of the Bonds.

The Paying Agent will keep or cause to be kept, at the Paying Agent's Office, the Bond Register to provide for the registration and transfer of the Bonds. The Bond Register will be open to inspection by the District during normal business hours.

Upon surrender of a Bond for transfer at the Paying Agent's Office, the District will execute and, if required, the Paying Agent will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same Series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor, and maturity, upon surrender of the Bonds for exchange at the Paying Agent's Office. Upon surrender of Bonds for exchange, the District will execute and, if required, the Paying Agent will authenticate and deliver the Bonds that the Bondholder making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be accompanied by a written instrument of transfer, in a form satisfactory to the Paying Agent, that is duly executed by the Owner or by his attorney duly authorized in writing. All fees and costs of any transfer or exchange of Bonds must be paid by the Bondholder requesting such transfer or exchange.

No transfer or exchanges of Bonds are required to be made (a) during the period established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond that has been selected for redemption in whole or in part, except the unredeemed portion of a Bond selected for redemption in part, from and after the day that the Bond has been selected for redemption in whole or in part.

Defeasance of Bonds

The District may pay and discharge any of the Bonds by depositing in trust with the Paying Agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount that will, together with the interest to accrue thereon, be fully sufficient in the opinion of a certified public accountant to pay and discharge the indebtedness on such Bonds (including all principal and interest and premium) at or before their respective maturity dates.

If the District pays or causes to be paid all of the principal of, interest and premium, if any, on all of the Outstanding Bonds, then the Owners will cease to be entitled to the obligation to levy taxes for

payment of the Bonds, and that obligation and all agreements and covenants of the District to such Owners under the Paying Agent Agreement and under the Bonds will terminate and be satisfied and discharged, except only that the District will remain liable for payment of all principal of and interest and premium, if any, on the Bonds from moneys deposited with the Paying Agent.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources:

Principal amount of Bonds
Net original issue premium

Total Sources: _____

Uses:

Deposit to Escrow Fund
Underwriter's Discount
Costs of issuance ⁽¹⁾

Total Uses: _____

⁽¹⁾ Includes legal fees, the fees of the financial advisor, Paying Agent fees, rating agency fees, costs of printing, bond insurance premium (if any), and miscellaneous other costs of issuance.

PLAN OF REFUNDING

A portion of the proceeds from the sale of the Bonds will be used to advance refund the District's Election of 1998 General Obligation Bonds, Series B, that mature on and after August 1, 2019. The funds will be deposited in an irrevocable escrow established pursuant to an Escrow Agreement dated September 1, 2016, between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent. The funds will be invested in noncallable direct obligations of the United States Treasury. Amounts in the escrow will be used to pay debt service on the refunded bonds through August 1, 2018, and will be applied on that date to redeem the refunded bonds at a redemption price of par.

DEBT SERVICE SCHEDULES

Bond Debt Service

Annual debt service on the Bonds, assuming no optional redemptions, is as shown in the following table.

**CHICO UNIFIED SCHOOL DISTRICT
2016 GENERAL OBLIGATION REFUNDING BONDS
Annual Debt Service Schedule**

Year Ending August 1	Principal	Interest	Total
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			

Combined General Obligation Bonds Debt Service

The following table shows the combined debt service schedule (assuming no optional redemptions) of the general obligation bonds of the District that will be outstanding following the issuance of the Bonds.

The other outstanding general obligation bonds of the District are (1) the remaining \$2,125,000 principal amount of the Election of 1998 General Obligation Bonds, Series B, (2) the \$11,110,000 principal amount of the 2012 General Obligation Refunding Bonds, and (3) the \$15,000,000 principal amount of the Election of 2012 General Obligation Bonds, Series A. Under the authorization of the Election of 2012, there remains \$63,000,000 of authorized but unissued bonds.

See Appendix A – “District General and Financial Information – District Financial Information – Long-Term Debt” for additional information concerning the general obligation bonds described in this paragraph.

All of the bonds identified below are secured by taxes levied on all of the taxable property within the District.

**CHICO UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
Combined Annual Debt Service Schedule**

Year Ending August 1	Election of 1998 Bonds, Series B	2012 Refunding Bonds	Election of 2012 Bonds, Series A	The Bonds	Aggregate Debt Service
2017	\$2,264,218.76		\$ 750,000.00		
2018	2,438,631.26		750,000.00		
2019			750,000.00		
2020			750,000.00		
2021			750,000.00		
2022			750,000.00		
2023			750,000.00		
2024			750,000.00		
2025			750,000.00		
2026			750,000.00		
2027			750,000.00		
2028			750,000.00		
2029			945,000.00		
2030			1,035,250.00		
2031			1,085,500.00		
2032			1,122,500.00		
2033			1,336,750.00		
2034			1,444,250.00		
2035			1,509,750.00		
2036			1,570,000.00		
2037			1,630,000.00		
2038			1,754,500.00		
2039			1,730,000.00		
2040			1,788,500.00		
2041			1,850,750.00		
2042			1,916,250.00		
2043			1,984,500.00		
2044					
2045					
2046					
Total	\$4,702,850.02		\$31,703,500.00		

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Ad Valorem Property Taxes

The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property that is taxable at limited rates), for the payment of the principal of and interest on the Bonds. Such taxes are required to be levied annually, in addition to all other taxes, during the period that any Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due.

When collected, the tax revenues will be deposited into a debt service fund that is maintained by the County. The County will transfer moneys from the taxes collected to the Paying Agent in the amounts necessary to pay debt service on the Bonds.

Although the County is obligated to levy *ad valorem* taxes for the payment of the Bonds and will maintain the debt service fund used for repayment of the Bonds, the Bonds are not a debt of the County.

Lien on and Pledge of Taxes

Pursuant to California Government Code section 53515, the Bonds are secured by a statutory lien on all revenues received from the levy and collection of taxes for the payment of debt service. The lien attaches immediately and automatically, is valid and binding from the time the bonds are executed and delivered, and is enforceable against the local agency, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

In addition, in the Paying Agent Agreement, the District has pledged all revenues from the collection of ad valorem property taxes levied to pay debt service on the Bonds and the amounts on deposit in the debt service fund maintained by the County to secure the Bonds. See "Legal Matters – Secured Status in Bankruptcy" for a discussion of the significance of the statutory lien and the pledge of tax revenues.

Property Tax Collection Procedures

Taxes are levied by the County for each fiscal year on taxable real and personal property that is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien that is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county treasurer-tax collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county clerk and county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Alternative Method of Tax Apportionment – "Teeter Plan"

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et

seq. of the California Revenue and Taxation Code, "to accomplish a simplification of the tax levying and tax apportioning process and an increased flexibility in the use of available cash resources."

The County is responsible for determining the amount of the *ad valorem* tax levy on each parcel in the District that is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County auditor determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such monies may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected.

The Teeter Plan is to remain in effect in a county unless the board of supervisors of that county orders its discontinuance or unless, prior to the commencement of any fiscal year of the county (which commences on July 1), the board of supervisors receives a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the county, in which event the board of supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan in the County was terminated, receipt of general purpose *ad valorem* property tax revenue by the District from property in the County would depend upon the collections of the general purpose *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District situated in the County.

Assessed Valuations

The assessed valuation of property in the District is established by the county assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners.

State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may informally request a reduction in assessment directly from the county assessor, who may grant or refuse the request, and may appeal an assessment directly to the county board of equalization, which rules on appealed assessments whether or not settled by the county assessor. The county assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers or reductions in assessed valuations initiated by the county assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly so that the fixed debt service on the Bonds may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the county treasurer against all taxing agencies who received tax revenues, including the District.

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed collectively as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other state-assessed property is allocated to the County by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Property within the District had a total assessed valuation for fiscal year 2015-16 of \$10,719,806,535. Shown in the following table are the assessed valuations for the District since fiscal year 2004-05.

CHICO UNIFIED SCHOOL DISTRICT [UPDATED]
Assessed Valuation
Fiscal Year 2004-05 through Fiscal Year 2015-16

Fiscal Year	Local Secured	Utility	Unsecured	Total	~Annual % Change
2004-05	\$6,580,271,689	\$2,643,733	\$367,840,342	\$ 6,950,755,764	
2005-06	7,352,959,750	3,259,640	392,698,399	7,748,917,789	
2006-07	8,193,458,273	2,865,358	425,883,103	8,622,206,734	
2007-08	8,976,158,406	1,794,854	466,434,101	9,444,387,361	
2008-09	9,485,155,077	1,770,054	501,311,455	9,988,236,586	
2009-10	9,504,256,788	1,770,054	514,429,982	10,020,456,824	
2010-11	9,287,432,996	1,776,612	512,813,635	9,802,023,243	
2011-12	9,167,467,035	1,509,362	526,955,841	9,695,932,238	
2012-13	9,040,271,583	1,509,362	513,827,847	9,555,608,792	
2013-14	9,261,290,403	1,509,362	509,950,943	9,772,750,708	
2014-15	9,638,567,903	1,474,481	539,074,591	10,179,116,975	
2015-16	10,177,526,801	1,474,481	540,805,253	10,719,806,535	

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use

The land use of property in the District as of fiscal year 2015-16 is shown below, as measured by local secured assessed valuation and number of parcels.

CHICO UNIFIED SCHOOL DISTRICT [updated] Assessed Valuation and Parcels by Land Use Fiscal Year 2015-16

	2015-16 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	\$ 397,294,555	3.90%	1,081	2.97%
Commercial	1,615,470,108	15.87	2,099	5.76
Vacant Commercial	108,861,502	1.07	248	0.68
Industrial	313,919,754	3.08	460	1.26
Vacant Industrial	50,088,287	0.49	129	0.35
Government/Social/Institutional	10,926,426	0.11	32	0.09
Subtotal Non-Residential	\$2,496,560,632	24.53%	4,049	11.11%
Residential:				
Single Family Residence	\$5,865,106,040	57.63%	23,773	65.24%
Condominium/Townhouse	154,590,149	1.52	1,239	3.40
Mobile Home	99,107,330	0.97	3,254	8.93
2+ Residential Units	235,871,918	2.32	1,110	3.05
5+ Residential Units/Apartments	1,034,509,628	10.16	1,629	4.47
Miscellaneous Residential	8,779,681	0.09	69	0.19
Vacant Residential	283,001,423	2.78	1,316	3.61
Subtotal Residential	\$7,680,966,169	75.47%	32,390	88.89%
Total	\$10,177,526,801	100.00%	36,439	100.00%

⁽¹⁾ Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation by Jurisdiction

The following table shows the 2014-15 assessed valuation of property in the District by jurisdiction.

CHICO UNIFIED SCHOOL DISTRICT [updated] Assessed Valuation and Parcels by Jurisdiction Fiscal Year 2015-16

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Chico	\$ 7,849,863,234	73.23%	\$7,849,863,234	100.00%
Unincorporated Butte County	2,869,943,301	26.77	\$8,105,625,686	35.41%
Total District	\$10,719,806,535	100.00%		
Butte County	\$10,719,806,535	100.00%	\$19,509,128,902	54.95%

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes

Set forth in the following table is the per-parcel assessed valuation of single family homes in the District for fiscal year 2015-16.

CHICO UNIFIED SCHOOL DISTRICT [updated] Per-Parcel Assessed Valuation of Single Family Homes Fiscal Year 2015-16

	No. of Parcels	2015-16 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	23,773	\$5,865,106,040	\$246,713	\$227,390

2015-16 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$ 0 - \$24,999	74	0.311%	0.311%	\$ 1,313,840	0.022%	0.022%
25,000 - \$49,999	514	2.162	2.473	20,917,670	0.357	0.379
50,000 - \$74,999	1,004	4.223	6.697	62,385,240	1.064	1.443
75,000 - \$99,999	1,052	4.425	11.122	92,984,736	1.585	3.028
100,000 - \$124,999	1,254	5.275	16.397	142,170,443	2.424	5.452
125,000 - \$149,999	1,654	6.957	23.354	227,871,806	3.885	9.337
150,000 - \$174,999	1,817	7.643	30.997	294,457,821	5.031	14.358
175,000 - \$199,999	2,017	8.484	39.482	378,283,601	6.450	20.808
200,000 - \$224,999	2,195	9.233	48.715	466,642,570	7.956	28.764
225,000 - \$249,999	2,294	9.650	58.365	541,792,009	9.238	38.001
250,000 - \$274,999	1,983	8.341	66.706	517,241,545	8.819	46.820
275,000 - \$299,999	1,548	6.512	73.218	442,615,495	7.547	54.367
300,000 - \$324,999	1,316	5.536	78.753	409,521,912	6.982	61.349
325,000 - \$349,999	993	4.177	82.930	333,929,777	5.693	67.043
350,000 - \$374,999	810	3.407	86.337	292,481,580	4.987	72.030
375,000 - \$399,999	595	2.503	88.840	229,379,873	3.911	75.940
400,000 - \$424,999	483	2.032	90.872	198,362,501	3.382	79.323
425,000 - \$449,999	412	1.733	92.605	179,718,978	3.064	82.387
450,000 - \$474,999	304	1.279	93.884	139,774,963	2.383	84.770
475,000 - \$499,999	273	1.148	95.032	132,616,946	2.261	87.031
500,000 and greater	1,181	4.968	100.000	760,642,734	12.969	100.000
Total	23,773	100.000%		\$5,865,106,040	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Typical Tax Rates

The rate of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in tax rates.

The table below shows the tax rates on the secured roll during the past five fiscal years for Tax Rate Areas No. 2-001 and No. 62-018, which are entirely within the District.

CHICO UNIFIED SCHOOL DISTRICT [updated]
Typical Tax Rates per \$100 of Assessed Valuation
Fiscal Years 2011-12 through 2015-16

TRA 2-001 Within the City of Chico

	2011-12	2012-13	2013-14	2014-15	2015-16
General	1.000000	1.000000	1.000000	1.000000	1.000000
Chico Unified School District	.041481	.021132	.063680	.040107	.045126
Butte-Glenn County Community College District	.020880	.020880	.020880	.020880	.020880
Total	1.062361	1.042012	1.084560	1.060987	1.066006

Source: California Municipal Statistics, Inc.

TRA 62-018 Within Unincorporated Butte County [updated]

	2011-12	2012-13	2013-14	2014-15	2015-16
General	1.000000	1.000000	1.000000	1.000000	1.000000
Chico Unified School District	.041481	.021132	.063680	.040107	.045126
Butte-Glenn County Community College District	.020880	.020880	.020880	.020880	.020880
Total	1.062361	1.042012	1.084560	1.060987	1.066006

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the twenty largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2015-16.

CHICO UNIFIED SCHOOL DISTRICT[UPDATED] Largest Local Secured Taxpayers Fiscal Year 2015-16

	Property Owner	Primary Land Use	2015-16 Assessed	
			Valuation	% of Total ⁽¹⁾
1.	Farmland Reserve Inc.	Agricultural	\$72,145,652	0.71%
2.	Merle A. Webb & Sons	Apartments	55,415,592	0.54
3.	Chico Mall Investors LLC	Shopping Center	51,960,426	0.51
4.	Pacific Realty Associates LP	Agricultural	48,349,524	0.48
5.	Chico Crossroads LP	Shopping Center	38,247,774	0.38
6.	North Valley Mall LLC	Shopping Center	27,855,994	0.27
7.	Littlefoot Property Co. LLC	Industrial	26,482,584	0.26
8.	Carwood Skypark LLC	Shopping Center	26,086,348	0.26
9.	Safeway Inc.	Shopping Center	23,360,787	0.23
10.	Wal-Mart Real Estate Business Trust	Shopping Center	22,744,146	0.22
11.	Sterling Oaks Development Partnership LP	Apartments	21,285,000	0.21
12.	Evergreen Orchard LLC	Shopping Center	20,770,119	0.20
13.	Francis G. Reed	Apartments	19,700,200	0.19
14.	Costco Wholesale Corporation	Shopping Center	19,127,850	0.19
15.	Ed and Mary Wittmeier Family Trust	Shopping Center	18,800,014	0.18
16.	Smucker Quality Beverages, Inc.	Industrial	18,289,899	0.18
17.	Wayne A. Cook Family Trust	Apartments	17,467,233	0.17
18.	Tri Counties Bank	Industrial	17,259,581	0.17
19.	Lewis A. and Marilyn S. Everett	Apartments	17,185,100	0.17
20.	Eaton Properties Inc.	Apartments	17,050,000	0.17
	Total		\$579,583,823	5.69%

⁽¹⁾ 2015-16 local secured assessed valuation: \$10,177,526,801

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth on the following page is a statement of direct and overlapping bonded debt (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated August 1, 2016. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the Debt Report.

CHICO UNIFIED SCHOOL DISTRICT [UPDATED] Statement of Direct and Overlapping Bonded Debt Dated as of August 1, 2016

2015-16 Assessed Valuation: \$10,719,806,535

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

	% Applicable	Debt 8/1/2016
Butte-Glenn Community College District	48.230%	\$29,959,550
Chico Unified School District	100.000	54,730,000 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$84,689,550

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Butte County Certificates of Participation	54.948%	\$7,768,548
Butte County Pension Obligation Bonds	54.948	26,638,790
Butte-Glenn Community College District General Fund Obligations	48.230	856,083
Chico Joint Unified School District Certificates of Participation	100.000	350,000

TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$35,613,421
Less: Butte County supported obligations		(2,950,708)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$32,662,713

OVERLAPPING TAX INCREMENT DEBT (Successor Agency) \$89,475,000

GROSS COMBINED TOTAL DEBT: \$209,777,971 ⁽²⁾
NET COMBINED TOTAL DEBT: 206,827,263

(1) Excludes the Bonds described in this Official Statement.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$54,730,000)	0.51%
Total Overlapping Tax and Assessment Debt	0.79
Combined Direct Debt (\$55,080,000)	0.51
Gross Combined Total Debt	1.96
Net Combined Total Debt	1.93

Ratios to Redevelopment Incremental Valuation (\$3,388,667,905)

Total Overlapping Tax Increment Debt	2.64%
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Source: California Municipal Statistics, Inc.

BOND INSURANCE

The District has applied for bond insurance, but there is no guarantee that a commitment to insure the Bonds will be issued or that the District will obtain such bond insurance.

LEGAL MATTERS

Secured Status in Bankruptcy

California school districts are not authorized to file a petition in bankruptcy, and they are not subject to involuntary bankruptcy, but the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, is authorized by State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") for the adjustment of an insolvent school district's debts.

Adjustment of the debts of a municipality under Chapter 9 is typically accomplished either by extending debt maturities, reducing the amount of principal or interest, or refinancing the debt by obtaining a new loan. Different types of debt receive different treatment in municipal bankruptcy cases.

In particular, obligations secured by a "statutory lien" will be paid to the extent of the pledged revenue collected, although the operation of the automatic stay under section 362 of the Bankruptcy Code, which stops all collection actions against the debtor and its property upon the filing of the petition, may delay payments (unless the stay is lifted).

Obligations secured by a pledge of "special revenues" will continue to be secured and serviced during the pendency of the Chapter 9 case through continuing application and payment of ongoing special revenues, to the extent they are available. The application of pledged special revenues to indebtedness secured by such revenues is not subject to the automatic stay.

Statutory Lien. The Bonds are secured by a statutory lien on the *ad valorem* taxes levied to pay their debt service. The lien is described in California Government Code section 53515, which provides as follows:

(a) General obligation bonds issued and sold by or on behalf of a local agency shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. The lien shall automatically arise without the need for any action or authorization by the local agency or its governing body. The lien shall be valid and binding from the time the bonds are executed and delivered. The revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall immediately attach to the revenues and be effective, binding, and enforceable against the local agency, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

(b) This section is not intended to supplement or limit a local agency's power to issue general obligation bonds conferred by any other law.

(c) For purposes of this section, both of the following shall apply:

(1) "Local agency" means any city, county, city and county, school district, community college district, authority, or special district.

(2) "General obligation bonds" means bonds, warrants, notes, or other evidence of indebtedness of a local agency payable, both principal and interest, from the

proceeds of ad valorem taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

Because subsection (a) provides that the lien becomes effective upon delivery of bonds and is perfected immediately, the lien is not avoidable in bankruptcy under Section 545 of the United States Bankruptcy Code.

The ad valorem tax revenues that secure the Bonds are not commingled with other revenues of the District. California Education Code section 15251(a) provides as follows:

(a) When collected, all taxes levied shall be paid into the county treasury of the county whose superintendent of schools has jurisdiction over the school district on behalf of which the tax was levied, to the credit of the interest and sinking fund of the school district, or community college district as designated by the California Community Colleges Budget and Accounting Manual, and shall be used for the payment of the principal and interest of the bonds and for no other purpose.

While, in general, legislation is prospective in effect, and the enacting legislation does not include a statement that it is declaratory of existing law, the legislative history indicates that the intent of the legislation was to make explicit a lien implicit in then-existing law (e.g., the restriction on use of collected taxes to the payment of debt service that is contained in Education Code section 15251 quoted above). Accordingly, the statutory lien likely applies to general obligation bonds issued prior to the January 1, 2016, effective date of Government Code section 53515.

Special Revenues. The term 'special revenues' includes "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." Education Code section 15100 requires a district's governing board to specify the purposes for which bonds are proposed to be issued; and Section 15146 provides that the proceeds of general obligation bonds shall not be applied to any purposes other than those for which the bonds were issued.

Based on the foregoing, *ad valorem* property taxes collected to pay debt service on California school district bonds may be special revenues, but there is no binding judicial precedent holding that they are. On the assumption that they are special revenues, the District has pledged all revenues from the collection of *ad valorem* property taxes levied to pay debt service on the Bonds and the amounts on deposit in the debt service fund held by the County to secure the Bonds.

Qualification of Bond Counsel's Opinion. The proposed form of opinion of Bond Counsel, attached hereto as Appendix D, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights.

Legal Opinion

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel for the District. The opinion of Bond Counsel with respect to the Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the District by Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, as Disclosure Counsel.

TAX MATTERS

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon the analysis of existing statutes, regulations, ruling and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance

with certain covenants, the interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account when determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. A complete copy of the proposed form of Opinion of Bond Counsel is set forth in Appendix D.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds that is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds and accrues on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as having "amortizable bond premium." A purchaser of a Bond (either at original issuance or later) must amortize any premium over the Bond's term using constant yield principles based on the purchaser's yield to maturity (or, in some cases, over the period to call date based on the purchaser's yield to call date). As premium is amortized, the purchaser's basis in the Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of the Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Under Treasury Regulations, the amount of tax-exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to the purchaser. Purchasers of any Bonds at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable bond premium for federal and state income tax purposes and with respect to state and local tax consequences of owning such Bonds.

The Internal Revenue Code of 1986, as amended, (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after that date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will

depend upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal and/or state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal and/or state tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") not later than eight months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2015-16 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices will be filed by the District with the MSRB through its EMMA website. The specific nature of the information to be contained in the Annual Report and in the event notices is described in Appendix E – "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

Within the past five years, the District failed to file the annual reports for fiscal years 2010-11 and 2011-12 in a timely manner, as required by continuing disclosure undertakings entered into prior to the issuance of the Bonds. *[Describe any other failures to make required filings in the past five years]* All such reports and any required material event notices have been filed, and the District for such years is currently in material compliance with its existing undertakings. In April 2013, the District hired Isom Advisors, a division of Urban Futures, Incorporated, to act as dissemination agent to assist the District in meeting its reporting obligations under all of its continuing disclosure undertakings.

LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Bonds.

RATING

Moody's Investors Service ("Moody's") has assigned its rating of "___" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, NY 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance the credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

PROFESSIONALS INVOLVED IN THE OFFERING

Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as Bond Counsel and Disclosure Counsel to the District for the issuance of the Bonds. Isom Advisors, A Division of Urban Futures, Incorporated, Walnut Creek, California, is serving as financial advisor to the District in connection with the sale of the Bonds. Bond Counsel, Disclosure Counsel, and the Financial Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will serve as Paying Agent with respect to the Bonds.

UNDERWRITING

The Bonds are being purchased by _____ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____, which equals the par amount of the Bonds (\$_____), plus net original issue premium (\$_____), and less underwriter's discount (\$_____). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased) and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

AUTHORIZATION

The execution and delivery of this Official Statement have been duly authorized by the District.

CHICO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A
THE DISTRICT
GENERAL AND FINANCIAL INFORMATION

The information in this section concerning the operations of the District and its finances is provided as supplementary information. Debt service on the Bonds is payable from the proceeds of an ad valorem tax that is required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of such debt service. See "Security and Sources of Payment for the Bonds" in the front portion of this Official Statement. While the Bonds are general obligations of the District, the general fund of the District is not expected to be used to pay any of the debt service on the Bonds.

Introduction

The Chico Unified School District is located in California's Sacramento Valley, approximately 90 miles north of the City of Sacramento. The territory of the District encompasses approximately 322 square miles, including all of the City of Chico and some adjacent unincorporated areas of Butte County. The District is a unified school district serving students in grades K-12. The District currently operates 13 elementary schools for grades K-6, one open structure school for grades K-8, three junior high schools for grades 6-8, two comprehensive high schools, one continuation high school, one community day school, one independent study school for grades K-12, one dependent charter school, and one special services school. For fiscal year 2015-16, enrollment was _____ students.

In addition, within the District's boundaries there are currently six charter schools that are not operated by the District. Approximately [1,400] students were enrolled in these independent charter schools in fiscal year 2015-16. The fiscally independent charter schools operating within the territory of the District receive revenues from the State for each student enrolled. The financial activities of fiscally independent charter schools are not included in the District's financial statements.

The Board of Education and Key Administrative Personnel

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The following table provides information on Board members and their current terms. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations and is accountable for all fiscal matters relating to the District. The current members of the Board and positions held are set forth below.

CHICO UNIFIED SCHOOL DISTRICT
Board of Education

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Eileen Robinson	President	December 2018
Kathleen E. Kaiser	Vice President	December 2018
Gary Loustale	Clerk	December 2018
Elizabeth Griffin	Member	December 2016
Linda Hovey	Member	December 2016

Superintendent and Administrative Personnel

The Superintendent of the District is appointed by and reports to the Board of Education. The Superintendent is responsible for management of the District's day-to-day operations and supervises the

work of other District administrators. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Superintendent, Kelly Staley . Ms. Staley has served as the Superintendent of the District since February 2008. Ms. Staley has also served the District as Interim Superintendent and Assistant Superintendent, Educational Services. Previously, Ms. Staley served as a principal and assistant principal in the Lodi Unified School District and as a teacher and coach in the Capistrano Unified School District. Ms. Staley received a Bachelor of Arts degree in English from California State University, Chico, and a Master of Arts degree in educational administration from Pepperdine University.

Assistant Superintendent, Business Services, Kevin Bultema. [insert brief bio]

Employees

The following table sets forth the District's full-time equivalent employees in all categories for fiscal years 2011-12 through 2015-16, as well as the projection for fiscal year 2016-17. In addition, the District employs _____ part-time faculty and staff. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below.

CHICO UNIFIED SCHOOL DISTRICT District Employees

Year	Certificated	Classified	Total
2011-12			
2012-13			
2013-14			
2014-15			
2015-16			
2016-17*			

* Projected

Source: Chico Unified School District.

Employee Relations

California law provides that employees of public school districts of the State are to be divided into appropriate bargaining units, which then are to be represented by an exclusive bargaining agent.

The District has two recognized bargaining agents for its employees. The Chico Unified Teachers Association ("CUTA") is the exclusive bargaining unit for the non-management, certificated personnel (credentialed teaching staff) of the District.

The District's other bargaining unit, the California School Employees' Association ("CSEA") Chapter 110, represents the remainder of the District's non-management, classified (non-teaching) employees, such as custodial, clerical and instructional aide personnel.

Set forth in the following table are the District's bargaining units, number of members and salary and benefits contract status.

	Bargaining Unit	Number of Members	Status of Contract
Certificated	CUTA		
Classified	CSEA		

Retirement System

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by either the District or the Underwriter.

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. Both active plan members and the District are required to contribute at a statutorily established rate.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of the School Employer Pool, a "cost-sharing" pool for school employers within PERS. Active plan members are required to contribute 7.0% (or, for members added after 2012, at least half the "normal cost" of benefits, which is currently 6.0%) and the District is required to contribute an actuarially determined rate. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each participant.

District Contributions. The District's retirement contributions for the fiscal year ended June 30, 2016, are as follows:

CHICO UNIFIED SCHOOL DISTRICT Retirement Contributions for Fiscal Year 2015-16

	Actual Number of Employees Covered	Total Employer Contributions	District's Fiscal Year 2015-16 Covered Payroll	Employer Contribution as a Percentage of Covered Payroll
STRS				
PERS				

Source: Chico Unified School District

For the 2016-17 fiscal year the District has budgeted \$_____ for STRS (reflecting a contribution rate of 12.58% of annual payroll) and \$_____ for PERS (reflecting a contribution rate of 13.888% of annual payroll).

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports

may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS from their most recently released reports.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Plan)
(Dollar Amounts in Millions) ⁽¹⁾

Plan	Accrued Liability	Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS) Schools Plan	\$ 65,600 ⁽²⁾	\$ 56,538 ⁽³⁾	\$ 8,761
State Teachers' Retirement Fund (STRS) Defined Benefit Program	241,753 ⁽⁴⁾	165,553 ⁽⁵⁾	76,200

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ June 30, 2014, Valuation Date.

⁽³⁾ Reflects market value of assets as of June 30, 2014.

⁽⁴⁾ June 30, 2015, Valuation Date

⁽⁵⁾ Reflects actuarial value of assets as of June 30, 2015.

Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers, employees and the State are set by statute and do not vary from year-to-year based on actuarial valuations. Moreover, the employee and employer contributions rates prior to fiscal year 2014-15 had been long fixed at 8% and 8.25% of salaries. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. Legislation adopted in June 2014 requires increased contributions phased in over the next several years. Employee contributions increased to 8.15% of salary in 2014-15 and increase to 10.25% in 2016-17 and thereafter. District contributions increased to 8.88% of payroll in 2014-15 and will increase to 19.1% in 2020-21 and thereafter. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.328% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.828%.

In April 2013, the PERS Board of Administration adopted a new employer rate-smoothing methodology for local governments and school employer rates. The new methodology uses a five-year direct rate-smoothing period and amortizes gains and losses over a fixed, 30-year period with a five-year ramp-up period at the beginning and a five-year ramp-down at the end of the amortization period. The related PERS staff report states that the new methodology is expected to result in higher volatility in employer contribution rates in normal years but much less volatility in years where extreme events occur. It further states that the methodology will result in an increased likelihood of higher peak employer contribution levels in the future but not significantly increase average contribution levels. The changes affected employer contribution rates for the schools plans starting in fiscal year 2014-15. In February 2014, the PERS Board adopted new assumptions as part of a regular review of demographic trends. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The

impact of the assumption changes will be phased in over three years, with a 20-year amortization, beginning in 2014-15. In November 2015, the PERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the current discount rate of 7.5% by at least four percentage points.

The District can provide no assurances that the District's required contributions to PERS will not increase in the future.

PERS' actuaries have estimated that recently adopted pension reform legislation may produce savings of between \$8.6 and \$10.8 million over the next 30 years for the schools plans; STRS' actuaries estimate savings of about \$22.7 million over that same period. The District cannot predict whether any of those projected savings will be realized by the District.

Other Post-Employment Benefit Obligations

District employees participating in the medical benefits at the time of retirement from certificated, classified, and management units may retire with District paid health care benefits after the later of age 55 and 5 years of service (10 years for certificated employees hired on or after October 1, 2009, and 10 years for classified/management employees hired on or after July 1, 2015). District paid benefits end at age 65 for all retirees with two exceptions: (a) a group of CUTA employees who were hired prior to April 1, 1986 and who opted out of Medicare Part A; and (b) a retired district superintendent receiving lifetime benefits. Additional eligibility requirements relating to the combined age at retirement plus length of service are described in Note L in Appendix B. Currently, [235] retirees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as premiums are paid. During the 2014-15 fiscal year, expenditures of \$2,786,042 were recognized for retirees' health care benefits.

As of July 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and the unfunded actuarial accrued liability (UAAL), was \$23,064,290. For additional information related to the District's post-employment healthcare benefits plan, see Note in the audited financial statements attached as Appendix B.

Insurance Risk Pooling

The District is a member with other school districts under Joint Powers Agreements ("JPAs") with the Butte Schools Self-Funded Program ("BSSP"), North Valley Schools Insurance Group ("NVSIG") and Schools Excess Liability Fund ("SELF") for the operation of common risk management and insurance programs. Each member of the JPA has an ongoing financial responsibility in the event of the JPA's total liabilities exceed its total assets. Historically, settled claims resulting from these risks have not exceeded commercial insurance coverage.

DISTRICT FINANCIAL INFORMATION

District Financial Statements

The District's Audited Financial Statements with supplemental information for the fiscal year ended June 30, 2015, and the related statements of activities and cash flows for the year then ended, of Title & Company (the "Auditor") are included in this Official Statement as Appendix B. The financial statements should be read in their entirety. The information set forth herein does not purport to be a summary of the District's financial statements.

In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report 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 the Auditor with respect to any event subsequent to the date of its report.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund, which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30. All governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes measurable and available for the current period; and expenditures are recognized in the period in which the liability is incurred, although debt service expenditures are recorded only when payment is due. For more information on the District's accounting method, see Appendix B – "Audited Financial Statements of the District for Fiscal Year Ended June 30, 2015," Note 1 – "Summary of Significant Accounting Policies."

District Budget

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance for each year cannot exceed the revenues plus the carry-over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State. The budget is subject to review and approval by the County Superintendent of Schools. The County Superintendent examines the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identifies technical corrections necessary to bring the budget into compliance, determines if the budget allows the district to meet its current obligations and determines if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. The County Superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. Over the past [ten] years, the District has not had an adopted budget disapproved by the County Superintendent.

Pursuant to State law, the District adopted on June 22, 2016, a fiscal line-item budget setting forth revenues and expenditures so that appropriations during fiscal year 2016-17 will not exceed the sum of revenues plus beginning fund balance.

Interim Reports on Financial and Budgetary Status

Every school district is required to file two interim certifications with the County Superintendent (the first on December 15 for the period ended October 31 and the second by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certifications and issues either a positive, negative, or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is

deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent in that fiscal year or in the next succeeding year.

During the past five years, the District's interim certifications were all positive, except for a qualified certification for the First Interim Report for fiscal year 2012-13.

Comparative Financial Statements

The following table shows the District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years 2011-12 through 2014-15.

CHICO UNIFIED SCHOOL DISTRICT [UPDATED]
Summary of General Fund Revenues, Expenditures and Changes in Fund Balances
for fiscal years 2011-12 through 2014-15 (Audited)

	Audited 2011-12	Audited 2012-13	Audited 2013-14	Audited 2014-15
REVENUES				
LCFF Sources:	--	--	\$45,161,730	--
State Apportionment or State Aid	--	--	--	\$38,672,045
Education Protection Account Funds	--	--	--	16,135,225
Local Sources	--	--	--	26,939,969
Property Taxes	\$23,339,629	\$26,299,899	29,707,458	--
Revenue Limit Sources	--	34,942,180	--	--
Interest and Investment Earnings	7,076	--	--	--
Federal Revenue:	13,794,299	9,690,442	7,684,710	7,051,088
Other State Revenue	54,588,938	18,109,908	10,493,739	11,955,604
Other Local Revenue	6,201,359	6,885,101	6,750,980	7,946,012
Total Revenues	97,931,301	95,927,530	99,798,617	108,699,943
EXPENDITURES				
Certificated salaries	47,697,859	48,137,945	49,078,173	49,584,517
Classified salaries	16,582,492	16,282,069	17,495,716	17,060,375
Employee benefits	24,192,251	24,718,614	26,052,037	28,734,704
Books and supplies	4,327,405	3,700,188	3,733,080	4,813,275
Services and other operating expenditures	7,717,827	7,077,913	7,207,588	8,689,662
Capital outlay	483,415	274,715	427,247	798,302
Other outgo	238,049	107,874	162,787	539,491
Direct Support/Indirect Costs	--	--	--	(411,911)
Debt Service:				
Principal	886,013	483,360	476,157	534,424
Interest	151,091	143,125	124,719	71,000
Total Expenditures	102,276,402	100,925,803	104,757,504	110,413,839
Excess (Deficiency) of Revenues Over (under) Expenditures	(4,345,101)	(4,998,273)	(4,958,887)	(1,713,896)
Other Financing Sources (Uses):				
Transfers In	2,123,837	2,307,076	2,313,301	2,527,831
Transfers Out	(172,952)	(216,042)	(144,975)	(148,277)
Total Other Financing Sources (Uses)	1,950,885	2,091,034	2,168,326	2,379,554
Net Change in Fund Balance	(2,394,216)	(2,907,239)	(2,790,561)	665,658

Fund Balances – July 1 (prior year)	23,110,311	20,716,095	17,496,938	12,211,559
Prior Period Adjustment	--	(311,918)	(629,703)	--
Fund Balances as Restated	--	20,404,177	16,867,235	--
Fund Balances – June 30 (current year)	\$20,716,095	\$17,496,938	\$14,076,674	\$12,877,217

Source: District's Audited Financial Statements for fiscal years 2011-12 through 2014-15.

CHICO UNIFIED SCHOOL DISTRICT [UPDATED]

Summary of General Fund Revenues, Expenditures and Changes in Fund Balances for fiscal years 2015-16 (Adopted Budget and Estimated Actuals) and 2016-17 (Adopted Budget)

	Adopted Budget 2015-16	Estimated Actuals 2015-16	Adopted Budget 2016-17
REVENUES			
LCFF Sources	\$90,200,306	\$57,412,847	\$95,336,913
Federal Revenue	8,155,312	2,808,872	7,731,862
Other State Revenues	14,349,396	12,578,222	12,315,221
Other Local Revenues	6,097,286	3,396,910	6,070,762
Total Revenues	118,802,300	76,196,852	121,454,758
EXPENDITURES			
Certificated salaries	51,183,451	27,267,523	53,650,185
Classified salaries	18,575,833	9,373,433	19,617,693
Employee benefits	29,412,327	15,464,796	31,173,835
Books and supplies	5,095,216	2,759,007	7,996,462
Services and other operating expenditures	9,426,545	5,102,719	11,406,571
Capital outlay	1,347,889	382,123	4,512,297
Other outgo (excluding Transfers of Indirect Costs)	1,193,580	896,420	1,645,657
Other Outgo (Transfers of Indirect Costs)	(427,684)	(81,448)	(438,150)
Total Expenditures	115,807,157	61,164,573	129,564,550
Excess (Deficiency) of Revenues Over (under) Expenditures	2,995,143	15,032,279	(8,109,792)
Other Financing Sources/Uses:			
Interfund Transfers In	2,563,000	12,500	2,552,500
Interfund Transfers Out	467,264	--	630,101
Total Other Financing Sources/Uses	2,095,736	12,500	1,922,399
Net Change in Fund Balances	5,090,879	15,044,779	(6,187,393)
Beginning Fund Balance (July 1 prior year)	12,401,638	n/a	20,870,617
Fund Balance – Ending (June 30 current year)	\$17,492,517	n/a	\$14,683,224

Source: District's Adopted Budgets for fiscal years 2015-16 and 2016-17.

Cap on School District Reserves

State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, modifies current law as it relates to ending fund balances for school districts. First, beginning in 2015-16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. Second, in a year immediately following a deposit into the Public School System Stabilization Account established in the State General Fund (see "State Funding of Education -- Propositions 98 and 111 -- Minimum Funding Guarantee", below), a school district's adopted or revised budget may not contain an ending fund balance higher than two to three times higher than the state's minimum recommended reserve

for economic uncertainties. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The Public School System Stabilization Account appears to be intended to provide a substitute for local reserves in the event of a future economic downturn. However, there is no linkage between the sizes of the State and local reserves. The District is unable to predict what the effect on its budget will be following implementation of these new rules.

Sources of Funding for Operations

Funding for the District's operations is provided by a mix of (1) local property taxes, (2) State apportionments of general purpose and restricted purpose funds; (3) federal government grants; (4) development impact fees; (5) lottery funds; and (6) miscellaneous other revenues.

Property Taxes. Under current law, local agencies are not permitted to levy directly any property tax (except *ad valorem* taxes to pay debt service on voter-approved bonds and voter-approved non-*ad valorem* taxes for limited purposes). Instead, general purpose *ad valorem* property taxes are automatically levied by each county at the maximum 1% property tax rate permitted by Proposition 13, and property tax revenue is distributed by the county among all the local government taxing agencies (including school districts) within the county according to a statutory formula. See "District Financial Information – Property Taxes," below.

State Funding. General Purpose Revenue. Beginning in fiscal year 2013-14, the bulk of apportionments of State funding to school districts for general purposes has been allocated pursuant to a new system referred to as the "local control funding formula" ("LCFF"). Apportionment to school districts are made on the basis of uniform, target base rates per unit of ADA for each of four grade spans, subject to several adjustments, as described below. The annual State general purpose apportionment received by a school district amounts to the difference between such district's total general purpose allocation and its share of the general purpose local property tax distributed to it by the county.

The LCFF replaces a funding system that allocated State general purpose funds based on school-district-specific (i.e., non-uniform) "revenue limits" per unit of ADA and allocated special purpose funds for specified programs, referred to as "categorical programs." Under the LCFF, most, but not all, categorical program funding is eliminated.

For Fiscal Year 2015-16, the base rates per unit of ADA for each grade span are as follows: (i) \$7,820 for grades K-3; (ii) \$7,189 for grades 4-6; (iii) \$7,403 for grades 7-8; and (iv) \$8,801 for grades 9-12. The base rates for grades K-3 and 9-12 are increased by 10.4% and 2.6%, respectively, to cover the costs of class size reduction in the early grades and to support college and career readiness programs in high schools. (Under full implementation of the LCFF, as a condition of receiving the K-3 base-rate adjustment, districts must maintain a K-3 school-site average class size of 24 or fewer students, unless collectively bargained otherwise.) These target base rates are to be updated each year for cost-of-living adjustments (COLAs).

The LCFF provides additional funds to school districts based on the three-year rolling average of enrollment of students of limited English proficiency, students from low income families that are eligible for free or reduced priced meals, and foster youth. Students who are in more than one category are counted only once. Under the formula, each qualifying student generates an additional 20% of the student's adjusted grade-span base rate. School districts whose qualifying student populations exceed 55% of their total

enrollment will receive additional “concentration” funding equal to 50% of the applicable adjusted base rate multiplied by the percentage of such district’s qualifying student enrollment above the 55% threshold.

Funds for two categorical programs — the Targeted Instructional Improvement Block Grant and the Home-to-School Transportation program — are treated as add-ons to the LCFF. Districts that received funding from these programs in 2012–13 will continue to receive that same amount of funding in addition to what the LCFF provides each year.

Had general purpose allocations under the revenue limit system been fully funded and categorical program funding been restored, the previous funding system would have generated greater levels of funding than the LCFF for approximately 230 school districts (about 20% of districts). To address this issue, the new funding system provides the Economic Recovery Target (ERT) add-on to a subset of these districts. The ERT add-on amount equals the difference between the amount a district would have received under the old system and the amount a district would receive based on the LCFF in 2020–21. Approximately 130 districts are eligible to receive the ERT add-on. The 100 remaining districts are not eligible for the add-on because of their exceptionally high per-pupil funding rates. Specifically, a provision disallows a district from receiving an ERT add-on if its funding exceeds the 90th percentile of per-pupil funding rates under the old system (estimated to be approximately \$14,500 per pupil in 2020-21). The District does not qualify for the ERT add-on.

The LCFF will be implemented over a span of eight fiscal years. School districts will receive annual funding increases based on the difference between their respective prior-year funding level and the target LCFF allocation following full implementation. In each year, every school district will see the same proportion of its gap closed.

The following table shows a breakdown of the District’s fiscal years 2013-14 through 2015-16 ADA by grade span, total enrollment, and the percentage of students classified as English learners, low-income, or foster youth (“EL/LI”).

CHICO UNIFIED SCHOOL DISTRICT
ADA by Grade Span, Total Enrollment, and EL/LI Enrollment
Fiscal Years 2013-14 and 2014-15

Fiscal Year	Average Daily Attendance ⁽¹⁾					Enrollment	
	(By Grade Span)					Total District Enrollment	% EL/LI ⁽²⁾ Enrollment
	K-3	4-6	7-8	9-12	Total District		
2013-14							
2014-15							
2015-16							

(1) ADA is determined as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.

(2) For fiscal year 2013-14, this percentage is calculated on the basis of enrollment for that year. The percentage calculated for fiscal year 2014-15 is based on the average of 2013-14 and 2014-15 enrollment. Thereafter, the percentage will be calculated on the basis of the average of the current fiscal year and the prior two fiscal years.

Source: Chico Unified School District

Restricted Purpose Revenue. Other State revenues allocated to school districts are restricted by the Legislature to particular uses (categorical programs). The LCFF eliminates approximately three-quarters of categorical programs. Under the new system, 14 categorical programs remain, including special education, after-school safety and education programs, nutrition, and State preschool.

Federal Sources. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. Revenues received from the federal government are restricted in their use, and are not available to pay debt service.

Other State Sources. In addition to State apportionments determined in accordance with the LCFF, the District receives substantial other State revenues ("Other State Sources"). These Other State Sources are primarily restricted revenues that fund items such as the Special Education Master Plan, home-to-school transportation, and instructional materials. Also included are funds received from the State lottery. The LCFF eliminated most categorical programs and correspondingly increased general purpose funding.

Other Local Sources. In addition to general purpose property taxes, the District receives additional local revenues from items such as the property tax levied to pay debt service on its general obligations bonds, a special parcel tax, developer fees, and interest earnings. The general obligation bond taxes are available only to pay debt service on the Bonds.

Long-Term Debt

General Obligation Bonds. In 1998, the voters of the District authorized the issuance of \$48,725,000 principal amount of bonds for school facilities projects (the "1998 Authorization"). On August 13, 1998, the District issued its Election of 1998 General Obligation Bonds, Series A (the "Series 1998A Bonds"), in the aggregate principal amount of \$18,000,000. The Series 1998A Bonds have been retired.

On May 8, 2008, the District issued its Election of 1998 General Obligation Bonds, Series B (the "Series 1998B Bonds"), in the aggregate principal amount of \$30,725,000, all but \$2,125,000 principal amount of which will be defeased by the Bonds. With the issuance of the Series 1998A Bonds and the Series 1998B Bonds, the District issued all of the principal amount of the bonds authorized by the 1998 Authorization.

On July 20, 2012, the District issued its 2012 General Obligation Refunding Bonds (the "Series 2012 Bonds") in the aggregate principal amount of \$18,655,000, of which amount \$11,110,000 remains outstanding. The Series 2012 Bonds refunded the Series 1998A Bonds and a prior refunding bond issue.

In 2012 the voters of the District authorized the issuance of \$78,000,000 principal amount of bonds for school facilities projects (the "2012 Authorization"). On May 30, 2013, the District issued its Election of 2012 General Obligation Bonds, Series A (the "Series 2012A Bonds"), in the aggregate principal amount of \$15,000,000, all of which remain outstanding. There remains \$63,000,000 authorized but unissued bonds under the 2012 Authorization.

2004 Certificates of Participation. On October 28, 2004, the District issued \$2,705,000 of certificates of participation. Of that amount, \$350,000 remains outstanding. The final payment is due in Fiscal Year 2017-18. Debt service on the certificates of participation is paid from the District's general fund.

California Energy Commission Loan. During the fiscal year ending June 30, 2015, the District borrowed \$3,000,000 from the California Energy Resources Conservation and Development Commission to install solar photovoltaic panels at five District campuses. The loan bears interest at 0% and is payable in semi-annual installments of \$125,000 beginning in December 2016.

Capital Leases. The District leases equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments with respect thereto are listed below.

ANNUAL LEASE PAYMENTS
Capital Leases

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2017	\$ 47,667
2018	47,667
2019	47,667
2020	47,667
2021-2025	238,333
2026-2030	<u>23,833</u>
Total	\$500,501

Changes in Long-Term Debt. A schedule of changes in long-term debt of the District for the year ended June 30, 2015, is shown below: [UPDATED]

	Balance at June 30, 2014	Balance at June 30, 2015	Total Percentage Change
Compensated Absences	\$504,875	\$445,386	-11.8%
General Obligation Bonds	61,695,000	59,600,000	-3.4
Bond Issue Premiums	2,326,777	2,235,372	-3.9
Capital Leases	418,429	390,647	-6.6
Certificates of Participation	935,000	650,000	-30.5
Early Retirement Incentives	648,496	223,151	-65.6
Net Pension Liability	--	82,921,398	100.0
Total	\$66,528,577	\$146,465,954	120.2%

Source: Chico Unified School District Audited Financial Statements for the year ended June 30, 2015

Property Taxes

See "Security and Sources of Payment of the Bonds" above for a general description of how property is assessed and how *ad valorem* property taxes are levied and collected.

**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING
DISTRICT REVENUES AND APPROPRIATIONS**

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. (See "Security and Sources of Payment for the Bonds.") Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Article XIII A of the California Constitution

Basic Property Tax Levy. Article XIII A of the State Constitution limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by two-thirds of the voters on or after July 1, 1978, for the acquisition

or improvement of real property, and (iii) bonded indebtedness approved by 55% of the voters of a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities.

Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A permits reduction of the full cash value base in the event of a decline in property value caused by damage, destruction, or other factors. The full cash value base is not increased upon reconstruction of property damaged or destroyed in a disaster, if the fair market value of the property as reconstructed is comparable to its fair market value before the disaster. If the full cash value has been reduced owing to a decline in market value, the full cash value is restored to the full cash value base as quickly as the market price increases (without regard to the 2% limit on increases that otherwise applies).

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situation." Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B of the California Constitution

Under Article XIII B of the California Constitution, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain monies that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriation of moneys that are excluded from the definition of "appropriations subject to limitation," such as appropriations for voter-approved debt service, appropriations required to comply with certain mandates of the courts or the federal government, and appropriations for qualified capital outlay projects (as defined by the State Legislature).

The appropriations limit for each agency in each year is based on the agency's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted where applicable for transfer to or from another governmental entity of financial responsibility for providing services. With respect to school districts, "change in cost of living" is defined as the change in percentage change in California per capita income from the preceding year and "change in population" means the percentage change in average daily attendance for the preceding year.

The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by an agency over such two-year period above the combined appropriations limit for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Under current statutory law, a school district that receives any proceeds of taxes in

excess of the allowable limit need only notify the State Director of Finance and the District's appropriations limit is increased and the State's limit is correspondingly decreased by the amount of the excess.

Article XIII C and Article XIII D of the California Constitution

Articles XIII C and XIII D of the California Constitution, adopted by Proposition 218 in November 1996, impose certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The District does not impose any such taxes, assessments, fees or charges; and, with the exception of *ad valorem* property taxes levied and collected by the County under Article XIII A of the California Constitution and allocated to the District, no such taxes, assessments, fees or charges are imposed on behalf of the District. Accordingly, while the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The District's general obligation bonds represent a contract between the District and the bondholder secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once issued, the taxes needed to pay debt service on general obligation bonds would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

The interpretation and application of Proposition 218 and the U.S. Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and the propositions discussed above were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

STATE FUNDING OF EDUCATION

As noted above, California school districts receive a significant portion of their general purpose funding from State appropriations. Variations in the level of State funding of school districts may affect this secondary source of security for payment of the Bonds.

Propositions 98 and 111 -- Minimum Funding Guarantee

Proposition 98, a constitutional and statutory amendment adopted by California voters in 1988 and amended by Proposition 111 in 1990, guarantees a minimum level of funding for public education from kindergarten through community college (K-14).

Proposition 98 guarantees a level of funding based on the greater of two amounts determined under three different methods of calculation. The first amount is based on a percentage of General Fund revenues.

This amount is defined under "Test 1" as the amount produced by applying the same percentage of General Fund revenues appropriated to K-14 education in 1986-87, or about 40%. (This percentage has been adjusted to approximately 39% to account for subsequent redirection of local property taxes, since such property tax shifts affect the share of districts' revenue limits that are to be provided by State General Fund revenues.) The second amount is determined under one of two methods, "Test 2" or "Test 3," the choice of which is determined based on the relative growth of per capita income and General Fund revenues.

In years of high or normal growth of General Fund revenues, Test 2 applies. Test 2 is designed to maintain prior-year service levels. The amount determined under Test 2 is the amount required to ensure that K-14 schools receive from State funds and local tax revenues the same amount received in the prior year, adjusted for changes in enrollment and for increases in per capita personal income. Test 3 is operative in years in which General Fund revenue growth per capita is more than 0.5% below growth in per capita personal income. The amount determined under Test 3 is the prior-year total level of funding from state and local sources, adjusted for enrollment growth and for growth in General Fund revenues per capita, plus 0.5% of the prior year level. If Test 3 is used in any year, the difference between the amount determined under Test 3 and Test 2 will become a credit (called the "maintenance factor") to be paid to K-14 schools in future years when State General Fund growth exceeds personal income growth.

The State's estimate of the total guaranteed amount varies through the stages of the annual budgeting process, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as various factors change. The guaranteed amount will increase as enrollment and per capita personal income grow. If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State General Fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.

In the last several decades, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. In 1992-93, 1993-94, 2004-05, and 2005-06 the State required county, cities, and special districts to shift property tax revenues to school districts, thereby relieving the State General Fund of some of the burden of the Proposition 98 guarantee. Proposition 1A, adopted by the voters in November 2004, prohibits the State from shifting property taxes from other local governments to school or community college districts without a two-thirds vote of both houses of the State Legislature. Proposition 22, approved by the voters in November 2010, eliminated the State's authority to shift property taxes temporarily during a severe financial hardship of the State that had been permitted by Proposition 1A. Legislation enacted in June 2011 (and upheld by the California Supreme Court in December 2011) dissolved every redevelopment agency in the State effective February 1, 2012, which has made more property tax revenues available to school districts.

The State has also sought to avoid or delay paying settle-up amounts when State revenues have lagged. The State has also sought to avoid increases in the base guaranteed amount through several devices: by treating any excess appropriations as advances (or loans) against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily or permanently deferring year-end apportionments of Proposition 98 funds from one fiscal year to the next to reduce the ending fiscal year's base; by suspending Proposition 98, as the State did in 2010-11; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The California Teachers' Association, the State Superintendent and others sued the State or the Governor in 1995, 2005, 2009, and 2011 to force them to fund the full settle-up amounts. In May 2016, the Legislative Analyst's Office estimated settle-up obligations to total about \$1.2 billion. While legislation

adopted to implement the settlements of these suits requires the State to pay down the obligation in annual installments, the repayments have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

Proposition 2, approved at the November 4, 2014, statewide election, among other things, revises the operation of Proposition 98 in some years. The measure creates a new State budget stabilization fund known as the "Public School System Stabilization Account." In years where capital gains tax revenues exceed 8% of total General Fund revenues, if a number of conditions are satisfied (including that Test 1 is operative, all maintenance factor obligations have been satisfied, and the Proposition 98 funding level is higher than the previous year), that part of the "excess" capital gains tax revenues accruing to the Proposition 98 guarantee, instead of being appropriated, would be deposited in the Public School System Stabilization Account, provided that the amount spent on schools and community colleges grows along with the number of students and the cost of living. The State would spend money out of the reserve in order to maintain spending on schools and community colleges in budgetary years in which such spending would otherwise decline from the prior year's level (adjusted for student population and cost of living). Proposition 2 thus changes when the State would otherwise be required to spend money on schools and community colleges but not the total amount of State spending for schools and community colleges over the long run.

State Budget Process

The State Constitution requires the Governor to propose a budget to the State Legislature no later than January 10 of each year and requires the Legislature to adopt a final budget no later than June 15. The latter deadline was frequently missed when passage of the budget required a 2/3 majority of each house of the Legislature. The State's voters approved an amendment to the State Constitution in November 2010 that lowered the vote requirement to a simple majority of each house of the State Legislature. The lower vote requirement also applies to the budget trailer bills that specifically appropriate funds. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of each house of the State Legislature is still required to override any veto by the Governor. School district budgets must be adopted by the district's governing board by July 1 and then revised within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

Possible Delays in Apportionments. If the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding may be treated differently. In 2002, a California Court of Appeal held in White v. Davis (also referred to as Jarvis v. Connell) that the State Controller cannot disburse State funds after the beginning of the fiscal year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State constitution, such as appropriations for salaries of elected State officers, or (iii) required by federal law, such as payments to State workers (but at no more than minimum wage). The court specifically held that pre-budget disbursements of Proposition 98 funding for school districts are invalid. In 2003, the California Supreme Court upheld the decision of the Court of Appeal. During the 2003-04 State budget impasse, the State Controller nonetheless treated revenue limit (i.e., general purpose) apportionments to school districts as continuous legislative appropriations under statute. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 Budget Act was enacted.

Additional Delays in Apportionments. During the Great Recession, the Legislature authorized intra-year and inter-year deferrals of certain payments otherwise payable at earlier dates in the fiscal year to K-12 schools. The use of this cash-flow management device by the Legislature required some school districts to increase the size or frequency of their tax and revenue anticipation note borrowings.

Fiscal Year 2016-17 Budget

On June 27, 2016, the Governor approved the 2016-17 Budget Act. Starting with an estimated prior year balance of \$4.87 billion, the 2015-16 State Budget includes projected general fund revenues and transfers of \$125.184 billion and \$122.468 billion in general fund expenditures. Based on these estimates and spending plans, the State would end Fiscal Year 2016-17 with \$9.430 billion in reserves, comprising an ending fund balance of \$2.716 billion (\$966 million in the Reserve for Liquidation of Encumbrances and \$1.75 billion in the Special Fund for Economic Uncertainties) and \$6.714 in the State's Budget Stabilization Account (sometimes referred to as the "Rainy Day Fund").

The 2016-17 State Budget includes total funding of \$88.3 billion (\$51.6 billion General Fund and \$36.7 billion other funds, including local property taxes) for all K-12 education programs. The Proposition 98 K-12 funding guarantee is estimated to be \$63.496 for 2016-16, an increase of \$2.5 billion above the 2015-16 amount. Under the Budget, K-12 Proposition 98 spending increases from \$10,217 per student in 2015-16 to \$10,657 in 2016-17.

The 2016-17 State Budget includes, among others, these significant provisions relating to K 12 funding, as described by the Department of Finance:

Local Control Funding Formula: Proposition 98 General Fund funding for school districts and charter schools will increase by more than \$2.9 billion in 2016-17, an increase of 5.4%. The Governor estimates that the increase will bring the LCFF's implementation to about 96% complete.

Mandate Claims. The Budget allocates approximately \$1.3 billion in one-time moneys to reduce outstanding mandate claims by K-12 local education agencies. The funds may be used for any education purpose, but the State encourages local agencies to use them for deferred maintenance, professional development, instructional materials, technology and the implementation of new educational standards.

Underfunding of Proposition 98 Settle up Obligations: The Budget includes \$218 million to restore prior-year underfunding of the Proposition 98 guarantee.

Proposition 39 Energy Projects: The Budget includes \$399 million to support school district and charter school energy efficiency projects in 2016-17.

College Readiness Block Grant. The Budget includes a one-time increase of \$200 million for grants to school districts and charter schools that serve high school students to provide additional services to support access and transitions to higher education and transition to higher education for English-learners and low-income and foster youth.

No Proposition 98 Reserve Fund Deposit. The Budget does not include any deposit into the Public School System Stabilization Account.

Additional Information on State Finances

The full text of proposed and adopted State budgets may be found at the internet website of the California Department of Finance, www.dof.ca.gov, under the heading "California Budget." The Legislative Analyst's Office budget overviews and other analyses may be found at www.lao.ca.gov under the heading "Products." In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov or through the Municipal Securities Rulemaking Board's EMMA website at emma.msrb.org.

Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Governor's Office, the State Controller's Office and the LAO. The Department of Finance issues a monthly Bulletin, which reports the most recent revenue receipts as reported by state departments, comparing them to Budget projections. The Governor's Office also formally updates its budget projections three times during each fiscal year, in January, May and at budget enactment. These bulletins and other reports are available on the Internet.

The information referred to above is prepared by the respective State agency maintaining each website and not by the District, and the District 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.

Future State Budgets

The District cannot predict what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2015**

APPENDIX C

GENERAL INFORMATION ABOUT THE COUNTY OF BUTTE AND THE CITY OF CHICO

The following information concerning the County of Butte (the "County") and the City of Chico (the "City") is included only for the purpose of supplying general information regarding the area of the Chico Unified School District (the "District"). The Bonds are not a debt of the County, the City, the State of California (the "State") or any of its political subdivisions, and neither the County, the City, the State nor any of its political subdivisions is liable therefor.

Population

The following table lists population figures for the County, cities within the County, and the State for calendar years 2010 and 2012 through 2016.

COUNTY OF BUTTE [UPDATED] Population Estimates Calendar Years 2010 and 2012 through 2016

Area	2010 ⁽¹⁾	2012	2013	2014	2015	2016
State of California	37,253,956	37,881,357	38,239,207	38,567,459	38,907,642	39,255,883
Total Butte County ⁽²⁾	220,000	221,064	222,250	223,120	224,121	224,601
Biggs	1,707	1,704	1,718	1,713	1,771	1,899
Chico	86,187	88,179	89,752	90,711	91,795	92,464
Gridley	6,584	6,512	6,607	6,606	6,595	6,575
Oroville	15,546	15,520	15,963	15,958	16,088	17,996
Paradise	26,218	25,879	25,588	25,569	25,501	25,405
Balance of County	83,758	83,270	82,622	82,563	82,371	80,262

⁽¹⁾ Decennial Census.

⁽²⁾ Figures may not add due to independent rounding.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, County and the State, 2011-2016, with 2010 Census Benchmark. Sacramento, California, May 2016

Industry and Employment

The table below provides information about employment rates and employment by industry type for the County for calendar years 2011 through 2015. Unemployment rates are not available for the District.

COUNTY OF BUTTE [UPDATED] Civilian Labor Force, Employment and Unemployment Calendar Years 2011 through 2015 Annual Averages

	2011	2012	2013	2014	2015
Civilian Labor Force ⁽¹⁾	100,600	101,100	102,000	101,800	101,700
Employment	86,900	88,900	91,500	93,000	94,400
Unemployment	13,800	12,300	10,500	8,800	7,300
Unemployment Rate ⁽²⁾	13.7%	12.2%	10.3%	8.6%	7.2%
Wage and Salary Employment: ⁽³⁾					
Farm	2,700	2,800	2,900	2,900	3,000
Mining, Logging & Construction	2,300	2,400	2,900	3,200	3,400
Manufacturing	3,700	3,900	4,000	4,000	3,900
Wholesale Trade	1,800	1,800	1,800	1,800	1,800
Retail Trade	9,200	9,500	9,700	10,000	10,400
Transportation, Warehousing & Utilities	1,600	1,600	1,500	1,500	1,500
Information	1,100	1,100	1,000	1,000	1,100
Financial Activities	3,000	3,000	3,100	3,300	3,500
Professional and Business Services	5,100	5,500	5,800	5,600	5,600
Educational and Health Services	15,500	15,700	17,100	17,800	18,100
Leisure and Hospitality	7,200	7,400	7,800	8,000	8,300
Other Services	3,700	3,700	3,700	3,800	3,800
Federal Government	600	600	500	500	500
State Government	3,700	3,800	3,800	4,100	4,100
Local Government	11,500	11,500	11,600	11,500	11,600
Total all Industries ⁽⁴⁾	72,500	74,200	77,300	78,900	80,600

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ The unemployment rate is calculated using unrounded data.

⁽³⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽⁴⁾ Data may not add due to rounding.

Source: State of California Employment Development Department; Industry Employment & Labor Force – by Annual Average. March 2015 Benchmark.

Largest Employers

The following tables list the largest manufacturing and non-manufacturing employers within the County in alphabetical order:

COUNTY OF BUTTE [UPDATED] Largest Employers

Employer Name	Location	Industry
Butte Community Insurance Agency	Chico	Insurance
Butte County Comm Employment	Oroville	Employment Agencies & Opportunities
Butte County Mental health Svc	Chico	Mental Health Services
Butte County Social Welfare	Oroville	Government Offices-County
California State University	Chico	Schools – Universities & Colleges Academic
Chico High School	Chico	Schools
County Sheriff	Oroville	Sheriff
Enloe Homecare & Hospice	Chico	Physical Therapists
Enloe Medical Center	Chico	Hospitals
Enloe Medical Center	Chico	Hospitals
Enloe Medical Ctr Prompt Care	Chico	Clinics
Feather Falls Casino KOA	Oroville	Campgrounds
Feather River Hospital	Paradise	Hospitals
Gold Country Casino & Hotel	Oroville	Casinos
Knife River Construction	Chico	Asphalt & Asphalt Products
Lifetouch National Schl Studio	Chico	Photographers-Portrait
Northern California Homes	Paradise	Real Estate
Pacific Coast Producers	Oroville	Canning (mfrs)
Pella Windows & Doors	Chico	Windows
Sierra Nevada Brewing Co.	Chico	Brewers (mfrs)
United Healthcare	Chico	Medical Insurance Plans
Walmart	Chico	Department Stores
Wehah Farms Inc.	Richvale	Rice Mills (mfrs)
Wil-Ker-Son Ranch & Packing Co.	Gridley	Fruits & Vegetables-Growers & Shippers
Wittmeier Chevrolet	Chico	Automobile Dealers – new cars

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2016 2nd Edition.

Personal Income

The following table summarizes total personal income for the County for the period from 2010 to 2014.

**COUNTY OF BUTTE [UPDATED]
PERSONAL INCOME⁽¹⁾
2010 - 2014
(in thousands)**

Year	Butte County	Annual Percent Change
2010	\$7,000,427	
2011	7,345,144	
2012	7,662,810	
2013	8,057,223	
2014 ⁽²⁾	8,298,110	

⁽¹⁾ Estimates for 2010-2014 reflect County population estimates available as of March 2015.

⁽²⁾ Latest data available

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following table summarizes per capita personal income for the County, the State of California and the United States for the period from 2010 through 2014.

**COUNTY OF BUTTE [UPDATED]
PER CAPITA PERSONAL INCOME⁽¹⁾
2010 - 2014**

Year	Butte County	California	United States
2010	\$31,831	\$42,411	\$40,277
2011	33,383	44,852	42,453
2012	34,630	47,614	44,266
2013	36,225	48,125	44,438
2014 ⁽²⁾	37,005	49,985	46,049

⁽¹⁾ Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2014 reflect county population estimates available as of March 2015.

⁽²⁾ Latest data available

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Commercial Activity

A summary of historic taxable sales within the City and County during the past five years in which data are available is shown in the following table.

CITY OF CHICO AND COUNTY OF BUTTE [UPDATED]
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(dollars in thousands)

	City of Chico		County of Butte	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	2,567	1,367,715	5,840	2,348,900
2010	2,613	1,429,638	5,961	2,459,719
2011	2,594	1,502,415	5,917	2,588,112
2012	2,651	1,592,290	6,052	2,714,090
2013 ⁽¹⁾	2,761	1,665,868	6,322	2,877,430

⁽¹⁾ Latest annual data available.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

A summary of historic residential building permit valuation for the City and County during the past five years in which data are available is shown in the following table.

CITY OF CHICO AND COUNTY OF BUTTE [UPDATED]
Residential Building Permit Valuation

Year	City of Chico		County of Butte	
	Units	Valuation	Units	Valuation
2011	91	\$20,548,085	205	\$42,691,853
2012	133	33,021,127	231	61,207,212
2013	254	64,719,873	339	90,740,768
2014	226	58,752,359	380	92,522,396
2015	289	76,941,272	389	124,758,217

Source: U.S. Bureau of the Census

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Education
Chico Unified School District
Chico, California

Re: \$[PAR AMOUNT]
 Chico Unified School District
 2016 General Obligation Refunding Bonds
 Final Opinion of Bond Counsel

Members of the Board of Education:

We have acted as bond counsel in connection with the issuance by the Chico Unified School District (the "District") of \$[PAR AMOUNT] principal amount of Chico Unified School District, 2016 General Obligation Refunding Bonds (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. Butte County is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.
3. Interest on the Bonds is excludable from gross income for federal tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal tax purposes retroactively to the date of issuance of the Bonds.
4. Interest on the Bonds is exempt from State of California personal income taxation.

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD,
A Professional Corporation

APPENDIX E
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information in this appendix has been provided by the Depository Trust Company ("DTC"), New York, New York, for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants, or Indirect Participants will distribute to the Beneficial Owners either (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 so do on a timely basis or that DTC, DTC Direct Participants, or DTC Indirect Participants will act in the manner described in this Official Statement.

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 will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of 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 the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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.

Redemption notices will 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 the 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Debt service payments 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 District or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of debt service on or redemption of the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

PAYING AGENT AGREEMENT

by and between

CHICO UNIFIED SCHOOL DISTRICT

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Paying Agent**

Dated October 1, 2016

Relating to the

**\$(PAR AMOUNT)
CHICO UNIFIED SCHOOL DISTRICT
(BUTTE COUNTY, CALIFORNIA)
2016 GENERAL OBLIGATION REFUNDING BONDS**

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PAYING AGENT AGREEMENT

This PAYING AGENT AGREEMENT, dated October 1, 2016 (this "Paying Agent Agreement"), by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States, as paying agent (the "Paying Agent"), and the CHICO UNIFIED SCHOOL DISTRICT (the "District"), a school district duly organized and existing under and by virtue of the Constitution and laws of the State of California .

W I T N E S S E T H:

WHEREAS, the District is authorized pursuant to Education Code sections 15100 *et seq.* and pursuant to the approving vote of its qualified electors at an election held on April 14, 1998 at which more than two-thirds of the persons voting to authorize the proposition voted to authorize the issuance and sale of not to exceed \$48,725,000 principal amount of general obligation bonds;

WHEREAS, pursuant to such authorization and (i) Resolution No. 1015-08 adopted by the District Board of Education on March 26, 2008 and (ii) Resolution No. 0808-007 adopted by the Butte County Board of Supervisors on April 8, 2008, Butte County issued, on behalf of the District, \$30,725,000 aggregate principal amount of Chico Unified School District, Butte County, California, Election of 1998, General Obligation Bonds, Series B; (the "Prior Bonds");

WHEREAS, pursuant to Article 9 (Sections 53550 and following) and Article 11 (Sections 53580 and following) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, the District is authorized to issue refunding bonds to refund all or a portion of the Prior Bonds;

WHEREAS, the Board of Trustees of the District (the "Board"), by its Resolution No. _____, adopted on September 7, 2016 (the "Resolution"), has determined that prudent management of the District's financial affairs requires that a portion of the Prior Bonds now be refunded on an advance basis and has authorized the issuance and sale of its "Chico Unified School District (Butte County, California) 2016 General Obligation Refunding Bonds" (the "Refunding Bonds") and the execution and delivery of this Paying Agent Agreement on behalf of the District;

WHEREAS, the District has determined to advance refund the (i) Series 1998 Bonds that mature on and after August 1, 2019 (the "Refunded Prior Bonds"), and has found and determined and by execution hereof so represents that the total net interest cost to maturity plus the principal amount of the Refunded Prior Bonds exceeds the total net interest cost to maturity plus the costs of issuance and the principal amount of the Refunding Bonds, pursuant to California Government Code Sections 53552 and 53556; and

WHEREAS, the District has found and determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Paying Agent Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Paying Agent Agreement;

NOW, THEREFORE, in order to secure the payment of the Refunding Bonds and the performance and observance by the District of all the covenants, agreements and conditions herein and in the Refunding Bonds contained, and in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration, the District and the Paying Agent hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.1 shall, for all purposes hereof and of any amendment hereof or supplement hereto and of the Refunding Bonds and of any certificate, opinion, request or other document mentioned herein or therein, have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Authorized District Representative means the Superintendent of the District and any other designee of the Superintendent or the Board, acting with the authority of the Superintendent.

Board means the Board of Trustees of the District.

Bond owner, Bondholder, Owner, or Holder means the person in whose name any Refunding Bond shall be registered.

Business Day means any day of the week other than a Saturday or a Sunday on which the Paying Agent is not required or authorized to remain closed and on which the New York Stock Exchange is open for business.

Certificate of the District. See "Request of the District" defined herein.

Code means the Internal Revenue Code of 1986, as the same shall be hereafter amended, and any regulations heretofore issued or that shall be hereafter issued by the United States Department of the Treasury thereunder.

Continuing Disclosure Certificate means that certain Continuing Disclosure Certificate executed and delivered by the District, dated the date of issuance and delivery of the Refunding Bonds and pertaining thereto, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

County means the County of Butte, State of California.

District means the Chico Unified School District, located in the County.

Escrow Agent means The Bank of New York Mellon Trust Company, N.A., as escrow agent under the Escrow Agreement, its successors and assigns, and any other corporation or association that may at any time be substituted in its place in accordance with the Escrow Agreement.

Escrow Agreement means that certain agreement dated October 1, 2016, between the District and the Escrow Agent, regarding the Refunded Prior Bonds.

Holder. See “Bond owner” defined herein.

Information Service means the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) website, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and or such other services providing information with respect to called bonds, or no such services, as the District may designate in a Request of the District delivered to the Paying Agent.

Interest Payment Date means February 1 and August 1 of each year. The first Interest Payment Date shall be February 1, 2017.

Law means Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable law.

Order of the District. See “Request of the District” defined herein.

Opinion of Counsel means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

Owner. See “Bond owner” defined herein.

Paying Agent means The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar, and transfer agent with respect to the Refunding Bonds, its successors and assigns and any other corporation or association that may at any time be substituted in its place as provided in Section 6.2 (Resignation, Removal, Replacement of Paying Agent) hereof.

Paying Agent Agreement means this agreement, by and between the District and the Paying Agent.

Paying Agent’s Office means the office of the Paying Agent at _____, Attention: Corporate Trust Services, or such other or additional offices as may be designated by the Paying Agent.

Principal and Interest Repayment Fund means the account administered by the Treasurer for the payment of debt service on the District’s general obligation bonds.

Prior Bonds means the outstanding bonds of the District designated the (i) “Chico Unified School District (Butte County, California) Election of 1998 General Obligation Bonds, Series B.”

Record Date means the 15th day of the month preceding any Interest Payment Date. The first Record Date shall be _____ 2017.

Redemption Price means, with respect to any Refunding Bond (or portion thereof) the principal amount of such Refunding Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Refunding Bond and this Paying Agent Agreement.

Refunded Prior Bonds means the Series B Bonds that mature on and after August 1, 2019.

Refunding Bonds means the Chico Unified School District (Butte County, California) 2016 General Obligation Refunding Bonds issued hereunder.

Redemption Date means the date on which the Refunding Bonds or any of them are called for redemption, as provided in Article IV (Redemption of the Refunding Bonds) hereof.

Request of the District, Certificate of the District, or Order of the District means a written request, certificate or order, respectively, authorized and signed by an Authorized District Representative.

Securities Depositories means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the District may designate in a Request of the District delivered to the Paying Agent.

State means the State of California.

Tax Certificate means the Tax Certificate concerning certain matters pertaining to the use of proceeds of the Refunding Bonds, executed and delivered by the District on the date of issuance of the Refunding Bonds, including all exhibits attached thereto, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

Treasurer means the Treasurer and Tax Collector of the County.

Section 1.2. Effect of Headings and Table of Contents. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of this Paying Agent Agreement.

Section 1.3. Successors and Assigns. Whenever in this Paying Agent Agreement the County, the District, or the Paying Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Paying Agent Agreement contained by or on behalf of the District or the Paying Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 1.4. Benefits of Paying Agent Agreement. Nothing in this Paying Agent Agreement or in the Refunding Bonds expressed or implied is intended or shall be construed to give to any person other than the District, the Paying Agent, and the Owners of the Refunding Bonds, any legal or equitable right, remedy or claim under or in respect of this Paying Agent Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Paying Agent, and the Owners of the Refunding Bonds.

Section 1.5. Payments/Actions Otherwise Scheduled on Non-Business Days. Except as specifically set forth in a Supplemental Paying Agent Agreement, any payments or transfers that would otherwise become due on any day that is not a Business Day shall become due or shall be made on the next succeeding Business Day. When any other action is provided for herein to be done on a day named or within a specified time period and the day named or the last day of the specified

Section 1.6. No Personal Liability for Debt Service. No Board member, officer, agent, or employee of the County, the District, or the Paying Agent shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Refunding Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent, or employee of the County, the District, or the Paying Agent from the performance of any official duty provided by law or by this Paying Agent Agreement.

Section 1.8. Separability Clause. If any one or more of the provisions contained in this Paying Agent Agreement or in the Refunding Bonds shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Paying Agent Agreement and such invalidity, illegality, or unenforceability shall not affect any other provision of this Paying Agent Agreement, and this Paying Agent Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have adopted this Paying Agent Agreement and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issuance of the Refunding Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Paying Agent Agreement may be held illegal, invalid, or unenforceable.

Section 1.10. Counterparts. This Paying Agent Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

If to the District: Chico Unified School District
(address)
Attn: Superintendent

Paying Agent Agreement

(address)
Attn: Corporate Trust Office

If to the County: Treasurer and Tax Collector
County of Butte
[address]

ARTICLE II THE REFUNDING BONDS

Section 2.1. Authorization and Title. The District hereby authorizes the issuance of Refunding Bonds in the aggregate principal amount of \$[PAR AMOUNT]. The title of the Refunding Bonds shall be "Chico Unified School District (Butte County, California) 2016 General Obligation Refunding Bonds." At any time after the execution and delivery of this Paying Agent Agreement, the District may execute and the Paying Agent shall authenticate and deliver the Refunding Bonds upon the Order of the District.

Section 2.2. Terms and Form of Refunding Bonds.

(A) **Form of Refunding Bonds.** The form of the Refunding Bonds shall be substantially as set forth in Exhibit A with such insertions, omissions, substitutions, and variations as may be determined by the officers executing the same, as evidenced by their execution thereof, to reflect the applicable terms of the Refunding Bonds established by this Article.

(B) **Book-Entry Form; Denominations.** The Refunding Bonds shall be issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof, and shall be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company. The Refunding Bonds shall be evidenced by one Refunding Bond maturing on each of the maturity dates with respect to the Refunding Bonds in a denomination corresponding to the total principal amount represented by the Refunding Bonds payable on such date. Registered ownership of the Refunding Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.4 (Book-Entry System). The Refunding Bonds shall bear such distinguishing numbers and letters as may be specified by the Paying Agent.

(C) **Date; Interest Accrual; Maturity Dates; Interest Rates.** The Refunding Bonds shall be dated their date of delivery, shall bear interest from their date at the following rates per annum, and shall mature on August 1 in the following years in the following amounts:

Maturity	Principal Amount	Interest Rate
<hr/>		

Maturity	Principal Amount	Interest Rate
-----------------	-----------------------------	--------------------------

**Term Bonds*

Interest on the Refunding Bonds shall be calculated on the basis of a 360-day year comprising twelve 30-day months.

(D) Principal and Interest Payments. The principal or Redemption Price of the Refunding Bonds shall be payable to the Owner thereof upon surrender thereof in lawful money of the United States of America at the Paying Agent's Office or, as provided in Section 2.4(E) (Book-Entry System -- Payments to Depository), by wire transfer on each principal and mandatory redemption payment date to "Cede & Co." or its registered assign, as sole registered Owner. Interest on the Refunding Bonds shall be payable on February 1, 2017, and thereafter semiannually on February 1 and August 1 of each year by check mailed by first class mail or, as provided in Section 2.4(E) (Book-Entry System) and upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Refunding Bonds who has provided the Paying Agent with wire transfer instructions on or before the applicable Record Date, by wire transfer on each Interest Payment Date to the Owner thereof as of the close of business on the Regular Record Date.

(E) Cessation of Interest Accrual. Interest on any Refunding Bond shall cease to accrue (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Paying Agent an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided there has been irrevocably deposited with the Paying Agent an amount sufficient to pay the Redemption Price thereof, plus interest accrued thereon to such date. The Holder of such Refunding Bond shall not be entitled to any other payment, and such Refunding Bond shall no longer be Outstanding and entitled to the benefits of this Paying Agent Agreement, except for the payment of the principal amount or Redemption Price, as appropriate, of such Refunding Bond and interest accrued thereon from moneys held by the Paying Agent for such payment.

Section 2.3. Execution and Authentication of Refunding Bonds. The Refunding Bonds shall be signed by the manual or facsimile signature of the President or any member of the Board and the Secretary of the Board or his or her designee. The Refunding Bonds shall be authenticated by a manual signature of a duly authorized officer of the Paying Agent.

In case any of the officers who shall have signed or countersigned any of the Refunding Bonds shall cease to be such officer or officers of the District before the Refunding Bonds so signed or countersigned shall have been authenticated, or delivered by the Paying Agent, or issued by the District, such Refunding Bonds may nevertheless be authenticated, delivered, and issued and, upon such authentication, delivery, and issue, shall be as binding upon the District as though those who signed and countersigned the same had continued to be such officers of the District. Any Refunding Bond may be signed and attested on behalf of the District by such persons as at the actual date of execution such Refunding Bond shall be the proper officers of the District although at the nominal date of such Refunding Bond any such person shall not have been such officer of the District.

No Refunding Bond shall be valid or obligatory for any purpose or entitled to the benefits of this Paying Agent Agreement unless there appears on such Refunding Bond a certificate of authentication substantially in the form provided for herein, manually executed by the Paying Agent. Such certificate of authentication when manually executed by the Paying Agent shall be conclusive evidence, and the only evidence, that such Refunding Bond has been duly executed, authenticated, and delivered hereunder.

Section 2.4. Book-Entry System. Notwithstanding any provision of this Paying Agent Agreement to the contrary, the following provisions shall apply:

(A) Limitations on Transfer. Registered ownership of Refunding Bonds issued in book-entry form, or any portions thereof, may not be transferred except:

(1) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this section (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(2) To any substitute depository not objected to by the District, upon (a) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the District to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (a) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository, or (b) a determination by the District to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.

(B) Execution and Delivery of New Refunding Bonds. In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A) hereof, upon receipt of the outstanding Refunding Bonds by the Paying Agent, together with a Request of the District, a new Refunding

Bond for each maturity shall be executed and delivered pursuant to the procedures described in the third paragraph of Section 2.5 (Transfer and Exchange of Refunding Bonds upon Termination of Book-Entry System) hereof in the aggregate principal amount of the Refunding Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Request of the District. In the case of any transfer pursuant to clause (3) of subsection (A) hereof, upon receipt of the outstanding Refunding Bonds by the Paying Agent together with a Request of the District, new Refunding Bonds shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such Request of the District, subject to the limitations of Section 2.2 (Terms and Form of Refunding Bonds) and the receipt of such a Request of the District, and thereafter, the Refunding Bonds shall be transferred pursuant to the provisions set forth in Section 2.5 (Transfer and Exchange of Refunding Bonds upon Termination of Book-Entry System) hereof; provided that the Paying Agent shall not be required to deliver such new Refunding Bonds within a period of fewer than sixty (60) days from the date of receipt of such a Request of the District.

(C) Notation of Reduction of Principal. In the case of partial redemption, cancellation or a refunding of any Refunding Bonds evidencing all or a portion of the principal maturing in a particular year, The Depository Trust Company shall make an appropriate notation on the Refunding Bonds indicating the date and amounts of such reduction in principal. The Paying Agent shall not be liable for any failure or error of the Depository Trust Company to make such notations; the records of the Paying Agent shall be controlling with respect to the outstanding principal amount of Refunding Bonds.

(D) No Responsibility to Persons Other Than Owners. The District and the Paying Agent shall be entitled to treat the person in whose name any Refunding Bond is registered as the Owner thereof, notwithstanding any notice to the contrary received by the Paying Agent or the District, and the District and the Paying Agent shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Refunding Bonds. Neither the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except as the Owner of any Refunding Bonds.

(E) Payments to Depository. So long as the outstanding Refunding Bonds are registered in the name of Cede & Co. or its registered assigns, the District and the Paying Agent shall cooperate with Cede & Co., as sole Owner, or its registered assigns, in effecting payment of the principal of and interest on the Refunding Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available (e.g., by wire transfer) on the date they are due.

Section 2.5. Transfer and Exchange of Refunding Bonds upon Termination of Book-Entry System. If the Refunding Bonds shall no longer be registered in the name of Cede & Co. as a result of the operation of Section 2.4 (Book-Entry System) hereof, then the procedures contained in this section shall apply.

Any Refunding Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.6 (Bond Register) hereof by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Refunding Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Refunding Bond or Bonds shall be surrendered for transfer, the designated District officials shall execute (as provided in Section 2.3 (Execution and Authentication of Refunding Bonds) hereof) and the Paying Agent shall authenticate and deliver a new Refunding Bond or Bonds of the same maturity, for a like aggregate principal amount and bearing the same rate of interest. The Paying Agent shall require the payment by the Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Refunding Bonds may be exchanged at the office of the Paying Agent designated, for a like aggregate principal amount of Refunding Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No transfer or exchange of Refunding Bonds shall be required to be made by the Paying Agent during the period from the close of business on the Record Date next preceding any Interest Payment Date or Redemption Date to and including such Interest Payment Date or Redemption Date.

Section 2.6. Bond Register.

(A) The Paying Agent will keep or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Refunding Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Refunding Bonds as hereinbefore provided.

(B) The Paying Agent shall assign each Refunding Bond authenticated and registered by it a distinctive letter or number, or letter and number.

Section 2.7. Validity of Refunding Bonds. The recital contained in the Refunding Bonds that the same are regularly issued pursuant to the Law shall be conclusive evidence of their validity and of compliance with the provisions of the Law in their issuance.

ARTICLE III APPLICATION OF PROCEEDS OF THE REFUNDING BONDS

Section 3.1. Application of Proceeds of the Refunding Bonds and Other Amounts. The District shall cause the purchase price of the Refunding Bonds to be deposited with the Paying Agent and the Paying Agent shall deposit (or transfer) the following amounts into the following accounts:

(A) \$ _____ into the Series B Escrow Fund created pursuant to the Escrow Agreement, which is held by the Escrow Agent,

(B) \$ _____ into the Costs of Issuance Fund, which is hereby created and which shall be held and administered by the Paying Agent. The Paying Agent shall pay amounts held in the Costs of Issuance Fund upon the written Order of the District. On November ___, 2016, or upon prior written Order of the District, the Paying Agent shall transfer any remaining amounts in the Costs of Issuance Fund to the Treasurer for deposit into the Principal and Interest Repayment Fund of the District.

ARTICLE IV REDEMPTION OF THE REFUNDING BONDS

Section 4.1. Optional Redemption. The Refunding Bonds maturing on or after August 1, 20 ___, shall be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the District and by lot within a maturity), on or after August 1, 20 ___ at a redemption price equal to ___% of the principal amount of the Refunding Bonds called for redemption, plus accrued interest to the date fixed for redemption.

Section 4.2. Mandatory Sinking Fund Redemption. The Refunding Bonds maturing on August 1, 20 ___ and August 1, 20 ___ (the "20 ___ Term Bonds" and "20 ___ Term Bonds," respectively), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, in accordance with the schedules set forth below. The 20 ___ Term Bonds and 20 ___ Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount thereof, together with interest thereon accrued to the redemption date, without premium.

\$ Term Bonds Maturing on August 1, 20 ___

Redemption Date
(August 1)

Principal Amount

**Final maturity*

\$ Term Bonds Maturing on August 1, 20 ___

Redemption Date
(August 1)

Principal Amount

**Final maturity*

Section 4.3. Selection by Paying Agent of Refunding Bonds to be Redeemed. If less than all the Outstanding Refunding Bonds to be redeemed, not more than forty-five (45) days prior to the redemption date the Paying Agent shall select the particular Refunding Bonds to be redeemed from the Outstanding Refunding Bonds that have not previously been called for redemption, in minimum denominations of \$5,000, by lot in any manner that the Paying Agent in its sole discretion shall deem appropriate and fair.

The Paying Agent shall promptly notify the District in writing of the Refunding Bonds so selected for redemption and, in the case of a Refunding Bond selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Paying Agent Agreement, unless the context otherwise requires, all provisions relating to the redemption of Refunding Bonds shall relate, in the case of any Refunding Bond redeemed or to be redeemed only in part, to the portion of the principal of such Refunding Bond that has been or is to be redeemed.

Section 4.4. Notice of Redemption. Notice of redemption of any Refunding Bonds shall be given by the Paying Agent upon the written request of the District. Notice of any redemption of Refunding Bonds shall be mailed postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books described in Section 2.6 (Bond Register) and as may be further required in accordance with the Continuing Disclosure Certificate. If the Refunding Bonds are not then registered solely to a Securities Depository, the Paying Agent shall also give notice of redemption of Refunding Bonds to the Securities Depositories and the Information Service (at the same time it mails notice of redemption to the Holders) by registered or overnight mail.

Each notice of redemption shall contain all of the following information:

- (i) the date of such notice;
- (ii) the name of the Refunding Bonds and the date of issue of the Refunding Bonds;
- (iii) the Redemption Date;
- (iv) the Redemption Price;
- (v) the dates of maturity of the Refunding Bonds to be redeemed;
- (vi) (if less than all of the Refunding Bonds of any maturity are to be redeemed) the distinctive numbers of the Refunding Bonds of each maturity to be redeemed;
- (vii) (in the case of Refunding Bonds redeemed in part only) the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed;

- (viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed;
- (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the Paying Agent's Office, or at such other place or places designated by the Paying Agent; and
- (x) a statement that on the Redemption Date there will become due and payable the redemption price of the Refunding Bond (or the specified portion of the principal amount if Refunding Bonds are redeemed in part only), together with interest accrued thereon to the redemption date;
- (xi) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date.
- (xii) such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Notice of any optional redemption shall further state that the optional redemption is conditional upon the Paying Agent's receipt, on or before the redemption date, of moneys that, together with other available amounts held by the Paying Agent, are sufficient to pay the principal of, interest, and any premium due on the Refunding Bonds called for redemption, and that the optional redemption notice will have no force and effect if such moneys is not received and that the District will not be required to redeem those Refunding Bonds.

Section 4.5. Effect of Notice. A certificate of the Paying Agent or the District that notice of call and redemption has been given to Owners and to the Securities Depositories and the Information Service as herein provided shall be conclusive as against all parties. The actual receipt by the Owner of any Refunding Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Refunding Bonds called for redemption is set aside for the purpose as described in subsection (e) of this Section, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefore. The Owners of such Refunding Bonds so called for redemption after such redemption date shall look for the payment of such Refunding Bonds and the redemption premium thereon, if any, only to the Principal and Interest Repayment Fund or the escrow fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Section 4.6. Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing

written notice of the rescission to be given to the owners of the Refunding Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption monies are not available in the Principal and Interest Repayment Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Refunding Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Refunding Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Section 4.7. Redemption Fund. Prior to or on the redemption date of any Refunding Bonds there shall be available in the Principal and Interest Repayment Fund of the District, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the premiums payable as in this Paying Agent Agreement provided, the Refunding Bonds designated in said notice of redemption. Such monies so set aside in any such escrow fund shall be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all monies in the Principal and Interest Repayment Fund of the District shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Principal and Interest Repayment Fund of the District, unless otherwise provided for to be paid from such escrow. If, after all of the Refunding Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Principal and Interest Repayment Fund of the District or otherwise held in trust for the payment of redemption price of the Refunding Bonds, said monies shall be held in or returned or transferred to the Principal and Interest Repayment Fund of the District for payment of any outstanding bonds of the District payable from said fund; provided, however, that if said monies are part of the proceeds of bonds of the District, said monies shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, said monies shall be transferred to the general fund of the District as provided and permitted by law.

Section 4.8. Defeasance of Refunding Bonds. If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all outstanding Refunding Bonds all of the principal, interest and premium, if any, represented by Refunding Bonds at the times and in the manner provided herein and in the Refunding Bonds, or as provided in the following paragraph, or as otherwise provided by law consistent herewith, then such Owners shall cease to be entitled to the obligation to levy taxes for payment of the Refunding Bonds as described in Section 5.2 (Obligation to Levy Taxes for Payment of Refunding Bonds) hereof, and such obligation and all agreements and covenants of the District to such Owners hereunder and under the Refunding Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal of and interest and premium, if any, on the Refunding Bonds, but only out of monies on deposit in the Principal and Interest Repayment Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of Section 6.7 (Money Held by Paying Agent; Unclaimed Monies) hereof shall apply in all events.

For purposes of this section, the District may pay and discharge any or all of the Refunding Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations

the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount that will, together with the interest to accrue thereon and available monies then on deposit in the Principal and Interest Repayment Fund of the District, be fully sufficient in the opinion of a certified public accountant licensed to practice in the State to pay and discharge the indebtedness on such Refunding Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

ARTICLE V COVENANTS OF THE DISTRICT

Section 5.1. Payment of Principal and Interest. At least one business day prior to the date any payment is due in respect of the Refunding Bonds, the District will cause monies to be deposited in an account with the Paying Agent sufficient to pay the principal of and the interest (and premium, if any) to become due on all Refunding Bonds outstanding on such payment date. When and as paid in full, and following surrender thereof to the Paying Agent, all Refunding Bonds shall be cancelled by the Paying Agent, and thereafter they shall be destroyed. The Paying Agent hereby acknowledges that pursuant to the general laws of the State of California, the obligation to levy and collect taxes for the payment of the Refunding Bonds, and to pay principal of and interest on the Refunding Bonds when due, are legal obligations of the County and the Treasurer and shall be performed by the Treasurer.

Section 5.2. Obligation to Levy Taxes for Payment of Refunding Bonds. The Board of Supervisors and officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Refunding Bonds in such year, and to pay from such taxes all amounts due on the Refunding Bonds. The District shall take all steps required by law and by the County to ensure that the Board of Supervisors shall annually levy a tax upon all taxable property in the District sufficient to redeem the Refunding Bonds, and to pay the principal, redemption premium, if any, and interest thereon as and when the same become due.

Section 5.3. Further Assurances. The District will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Paying Agent Agreement.

Section 5.4. Tax Covenant. The District shall at all times do and perform all acts and things permitted by law and this Paying Agent Agreement that are necessary and desirable in order to assure that interest paid on the Refunding Bonds will be excludable from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excludable. Without limiting the generality of the foregoing, the District agrees to comply with the provisions of the Tax Certificate. This covenant shall survive the defeasance or payment in full of the Refunding Bonds.

Section 5.5. Continuing Disclosure. The District hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate.

Notwithstanding any other provision of this Paying Agent Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided that any Owner or Beneficial Owner (as defined below) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries).

Section 5.6. Pledge of Taxes. The District hereby pledges all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of the District's general obligation bonds (heretofore and hereafter issued) and amounts on deposit in the Tax Collection Fund to the payment of the principal or redemption price of and interest on the District's general obligation bonds. This pledge shall be valid and binding from the date hereof for the benefit of the owners of the District's general obligation bonds and successors thereto. The property taxes and amounts held in the Tax Collection Fund is immediately subject to this pledge, and the pledge constitutes a lien and security interest that immediately attaches to the property taxes and amounts held in the Tax Collection Fund to secure the payment of the District's general obligation bonds and is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The pledge is an agreement between the District and the owners of the District's general obligation bonds to provide security for those bonds in addition to any statutory lien that may exist, and the bonds secured by the pledge are or were issued to finance one or more of the projects specified in the applicable voter-approved measure.

ARTICLE VI THE PAYING AGENT

Section 6.1. Appointment; Acceptance. The Bank of New York Mellon Trust Company, N.A., is hereby appointed Paying Agent, and hereby accepts and agrees to perform the duties and obligations of the Paying Agent, registrar and transfer agent specifically imposed upon it by this Paying Agent Agreement, and no implied duties shall be read into this Paying Agent Agreement against the Paying Agent.

Section 6.2. Resignation, Removal, Replacement of Paying Agent. The Paying Agent may at any time resign by giving written notice to the District of such resignation, whereupon the District shall promptly appoint a successor Paying Agent by the resignation date. Resignation of the Paying Agent will be effective forty-five (45) days after notice of the resignation is given as stated above or upon appointment of a successor Paying Agent, whichever first occurs. The District may at any time remove the Paying Agent and any successor Paying Agent by an instrument given in writing. After removal or receiving a notice of resignation of the Paying Agent, the District may appoint a temporary Paying Agent to replace the former Paying Agent until the District appoints a successor Paying Agent. Any such temporary Paying Agent so appointed by the District shall immediately and without further act be superseded by the successor Paying Agent upon the appointment of and acceptance thereof by such successor.

The Paying Agent is hereby authorized to pay or redeem the Refunding Bonds when duly presented for payment at maturity, or on prior redemption, and to cancel all Refunding Bonds upon payment thereof. The Paying Agent shall keep accurate records of all funds administered by it and of all Refunding Bonds paid and discharged.

Section 6.3. Protection of Paying Agent. The Paying Agent hereby agrees, provided sufficient immediately available funds have been provided to it for such purpose by or on behalf of the District, to use the funds deposited with it solely for payment of the principal of and interest on the Refunding Bonds as the same shall become due or become subject to earlier redemption.

Section 6.4. Reliance on Documents, Etc.

(A) The Paying Agent may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Paying Agent by the District.

(B) The Paying Agent shall not be liable for any error of judgment made in good faith. The Paying Agent shall not be liable for other than its negligence or willful misconduct in connection with any act or omission hereunder.

(C) No provision of this Paying Agent Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(D) The Paying Agent may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent need not examine the ownership of any Refunding Bond, but is protected in acting upon receipt of Refunding Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Bondowner or agent of the Bondowner.

(E) The Paying Agent may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(F) The Paying Agent may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

(G) The Paying Agent agrees to accept and act upon instructions or directions pursuant to this Paying Agent Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Paying Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Paying Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Paying Agent in its discretion elects to act upon such instructions, the Paying Agent's understanding of such instructions shall be deemed controlling. The Paying Agent

shall not be liable for any losses, costs or expenses arising directly or indirectly from the Paying Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Paying Agent, including without limitation the risk of the Paying Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(H) Any bank, corporation or association into which the Paying Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Paying Agent shall be the successor of the Paying Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

Section 6.5. Recitals of District. The recitals contained herein and in the Refunding Bonds shall be taken as the statements of the District, and the Paying Agent assumes no responsibility for their correctness.

Section 6.6. Paying Agent May Own Refunding Bonds. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of Refunding Bonds with the same rights it would have if it were not the Paying Agent for the Refunding Bonds.

Section 6.7. Money Held by Paying Agent; Unclaimed Monies. Money held by the Paying Agent hereunder may be commingled with other funds held by the Paying Agent, but shall be separately accounted for. Except as otherwise provided herein, the Paying Agent shall have no duties with respect to investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money held in any fund created pursuant to this Paying Agent Agreement, or held by the Paying Agent in trust, for the payment of the principal of, redemption premium, if any, or interest on the Refunding Bonds and remaining unclaimed for two (2) years after the principal of all of the Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Principal and Interest Repayment Fund of the District for payment of any outstanding bonds of the District payable from said fund, without liability for interest; or, if no such bonds of the District are at such time outstanding, said monies shall be transferred to the general fund of the District as provided and permitted by law.

Section 6.8. Other Transactions. The Paying Agent may engage in or be interested in any financial or other transaction with the District.

Section 6.9. Interpleader. The Paying Agent may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The Paying Agent has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 6.10. Indemnification. The District shall indemnify the Paying Agent, its officers, directors, employees, and agents ("Indemnified Parties") for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Paying Agent's acceptance or administration of the Paying Agent's duties hereunder or under the Refunding Bonds (except any loss, liability or expense as may be adjusted by a court of competent jurisdiction to be attributable to the Paying Agent's negligence or willful misconduct), including without limitation the cost and expense (including its counsel fees and disbursements, including the allocated costs and disbursements of internal counsel) of defending itself against any claim or liability (except such action as may be brought against the Paying Agent by the District in which the Paying Agent was held to have committed negligence or willful misconduct in a final order of a court of competent jurisdiction, not subject to appeal) in connection with the exercise or performance of any of its powers or duties under this Paying Agent Agreement. The provisions of this Section 6.10 shall survive termination of this Paying Agent Agreement and shall continue for the benefit of any Paying Agent after its resignation or removal as Paying Agent hereunder.

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 7.1. Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Refunding Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by mandatory redemption, by proceedings for optional redemption, or otherwise;

(B) default in the due and punctual payment of any installment of interest on any Refunding Bond when and as such interest installment shall become due and payable; and

(C) failure by the District to observe or perform any covenant, condition, agreement or provision in this Paying Agent Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the District; except that, if such failure can be remedied but not within such sixty-day period and if the District has taken all action reasonably possible to remedy such failure within such sixty-day period, such failure shall not become an Event of Default for so long as the District shall diligently proceed to remedy same.

Section 7.2. Remedies of Bondholders. Upon the occurrence and continuance of an Event of Default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated

(A) by mandamus or other action, suit, or proceeding at law or in equity to enforce the Owners' rights against the Board or the District or any of the officers or employees of the District, and to compel the Board or the District or any such officers or employees to perform and carry out their duties under the Law and the agreements and covenants with the Owners contained herein;

(B) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Owners; or

(C) by suit in equity upon the nonpayment of the Refunding Bonds to require the Board or the District or its officers and employees to account as the trustee of an express trust.

Section 7.3. Restoration of Positions. In case any proceedings taken by any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bondholders, then in every such case the District and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers, and duties of the District and the Bondholders shall continue as though no such proceedings had been taken.

Section 7.4. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Owners of the Refunding Bonds is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.5. Delay or Omission Not Waiver. No delay or omission of any Owner of the Refunding Bonds to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Paying Agent Agreement or by law to the Owners of the Refunding Bonds may be exercised from time to time, and as often as may be deemed expedient, by the Owners.

Section 7.6. No Acceleration. The Owners of the Refunding Bonds have no right to declare the principal of the Refunding Bonds immediately due and payable.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Paying Agent Agreement to be duly executed by their officers duly authorized as of the date first written above.

CHICO UNIFIED SCHOOL DISTRICT

By: _____
President of the Board of Trustees

ATTEST:

By: _____
Secretary of the Board of Trustees

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Paying Agent**

By: _____
Authorized Officer

**EXHIBIT A
FORM OF REFUNDING BOND**

REGISTERED
NO. R-___

REGISTERED
\$ _____

**CHICO UNIFIED SCHOOL DISTRICT
(BUTTE COUNTY, CALIFORNIA)
2016 GENERAL OBLIGATION REFUNDING BONDS**

Interest Rate	Maturity Date	Dated	CUSIP NO.
_____%	August 1, 20__	[Closing Date]	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

Chico Unified School District, a school district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "District"), for value received, hereby acknowledges itself indebted to and promises to pay to the registered owner named above or registered assigns, on the maturity date specified above, the principal sum specified above together with interest thereon from the date hereof until the principal hereof shall have been paid, at the interest rate per annum specified above, payable on February 1, 2017, and semiannually thereafter on February 1 and August 1 in each year. Interest hereon is payable in lawful money of the United States of America by check mailed or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has provided the Paying Agent (identified below) with wire transfer instructions, by wire transfer on each interest payment date to the registered owner as of the close of business on the 15th day of the calendar month immediately preceding such interest payment date. The principal hereof and premium, if any, hereon are payable at the designated office of The Bank of New York Mellon Trust Company, N.A., as paying agent (together with any successor as paying agent under the hereinafter mentioned Paying Agent Agreement, the "Paying Agent"), (or such other office as designated) in lawful money of the United States of America.

This bond is one of a duly authorized issue of bonds of the District designated "Chico Unified School District (Butte County, California) 2016 General Obligation Refunding Bonds" (the "Bonds") aggregating \$_____ in principal amount, all of like tenor (except for such variations, if any, as may be required to designate denominations, numbers, maturities, interest rates, redemption provisions, and forms). The Bonds are issued and sold pursuant to a Paying Agent Agreement dated October 1, 2016, by and between the District and the Paying Agent (the "Paying Agent Agreement"), and in conformity with the Constitution and laws of California, including the statutory authority of Articles 9 and 11 of Chapter 13 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Law").

Reference is hereby made to the Paying Agent Agreement and to the Law for a description of the terms on which the Bonds are issued and to be issued and the rights of the registered owners of

the Bonds. All the terms of the Paying Agent Agreement and the Law are hereby incorporated herein and constitute a contract between the District and the registered owner from time to time of this Bond. The registered owner of this Bond, by its acceptance hereof, consents and agrees to all the provisions of the Paying Agent Agreement.

[Insert final Optional Redemption provisions]

[Insert term bond language (if applicable)]

This Bond is transferable or exchangeable for other authorized denominations by the registered owner hereof, in person or by its attorney duly authorized in writing, at the designated corporate trust office of the Paying Agent (or such other office as designated), but only in the manner, subject to the limitations and upon payment of the charges provided in the Paying Agent Agreement, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds without coupons, of authorized denomination or denominations, of the same series, tenor, and maturity for the same aggregate principal amount will be issued to the transferee in exchange herefor.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Paying Agent or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC) ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

The District and the Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the District and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon terms provided in the Paying Agent Agreement, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of Bonds.

It is hereby certified and recited that any and all acts, conditions, and things required to exist, to happen, and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened, and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California; that the total amount of indebtedness of the District, including the amount of this bond, does not exceed any limit prescribed by the Constitution and the statutes of the State of California; and that this bond is not in excess of the amount of Bonds permitted to be issued under the Paying Agent Agreement.

IN WITNESS WHEREOF, the Board of Trustees of the Chico Unified School District, has caused this Bond to be signed by its President, to be countersigned by the Secretary of the Board, all as of the date stated above.

By: _____
President of the Board of Trustees

Countersigned:

By: _____
Secretary of the Board of Trustees

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Paying Agent Agreement, which has been authenticated on the date set forth below.

Dated: [Closing Date]

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Paying Agent and
Authenticating Agent**

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _____

Note: The signature(s) to this Assignment must correspond with the name(s) on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature(s) Guaranteed by:

Note: Signature must be guaranteed by an eligible guarantor institution (banks, securities brokers, savings associations, credit unions, or other institutions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17A(d)15.

Social Security Number, Tax Identification
Number, or other identifying number of
Assignee: _____

LEGAL OPINION

The following is a true copy of the opinion rendered by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the 2016 General Obligation Refunding Bonds. A signed copy is on file in my office.

Secretary of the Board of Trustees

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation
400 Capitol Mall, 27th floor
Sacramento, CA 95814-4417

Board of Trustees
Chico Unified School District

Re: Chico Unified School District (Butte County, California)
2016 General Obligation Refunding Bonds

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Chico Unified School District (the "District") of \$[PAR AMOUNT] principal amount of Chico Unified School District (Butte County, California) 2016 General Obligation Refunding Bonds (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. The County of Butte is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from State of California personal income taxation.

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD,
A Professional Corporation

[Insert Statement of Insurance, if applicable]

\$[PAR AMOUNT]
CHICO UNIFIED DISTRICT
2016 GENERAL OBLIGATION REFUNDING BONDS

BOND PURCHASE AGREEMENT

_____, 2016

Board of Trustees
 Chico Unified District
 1163 East Seventh Street, Chico, CA 95928

Ladies and Gentlemen:

The undersigned, _____ (the "Underwriter"), hereby offers to enter into this Bond Purchase Agreement with Chico Unified District (the "District"), which, upon acceptance of this offer by the District, will be binding upon the District and the Underwriter. This offer is made subject to the written acceptance of this Bond Purchase Agreement by execution by the Superintendent, the Assistant Superintendent Business Services or other authorized officers of the District and the delivery of such acceptance to the Underwriter at or prior to 5:00 p.m., Pacific Time, on _____, 2016, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District.

1. Definitions. All capitalized terms not defined herein shall have the meaning ascribed to them in the Preliminary Official Statement, dated _____, 2016, of the District with respect to the public offering of the Bonds, unless a different meaning clearly appears from the context, and the following words and terms shall have the following meanings, respectively:

Bond Counsel means Kronick, Moskowitz, Tiedemann & Girard, a Professional Corporation.

Bond Purchase Agreement means this Bond Purchase Agreement.

Bonds mean the Chico Unified District, Butte County, California, 2016 General Obligation Refunding Bonds, issued pursuant to the Paying Agent Agreement.

Business Day means a day on which banks located in California are not required or authorized by law to be closed and the New York Stock Exchange is not closed.

Code means the Internal Revenue Code of 1986, as amended.

Closing Date means the date of payment for and delivery of the Bonds as established pursuant to Section 6 (Closing) hereof.

Closing Time means the time at which payment for and delivery of the Bonds shall occur, as established pursuant to Section 6 (Closing) hereof.

Continuing Disclosure Certificate means that certain Continuing Disclosure Certificate dated as of the Closing Date executed by the District.

District Documents means the Paying Agent Agreement, the Escrow Agreement, this Bond Purchase Agreement, and the Continuing Disclosure Certificate.

District Resolution means the resolution of the Board of Trustees of the District approving the issuance, sale, execution and delivery of the Bonds and the execution and delivery of the District Documents, approving the Preliminary Official Statement, and authorizing execution of the Official Statement and distribution of the Preliminary Official Statement and the Official Statement.

Escrow Agreement means that certain Escrow Agreement dated September 1, 2016, to be entered into between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent, relating to the refunding of the Refunded Prior Bonds.

Insurance Policy means the municipal bond insurance policy issued by the Insurer and delivered simultaneously with the issuance and delivery of the Bonds, which will insure payment of the principal of and interest on the Bonds.

Insurer means _____.

Official Statement means the final Official Statement of the District, dated the date hereof, relating to the Bonds, together with the cover page thereof and all appendices, exhibits, amendments and supplements thereto, provided by the District.

Paying Agent means The Bank of New York Mellon Trust Company, N.A.

Paying Agent Agreement means that certain Paying Agent Agreement, entered into between the District and the Paying Agent dated October 1, 2016, as amended and supplemented from time to time.

Preliminary Official Statement means the Preliminary Official Statement of the District, dated _____, 2016, relating to the Bonds, together with the cover page thereof and all appendices, exhibits, amendments and supplements thereto provided by the District.

Prior Bonds means the Chico Unified District (Butte County, California), Election of 1998 General Obligation Bonds, Series B.

Refunded Prior Bonds means the Series B Bonds that mature on and after August 1, 2019.

State means the State of California.

2. Purchase, Sale, and Delivery of the Bonds.

(A) **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties, and agreements set forth herein, the Underwriter hereby agrees to purchase from the District for offering to the public, and the District hereby agrees to execute and deliver to or upon the order of the Underwriter all (but not less than all) of the Bonds, duly authenticated by the Paying Agent. The aggregate purchase price to be paid by the Underwriter for the Bonds shall be \$ _____, which equals the principal amount of the Bonds of \$[PAR AMOUNT], plus net original issue premium of \$ _____, less Underwriter's discount of \$ _____ (the "Purchase Price"). From the Purchase Price, the Underwriter shall withhold and hereby agrees to wire on the Closing Date, in immediately available funds, \$ _____ to the Insurer for payment of a portion of the premium for the Insurance Policy, as provided in Section 11 hereof. The remaining amount of the Purchase Price (\$ _____), shall be paid on the Closing Date, in immediately available funds, by wire

transfer to The Bank of New York Mellon Trust Company, N.A., as Paying Agent, for deposit into the Costs of Issuance Fund and for transfer to The Bank of New York Mellon Trust Company, N.A., as escrow agent, under the Escrow Agreement, as provided in the Paying Agent Agreement.

(B) Delivery of the Bonds. The Underwriter will accept delivery of the Bonds through the facilities of The Depository Trust Company ("DTC") utilizing DTC's FAST delivery system, or at such other place as the District and the Underwriter may otherwise mutually agree upon.

(C) Arm's Length Transaction. The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter; (ii) in connection with such transaction and with the discussions, undertakings, and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and not as agent or fiduciary of the District; (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the District with respect to (a) the offering of the Bonds, or the process leading thereto (whether or not the Underwriter has advised or is currently advising the District on other matters); or (b) any other obligation to the District except the obligations expressly set forth in this Bond Purchase Agreement; and (iv) the District has consulted with its own legal, financial, and other professional advisors to the extent it has deemed appropriate in connection with the Bonds. The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board ("MSRB").

3. Terms of the Bonds. The Bonds shall be substantially in the form described in, shall be issued and secured pursuant to, shall be dated and be payable as provided in, shall bear interest at the rates, shall mature on the dates, and shall be subject to redemption as provided in the Paying Agent Agreement and Exhibit A hereto. Payment of the principal of and interest on the Bonds shall be insured by the Insurance Policy. The Bonds are to be initially registered in the name of Cede & Co., as nominee for DTC. The Bonds will be in such authorized denominations as described in the Official Statement. CUSIP identification numbers will be printed on the Bonds.

4. Official Statement.

(A) Preliminary Official Statement. The District represents that it has duly authorized and caused the preparation and delivery of the Preliminary Official Statement, and confirms that the Preliminary Official Statement was deemed final for purposes of Rule 15c2-12 adopted under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), as of its date, except for final information as to the offering prices, interest rates, selling compensation, amount of proceeds, delivery dates, other terms of the Bonds depending on such factors, and other information permitted to be omitted under Rule 15c2-12. The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first-class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

(B) Final Official Statement. The District agrees to deliver to the Underwriter as many copies of the final Official Statement, which includes the information omitted from the Preliminary Official Statement in accordance with Rule 15c2-12, and any supplements or amendments thereto as have been approved by the Underwriter, as the Underwriter shall reasonably request to enable it to meet its obligations under Rule 15c2-12 and under Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The District agrees to deliver such Official Statements within seven business days after the execution hereof (or earlier if necessary to accompany any confirmation that requires payment from any customer).

(C) End of the Underwriting Period. The "End of the Underwriting Period" is used as defined in Rule 15c2-12 and shall occur on the later of (i) the Closing Date; or (ii) when the Underwriter no longer retains an unsold balance of the Bonds; unless otherwise advised in writing by the Underwriter to the District on or prior to the Closing Date, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the Underwriting Period is the Closing Date.

(D) Amendments or Supplements to Official Statement. If at any time prior to the twenty-fifth (25) day after the End of the Underwriting Period (or such other period as may be agreed to by the District and the Underwriter), any event occurs as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein relating to the District, in light of the circumstances existing at such time, not misleading, the District shall forthwith notify the Underwriter in writing of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires an amendment or supplement to the Official Statement, the District will at its expense amend or supplement the Official Statement in a form and manner approved by the Underwriter. Any information supplied by the District for inclusion in any amendments or supplements to the Official Statement will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If such notification shall be given subsequent to the Closing, the District also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

5. Public Offering of the Bonds. The Underwriter agrees to offer the Bonds for sale to the public at the initial public offering price or prices (or yield or yields) set forth on Exhibit A attached hereto and made a part hereof; provided, however, that the Underwriter reserves the right to change such initial public offering prices or yields as the Underwriter deems necessary or desirable, in its sole discretion in connection with the marketing of the Bonds, and to sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or higher than the yields set forth in the Official Statement. The Underwriter also reserves the right (a) to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market, and (b) to discontinue such stabilizing, if commenced, at any time. A public offering shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

6. **Closing.** The Closing Time shall be no later than 9:00 a.m., Pacific Time, on _____, 2016, or at such earlier or later time or on such earlier date as shall have been mutually agreed upon by the District and the Underwriter. The documents described in Section 8(E) (**Receipt of Documents**) hereof shall be delivered to the Underwriter at the Closing Time; and the Underwriter will accept delivery of such documents and pay the purchase price for the Bonds as described above. Delivery of such documents shall be made at the offices of Bond Counsel, 400 Capitol Mall, 27th Floor, Sacramento, California, or at such other place as shall have been mutually agreed upon by the District and the Underwriter. The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, the District Documents, the Preliminary Official Statement and the Official Statement, and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Bond Purchase Agreement.

7. **Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees to the Underwriter that:

(A) **Valid Existence.** The District is a school district duly organized and validly existing under the laws of the State.

(B) **Authority.** The District has full legal right, power and authority under the laws of the State (i) to enter into the District Documents; (ii) to approve and execute the Official Statement; (iii) to issue, execute, sell, and deliver the Bonds to the Underwriter as provided herein; (iv) to perform its obligations under the District Documents; and (v) to consummate the transactions as described in the District Documents and the Official Statement.

(C) **Official Action.** By all necessary action, the District has duly approved the Preliminary Official Statement and authorized: (i) the execution and delivery of the District Documents and the issuance, sale, execution, and delivery of the Bonds; (ii) approval of the final Official Statement and the signing of the Official Statement by the District's Superintendent or Senior Director of Fiscal Services, or their designee; (iii) distribution of the Preliminary Official Statement and the Official Statement by the Underwriter; and (iv) the performance of the District's obligations under the District Documents and the consummation of the transactions to be consummated on its part as described therein and in the Official Statement.

(D) **Validity of Documents.** Assuming due authorization, execution, and delivery by the other parties thereto, this Bond Purchase Agreement is in full force and effect as of the date hereof and the other District Documents and the Bonds, upon execution thereof, will each constitute valid and binding agreements or obligations of the District, enforceable in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles.

(E) **Government Approvals.** All consents, approvals, authorizations, orders, licenses, or permits of any governmental authority, legislative body, board, agency, or commission having jurisdiction of the matter (i) that are required for the due authorization by the District; or (ii) that would constitute a condition precedent to, or the absence of which would materially adversely affect, the issuance, sale, or delivery of the Bonds or the due performance by the District of its obligations under the District Documents, have been duly obtained (except

for such approvals, consents, and orders as may be required under the Blue Sky or other securities laws of any state in connection with the offering and sale of the Bonds, as to which no representation is made).

(F) No Violation of Law. The issuance, sale, and delivery of the Bonds, the execution and delivery of the District Documents, and compliance with the District's obligations therein will not violate any such constitutional provision, law, administrative regulation, judgment, or decree.

(G) No Breach of Contracts. The issuance, sale, and delivery of the Bonds, the execution and delivery of the District Documents, and compliance with the District's obligations therein will not conflict with, result in a breach of or constitute a default under the Constitution of the State or any existing law, any loan agreement, indenture, bond, note, resolution, agreement, mortgage, lease, or other instrument to which the District is a party or by which it is bound.

(H) No Litigation. As of the date hereof and except as may be described in the Official Statement, no action or proceeding before any court, governmental agency or arbitrator is pending or overtly threatened in writing against the District (i) in any way affecting the existence of the District or in any way challenging the respective powers of the Board of Trustees of the District or any officer of the District who is required to act with respect to the issuance, execution, sale, and delivery of the Bonds or the execution and delivery of the District Documents; (ii) affecting or seeking to prohibit, restrain, or enjoin the issuance, sale, execution, or delivery of the Bonds, the application of the proceeds of the sale of the Bonds, or the levy of any taxes contemplated by the Paying Agent Agreement; (iii) in any way contesting or affecting the validity or enforceability of the Bonds or the District Documents, the powers of the District, or its authority with respect to the issuance, sale, or delivery of the Bonds or the execution and delivery of the District Documents; (iv) in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement; (v) in any way contesting or challenging the consummation of the transactions contemplated by the Official Statement or the District Documents; or (vi) in which a final adverse decision could materially adversely affect the operations of the District or adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxes.

(I) No Debt Issues. Between the date hereof and the Closing Time, without the written consent of the Underwriter, which consent will not be unreasonably withheld, the District will not offer or issue (or request the County of Butte to issue on its behalf) any bonds, notes, or other obligations for borrowed money, or incur any material liabilities, direct or contingent, except in the course of normal business operations of the District.

(J) "Blue Sky" Qualification. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for distribution of the Bonds;

provided, however, that the District shall not be required to register as a broker-dealer in any state or other jurisdiction of the United States.

(K) Accuracy of Preliminary Official Statement. As of the date thereof, and at the time of the District's acceptance hereof, the Preliminary Official Statement (except for any information about the Insurer or DTC) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Preliminary Official Statement, in light of the circumstances under which they were made, not misleading.

(L) Accuracy of Official Statement. As of the date hereof, and (unless an event occurs of the nature described in Section 4(D) (Amendments or Supplements to Official Statement)) at all times subsequent hereto, up to and including the end of the underwriting period as described in Section 4(C) (End of the Underwriting Period), the Official Statement (except for any information about the Insurer or DTC) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they are made, not misleading.

(M) Accuracy of Supplemented Official Statement. If the Official Statement is supplemented or amended pursuant to Section 4(D) (Amendments or Supplements to Official Statement), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such Section) at all times subsequent thereto up to and including the end of the underwriting period as described in Section 4(C) (End of the Underwriting Period), the Official Statement as so supplemented or amended (except for any information about the Insurer or DTC) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(N) Officials' Certificates. Any certificate signed by any officer or representative of the District with respect to the Bonds or the District Documents and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(O) Tax Covenant. The District shall not take any action or fail to take any action, or permit any action or omission with regard to which the District may exercise control, with respect to the proceeds of the Bonds that, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused interest on the Bonds not to be excludable from gross income for federal income tax purposes.

(P) Financial Statements of District. The financial statements of the District contained in the Preliminary Official Statement and final Official Statement fairly present the financial position and results of operations of the District as of the dates and for the periods therein set forth, and, since the date thereof, there has been no material adverse change in the financial position or results of operations of the District.

(Q) Levy of Tax. The District hereby agrees to take any and all actions as may be required by Butte County (the "County") or otherwise necessary in order to arrange for the

levy and collection of taxes, payment of the Bonds, and the deposit and investment of Bond proceeds.

8. Conditions to the Underwriter's Obligations. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations, warranties, and obligations of the District contained herein, in the other District Documents, and in the other documents and instruments to be delivered on the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement shall be subject to the following conditions:

(A) Representations and Warranties. The representations and warranties of the District contained herein shall be true, complete, and correct in all material respects at the date hereof and at and as of the Closing Time, as if made at and as of the Closing Time and will be confirmed by a certificate or certificates of the appropriate District officer or officers dated the Closing Date; the statements made in all Bonds and other documents delivered to the Underwriter at the Closing Time pursuant hereto shall be true, complete, and correct in all material respects at the Closing Time; and the District shall be in compliance with each of the warranties, agreements, and covenants made by it in the District Documents.

(B) Actions and Obligations. (i) At the Closing Time, all actions that in the opinion of Bond Counsel are necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and (ii) the District shall perform or have performed all of its obligations required under or specified in the District Documents to be performed at or prior to the Closing Time.

(C) Actions Relating to Documents. As of the date hereof and at the Closing Time, all necessary actions of the District relating to the District Documents and the Official Statement, and all other matters with respect to authorization, issuance, execution, sale, and delivery of the Bonds, shall have been taken and shall be in full force and effect and shall not have been amended, modified, or supplemented in any material respect, except as agreed to in writing by the Underwriter.

(D) No Material Change. Subsequent to the date hereof and up to and including the Closing Time, there shall not have occurred any change in the financial position, results of operations, or condition, financial or otherwise, of the District; or in any of the District Documents, as the foregoing matters are described in the Official Statement, that in the reasonable judgment of the Underwriter would materially impair the investment quality of the Bonds.

(E) Receipt of Documents. At or prior to Closing Date, the Underwriter shall receive a transcript of all proceedings relating to the authorization, issuance, execution, sale, and delivery of the Bonds, certified by such officer or officers of the District as shall be satisfactory to the Underwriter, specifically including copies of each of the following documents:

(i) Official Statement. The Official Statement delivered in accordance with Section 4 (Official Statement) hereof and each supplement or amendment, if any, each executed by the Superintendent or Senior Director of Fiscal Services, or their designee, or such other authorized officer of the District.

(ii) Final Opinion of Bond Counsel. An approving legal opinion of Bond Counsel, dated the Closing Date, in the form of Appendix C to the Official Statement,

and a letter from Bond Counsel addressed to the Underwriter authorizing the Underwriter to rely on that opinion.

(iii) Supplemental Opinion of Bond Counsel. A supplemental opinion of Bond Counsel, addressed to the Underwriter, in form and substance to the effect that:

(1) The statements and information contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE BONDS," "TAX MATTERS," and "CERTAIN LEGAL MATTERS," insofar as such statements purport to summarize certain provisions of the Bonds, the Paying Agent Agreement and such counsel's opinion with respect to the validity of, and certain Federal and State of California tax matters relating to, the Bonds, are true and accurate in all material respects;

(2) The Bonds are exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), and the Paying Agent Agreement is exempt from qualification as an Paying Agent Agreement pursuant to the Trust Paying Agent Agreement Act of 1939, as amended; and

(3) The District Documents have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies, and except as the enforceability of the indemnification or waiver provisions contained in the District Documents may be limited by applicable securities laws or public policy.

(iv) Disclosure Counsel Opinion. An opinion, dated the Closing Date and addressed to the District and the Underwriter, of Disclosure Counsel, to the effect that without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement and the Official Statement, but on the basis of their participation in conferences with representatives of the District, the Underwriter and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Preliminary Official Statement as of its date and the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to DTC or the book-entry system, the Insurer, the Insurance Policy, or any financial or statistical data contained in the Official Statement);

(v) Opinion of Insurer's Counsel. A legal opinion of counsel to the Insurer, addressed to the Underwriter and the District, dated the Closing Date, in form and substance acceptable to the Underwriter, to the effect that:

(1) The Insurer is a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York, and is duly qualified to conduct an insurance business in the State of California; and

(2) The Insurance Policy has been duly executed and is a valid and binding obligation of the Insurer enforceable in accordance with its terms except that the enforcement of the Insurance Policy may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditor's rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(vi) District Resolution. The District Resolution, certified by the Clerk or the Secretary of the Board of Trustees.

(vii) Tax Certificate. A Tax Certificate of the District in form satisfactory to Bond Counsel, signed by such officers of the District as shall be satisfactory to Bond Counsel and the Underwriter.

(viii) District's Certificate. A certificate, dated the Closing Date and signed by such officers of the District as shall be satisfactory to the Underwriter, to the effect that:

(1) the representations and warranties of the District contained herein are true and correct in all material respects on and as of the Closing Time with the same effect as if made at the Closing Time;

(2) the District Resolution is in full force and effect at the Closing Time and has not been amended, modified, or supplemented, except as agreed to in writing by the Underwriter;

(3) there has not been any adverse change of a material nature in the financial position, results of operations, or condition, financial or otherwise, of the District since the date of this Bond Purchase Agreement; and

(4) the District has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Time.

(ix) Insurer's Certificate. A certificate, dated the Closing Date and signed by such officers of the Insurer as shall be satisfactory to the Underwriter, to the effect that the information with respect to the Insurer and the Insurance Policy in the Official Statement is true and correct in all material respects on and as of the Closing Date.

(x) Certificate or Certificates of The Bank of New York Mellon Trust Company, N.A. A certificate or certificates dated the Closing Date of an authorized officer of The Bank of New York Mellon Trust Company, N.A. (the "Bank") to the effect that:

(1) the Bank has duly accepted its duties under the Paying Agent Agreement and the Escrow Agreement;

(2) the Escrow Agreement was duly executed and delivered by the Bank and the Bonds were duly authenticated in the name and on behalf of the Bank, as Paying Agent, by authorized signatories of the Bank; and

(3) to the knowledge of the Bank, there are no actions or proceedings against the Bank pending (service of process having been accomplished) before any court, governmental agency, or arbitrator, or overtly threatened in writing, that a) seek to restrain or enjoin the execution and delivery of the Escrow Agreement by the Bank or the delivery of the Bonds by the Paying Agent or b) seek to affect the validity of the Bonds or the Paying Agent Agreement against the Paying Agent or the Escrow Agreement against the Escrow Agent.

(xi) Agreements. Fully executed copies of the Paying Agent Agreement, the Escrow Agreement, and the Continuing Disclosure Certificate.

(xii) Insurance Policy. A copy of the original Insurance Policy, in form and substance satisfactory to the Underwriter.

(xiii) Rating Letters. Letters from Standard & Poor's ("S&P") evidencing that the Bonds are rated "AA," based upon the issuance of the Insurance Policy by the Insurer, and the Bonds have received an underlying rating of "A" by S&P, and that each such rating is in full force and effect and has not been withdrawn or downgraded for any reason.

(xiv) Underwriter's Counsel Opinion. An opinion, dated the Closing Date and addressed to the Underwriter, of _____, Underwriter's Counsel, in format and substance acceptable to the Underwriter.

(xv) Verification Report. A report (as required by Government Code section 53558) from a certified public accountant licensed to practice in California certifying the sufficiency of the proceeds of the Bonds and the maturing principal amounts of and interest earned on the government obligations purchased therewith and the other moneys to be deposited pursuant to the Escrow Agreement to pay and redeem the Refunded Prior Bonds and to pay the designated costs of issuance of the Bonds.

(xvi) Defeasance Opinion of Bond Counsel. An opinion of Bond Counsel, dated the Closing Date and addressed to the District, the Underwriter, and the Paying Agent, relating to the defeasance of the Prior Bonds.

(xvii) Other Legal Opinions and Documents. Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the District and the Paying Agent with all legal requirements with respect to the issuance, sale, execution and delivery of the Bonds and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

9. Termination. If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Bond Purchase Agreement or if the Underwriter's

obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be cancelled by the Underwriter at, or at any time prior to, the Closing Time. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived in writing by the Underwriter at its sole discretion.

The Underwriter shall also have the right to cancel its obligations to purchase the Bonds, by written notice to the District, if between the date hereof and the Closing Time:

(A) Inaccuracy of Official Statement. Any event occurs or information becomes known that, in the reasonable judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(B) Change in Law Affecting Bonds. Any legislation, resolution, ordinance, rule, or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State, or a decision by any court of competent jurisdiction within the State shall be rendered, or any action taken by any department or agency of the State or federal government that, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds;

(C) Change in Law Affecting Tax Consequences of Interest Paid on the Bonds. The market for the Bonds or the market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by legislation enacted or in by the Congress of the United States, or passed by either House of the Congress, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or by the legislature of the State; or a decision rendered by a court of the United States or the State or by the United States Tax Court, or a ruling, order, or regulation (final or temporary) made by the Treasury Department of the United States or the Internal Revenue Service or other federal or State authority, that would have the effect of changing, directly or indirectly, the federal income tax consequences or State income tax consequences of the receipt of interest paid with respect to obligations of the general character of the Bonds;

(D) Administrative Action Affecting Securities Law Status. A stop order, ruling, regulation, or official statement by, or on behalf of, the Securities and Exchange Commission (including a no-action or interpretive letter of the staff thereof) or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, execution, sale, or delivery of obligations of the general character of the Bonds, including any underlying or related arrangements, as contemplated hereby or by the Official Statement, is in violation of (or would be in violation unless registered or otherwise qualified under) any provision of the Securities Act of 1933, as amended and as then in effect (the "Securities Act"), or the Bonds, including any underlying or related arrangements, are required to be registered under the Securities Exchange Act of 1934, as amended and as then in effect (the

"Exchange Act"), or the Paying Agent Agreement is required to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act");

(E) Change in Law Affecting Securities Law Status. Legislation shall be introduced in or enacted by the Congress of the United States of America, or a decision by a court of the United States of America shall be rendered, to the effect that obligations of the general character of the Bonds, including any underlying or related arrangements, are not exempt from registration, qualification, or the other requirements of the Securities Act or the Exchange Act that are not now applicable to the Bonds and any underlying or related arrangements or that the Paying Agent Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act;

(F) Change in Capital Requirements. Any national securities exchange, or any governmental authority, shall impose, as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(G) Banking Moratorium. A general banking moratorium shall have been established by federal, New York, or State authorities;

(H) National Emergency. A war involving the United States of America shall have been declared, or any conflict involving the armed forces of the United States of America shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred (regardless of the circumstances, if any, that exist as to such events as of the date hereof) that, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds;

(I) Suspension of Trading. A general suspension of trading on any national securities exchange shall be in force;

(J) Trading Restrictions. Additional material restrictions not in force or not being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange that, in the professional opinion of the Underwriter, materially and adversely affects the market price for the Bonds;

(K) Event Requiring Amendment of Official Statement. An event described in Section 4(D) (Amendments or Supplements to Official Statement) hereof shall have occurred that, in the reasonable professional opinion of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement and, in such event, the District refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds;

(L) Litigation. Any litigation shall be instituted or be pending at the Closing Time to restrain or enjoin the issuance, execution, or delivery of the Bonds or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and

approving the Bonds, the District Documents, the security for the Bonds, or the existence or powers of the District; or

(M) Ratings Withdrawal or Downgrade. The withdrawal or downgrading or placement on credit watch of any rating of the Bonds or the District's outstanding indebtedness by any national rating agency then rating the Bonds, excluding downgrades resulting from downgrades of the Insurer or other bond insurers.

If the Underwriter terminates its obligations to purchase the Bonds because the conditions specified in this Bond Purchase Agreement shall not have been fulfilled at or before the Closing Time, such termination shall not result in any liability on the part of the Underwriter.

10. Conditions to Obligations of the District. The performance by the District of its obligations hereunder is conditioned upon (i) the performance by the Underwriter of its obligations hereunder at or prior to the Closing Date; and (ii) the following additional conditions:

(A) Continued Legality. No order, decree, injunction, ruling, or regulation of any court, regulatory agency, public board, or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly, of prohibiting the issuance, offering, sale, execution, or delivery of the Bonds as contemplated hereby or by the Official Statement;

(B) Opinions and Certificates. The opinions and certificates required to be delivered at the Closing Time under Section 8(E) (Receipt of Documents) of this Bond Purchase Agreement by persons and entities other than the District shall have been delivered to the District in form and substance satisfactory to Bond Counsel.

11. Expenses.

The District shall pay any expenses incident to the performance of its obligations hereunder from the proceeds of the Bonds, including but not limited to the following:

- (i) the cost of the preparation and reproduction of the District Documents;
- (ii) the fees and disbursements of Bond Counsel, disclosure counsel, accountants, and any other experts or consultants retained in connection with the Bonds;
- (iii) the cost of the preparation, printing and delivery of the Bonds;
- (iv) the fees, if any, for Bond ratings, including all necessary travel expenses;
- (v) the cost of the printing and distribution of the Preliminary Official Statement, and the Official Statement;
- (vi) the initial fees of the Paying Agent and Escrow Agent;
- (vii) the premium for the Insurance Policy; and
- (viii) all other fees and expenses incident to the issuance and sale of the Bonds.

The District acknowledges that it has had an opportunity, in consultation with such advisors as it deemed appropriate, if any, to evaluate and consider the fees and expenses being incurred in the issuance, sale, execution and delivery of the Bonds.

The District hereby directs the Underwriter to wire on the Closing Date at or before the Closing Time \$_____ directly to the Insurer in payment of a portion of the premium for the Insurance Policy. All out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission and CUSIP fees, travel (other than related to the Bond ratings), all expenses incurred by it in connection with the public offering and distribution of the Bonds (including all advertisement expenses and "blue sky" filing fees), fees of counsel to the Underwriter, and other expenses (except as provided above) without limitation, shall be paid by the Underwriter.

12. **Continuing Disclosure.** The District will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. Except as described in the Preliminary Official Statement and the Official Statement, the District has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure certificate or agreement under the Rule.

13. **Notices.** Any notice or other communication to be given under this Bond Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing, addressed as follows:

If to the District: Board of Trustees
 Chico Unified District
 1163 East Seventh Street, Chico, CA 95928
 Attention: Superintendent

If to the Underwriter:

14. **Parties in Interest.** This Bond Purchase Agreement when accepted by the District in writing as heretofore specified, shall constitute the entire agreement between the District and the Underwriter and is made solely for the benefit of the District and the Underwriter (including the successors of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof.

15. **Survival of Representations and Warranties.** All representations, warranties, and agreements of the District in this Bond Purchase Agreement shall survive regardless of (a) any investigation of any statement in respect thereof made by or on behalf of the Underwriter; (b) delivery of and payment by the Underwriter for the Bonds hereunder; and (c) any termination of this Bond Purchase Agreement.

16. **Section Headings and References.** The headings or titles of the sections and subsections of this Bond Purchase Agreement are solely for convenience of reference and shall not affect the meaning, construction, or effect of any provision of this Bond Purchase Agreement.

17. **Execution in Counterparts.** This Bond Purchase Agreement may be executed in several counterparts and by each of the parties hereto in separate counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

18. **Applicable Law.** This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

19. **Effective Date.** This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement to be duly executed by their officers duly authorized as of the date first written above.

Underwriter

By: _____

CHICO UNIFIED DISTRICT

By: _____
Assistant Superintendent, Business Services

The above is hereby agreed to and accepted
as of, 2016, at _____ p.m. Pacific
Time.

EXHIBIT A

DESCRIPTION OF THE BONDS

Maturity Date				
August 1	Amount	Interest Rate	Yield	Price

REDEMPTION PROVISIONS

\$[PAR AMOUNT]
CHICO UNIFIED SCHOOL DISTRICT
(Butte County, California)
2016 General Obligation Refunding Bonds

CONTINUING DISCLOSURE CERTIFICATE

Dated: [closing date]

This Continuing Disclosure Certificate (this "Disclosure Certificate") is delivered by the Chico Unified School District (the "District") in connection with the issuance of the above-referenced bonds (the "Bonds") pursuant to a Paying Agent Agreement dated October 1, 2016 (the "Paying Agent Agreement"), between the District and The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

Annual Report means any Annual Report provided by the District pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

Beneficial Owner means any person that (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.

Dissemination Agent means _____, or any successor Dissemination Agent designated in writing by the District (which may be the District) and that has filed with the District a written acceptance of such designation.

EMMA or Electronic Municipal Market Access means the centralized on-line repository for documents filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

Bondholder or Holder means the registered owner of the Bonds.

Listed Events means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

MSRB means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for

purposes of the Rule, or any other repository of disclosure information, which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

Official Statement means the final Official Statement dated _____, 2016 relating to the Bonds.

Opinion of Bond Counsel means a written opinion of a law firm or attorney experienced in matters relating to obligations the interest on which is excludable from gross income for federal income tax purposes.

Participating Underwriter means [UNDERWRITER], or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repositories means MSRB or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future. (As of the date of this Certificate, there is no California state information repository.)

Rule means 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 means the State of California.

Section 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repositories. The District shall, or shall cause the Dissemination Agent to, not later than eight (8) months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2015-16 fiscal year, provide to the Repositories an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as a package of separate documents and may include by cross-reference other information as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the District 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.

b. Change of Fiscal Year. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events).

c. Delivery of Annual Report to Dissemination Agent. Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

d. Report of Non-Compliance. If the District is unable to provide an Annual Report to the Repositories by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the Repositories in substantially the form attached as Exhibit A.

e. Annual Compliance Certification. The Dissemination Agent shall if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content and Form of Annual Reports.

a. The District's Annual Report shall contain or include by reference the following:

(1) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's 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;

(2) Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (i) State funding received by the District for the last completed fiscal year;
- (ii) average daily attendance of the District for the last completed fiscal year;
- (iii) outstanding District indebtedness;
- (iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (v) assessed value of taxable property in the District as shown on the recent equalized assessment role; and
- (vi) property tax levies, collections and delinquencies for the District, for the prior fiscal year, to the extent the County of Butte no longer implements the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, for ad valorem tax levies within the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repositories or the Securities and Exchange Commission. If the

document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

Section 5. Reporting of Significant Events.

Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

- (1) principal and interest payment delinquencies.
- (2) tender offers.
- (3) defeasances.
- (4) rating changes.
- (5) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- (6) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (7) unscheduled draws on credit enhancement reflecting financial difficulties.
- (8) substitution of the credit or liquidity providers or their failure to perform.
- (9) bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) non-payment related defaults.

- (2) modifications to rights of Bondholders.
- (3) optional, contingent or unscheduled Bond calls.
- (4) unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (5) release, substitution or sale of property securing repayment of the Bonds.
- (6) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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.
- (7) Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repositories in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repositories in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

Section 6. Filings with MSRB. All documents provided to MSRB under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by MSRB and shall be accompanied by identifying information as prescribed by MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the District of an Opinion of Bond Counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events).

Section 8. Dissemination Agent.

a. Appointment of Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or

without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District.

b. Compensation of Dissemination Agent. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

c. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense, and liability that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including 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 not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an Opinion of Bond Counsel. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a) (Delivery of Annual Report to Repositories), 4 (Content of Annual Reports), or 5(a) (Significant Events), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. Compliance as of Issue Date. The undertaking, as amended or taking into account such waiver, would have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and the District obtains an Opinion of Bond Counsel to that effect; and

c. Consent of Holders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Paying Agent Agreement

for amendments to the Paying Agent Agreement with the consent of Bondholders, or (ii) does not materially impair the interests of the Bondholders and the District obtains an Opinion of Bond Counsel to that effect.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the District 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 Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate any Bondholder 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 District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Paying Agent Agreement, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters, Bondholders, and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

[signature page follows]

IN WITNESS WHEREOF, the District has caused this Continuing Disclosure Certificate to be executed by its authorized officer as of the day and year first above written.

CHICO UNIFIED SCHOOL DISTRICT

By: _____
Authorized Officer

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Chico Unified School District

Name of Bonds: 2016 General Obligation Refunding Bonds

Date of Delivery: [closing date]

NOTICE IS HEREBY GIVEN that the Chico Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by a Continuing Disclosure Certificate executed [closing date], with respect to the above-captioned bond issue. The District anticipates that the Annual Report will be filed by _____.

CHICO UNIFIED SCHOOL DISTRICT

By: _____ [SAMPLE ONLY]
Authorized Officer

